



- ANNUAL FINANCIAL REPORT
- Independent Auditor's Report
- PERFORMANCE STATEMENT
- Independent Auditor's Report

For the Year Ended 30 June 2016



Hepburn Shire Council

Financial Report

Table of Contents

FINANCIAL REPORT	Page
Financial Statements	
Comprehensive Income Statement	1
Balance Sheet	2
Statement of Changes in Equity	3
Statement of Cash Flows	4
Statement of Capital Works	5
Notes to Financial Statements	
Introduction	6
Note 1 Significant accounting policies	6
Note 2 Budget comparison	12
Note 3 Rates and charges	14
Note 4 Statutory fees and fines	14
Note 5 User fees	14
Note 6 Grants	15
Note 7 Contributions	16
Note 8 Net gain / (loss) on disposal of property, infrastructure, plant and equipment	16
Note 9 Other income	16
Note 10 Employee costs	16
Note 11 Materials and services	17
Note 12 Bad and doubtful debts	17
Note 13 Depreciation and amortisation	17
Note 14 Borrowing costs	17
Note 15 Other expenses	17
Note 16 Cash and cash equivalents	18
Note 17 Trade and other receivables	18
Note 18 Other financial assets	19
Note 19 Inventories	19
Note 20 Other assets	19
Note 21 Property, infrastructure, plant and equipment	20
Note 22 Intangible assets	26
Note 23 Trade and other payables	26
Note 24 Trust funds and deposits	26
Note 25 Provisions	27
Note 26 Interest bearing loans and borrowings	28
Note 27 Other liabilities	28
Note 28 Reserves	29
Note 29 Reconciliation of cash flows from operating activities to surplus/(deficit)	30
Note 30 Financing arrangements	30
Note 31 Commitments	31
Note 32 Operating leases	32
Note 33 Superannuation	32
Note 34 Contingent liabilities and contingent assets	33
Note 35 Financial instruments	34
Note 36 Related party transactions	35
Note 37 Events occurring after balance date	36
Certification of the Financial Statements	37

Comprehensive Income Statement For the Year Ended 30 June 2016

	Note	2016 \$	2015 \$
Income			
Rates and charges	3	17,867,828	17,133,155
Statutory fees and fines	4	645,715	514,625
User fees	5	907,788	804,779
Grants - operating	6	3,782,136	6,337,701
Grants - capital	6	6,023,187	5,322,704
Contributions - monetary	7	237,877	219,959
Contributions - non monetary	7	1,060,183	-
Net gain (or loss) on disposal of property, infrastructure, plant and equipment	8	204,894	172,042
Other income	9	1,721,017	1,865,197
Total income		<u>32,450,625</u>	<u>32,370,162</u>
Expenses			
Employee costs	10	11,126,621	10,180,837
Materials and services	11	8,596,263	9,249,161
Bad and doubtful debts	12	55,577	195,720
Depreciation and amortisation	13	6,530,001	6,488,659
Borrowing costs	14	186,463	259,185
Other expenses	15	839,116	778,614
Total expenses		<u>27,334,041</u>	<u>27,152,175</u>
Surplus/(deficit) for the year		<u>5,116,585</u>	<u>5,217,987</u>
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment/(decrement)	21	4,097,672	-
Total comprehensive result		<u>9,214,257</u>	<u>5,217,987</u>

The above comprehensive income statement should be read in conjunction with the accompanying notes.

Balance Sheet As at 30 June 2016

	Note	2016 \$	2015 \$
Assets			
Current assets			
Cash and cash equivalents	16	3,929,554	13,439,262
Trade and other receivables	17	2,820,705	2,093,868
Other financial assets	18	9,327,000	1,313,000
Inventories	19	17,612	16,652
Other assets	20	108,363	68,010
Total current assets		<u>16,203,235</u>	<u>16,930,792</u>
Non-current assets			
Property, infrastructure, plant and equipment	21	223,439,222	214,851,999
Intangible assets	22	629,550	707,385
Total non-current assets		<u>224,068,772</u>	<u>215,559,384</u>
Total assets		<u>240,272,006</u>	<u>232,490,176</u>
Liabilities			
Current liabilities			
Trade and other payables	23	1,585,580	2,207,493
Trust funds and deposits	24	1,033,636	1,472,886
Provisions	25	1,929,895	1,959,612
Interest-bearing loans and borrowings	26	414,670	388,770
Other liabilities	27	104,772	39,445
Total current liabilities		<u>5,068,552</u>	<u>6,068,205</u>
Non-current liabilities			
Provisions	25	501,036	499,797
Interest-bearing loans and borrowings	26	2,300,357	2,716,511
Other liabilities	27	116,071	133,929
Total non-current liabilities		<u>2,917,464</u>	<u>3,350,237</u>
Total liabilities		<u>7,986,016</u>	<u>9,418,442</u>
Net assets		<u>232,285,990</u>	<u>223,071,733</u>
Equity			
Accumulated surplus		141,468,248	137,067,319
Reserves	28	90,817,742	86,004,415
Total Equity		<u>232,285,990</u>	<u>223,071,733</u>

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity For the Year Ended 30 June 2016

	Note	Accumulated		Revaluation	Other
		Total	Surplus	Reserve	Reserves
2016		\$	\$	\$	\$
Balance at beginning of the financial year		223,071,733	137,067,319	84,190,881	1,813,534
Surplus/(deficit) for the year		5,116,585	5,116,585	-	-
Net asset revaluation increment/(decrement)	28(a)	4,097,672	-	4,097,672	-
Transfers to other reserves	28(b)	-	(1,159,650)	-	1,159,650
Transfers from other reserves	28(b)	-	443,995	-	(443,995)
Balance at end of the financial year		232,285,990	141,468,248	88,288,553	2,529,189

	Note	Accumulated		Revaluation	Other
		Total	Surplus	Reserve	Reserves
2015		\$	\$	\$	\$
Balance at beginning of the financial year		217,853,746	132,462,762	84,190,881	1,200,103
Surplus/(deficit) for the year		5,217,987	5,217,987	-	-
Net asset revaluation increment/(decrement)	28(a)	-	-	-	-
Transfers to other reserves	28(b)	-	(634,126)	-	634,126
Transfers from other reserves	28(b)	-	20,695	-	(20,695)
Balance at end of the financial year		223,071,733	137,067,319	84,190,881	1,813,534

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows
For the Year Ended 30 June 2016

	Note	2016 Inflows/ (Outflows) \$	2015 Inflows/ (Outflows) \$
Cash flows from operating activities			
Rates and charges		17,515,208	17,200,590
Statutory fees and fines		565,351	509,406
User fees		791,654	667,097
Grants - operating		3,782,136	6,337,701
Grants - capital		6,023,187	5,322,704
Contributions - monetary		237,877	219,959
Interest received		372,217	416,277
Rent received		721,616	1,884,959
Trust funds and deposits taken		3,450,487	1,072,707
Other receipts		291,133	371,665
Net GST refund/payment		139,598	18,073
Employee costs		(11,134,879)	(10,041,034)
Materials and services		(9,199,642)	(9,020,248)
Trust funds and deposits repaid		(3,955,786)	(1,466,085)
Other payments		(839,116)	(1,619,489)
Net cash provided by/(used in) operating activities	29	<u>8,761,040</u>	<u>11,874,282</u>
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment	21	(9,981,150)	(8,807,665)
Proceeds from sale of property, infrastructure, plant and equipment		301,120	385,484
Payments for investments		(11,014,000)	(1,313,000)
Proceeds from sale of investments		3,000,000	250,000
Net cash provided by/(used in) investing activities		<u>(17,694,030)</u>	<u>(9,485,181)</u>
Cash flows from financing activities			
Finance costs		(186,463)	(259,185)
Proceeds from borrowings		-	1,419,000
Repayment of borrowings		(390,255)	(2,429,351)
Net cash provided by/(used in) financing activities		<u>(576,717)</u>	<u>(1,269,535)</u>
Net increase (decrease) in cash and cash equivalents		(9,509,707)	1,119,566
Cash and cash equivalents at the beginning of the financial year		13,439,262	12,319,696
Cash and cash equivalents at the end of the financial year		<u>3,929,554</u>	<u>13,439,262</u>
Financing arrangements	30		
Restrictions on cash assets	16		

The above statement of cash flow should be read in conjunction with the accompanying notes.

Statement of Capital Works For the Year Ended 30 June 2016

	Note	2016 \$	2015 \$
Property			
Land improvements		64,507	43,038
Total land		64,507	43,038
Buildings		2,081,349	1,044,208
Building improvements		852,235	565,629
Total buildings		2,933,584	(83,987)
Total property		2,998,091	(40,949)
Plant and equipment			
Plant, machinery and equipment		975,204	691,807
Computers and telecommunications		180,930	54,337
Library books		105,040	36,330
Total plant and equipment		1,261,174	782,475
Infrastructure			
Roads		4,424,233	4,055,572
Bridges		74,984	1,181,229
Footpaths and cycleways		214,010	288,134
Drainage		126,244	145,485
Recreational, leisure and community facilities		312,087	273,468
Parks, open space and streetscapes		523,712	336,619
Off street car parks		-	44,358
Other infrastructure		46,614	47,449
Total infrastructure		5,721,885	6,372,315
Total capital works expenditure		9,981,150	7,113,841
Represented by:			
New asset expenditure		449,962	662,721
Asset renewal expenditure		6,602,839	6,710,695
Asset upgrade/expansion expenditure		2,928,349	1,434,249
Total capital works expenditure		9,981,150	8,807,665

The above statement of capital works should be read in conjunction with the accompanying notes.

Introduction

The Hepburn Shire Council was established by an Order of the Governor in Council on 19 January 1995 and is a body corporate.
The Council's main office is located at 76 Vincent Street, Daylesford.

Statement of compliance

These financial statements are a general purpose financial report that consists of a Comprehensive Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, Statement of Capital Works and Notes accompanying these financial statements. The general purpose financial report complies with the Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1989, and the Local Government (Planning and Reporting) Regulations 2014.

Note 1 Significant accounting policies

(a) Basis of accounting

The accrual basis of accounting has been used in the preparation of these financial statements, whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated judgements are based on professional judgement derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AAS's that have significant effects on the financial statements and estimates relate to:

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 1 (j))
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 1 (k))
- the determination of employee provisions (refer to Note 1 (q)).

Unless otherwise stated, all accounting policies are consistent with those applied in the prior year. Where appropriate, comparative figures have been amended to accord with current presentation, and disclosure has been made of any material changes to comparatives.

(b) Changes in accounting policies

There have been no changes in accounting policies from the previous period.

(c) Committees of management

All entities controlled by Council that have material revenues, expenses, assets or liabilities, such as committees of management, have been included in this financial report. Any transactions between these entities and Council have been eliminated in full.

(d) Revenue recognition

Income is recognised when the Council obtains control of the contribution or the right to receive the contribution, it is probable that the economic benefits comprising the contribution will flow to the Council and the amount of the contribution can be measured reliably.

Rates and Charges

Annual rates and charges are recognised as revenues when Council issues annual rates notices. Supplementary rates are recognised when a valuation and reassessment is completed and a supplementary rates notice issued.

Statutory fees and fines

Statutory fees and fines (including parking fees and fines) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

User fees

User fees are recognised as revenue when the service has been provided or the payment is received, whichever first occurs.

Note 1 Significant accounting policies (cont.)

Grants

Grant income is recognised when Council obtains control of the contribution. This is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and are valued at their fair value at the date of transfer.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 6. The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

Contributions

Monetary and non monetary contributions are recognised as revenue when Council obtains control over the contributed asset.

Sale of property, infrastructure, plant and equipment

The profit or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer.

Interest

Interest is recognised as it is earned.

Dividends

Dividend revenue is recognised when the Council's right to receive payment is established.

Other Income

Other income is measured at the fair value of the consideration received or receivable and is recognised when Council gains control over the right to receive the income.

(e) Fair value measurement

Council measures certain assets and liabilities at fair value where required or permitted by Australian Accounting Standards. AASB 13 Fair value measurement, aims to improve consistency and reduce complexity by providing a definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards.

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within a fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, Council has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, Council determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with original maturities of 90 days or less, net of outstanding bank overdrafts.

(g) Trade and other receivables

Receivables are carried at amortised cost using the effective interest rate method. A provision for doubtful debts is recognised when there is objective evidence that an impairment has occurred.

Note 1 Significant accounting policies (cont.)

(h) Other financial assets

Other financial assets are valued at fair value, being market value, at balance date. Term deposits are measured at amortised cost. Any unrealised gains and losses on holdings at balance date are recognised as either a revenue or expense.

(i) Inventories

Inventories held for distribution are measured at cost, adjusted when applicable for any loss of service potential. Inventories are measured at the lower of cost and net realisable value.

All other inventories, including land held for sale, are measured at the lower of cost and net realisable value. Where inventories are acquired for no cost or nominal consideration, they are measured at current replacement cost at the date of acquisition.

(j) Recognition and measurement of property, plant and equipment, infrastructure, intangibles

Acquisition

The purchase method of accounting is used for all acquisitions of assets, being the fair value of assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition. Fair value is the amount for which the asset could be exchanged between knowledgeable willing parties in an arm's length transaction.

Where assets are constructed by Council, cost includes all materials used in construction, direct labour, borrowing costs incurred during construction, and an appropriate share of directly attributable variable and fixed overheads.

In accordance with Council's policy, the threshold limits detailed in Note 1 (k) have applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year.

Revaluation

Subsequent to the initial recognition of assets, non-current physical assets, other than plant and equipment, are measured at their fair value, being the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. At balance date, the Council reviewed the carrying value of the individual classes of assets measured at fair value to ensure that each asset materially approximated its fair value. Where the carrying value materially differed from the fair value at balance date, the class of asset was revalued.

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use of an asset result in changes to the permissible or practical highest and best use of the asset. Further details regarding the fair value hierarchy are disclosed at Note 21 Property, infrastructure, plant and equipment.

In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from two to five years. The valuation is performed either by experienced council officers or independent experts.

Where the assets are revalued, the revaluation increments are credited directly to the asset revaluation reserve except to the extent that an increment reverses a prior year decrement for that class of asset that had been recognised as an expense in which case the increment is recognised as revenue up to the amount of the expense. Revaluation decrements are recognised as an expense except where prior increments are included in the asset revaluation reserve for that class of asset in which case the decrement is taken to the reserve to the extent of the remaining increments. Within the same class of assets, revaluation increments and decrements within the year are offset.

Land under roads

Council recognises land under roads acquired after 30 June 2008 at fair value. Council does not recognise land under roads that it controlled prior to that period in this financial report.

Note 1 Significant accounting policies (cont.)

(k) Depreciation and amortisation of property, infrastructure, plant and equipment and intangibles

Buildings, land improvements, plant and equipment, infrastructure, and other assets having limited useful lives are systematically depreciated over their useful lives to the Council in a manner which reflects consumption of the service potential embodied in those assets. Estimates of remaining useful lives and residual values are made on a regular basis with major asset classes reassessed annually. Depreciation rates and methods are reviewed annually.

Where assets have separate identifiable components that are subject to regular replacement, these components are assigned distinct useful lives and residual values and a separate depreciation rate is determined for each component.

Road earthworks are not depreciated on the basis that they are assessed as not having a limited useful life.

Straight line depreciation is charged based on the residual useful life as determined each year.

Depreciation periods used are listed below and are consistent with the prior year unless otherwise stated.

<i>Asset recognition thresholds and depreciation periods</i>	Depreciation Period	Threshold Limit \$
Property		
land	-	1,000
land improvements	20-100 years	1,000
Buildings		
buildings	25-150 years	1,000
building improvements	25-150 years	1,000
Plant and Equipment		
plant, machinery and equipment	3-10 years	1,000
fixtures, fittings and furniture	3-20 years	1,000
computers and telecommunications	3-10 years	1,000
library books	10 years	1,000
Infrastructure		
road pavements and seals	10-80 years	1,000
road substructure	10-80 years	1,000
road formation and earthworks	10-80 years	1,000
road kerb, channel and minor culverts	10-65 years	1,000
bridges deck	50-100 years	1,000
bridges substructure	50-100 years	1,000
footpaths and cycleways	10-65 years	1,000
drainage	5-80 years	1,000
recreational, leisure and community facilities	5-80 years	1,000
parks, open space and streetscapes	5-80 years	1,000
off street car parks	5-80 years	1,000
art works	-	1,000
Intangible assets		
intangible assets	10 years	1,000

(l) Repairs and maintenance

Routine maintenance, repair costs, and minor renewal costs are expensed as incurred. Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold the cost is capitalised and depreciated. The carrying value of the replaced asset is expensed.

(m) Investment property

Investment property, comprising freehold office complexes, is held to generate long-term rental yields. Investment property is measured initially at cost, including transaction costs. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefit in excess of the originally assessed performance of the asset will flow to the Council. Subsequent to initial recognition at cost, investment property is carried at fair value, determined annually by independent valuers. Changes to fair value are recorded in the comprehensive income statement in the period that they arise. Rental income from the leasing of investment properties is recognised in the comprehensive income statement on a straight line basis over the lease term.

Note 1 Significant accounting policies (cont.)

(n) Impairment of assets

At each reporting date, the Council reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the comprehensive income statement, unless the asset is carried at the revalued amount in which case, the impairment loss is recognised directly against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

(o) Trust funds and deposits

Amounts received as deposits and retention amounts controlled by Council are recognised as trust funds until they are returned, transferred in accordance with the purpose of the receipt, or forfeited (refer to Note 24).

(p) Borrowings

Borrowings are initially measured at fair value, being the cost of the interest bearing liabilities, net of transaction costs. The measurement basis subsequent to initial recognition depends on whether Council has categorised its interest-bearing liabilities as either financial liabilities designated at fair value through the profit and loss, or financial liabilities at amortised cost. Any difference between the initial recognised amount and the redemption value is recognised in net result over the period of the borrowing using the effective interest method.

The classification depends on the nature and purpose of the interest bearing liabilities. Council determines the classification of its interest bearing liabilities at initial recognition.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except where they are capitalised as part of a qualifying asset constructed by Council. Except where specific borrowings are obtained for the purpose of specific asset acquisition, the weighted average interest rate applicable to borrowings at balance date, excluding borrowings associated with superannuation, is used to determine the borrowing costs to be capitalised.

Borrowing costs include interest on bank overdrafts, interest on borrowings, and finance lease charges.

(q) Employee costs and benefits

The calculation of employee costs and benefits includes all relevant on-costs and are calculated as follows at reporting date:

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulated sick leave expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employee services up to the reporting date, classified as current liabilities and measured at their nominal values.

Liabilities that are not expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits as current liabilities, measured at the present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits.

Current liability - unconditional LSL is disclosed as a current liability even when the council does not expect to settle the liability within 12 months because it will not have the unconditional right to defer settlement of the entitlement should an employee take leave within 12 months.

The components of this current liability are measured at :

- present value - component that is not expected to be wholly settled within 12 months.
- nominal value - component that is expected to be wholly settled within 12 months.

Classification of employee costs

Non-current liability - conditional LSL that has been accrued, where an employee is yet to reach a qualifying term of employment, is disclosed as a non - current liability. There is an unconditional right to defer settlement of the entitlement until the employee has completed the requisite years of service.

This non-current LSL liability is measured at present value.

Note 1 Significant accounting policies (cont.)

(r) Landfill rehabilitation provision

Council is obligated to restore landfill sites to a particular standard. Hepburn Shire Council currently does not have any landfill sites in operation. The provision for landfill restoration has been calculated based on the present value of the expected cost of aftercare works to be undertaken. The expected cost of aftercare works has been based on EPA financial assurance liability calculations. Accordingly, the estimation of the provision required is dependent on the accuracy of the work required and related costs.

(s) Leases

Operating leases

Lease payments for operating leases are required by the accounting standard to be recognised on a straight line basis, rather than expensed in the years in which they are incurred.

(t) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(u) Financial guarantees

Financial guarantee contracts are not recognised as a liability in the balance sheet unless the lender has exercised their right to call on the guarantee or Council has other reasons to believe that it is probable that the right will be exercised. Details of guarantees that Council has provided, that are not recognised in the balance sheet, are disclosed at Note 32 Contingent liabilities and contingent assets.

(v) Contingent assets and contingent liabilities and commitments

Contingent assets and contingent liabilities are not recognised in the Balance Sheet, but are disclosed by way of a Note and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

Commitments are not recognised in the Balance Sheet. Commitments are disclosed at their nominal value by way of Note and presented inclusive of the GST payable.

(w) Pending accounting standards

Certain new AAS's have been issued that are not mandatory for the 30 June 2016 reporting period. Council has assessed these pending standards and has identified that no material impact will flow from the application of these standards in future reporting periods.

(x) Rounding

Unless otherwise stated, amounts in the financial report have been rounded to the nearest dollar. Figures in the financial statement may not equate due to rounding.

Note 2 Budget comparison

The budget comparison notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variances. Council has adopted a materiality threshold of ten percent where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures detailed below are those adopted by Council on 16 June 2015. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for income and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

These notes are prepared to meet the requirements of the *Local Government Act 1989* and the *Local Government (Planning and Reporting) Regulations 2014*.

(a) Income and Expenditure

	Budget 2016 \$	Actual 2016 \$	Variance 2016 \$	Ref
Income				
Rates and charges	18,038,620	17,867,828	(170,792)	1
Statutory fees and fines	444,600	645,715	201,115	2
User fees	732,838	907,788	174,950	3
Grants - operating	4,853,140	3,782,136	(1,071,004)	4
Grants - capital	5,846,348	6,023,187	176,839	
Contributions - monetary	220,000	237,877	17,877	
Contributions - non monetary	-	1,060,183	1,060,183	5
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	52,000	204,894	152,894	6
Other income	1,511,872	1,721,017	209,145	7
Total income	31,699,418	32,450,625	751,207	
Expenses				
Employee costs	10,661,897	11,126,621	(464,724)	8
Materials and services	9,133,807	8,596,263	537,544	9
Bad and doubtful debts	5,955	55,577	(49,622)	10
Depreciation and amortisation	6,916,000	6,530,001	385,999	
Borrowing costs	270,680	186,463	84,217	11
Other expenses	1,105,353	839,116	266,237	12
Total expenses	28,093,692	27,334,041	759,651	
Surplus/(deficit) for the year	3,605,726	5,116,585	1,510,859	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Rates and charges	Garbage and recycling charges down \$105K due to residents opting out of service. Supplementary rates down \$84k due to revaluation year
2	Statutory fees and fines	Town planning fees up \$92K, fire prevention fines up \$63K, environmental health registrations up \$13k and animal registrations up \$17K
3	User fees	Transfer station fees up \$99K and Aquatic centre fees up \$61K
4	Grants - operating	50% (\$1.4 million) of 2015/16 General purpose grant from Victorian Grants Commission received in previous financial year. Natural disaster assistance funding received (\$199K)
5	Contributions	Gifted assets received including Trentham Mechanics and two new road constructions
6	Net gain/(loss) on disposal	Sale of plant carried forward from previous year, plus favourable results on current year disposals
7	Other income	Favourable interest and rental income of \$114K and \$109K respectively
8	Employee costs	Swimming pool management reverted to Council \$145K, increased use of casual staff in infrastructure department \$275K
9	Materials and services	Operational projects including Cameron Court Units \$589K and Calembeen park dive tower \$101K unspent and carried forward to 2016/17.
10	Bad and doubtful debts	Write-off subdivision contribution as permit expired
12	Borrowing costs	Savings due to early repayment of loans in prior financial years
13	Other expenses	Insurance was included as other expense at the time of adopting the budget, but is now reported under materials and contracts as required by the model financial accounts

Note 2 Budget comparison (cont)

(b) Capital Works

	Budget 2016 \$	Actual 2016 \$	Variance 2016 \$	Ref
Property				
Land improvements	120,000	64,507	(55,493)	1
Total Land	120,000	64,507	(55,493)	
Buildings	2,779,725	2,081,349	(698,376)	2
Building improvements	911,950	852,235	(59,715)	
Total Buildings	3,691,675	2,933,584	(758,091)	
Total Property	3,811,675	2,998,091	(813,584)	
Plant and Equipment				
Plant, machinery and equipment	850,000	975,204	125,204	3
Computers and telecommunications	205,000	180,930	(24,070)	
Library books	53,000	105,040	52,040	4
Total Plant and Equipment	1,108,000	1,261,174	153,174	
Infrastructure				
Roads	4,585,000	4,424,233	(160,767)	5
Bridges	180,000	74,984	(105,016)	6
Footpaths and cycleways	255,000	214,010	(40,990)	
Drainage	150,000	126,244	(23,756)	
Recreational, leisure and community facilities	322,263	312,087	(10,176)	
Parks, open space and streetscapes	1,603,000	523,712	(1,079,288)	7
Other infrastructure	50,000	46,614	(3,386)	
Total Infrastructure	7,145,263	5,721,885	(1,423,378)	
Total Capital Works Expenditure	12,064,938	9,981,150	(2,083,788)	
Represented by:				
New asset expenditure	845,000	449,962	(395,038)	
Asset renewal expenditure	6,314,713	6,602,839	288,126	
Asset upgrade/expansion expenditure	4,905,225	2,928,349	(1,976,876)	
Total Capital Works Expenditure	12,064,938	9,981,150	(2,083,788)	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Land	Town and Shire Road Signage project to be carried forward to 2016/17
2	Buildings	Work not progressed on Hub projects at Trentham and Daylesford, carried forward to 2016/17
3	Plant	Large purchase of plant item carried forward from 2014/15
4	Library Books	Carry forward from 2014/15 plus reconciliation of book stock
5	Roads	Funding application for East Street bridge underpass unsuccessful, carried forward to 2016/17
6	Bridges	Works not progressed carried forward to 2016/17
7	Streetscapes	Works not progressed on various projects, carried forward to 2016/17

Notes to the Financial Report
For the Year Ended 30 June 2016

	2016 \$	2015 \$
Note 3 Rates and charges		
Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The CIV of a property is its market value.		
The valuation base used to calculate general rates for 2015/16 was \$3,777.413 million (2014/15 \$3,718.395 million).		
General Rate	10,134,439	9,476,830
Commercial Rate	2,068,177	1,988,915
Farm Rate	1,668,549	1,596,187
Vacant Land Rate - Other	627,176	610,643
Vacant Land Rate - Township	548,685	546,045
Mixed Use Rate	284,840	273,273
Industrial Rate	93,211	85,353
Trust for Nature Rate	15,825	15,331
Recreational Rate	14,325	12,245
Waste management charge	1,143,411	1,341,081
Garbage and recycling charges	1,167,134	982,227
Supplementary rates and rate adjustments	86,458	190,076
Revenue in lieu of rates	15,599	14,951
Total rates and charges	<u>17,867,828</u>	<u>17,133,155</u>

The date of the latest general revaluation of land for rating purposes within the municipal district was 01/01/2016, and the valuation will be first applied in the rating year commencing 01/07/2016.

Note 4 Statutory fees and fines

Infringements and costs	108,463	57,518
Permits	64,251	74,768
Registration fees	221,689	188,793
Town planning fees	241,298	185,154
Other fees and fines	10,014	8,392
Total statutory fees and fines	<u>645,715</u>	<u>514,625</u>

Note 5 User fees

Aged and health services	369,319	365,063
Building services	160,899	154,827
Aquatic centre fees	60,977	-
Facility hire	21,555	38,711
Visitor information centre memberships	17,183	18,268
Waste management services	199,163	150,453
Other fees and charges	78,693	77,457
Total user fees	<u>907,788</u>	<u>804,779</u>

Notes to the Financial Report
For the Year Ended 30 June 2016

	2016 \$	2015 \$
Note 6 Grants		
Grants were received in respect of the following :		
Summary of grants		
Commonwealth funded grants	4,813,932	7,641,481
State funded grants	4,991,390	4,018,924
Total grants received	<u>9,805,323</u>	<u>11,660,405</u>
Operating Grants		
Recurrent - Commonwealth Government		
General Purpose Grants - Victoria Grants Commission	1,460,096	4,265,187
Community health	56,049	54,843
Recurrent - State Government		
Aged care	1,290,805	1,263,383
Emergency management	13,253	13,253
Libraries	153,083	149,813
Maternal and child health	117,681	133,239
School crossing supervisors	19,870	16,413
Youth	21,123	27,500
Other	94,090	46,107
Total recurrent operating grants	<u>3,226,050</u>	<u>5,969,739</u>
Non-recurrent - Commonwealth Government		
Natural Disaster Assistance - Victoria Grants Commission	198,701	-
Non-recurrent - State Government		
Community health	-	3,000
Commerce and tourism	-	33,550
Emergency management	120,000	131,800
Recreation	43,000	3,000
Transport	47,500	54,000
Waste and environment	120,794	96,230
Youth	-	7,882
Other	26,091	38,500
Total non-recurrent operating grants	<u>556,086</u>	<u>367,962</u>
Total operating grants	<u>3,782,136</u>	<u>6,337,701</u>
Capital Grants		
Recurrent - Commonwealth Government		
Local Road Funding - Victorian Grants Commission	696,101	2,143,445
Roads to recovery	2,123,313	754,633
Total recurrent capital grants	<u>2,819,414</u>	<u>2,898,078</u>
Non-recurrent - Commonwealth Government		
Infrastructure	165,000	-
Flood recovery	313,373	423,373
Non-recurrent - State Government		
Buildings	1,912,800	450,000
Infrastructure	92,600	1,339,000
Recreation	720,000	212,253
Total non-recurrent capital grants	<u>3,203,773</u>	<u>2,424,626</u>
Total capital grants	<u>6,023,187</u>	<u>5,322,704</u>
Unspent grants received on condition that they be spent in a specific manner		
Balance at start of year	2,317,822	1,209,794
Received during the financial year and remained unspent at balance date	1,339,365	2,317,822
Received in prior years and spent during the financial year	2,309,335	1,209,794
Balance at year end	<u>1,347,852</u>	<u>2,317,822</u>

Notes to the Financial Report
For the Year Ended 30 June 2016

	2016	2015
	\$	\$
Note 7 Contributions		
Monetary	237,877	219,959
Non-monetary	1,060,183	-
Total contributions	1,298,061	219,959
<i>Contributions of non monetary assets were received in relation to the following asset classes.</i>		
Land	276,000	-
Buildings	528,000	-
Roads	256,183	-
Total non-monetary contributions	1,060,183	-
Note 8 Net gain/(loss) on disposal of property, infrastructure, plant and equipment		
Proceeds of sale	301,120	385,484
Written down value of assets disposed	(96,226)	(213,443)
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	204,894	172,042
Note 9 Other income		
Interest	387,917	417,918
Reimbursements	108,464	268,258
Rental income	1,041,967	1,090,564
Sale of materials	121,900	65,938
Other	60,769	22,519
Total other income	1,721,017	1,865,197
Note 10 (a) Employee costs		
Wages and salaries	9,004,048	8,227,205
WorkCover	117,793	122,299
Casual staff	1,046,813	1,004,303
Superannuation	862,867	743,926
Fringe benefits tax	95,100	83,104
Total employee costs	11,126,621	10,180,837
Note 10 (b) Superannuation		
Council made contributions to the following funds:		
Defined benefit fund		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	60,914	65,130
	<u>60,914</u>	<u>65,130</u>
Employer contributions payable at reporting date.	-	-
Accumulation funds		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	499,848	473,098
Employer contributions - other funds	302,105	205,698
	<u>801,953</u>	<u>678,796</u>
Employer contributions payable at reporting date.	-	-

Refer to note 33 for further information relating to Council's superannuation obligations.

Notes to the Financial Report
For the Year Ended 30 June 2016

	2016	2015
	\$	\$
Note 11 Materials and services		
Contract payments	3,713,911	4,525,655
Building maintenance	112,166	45,383
Materials and services	2,185,697	2,180,017
Utilities	541,597	551,068
Office administration	536,646	541,204
Information technology	249,114	209,909
Insurance	320,529	340,057
Consultants	936,603	855,869
Total materials and services	<u>8,596,263</u>	<u>9,249,161</u>

Note 12 Bad and doubtful debts		
Compliance Debtors	789	32,111
Rent debtors	9,432	133,179
Other debtors ⁺	45,357	30,430
Total bad and doubtful debts	<u>55,577</u>	<u>195,720</u>
⁺ Write-off subdivision contribution as permit expired		

Note 13 Depreciation and amortisation		
Property	1,046,572	1,020,048
Plant and equipment	773,382	767,774
Infrastructure	4,615,704	4,606,493
Total depreciation	<u>6,435,658</u>	<u>6,394,315</u>
Intangible assets	94,343	94,343
Total depreciation and amortisation	<u>6,530,001</u>	<u>6,488,659</u>

Refer to note 23 and 25 for a more detailed breakdown of depreciation and amortisation charges

Note 14 Borrowing costs		
Interest - Borrowings	186,463	259,185
Total borrowing costs	<u>186,463</u>	<u>259,185</u>

Note 15 Other expenses		
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	46,000	42,195
Auditors' remuneration - Internal	31,352	27,201
Councillors' allowances	199,764	183,815
Community grants	410,569	379,416
Tourism board membership	79,568	77,250
Other	71,863	68,737
Total other expenses	<u>839,116</u>	<u>778,614</u>

Notes to the Financial Report
For the Year Ended 30 June 2016

Note 16 Cash and cash equivalents	2016 \$	2015 \$
Cash on hand	17,429	6,080
Cash at bank	2,358,654	4,175,184
Term deposits	1,553,472	9,257,998
	<u>3,929,554</u>	<u>13,439,262</u>
Councils cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:		
- Trust funds and deposits (Note 27)	1,033,636	1,472,886
- Statutory reserves (Note 30)	1,135,528	1,340,841
Total restricted funds	<u>2,169,164</u>	<u>2,813,727</u>
Total unrestricted cash and cash equivalents	<u>1,760,391</u>	<u>10,625,535</u>
Intended allocations		
Although not externally restricted the following amounts have been allocated for specific future purposes by Council:		
- Cash held to fund carried forward capital works	1,680,600	1,541,000
- Unexpended grants received	1,347,852	2,317,822
- Discretionary reserves (Note 30)	1,393,661	472,693
Total funds subject to intended allocations	<u>4,422,113</u>	<u>4,331,515</u>
Refer also to Note 19 for details of other financial assets held by Council.		

Note 17 Trade and other receivables

Current

Rates debtors	1,510,145	1,157,524
Fire service levy debtors	194,251	128,203
Infringement debtors	131,709	51,344
GST receivable	154,099	293,697
Other debtors - rental	88,775	416,034
Other debtors - government grants	572,410	221,108
Other debtors - miscellaneous	205,429	177,667
Provision for doubtful debts - other debtors	(39,757)	(398,147)
Other	3,645	46,438
Total current trade and other receivables	<u>2,820,705</u>	<u>2,093,868</u>

Non-current

Special rate scheme	-	-
Loans and advances to community organisations	-	-
Total non-current trade and other receivables	<u>-</u>	<u>-</u>
Total trade and other receivables	<u>2,820,705</u>	<u>2,093,868</u>

(a) Ageing of Receivables

At balance date other debtors representing financial assets were past due but not impaired. These amounts relate to a number of independent customers for whom there is no recent history of default. The ageing of the Council's trade & other receivables (excluding statutory receivables) was:

Current (not yet due)	611,420	192,165
Past due by up to 30 days	30,301	61,417
Past due between 31 and 180 days	12,620	199,131
Past due between 181 and 365 days	200,896	66,568
Past due by more than 1 year	11,377	295,528
Total trade & other receivables	<u>866,614</u>	<u>814,809</u>

(b) Movement in provisions for doubtful debts

Balance at the beginning of the year	(398,147)	(242,055)
New Provisions recognised during the year	-	(156,092)
Amounts already provided for and written off as uncollectible	339,969	-
Amounts provided for but recovered during the year	18,420	-
Balance at end of year	<u>(39,757)</u>	<u>(398,147)</u>

Notes to the Financial Report
For the Year Ended 30 June 2016

	2016	2015
	\$	\$
Note 18 Other financial assets		
Term deposits	9,327,000	1,313,000
Total other financial assets	<u>9,327,000</u>	<u>1,313,000</u>
Other financial assets comprise term deposits with an original maturity of greater than three months		
Note 19 Inventories		
Inventories held for sale	17,612	16,652
Total inventories	<u>17,612</u>	<u>16,652</u>
Note 20 Other assets		
Prepayments	71,306	46,652
Accrued income	37,057	21,357
Total other assets	<u>108,363</u>	<u>68,010</u>

Note 21 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	At Fair Value 30 June 2016	Accumulated Depreciation	WDV 30 June 2016	At Fair Value 30 June 2015	Accumulated Depreciation	WDV 30 June 2015
Land	44,342,914	(2,506,080)	41,836,835	39,685,951	(2,036,079)	37,649,872
Buildings	104,497,250	(54,525,065)	49,972,185	92,748,982	(45,803,979)	46,945,004
Plant and Equipment	7,905,627	(4,252,949)	3,652,678	7,632,088	(4,364,537)	3,267,550
Infrastructure	241,911,561	(115,457,419)	126,454,142	236,624,664	(110,841,716)	125,782,948
Work in progress	1,523,382	-	1,523,382	1,206,626	-	1,206,626
	<u>400,180,735</u>	<u>(176,741,513)</u>	<u>223,439,222</u>	<u>377,898,310</u>	<u>(163,046,310)</u>	<u>214,851,999</u>

Summary of Work in Progress

	Opening WIP	Additions	Transfers	Write Offs	Closing WIP
Buildings	843,940	365,774	737,632	-	472,082
Plant and Equipment	4,692	-	4,692	-	-
Infrastructure	357,994	794,542	101,235	-	1,051,301
Total	<u>1,206,626</u>	<u>1,160,316</u>	<u>843,560</u>	<u>-</u>	<u>1,523,382</u>

Notes to the Financial Report
For the Year Ended 30 June 2016

Note 21 Property, infrastructure, plant and equipment (cont'd)

Land and Buildings	Note	Land - specialised	Land - non specialised	Land improvements	Total Land	Buildings - specialised	Buildings - non specialised	Building improvements	Total Buildings	Work In Progress	Total Property
At fair value 1 July 2015		16,001,027	11,643,000	12,041,924	39,685,951	87,653,122	4,531,158	564,702	92,748,982	843,940	133,278,873
Accumulated depreciation at 1 July 2015		-	-	(2,036,079)	(2,036,079)	(45,737,505)	(66,474)	-	(45,803,979)	-	(47,840,058)
		16,001,027	11,643,000	10,005,845	37,649,872	41,915,618	4,464,684	564,702	46,945,004	843,940	85,438,815
Movements in fair value											
Acquisition of assets at fair value		276,000	-	191,263	467,263	4,367,780	-	-	4,367,780	365,774	5,200,818
Revaluation increments/decrements		2,394,700	1,795,000	-	4,189,700	4,043,447	3,901,742	(564,702)	7,380,487	-	11,570,187
Fair value of assets disposed		-	-	-	-	-	-	-	-	-	-
Impairment losses recognised in operating result		-	-	-	-	-	-	-	-	-	-
Transfers		-	-	-	-	-	-	-	-	737,632	737,632
		2,670,700	1,795,000	191,263	4,656,963	8,411,227	3,901,742	(564,702)	11,748,268	371,858	16,033,373
Movements in accumulated depreciation											
Depreciation and amortisation		-	-	(470,001)	(470,001)	(540,545)	(36,026)	-	(576,571)	-	(1,046,572)
Acquisition of assets Accumlated Depreciation		-	-	-	-	(672,000)	-	-	(672,000)	-	(672,000)
Accumulated depreciation of disposals		-	-	-	-	-	-	-	-	-	-
Revaluation increments/decrements		-	-	-	-	(4,002,077)	(3,470,438)	-	(7,472,515)	-	(7,472,515)
Transfers		-	-	-	-	-	-	-	-	-	-
		-	-	(470,001)	(470,001)	(5,214,622)	(3,506,464)	-	(8,721,086)	-	(9,191,087)
At fair value 30 June 2016		18,671,727	13,438,000	12,233,187	44,342,914	96,064,350	8,432,900	-	104,497,250	472,082	149,312,246
Accumulated depreciation at 30 June 2016		-	-	(2,506,080)	(2,506,080)	(50,952,127)	(3,572,938)	-	(54,525,065)	-	(57,031,145)
		18,671,727	13,438,000	9,727,108	41,836,835	45,112,223	4,859,962	-	49,972,185	472,082	92,281,101

Notes to the Financial Report
For the Year Ended 30 June 2016

Note 21 Property, infrastructure, plant and equipment (cont'd)

Plant and Equipment	Note	Plant machinery and equipment	Fixtures fittings and furniture	Computers and telecomms	Library books	Work In Progress	Total plant and equipment
At fair value 1 July 2015		6,041,045	813,011	154,752	623,280	4,692	7,636,780
Accumulated depreciation at 1 July 2015		(3,158,310)	(645,987)	(81,118)	(479,123)	-	(4,364,537)
		<u>2,882,735</u>	<u>167,024</u>	<u>73,634</u>	<u>144,157</u>	<u>4,692</u>	<u>3,272,242</u>
Movements in fair value							
Acquisition of assets at fair value		975,029	15,260	174,492	89,780		1,254,561
Revaluation increments/decrements		-	-	-	-		-
Fair value of assets disposed		(891,266)	-	-	(89,754)	-	981,021
Impairment losses recognised in operating result		-	-	-	-		-
Transfers		-	-	-	-	(4,692)	(4,692)
		<u>83,762</u>	<u>15,260</u>	<u>174,492</u>	<u>26</u>	<u>(4,692)</u>	<u>268,848</u>
Movements in accumulated depreciation							
Depreciation and amortisation		(642,358)	(30,766)	(37,929)	(62,328)	-	773,382
Accumulated depreciation of disposals		815,975	-	-	68,995		884,970
Impairment losses recognised in operating result		-	-	-	-		-
Transfers		-	-	-	-		-
		<u>173,617</u>	<u>(30,766)</u>	<u>(37,929)</u>	<u>6,667</u>	<u>-</u>	<u>111,588</u>
At fair value 30 June 2016		6,124,807	828,271	329,244	623,306	-	7,905,627
Accumulated depreciation at 30 June 2016		(2,984,693)	(676,753)	(119,047)	(472,456)	-	(4,252,949)
		<u>3,140,114</u>	<u>151,518</u>	<u>210,197</u>	<u>150,850</u>	<u>-</u>	<u>3,652,678</u>

Notes to the Financial Report
For the Year Ended 30 June 2016

Note 21 Property, infrastructure, plant and equipment (cont'd)

Infrastructure	Note	Roads	Bridges	Footpaths and cycleways	Drainage	Recreational, leisure and community	Parks open spaces and streetscapes	Off street car parks	Other Infrastructure	Work In Progress	Total Infrastructure
At fair value 1 July 2015		183,569,115	23,151,340	6,040,787	16,633,020	1,029,816	319,090	44,358	5,837,139	357,994	236,982,657
Accumulated depreciation at 1 July 2015		(87,768,542)	(10,265,522)	(2,665,650)	(8,124,580)	(503,062)	-	-	(1,514,359)	-	(110,841,716)
		95,800,573	12,885,817	3,375,137	8,508,440	526,754	319,090	44,358	4,322,780	357,994	126,140,942
Movements in fair value											
Acquisition of assets at fair value		4,509,946	74,814	209,143	291,925	127,594	-	-	73,476	794,542	6,081,440
Revaluation increments/decrements		-	-	-	-	-	-	-	-	-	-
Fair value of assets disposed		-	-	-	-	-	-	-	-	-	-
Impairment losses recognised in operating result		-	-	-	-	-	-	-	-	-	-
Transfers		-	-	-	-	-	-	-	-	(101,235)	101,235
		4,509,946	74,814	209,143	291,925	127,594	-	-	73,476	693,307	5,980,204
Movements in accumulated depreciation											
Depreciation and amortisation		(3,858,897)	(245,353)	(140,114)	(246,797)	(40,658)	-	-	(83,884)	-	(4,615,704)
Accumulated depreciation of disposals		-	-	-	-	-	-	-	-	-	-
Impairment losses recognised in operating result		-	-	-	-	-	-	-	-	-	-
Transfers		-	-	-	-	-	-	-	-	-	-
		(3,858,897)	(245,353)	(140,114)	(246,797)	(40,658)	-	-	83,884	-	(4,615,704)
At fair value 30 June 2016		188,079,060	23,226,153	6,249,930	16,924,945	1,157,410	319,090	44,358	5,910,614	1,051,301	242,962,862
Accumulated depreciation at 30 June 2016		(91,627,439)	(10,510,876)	(2,805,764)	(8,371,377)	(543,720)	-	-	(1,598,243)	-	(115,457,419)
		96,451,621	12,715,277	3,444,166	8,553,568	613,690	319,090	44,358	4,312,371	1,051,301	127,505,442

Note 21 Property, infrastructure, plant and equipment cont'd

Valuation of land and buildings

Valuation of land and buildings were undertaken by a qualified independent valuer Vincent John Bourke, AAPI, of Rating Valuation Services. The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

Specialised land is valued at fair value using site values adjusted for englobo (undeveloped and/or unserviced) characteristics, access rights and private interests of other parties and entitlements of infrastructure assets and services. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

Any significant movements in the unobservable inputs for land and land under roads will have a significant impact on the fair value of these assets.

Details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2016 are as follows:

	Level 1	Level 2	Level 3
Land	-	13,438,000	-
Specialised land	-	-	18,671,727
Land improvements	-	-	9,727,108
Heritage buildings	-	-	-
Buildings	-	4,859,962	45,112,223
Building improvements	-	-	-
Total	-	18,297,962	73,511,058

Valuation of infrastructure

Valuation of infrastructure assets has been determined in accordance with an independent valuation undertaken by Peter Maloney (Institute of Engineers Australia registration no. 284058) of Peter Maloney and Associates.

The valuation is at fair value based on replacement cost less accumulated depreciation as at the date of valuation.

Movement in infrastructure assets has been assessed against the ABS Road and Bridges Construction Index Victoria (3101), which for the past twelve months to 30 June 2016 was negative 2.1%.

Details of the Council's infrastructure and information about the fair value hierarchy as at 30 June 2016 are as follows:

	Level 1	Level 2	Level 3
Roads	-	-	96,451,621
Bridges	-	-	12,715,227
Footpaths and cycleways	-	-	3,444,166
Drainage	-	-	8,553,568
Recreational, leisure and community facilities	-	-	613,690
Parks, open space and streetscapes	-	-	319,090
Other infrastructure	-	-	44,358
Total	-	-	126,454,142

Note 21 Property, infrastructure, plant and equipment cont'd

2016
\$

2015
\$

Description of significant unobservable inputs into level 3 valuations

Specialised land and land under roads is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 5% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$1 and \$782 per square metre.

Specialised buildings are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs is calculated on a square metre basis and ranges from \$10 to \$10,340 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 15 years to 150years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

Infrastructure assets are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 5 years to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

Reconciliation of specialised land

Land under roads	86,327	86,327
Parks and reserves	18,585,400	15,914,700
Total specialised land	18,671,727	16,001,027

Notes to the Financial Report
For the Year Ended 30 June 2016

	2016 \$	2015 \$
Note 22 Intangible assets		
Software	629,550	707,385
Total intangible assets	<u>629,550</u>	<u>707,385</u>
	Software \$	Total \$
Gross carrying amount		
Balance at 1 July 2014	943,432	943,432
Additions from internal developments	-	-
Balance at 1 July 2015	<u>943,432</u>	<u>943,432</u>
Additions from internal developments	16,508	16,508
Balance at 30 June 2016	<u>959,940</u>	<u>959,940</u>
Accumulated amortisation and impairment		
Balance at 1 July 2014	141,704	141,704
Amortisation expense	94,343	94,343
Balance at 1 July 2015	<u>236,048</u>	<u>236,048</u>
Amortisation expense	94,343	94,343
Balance at 30 June 2016	<u>330,391</u>	<u>330,391</u>
Net book value at 30 June 2015	<u>707,385</u>	<u>707,385</u>
Net book value at 30 June 2016	<u>629,550</u>	<u>629,550</u>
	2016 \$	2015 \$
Note 23 Trade and other payables		
Trade payables	941,808	914,457
Accrued expenses	643,772	1,293,035
Total trade and other payables	<u>1,585,580</u>	<u>2,207,493</u>
Note 24 Trust funds and deposits		
Refundable deposits	103,401	97,771
Fire services levy	194,251	627,046
Retention amounts	5,204	15,417
Other refundable deposits	730,779	732,652
Total trust funds and deposits	<u>1,033,636</u>	<u>1,472,886</u>
<i>Purpose and nature of items</i>		
Refundable deposits - Deposits are taken by council as a form of surety in a number of circumstances, including in relation to building works, tender deposits, contract deposits and the use of civic facilities.		
Fire Service Levy - Council is the collection agent for fire services levy on behalf of the State Government. Council remits amounts received on a quarterly basis. Amounts disclosed here will be remitted to the state government in line with that process.		
Retention Amounts - Council has a contractual right to retain certain amounts until a contractor has met certain requirements or a related warrant or defect period has elapsed. Subject to the satisfactory completion of the contractual obligations, or the elapsing of time, these amounts will be paid to the relevant contractor in line with Council's contractual obligations.		

Note 25 Provisions

	Employee	Landfill restoration	Total
2016	\$	\$	\$
Balance at beginning of the financial year	2,057,749	401,660	2,459,409
Additional provisions	885,369	-	885,369
Amounts used	(900,413)	(20,220)	(920,633)
Increase in the discounted amount arising because of time and the effect of any change in the discount rate	6,785	-	6,785
Balance at the end of the financial year	2,049,490	381,440	2,430,930
2015			
Balance at beginning of the financial year	1,990,627	421,880	2,412,507
Additional provisions	1,010,085	-	1,010,085
Amounts used	(949,153)	(20,220)	(969,373)
Increase in the discounted amount arising because of time and the effect of any change in the discount rate	6,191	-	6,191
Balance at the end of the financial year	2,057,749	401,660	2,459,409
		2016	2015
		\$	\$
(a) Employee provisions			
Current provisions expected to be wholly settled within 12 months			
Annual leave		635,247	701,744
Long service leave		56,249	188,818
Other		43,173	55,881
		734,668	946,443
Current provisions expected to be wholly settled after 12 months			
Annual leave		43,761	12,711
Long service leave		1,131,246	980,239
		1,175,006	992,950
Total current employee provisions		1,909,675	1,939,392
Non-current			
Long service leave		139,816	118,357
Annual leave		-	-
Total non-current employee provisions		139,816	118,357
Aggregate carrying amount of employee			
Current		1,909,675	1,939,392
Non-current		139,816	118,357
Total aggregate carrying amount of employee		2,049,490	2,057,749
(b) Land fill restoration			
Current		20,220	20,220
Non-current		361,220	381,440
		381,440	401,660

Notes to the Financial Report
For the Year Ended 30 June 2016

	2016 \$	2015 \$
Note 26 Interest-bearing loans and borrowings		
Current		
Bank overdraft	-	-
Borrowings - secured (1)	414,670	388,770
	<u>414,670</u>	<u>388,770</u>
Non-current		
Borrowings - secured (1)	2,300,357	2,716,511
	<u>2,300,357</u>	<u>2,716,511</u>
Total	<u>2,715,026</u>	<u>3,105,281</u>
(1) Borrowings are secured by a deed of charge over council rates		
(a) The maturity profile for Council's borrowings is:		
Not later than one year	414,670	388,770
Later than one year and not later than five years	840,672	1,168,591
Later than five years	1,459,685	1,547,920
	<u>2,715,026</u>	<u>3,105,281</u>

Note 27 Other Liabilities

Current		
Income in advance	104,772	39,445
	<u>104,772</u>	<u>39,445</u>
Non-current		
Income in advance	116,071	133,929
	<u>116,071</u>	<u>133,929</u>
Total	<u>220,844</u>	<u>173,374</u>

Note 28 Reserves

	Balance at beginning of reporting period	Increment (decrement)	Balance at end of reporting period
	\$'000	\$'000	\$'000
(a) Asset revaluation reserves			
2016			
Property			
Land	17,855,537	4,189,700	22,045,237
Buildings	26,067,997	(92,028)	25,975,969
	43,923,534	4,097,672	48,021,206
Infrastructure			
Roads	32,205,774	-	32,205,774
Other infrastructure	8,061,573	-	-
	40,267,347	-	40,267,347
Total asset revaluation reserves	84,190,881	4,097,672	88,288,553
2015			
Property			
Land	17,855,537	-	17,855,537
Buildings	26,067,997	-	26,067,997
	43,923,534	-	43,923,534
Infrastructure			
Roads	32,205,774	-	32,205,774
Other infrastructure	8,061,573	-	8,061,573
	40,267,347	-	40,267,347
Total asset revaluation reserves	84,190,881	-	84,190,881

The asset revaluation reserve is used to record the increased (net) value of Council's assets over

	Balance at beginning of reporting period	Transfer from accumulated surplus	Transfer to accumulated surplus	Balance at end of reporting period
	\$'000	\$'000	\$'000	\$'000
(b) Other reserves				
2016				
Car parking reserve *	21,250	-	-	21,250
Clunes caravan park reserve	6,710	-	-	6,710
Debt management reserve	-	850,000	-	850,000
Heritage advisory fund	20,000	-	-	20,000
Mineral springs financial reserve *	226,584	147,182	-	373,766
Mt Beckworth pit reserve	27,772	-	-	27,772
Resort and recreation reserve *	1,093,007	91,500	(443,995)	740,512
Smeaton Hill pit reserve	74,419	-	-	74,419
Waste management reserve	343,792	70,968	-	414,760
Total Other reserves	1,813,534	1,159,650	(443,995)	2,529,189
2015				
Car parking reserve *	21,250	-	-	21,250
Clunes caravan park reserve	6,710	-	-	6,710
Financial asset valuation reserve	20,695	-	(20,695)	-
Heritage advisory fund	20,000	-	-	20,000
Mineral springs financial reserve *	-	226,584	-	226,584
Mt Beckworth pit reserve	27,772	-	-	27,772
Resort and recreation reserve *	1,029,257	63,750	-	1,093,007
Smeaton Hill pit reserve	74,419	-	-	74,419
Waste management reserve	-	343,792	-	343,792
Total Other reserves	1,200,103	634,126	(20,695)	1,813,534

* Indicates Statutory reserve

Notes to the Financial Report
For the Year Ended 30 June 2016

	2016 \$	2015 \$
Note 29 Reconciliation of cash flows from operating activities to surplus/(deficit)		
Surplus/(deficit) for the year	5,116,585	5,217,987
Depreciation/amortisation	6,530,001	6,488,659
(Profit)/loss on disposal of property, infrastructure, plant and equipment	(204,894)	(172,042)
Interest Expense	186,463	259,185
Contributions - Non-monetary assets	(1,060,183)	-
Other	3,390	912
Change in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(726,837)	88,745
(Increase) in prepayments	(24,654)	(20,022)
Increase/(decrease) in accrued income	(15,700)	(1,641)
Increase/(decrease) in trade and other payables	(621,912)	(448,426)
(Decrease)/increase in other liabilities	47,470	3,731
(Increase)/decrease in inventories	(960)	3,644
Increase/(decrease) in provisions	(28,479)	46,902
Increase/(decrease) in trust funds and deposits	(439,250)	406,647
Net cash provided by/(used in) operating activities	<u>8,761,040</u>	<u>11,874,282</u>
Note 30 Financing arrangements		
Bank overdraft	1,000,000	1,000,000
Credit card facilities	38,500	42,000
Other facilities	-	-
Total facilities	<u>1,038,500</u>	<u>1,042,000</u>
Used facilities	<u>7,951</u>	<u>7,380</u>
Unused facilities	<u>1,030,549</u>	<u>1,034,620</u>

Note 31 Commitments

The Council has entered into the following commitments

2016	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
	\$	\$	\$	\$	\$
Operating					
Waste and Recycling	1,587,200	1,606,400	1,642,600	-	4,836,200
Transfer Stations	377,000	377,000	377,000	-	1,131,000
Maternal and Child Health	355,846	362,963	-	-	718,809
Cleaning contracts for council buildings	203,300	-	-	-	203,300
Local Government Elections	187,871	-	-	-	187,871
Library Services	167,506	-	-	-	167,506
Other	209,424	50,100	50,100	-	309,624
Total	3,088,147	2,396,463	2,069,700	-	7,554,310
Capital					
Buildings	120,000	-	-	-	120,000
Infrastructure	1,111,772	-	-	-	1,111,772
Other	70,021	-	-	-	70,021
Total	1,301,793	-	-	-	1,301,793

2015	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
	\$	\$	\$	\$	\$
Operating					
Recycling	206,887	175,880	-	-	382,767
Garbage collection	303,434	257,957	-	-	561,391
Open space management	-	-	-	-	-
Consultancies	382,785	125,809	-	-	508,594
Home care services	-	-	-	-	-
Cleaning contracts for council buildings	160,000	164,152	122,724	-	446,876
Meals for delivery	45,000	-	-	-	45,000
Total	1,098,106	723,798	122,724	-	1,944,628
Capital					
Buildings	1,424,856	-	-	-	1,424,856
Roads	1,235,300	-	-	-	1,235,300
Other	-	-	-	-	-
Total	2,660,156	-	-	-	2,660,156

	2016	2015
	\$	\$
Note 32 Operating leases		
(a) Operating lease commitments		
At the reporting date, the Council had the following obligations under non-cancellable operating leases for the lease of equipment and land and buildings for use within Council's activities (these obligations are not recognised as liabilities):		
Not later than one year	26,923	94,106
Later than one year and not later than five years	-	26,923
Later than five years	-	-
	26,923	121,029

(b) Operating lease receivables

The Council has entered into commercial property leases on its investment property, consisting of surplus freehold office complexes. These properties held under operating leases have remaining non-cancellable lease terms of between 1 and 10 years. All leases include a CPI based revision of the rental charge annually.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

Not later than one year	1,000,538	960,880
Later than one year and not later than five years	4,057,058	3,978,337
Later than five years	8,733,157	9,373,311
	13,790,753	14,312,528

Note 33 Superannuation

Council makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. Obligations for contributions to the Fund are recognised as an expense in the Comprehensive Income Statement when they are made or due.

Accumulation

The Fund's accumulation categories, Vision MySuper/Vision Super Saver, receive both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2016, this was 9.5% as required under Superannuation Guarantee legislation).

Defined Benefit

Council does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a pooled multi-employer sponsored plan.

There is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of Council in the Fund cannot be measured as a percentage compared with other participating employers. Therefore, the Fund Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

Funding arrangements

Council makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary.

As at 30 June 2015, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 105.8%. To determine the VBI, the fund Actuary used the following long-term assumptions:

Net investment returns	7.0% pa
Salary information	4.25% pa
Price inflation (CPI)	2.5% pa

Note 33 Superannuation (cont'd)

Vision Super has advised that the estimated VBI at June 2016 was 102%. The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 2015 interim actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

Employer contributions

Regular contributions

On the basis of the results of the 2015 interim actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2016, this rate was 9.5% of members' salaries (9.5% in 2014/2015). This rate will increase in line with any increase to the contribution rate. In addition, Council reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

Funding calls

If the Defined Benefit category is in an unsatisfactory financial position at an actuarial investigation or the Defined Benefit category's VBI is below its shortfall limit at any time other than the date of the actuarial investigation, the Defined Benefit category has a shortfall for the purposes of SPS 160 and the Fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%.

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Council) are required to make an employer contribution to cover the shortfall. Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's Defined Benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up. If there is a surplus in the Fund, the surplus cannot be returned to the participating employers. In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

2015 Interim actuarial investigation surplus amounts

The Fund's interim actuarial investigation as at 30 June 2015 identified the following in the defined benefit category of which Council is a contributing employer:

- A VBI surplus of \$130.8 million; and
- A total service liability surplus of \$239 million.

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2015. The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses. Council was notified of the 30 June 2015 VBI during August 2015.

Future superannuation contributions

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2017 is \$60,998.

Note 34 Contingent liabilities and contingent assets

Council has obligations under a defined benefit superannuation scheme that may result in the need to make additional contributions to the scheme, matters relating to this potential obligation are outlined in Note 33. As a result of the volatility in financial markets the likelihood of making such contributions in future periods exists. At this point in time it is not known if additional contributions will be required, their timing or potential amount.

Guarantees for loans to other entities

Nil

Contingent assets

Nil

Note 35 Financial instruments

(a) Objectives and policies

The Council's principal financial instruments comprise cash assets, term deposits, receivables (excluding statutory receivables), payables (excluding statutory payables) and bank borrowings. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument is disclosed in Note 1 of the financial statements. Risk management is carried out by senior management under policies approved by the Council. These policies include identification and analysis of the risk exposure to Council and appropriate procedures, controls and risk minimisation.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of council financial instruments will fluctuate because of changes in market prices. The Council's exposure to market risk is primarily through interest rate risk with only insignificant exposure to other price risks and no exposure to foreign currency risk.

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Council's interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which exposes council to fair value interest rate risk / Council does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Council has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating rates.

Investment of surplus funds is made with approved financial institutions under the *Local Government Act 1989*. Council manages interest rate risk by adopting an investment policy that ensures:

- diversification of investment product;
- monitoring of return on investment; and
- benchmarking of returns and comparison with budget.

There has been no significant change in the Council's exposure, or its objectives, policies and processes for managing interest rate risk or the methods used to measure this risk from the previous reporting period.

Interest rate movements have not been sufficiently significant during the year to have an impact on the Council's year end result.

(c) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause Council to make a financial loss. Council have exposure to credit risk on some financial assets included in the balance sheet. To help manage this risk:

- council have a policy for establishing credit limits for the entities Council deal with;
- council may require collateral where appropriate; and
- council only invest surplus funds with financial institutions which have a recognised credit rating specified in council's financial management policy.

Receivables consist of a large number of customers, spread across the ratepayer, business and government sectors. Credit risk associated with the Council's financial assets is minimal because the main debtor is secured by a charge over the rateable property.

There are no material financial assets which are individually determined to be impaired.

Council may also be subject to credit risk for transactions which are not included in the balance sheet, such as when Council provide a guarantee for another party. Details of our contingent liabilities are disclosed in Note 34.

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. Council does not hold any collateral.

Note 35 Financial instruments (cont'd)

(d) Liquidity risk

Liquidity risk includes the risk that, as a result of council's operational liquidity requirements it will not have sufficient funds to settle a transaction when required or will be forced to sell a financial asset at below value or may be unable to settle or recover a financial asset.

To help reduce these risks Council:

- have a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- have readily accessible standby facilities and other funding arrangements in place;
- have a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments;
- monitor budget to actual performance on a regular basis; and
- set limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

The Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed on the face of the balance sheet and the amounts related to financial guarantees disclosed in Note 34, and is deemed insignificant based on prior periods' data and current assessment of risk.

There has been no significant change in Council's exposure, or its objectives, policies and processes for managing liquidity risk or the methods used to measure this risk from the previous reporting period.

With the exception of borrowings, all financial liabilities are expected to be settled within normal terms of trade. Details of the maturity profile for borrowings are disclosed at Note 26.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

(e) Fair value

Fair value hierarchy

Council's financial assets and liabilities are not valued in accordance with the fair value hierarchy, Council's financial assets and liabilities are measured at amortised cost.

(f) Sensitivity disclosure analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, Council believes the following movements are 'reasonably possible' over the next 12 months:

- A parallel shift of + 1.5% and -1.0% in market interest rates (AUD) from year-end rates of 1.50%.

These movements will not have a material impact on the valuation of Council's financial assets and liabilities, nor will they have a material impact on the results of Council's operations.

Note 36 Related party transactions

(i) Responsible Persons

Names of persons holding the position of a Responsible Person at the Council at any time during the year are:

Councillors	Councillor Neil Newitt (Mayor 10/11/2015 to 30/06/2016)
	Councillor Kate Redwood (Mayor 01/07/2015 to 10/11/2015)
	Councillor Pierre Niclas
	Councillor Sebasitan Klein
	Councillor Bill McClenaghan
	Councillor Don Henderson
	Councillor Greg May

Chief Executive Officer Aaron van Egmond

Note 36 Related party transactions (Cont'd)

(ii) Remuneration of Responsible Persons

The numbers of Responsible Persons whose total remuneration from Council and any related entities, excluding retirement benefits, fall within the following bands:

	2016 No.	2015 No.
\$20,000 - \$29,999	5	5
\$30,000 - \$39,999	-	1
\$40,000 - \$49,999	2	1
\$210,000 - \$219,999	-	1
\$230,000 - \$239,999	1	-
	<u>8</u>	<u>8</u>

Total Remuneration for the reporting year for Responsible Persons included above amounted to:

\$427,231	\$401,184
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(iii) Senior Officers Remuneration

A Senior Officer other than a Responsible Person, is an officer of Council who:

- a) has management responsibilities and reports directly to the Chief Executive; or
- b) whose total annual remuneration exceeds \$139,000

The number of Senior Officers other than the Responsible Persons, are shown below in their relevant income bands:

	2016 No.	2015 No.
Income Range:		
< \$139,000	4	3
\$139,000 - \$139,999	-	-
\$140,000 - \$149,999	-	1
\$150,000 - \$159,999	-	-
	<u>4</u>	<u>4</u>

Total Remuneration for the reporting year for Senior Officers included above, amounted to

\$517,703	\$501,881
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(iv) Responsible persons retirement benefits

The aggregate amount paid during the reporting period by Council in connection with the retirement of responsible persons was \$Nil (2014/15 - \$NIL)

(v) Loans to responsible persons

The aggregate amount of loans in existence at balance date that have been made, guaranteed or secured by the council to a responsible person of the council, or a related party of a responsible person are as follows:

Nil

(vi) Transactions with responsible persons

During the period Council entered into the following transactions with responsible persons or related parties of responsible persons.

NIL

Note 37 Events occurring after balance date

No matters have occurred after balance date that require disclosure in the financial report

Certification of the Financial Statements

In my opinion the accompanying financial statements have been prepared in accordance with the *Local Government Act 1989*, the *Local Government (Planning and Reporting) Regulations 2014*, Australian Accounting Standards and other mandatory professional reporting requirements.

Trafford Thompson CPA
Principal Accounting Officer

Date : September 2016
Daylesford

In our opinion the accompanying financial statements present fairly the financial transactions of Hepburn Shire Council for the year ended 30 June 2016 and the financial position of the Council as at that date.

As at the date of signing, we are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.

We have been authorised by the Council and by the *Local Government (Planning and Reporting) Regulations 2014* to certify the financial statements in their final form.

Cr Neil Newitt
Councillor
Date : September 2016
Daylesford

Cr Pierre Niclas
Councillor
Date : September 2016
Daylesford

Aaron van Egmond
Chief Executive
Officer
Date : September 2016
Daylesford



PERFORMANCE STATEMENT
For the Year Ended 30 June 2016



Description of Municipality

Hepburn Shire was created in January 1995 by the amalgamation of the former Shires of Creswick, Daylesford and Glenlyon, the Clunes portion of the Shire of Talbot and Clunes and the Trentham portion of the Shire of Kyneton.

Hepburn Shire is located in the Central Highlands region of Victoria, about 110 kilometres north-west of Melbourne. It is bounded by Central Goldfields and Mount Alexander Shires in the north, Macedon Ranges Shire in the east, Moorabool Shire in the south, and the City of Ballarat and Pyrenees Shire in the west

Hepburn Shire is a predominantly rural area, with many townships, villages and rural-residential areas. The main townships are Daylesford, Hepburn Springs, Creswick, Clunes and Trentham. The shire encompasses a total land area of about 1,470 square kilometres. rural land is used largely for agriculture (particularly sheep and cattle grazing and potato and crop growing) and forestry, with some viticulture. Tourism is important to the region, with the Shire containing 80% of Australia's mineral spring reserves.

Hepburn is named after Captain John Hepburn, an overlander and pastoralist who founded the rural town of Smeaton and also established the Smeaton Hill Run on 15 April 1838.

The original inhabitants of the Hepburn area were the Jaara (Dja Dja Wurrung) Aboriginal people. European settlement dates from the late 1830's, with land used mainly for grazing and crop growing. Gold was first discovered in the area in 1851, prompting the establishment of many townships and rapid growth. When gold supplies waned and many mines were closed, some population loss was experienced in the region. land was then used mainly for timber milling and grazing. The townships of Daylesford and Hepburn Springs benefited from tourism during the late 1800s and early 1900's', due to the mineral springs and spa resorts.

Gradual growth took place during the 1970's and 1980's, due largely to resurgence in tourism and people seeking alternative lifestyles. The Shire's population increased marginally during the 1990's, rising from about 13,300 on 1991 to about 13,800 in 2001. The resident population of Hepburn Shire at 30 June 2015 was 14,794.

Performance Statement
For the Year Ended 30 June 2016

Sustainable Capacity Indicators				
<i>Indicator /measure</i>		Results 2015	Results 2016	Material Variations / Comments
Population				
C1	68 <i>Expenses per head of municipal population</i> [Total expenses / Municipal population]	\$1,814	\$1,842	No significant change
C2	69 <i>Infrastructure per head of municipal population</i> [Value of infrastructure / Municipal population]	\$11,837	\$12,237	No significant change
C3	70 <i>Population density per length of road</i> [Municipal population / Kilometres of local roads]	10.6	10.5	No significant change
Own-source revenue				
C4	66 <i>Own-source revenue per head of municipal population</i> [Own-source revenue / Municipal population]	\$1,369	\$1,438	The paused indexation of Commonwealth financial assistance grants has contributed to the increase in this measure
Recurrent grants				
C5	67 <i>Recurrent grants per head of municipal population</i> [Recurrent grants / Municipal population]	\$621	\$407	An advanced payment of \$2.1 million of 2015/2016 Financial Assistance Grants received on 30 June 2015 overinflated the 2015 result and understated the 2016 result
Disadvantage				
C6	71 <i>Relative Socio-Economic Disadvantage</i> [Index of Relative Socio-Economic Disadvantage by decile]	4	4	No Change

Definitions

"adjusted underlying revenue" means total income other than:

- (a) non-recurrent grants used to fund capital expenditure; and
- (b) non-monetary asset contributions; and

(c) contributions to fund capital expenditure from sources other than those referred to above

"infrastructure" means non-current property, plant and equipment excluding land

"local road" means a sealed or unsealed road for which the council is the responsible road authority under the Road Management Act 2004

"population" means the resident population estimated by council

"own-source revenue" means adjusted underlying revenue other than revenue that is not under the control of council (including government grants)

"relative socio-economic disadvantage", in relation to a municipality, means the relative socio-economic disadvantage, expressed as a decile for the relevant financial year, of the area in which the municipality is located according to the Index of Relative Socio-Economic Disadvantage (Catalogue Number 2033.0.55.001) of SEIFA

"SEIFA" means the Socio-Economic Indexes for Areas published from time to time by the Australian Bureau of Statistics on its Internet website

"unrestricted cash" means all cash and cash equivalents other than restricted cash.

Performance Statement
For the Year Ended 30 June 2016

Service Performance Indicators			
Service /indicator /measure	Results 2015	Results 2016	Material Variations / Comments
Aquatic Facilities Utilisation AF6 33 <i>Utilisation of aquatic facilities</i> [Number of visits to aquatic facilities / Municipal population]	0.4	1.3	Pool attendance is largely weather dependant. Attendance increased significantly from 6,213 in 2014/2015 to 18,795 in 2015/2016
Animal Management Health and safety AM4 37 <i>Animal management prosecutions</i> [Number of successful animal management prosecutions]	0	0	There were no successful or unsuccessful animal management prosecutions
Food Safety Health and safety FS4 41 <i>Critical and major non-compliance outcome notifications</i> [Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises] x100	29%	44%	No critical non-compliances were identified. More major non-compliances were followed up in 2015/2016.
Governance Satisfaction G5 5 <i>Satisfaction with council decisions</i> [Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]	43	48	Significant improvement compared to last year
Home and Community Care (HACC) Participation HC6 47 <i>Participation in HACC service</i> [Number of people that received a HACC service / Municipal target population for HACC services] x100	24%	25%	No significant change
Participation HC7 48 <i>Participation in HACC service by CALD people</i> [Number of CALD people who receive a HACC service / Municipal target population in relation to CALD people for HACC services] x100	15%	19%	Seven more CALD people participated in the service this year
Libraries Participation LB4 22 <i>Active library members</i> [Number of active library members / Municipal population] x100	25%	22%	When we opened new libraries in Clunes and Trentham we achieved an increase in new members. Some of these are no longer active resulting in a decrease in active members
Maternal and Child Health (MCH) Participation MC4 52 <i>Participation in the MCH service</i> [Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100	83%	79%	No significant change
Participation MC5 53 <i>Participation in the MCH service by Aboriginal children</i> [Number of Aboriginal children who attend the MCH service at least once (in the year) / Number of Aboriginal children enrolled in the MCH service] x100	88%	69%	There were two aboriginal children born in 2015/2016 compared with seven in the previous year
Roads Satisfaction R5 18 <i>Satisfaction with sealed local roads</i> [Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]	43	43	No change

Service Performance Indicators

Service /indicator /measure	Results 2015	Results 2016	Material Variations / Comments
SP4 9 Statutory Planning Decision making <i>Council planning decisions upheld at VCAT</i> [Number of VCAT decisions that did not set aside council's decision in relation to a planning application / Number of VCAT decisions in relation to planning applications] x100	86%	40%	Three of five decisions were set aside by VCAT
WC5 27 Waste Collection Waste diversion <i>Kerbside collection waste diverted from landfill</i> [Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100	40%	41%	A small improvement was achieved

Definitions

"Aboriginal child" means a child who is an Aboriginal person

"Aboriginal person" has the same meaning as in the Aboriginal Heritage Act 2006

"active library member" means a member of a library who has borrowed a book from the library

"annual report" means an annual report prepared by a council under sections 131, 132 and 133 of the Act

"CALD" means culturally and linguistically diverse and refers to persons born outside Australia in a country whose national language is not English

"class 1 food premises" means food premises, within the meaning of the Food Act 1984, that have been declared as class 1 food premises under section 19C of that Act

"class 2 food premises" means food premises, within the meaning of the Food Act 1984, that have been declared as class 2 food premises under section 19C of that Act

"Community Care Common Standards" means the Community Care Common Standards for the delivery of HACC services, published from time to time by the Commonwealth

"critical non-compliance outcome notification" means a notification received by council under section 19N(3) or (4) of the Food Act 1984, or advice given to council by an authorised officer under that Act, of a deficiency that poses an immediate serious threat to public health

"food premises" has the same meaning as in the Food Act 1984

"HACC program" means the Home and Community Care program established under the Agreement entered into for the purpose of the Home and Community Care Act 1985 of the Commonwealth

"HACC service" means home help, personal care or community respite provided under the HACC program

"local road" means a sealed or unsealed road for which the council is the responsible road authority under the Road Management Act 2004

"major non-compliance outcome notification" means a notification received by a council under section 19N(3) or (4) of the Food Act 1984, or advice given to council by an authorized officer under that Act, of a deficiency that does not pose an immediate serious threat to public health but may do so if no remedial action is taken

"MCH" means the Maternal and Child Health Service provided by a council to support the health and development of children within the municipality from birth until school age

"population" means the resident population estimated by council

"target population" has the same meaning as in the Agreement entered into for the purposes of the Home and Community Care Act 1985 of the Commonwealth

"WorkSafe reportable aquatic facility safety incident" means an incident relating to a council aquatic facility that is required to be notified to the Victorian WorkCover Authority under Part 5 of the Occupational Health and Safety Act 2004.

Performance Statement
For the Year Ended 30 June 2016

Financial Performance Indicators									
Dimension /indicator /measure		Results		Forecasts			Material Variations / Comments		
		2015	2016	2017	2018	2019		2020	
Efficiency									
Revenue level									
E1	64	Average residential rate per residential property assessment [Residential rate revenue / Number of residential property assessments]	\$1,589	\$1,651	\$1,692	\$1,735	\$1,779	\$1,824	2015/2016 had a 4% rate increase with 2.5% projected in subsequent years
Expenditure level									
E2	63	Expenses per property assessment [Total expenses / Number of property assessments]	\$2,501	\$2,491	\$2,512	\$2,551	\$2,560	\$2,587	No significant change
Workforce turnover									
E3	65	Resignations and terminations compared to average staff [Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100	15%	15%	11%	11%	11%	11%	No significant change
Liquidity									
Working capital									
L1	55	Current assets compared to current liabilities [Current assets / Current liabilities] x100	279%	320%	226%	242%	259%	215%	Current liabilities at year end were lower than previous year
Unrestricted cash									
L2	56	Unrestricted cash compared to current liabilities [Unrestricted cash / Current liabilities] x100	133%	159%	156%	170%	184%	154%	Current liabilities at year end were lower than previous year
Obligations									
Asset renewal									
O1	60	Asset renewal compared to depreciation [Asset renewal expense / Asset depreciation] x100	105%	103%	112%	103%	100%	107%	A significant increase is expected in 2016/2017 reflecting Council's budgeted expenditure on building renewal projects
Loans and borrowings									
O2	57	Loans and borrowings compared to rates [Interest bearing loans and borrowings / Rate revenue] x100	18%	15%	12%	26%	24%	22%	Loans and borrowings are expected to increase due to planned future loan requirements
O3	58	Loans and borrowings repayments compared to rates [Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100	16%	3%	3%	3%	2%	1%	Significant reduction from 2014/2105 was due to the refinancing of a short term loan for the \$1.4m Defined Benefits Superannuation call in 2014/2015. There are no material variations forecast

Financial Performance Indicators

Dimension / indicator / measure		Results		Forecasts			Material Variations / Comments	
		2015	2016	2017	2018	2019		2020
Indebtedness								
O4	59 Non-current liabilities compared to own source revenue [Non-current liabilities / Own source revenue] x100	16%	14%	11%	24%	23%	16%	Non-current liabilities are expected to increase due to future borrowing requirements
Operating position								
Adjusted underlying result								
OP1	54 Adjusted underlying surplus (or deficit) [Adjusted underlying surplus (deficit)/ Adjusted underlying revenue] x100	9.9%	3.0%	2.9%	0.7%	0.9%	1.9%	The adjusted underlying surplus is anticipated to decrease due to rate capping constraints
Stability								
Rates concentration								
S1	61 Rates compared to adjusted underlying revenue [Rate revenue / Adjusted underlying revenue] x100	57%	63%	64%	66%	68%	68%	The paused indexation of Commonwealth financial assistance grants has contributed to the increase in this measure
Rates effort								
S2	62 Rates compared to property values [Rate revenue / Capital improved value of rateable properties in the municipality] x100	0.45%	0.47%	0.45%	0.44%	0.45%	0.44%	No material variations

Definitions

"adjusted underlying revenue" means total income other than:

- (a) non-recurrent grants used to fund capital expenditure; and
- (b) non-monetary asset contributions; and
- (c) contributions to fund capital expenditure from sources other than those referred to above

"adjusted underlying surplus (or deficit)" means adjusted underlying revenue less total expenditure

"asset renewal expenditure" means expenditure on an existing asset or on replacing an existing asset that returns the service capability of the asset to its original capability

"current assets" has the same meaning as in the AAS

"current liabilities" has the same meaning as in the AAS

"non-current assets" means all assets other than current assets

"non-current liabilities" means all liabilities other than current liabilities

"non-recurrent grant" means a grant obtained on the condition that it be expended in a specified manner and is not expected to be received again during the period covered by a council's Strategic Resource Plan

"own-source revenue" means adjusted underlying revenue other than revenue that is not under the control of council (including government grants)

"population" means the resident population estimated by council

"rate revenue" means revenue from general rates, municipal charges, service rates and service charges

"recurrent grant" means a grant other than a non-recurrent grant

"residential rates" means revenue from general rates, municipal charges, service rates and service charges levied on residential properties

"restricted cash" means cash and cash equivalents, within the meaning of the AAS, that are not available for use other than for a purpose for which it is restricted, and includes cash to be used to fund capital works expenditure from the previous financial year

"unrestricted cash" means all cash and cash equivalents other than restricted cash.

Other Information

1. Basis of preparation

Council is required to prepare and include a performance statement within its annual report. The performance statement includes the results of the prescribed sustainable capacity, service performance and financial performance indicators and measures together with a description of the municipal district and an explanation of material variations in the results. This statement has been prepared to meet the requirements of the Local Government Act 1989 and Local Government (Planning and Reporting) Regulations 2014.

The Victorian Government developed the new performance reporting framework to ensure that all councils are measuring and reporting on their performance in a consistent way. The framework became mandatory from 1 July 2014 and all councils will need to report results as part of their 2014-15 annual report at the end of September 2015. This is the first year for reporting in this manner and as such there is no trend data to compare to. It is intended that in future years, the previous years results will be used to compare and also highlight any material variations. By 2017/18 we will be comparing our results to the previous three years.

Where applicable the results in the performance statement have been prepared on accounting bases consistent with those reported in the Financial Statements. The other results are based on information drawn from council information systems or from third parties (e.g. Australian Bureau of Statistics).

The performance statement presents the actual results for the current year and for the prescribed financial performance indicators and measures, the results forecast by the council's strategic resource plan. The Local Government (Planning and Reporting) Regulations 2014 requires explanation of any material variations in the results contained in the performance statement. Council has adopted materiality thresholds relevant to each indicator and measure and explanations have not been provided for variations below the materiality thresholds unless the variance is considered to be material because of its nature.

The forecast figures included in the performance statement are those adopted by council in its strategic resource plan on 21 June 2016 and which forms part of the council plan. The strategic resource plan includes estimates based on key assumptions about the future that were relevant at the time of adoption and aimed at achieving sustainability over the long term. Detailed information on the actual financial results is contained in the General Purpose Financial Statements. The strategic resource plan can be obtained by contacting council.

Performance Statement
For the Year Ended 30 June 2016

Certification of the performance statement

In my opinion, the accompanying performance statement has been prepared in accordance with the *Local Government Act 1989* and the Local Government (Planning and Reporting) Regulations 2014.

Trafford Thompson CPA
Principal Accounting Officer

Date : September 2016

In our opinion, the accompanying performance statement of Hepburn Shire Council for the year ended 30 June 2016 presents fairly the results of council's performance in accordance with the Local Government Act 1989 and the Local Government (Planning and Reporting) Regulations 2014.

The performance statement contains the relevant performance indicators, measures and results in relation to service performance, financial performance and sustainable capacity.

At the date of signing, we are not aware of any circumstances that would render any particulars in the performance statement to be misleading or inaccurate.

We have been authorised by the council and by the Local Government (Planning and Reporting) Regulations 2014 to certify this performance statement in its final form.

Cr Neil Newitt
Councillor

Date : September 2016

Cr Pierre Niclas
Councillor

Date : September 2016

Aaron van Egmond
Chief Executive Officer

Date : September 2016