

Murrindindi Shire Council
Annual Financial Report
For the Year Ended
30-June-2022

Murrindindi Shire Council
Financial Report
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Certification of the Financial Statements

In my opinion the accompanying financial statements have been prepared in accordance with the *Local Government Act 2020*, the *Local Government (Finance and Reporting) Regulations 2020*, Australian Accounting Standards and other mandatory professional reporting requirements.

Cheryl Nickels-Beattie
Principal Accounting Officer

Date: 28 September 2022
Alexandra

In our opinion the accompanying financial statements present fairly the financial transactions of Murrindindi Shire Council for the year ended 30 June 2022 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 2020* to certify the financial statements in their final form.

Sue Carpenter
Mayor

Date: 28 September 2022
Alexandra

John Walsh
Councillor

Date: 28 September 2022
Alexandra

Livia Bonazzi
Chief Executive Officer

Date: 28 September 2022
Alexandra

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**Comprehensive
Income Statement
For the Year Ended 30 June 2022**

	Note	2022 \$	2021 \$
Income			
Rates and charges	3.1	22,104,551	21,529,678
Statutory fees and fines	3.2	1,346,299	1,213,451
User fees	3.3	1,288,386	1,132,560
Grants - operating	3.4	8,907,017	8,474,378
Grants - capital	3.4	3,510,055	2,772,824
Contributions - monetary	3.5	394,471	320,179
Contributions - non monetary	3.5	1,204,062	1,219,962
Other income	3.6	1,485,581	1,183,423
Total income		<u>40,240,422</u>	<u>37,846,455</u>
Expenses			
Employee costs	4.1	14,785,116	15,447,155
Materials and services	4.2	12,368,864	12,646,987
Depreciation	4.3	7,953,062	8,655,486
Amortisation-intangible assets	4.4	487,756	334,473
Bad and doubtful debts	4.5	8,968	169,784
Borrowing costs	4.6	-	22,906
Net loss on disposal of property, infrastructure, plant and equipment	4.7	229,176	1,330,274
Other expenses	4.8	543,227	441,793
Increase in provision for landfill liability	5.4	276,566	1,561,454
Total expenses		<u>36,652,735</u>	<u>40,610,312</u>
Surplus/(deficit) for the year		<u>3,587,687</u>	<u>(2,763,857)</u>
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment	6.1	23,045,545	53,275,108
Total other comprehensive income		<u>23,045,545</u>	<u>53,275,108</u>
Comprehensive result		<u>26,633,232</u>	<u>50,511,251</u>

The above Comprehensive Income Statement should be read in conjunction with the accompanying notes.

Balance Sheet
As at 30 June 2022

	Note	2022 \$	2021 \$
Assets			
Current assets			
Cash and cash equivalents	5.1(a)	13,399,729	10,981,779
Other financial assets	5.1(b)	29,400,000	30,300,000
Trade and other receivables	5.1(c)	3,783,284	3,581,233
Inventories		44,922	37,808
Other assets	5.2	253,275	201,378
Total current assets		<u>46,881,210</u>	<u>45,102,198</u>
Non-current assets			
Trade and other receivables	5.1(c)	705	1,481
Intangible assets	5.2	1,469,121	1,948,577
Property, infrastructure, plant and equipment	6.1	434,115,402	406,104,775
Total non-current assets		<u>435,585,228</u>	<u>408,054,833</u>
Total assets		<u>482,466,438</u>	<u>453,157,031</u>
Liabilities			
Current liabilities			
Trade and other payables	5.3(a)	2,564,206	2,308,655
Trust funds and deposits	5.3(b)	1,695,123	1,349,442
Unearned income	5.3(c)	6,495,150	4,683,431
Provisions	5.4(a)	3,413,717	3,459,711
Total current liabilities		<u>14,168,196</u>	<u>11,801,239</u>
Non-current liabilities			
Provisions	5.4	7,822,130	7,512,912
Total non-current liabilities		<u>7,822,130</u>	<u>7,512,912</u>
Total liabilities		<u>21,990,326</u>	<u>19,314,151</u>
Net Assets		<u>460,476,112</u>	<u>433,842,880</u>
Equity			
Accumulated surplus		133,518,606	128,738,537
Reserves	9.1	326,957,506	305,104,343
Total Equity		<u>460,476,112</u>	<u>433,842,880</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 2022**

	Note	Total \$	Accumulated Surplus \$	Revaluation Reserve \$	Other Reserves \$
2022					
Balance at beginning of the financial year		433,842,880	128,738,538	284,869,747	20,234,596
Surplus/(deficit) for the year		3,587,687	3,587,687	-	-
Net asset revaluation increment	9.1	23,045,545	-	23,045,545	-
Transfers to other reserves	9.1(b)	-	(1,454,867)	-	1,454,867
Transfers from other reserves	9.1(b)	-	2,647,248	-	(2,647,248)
Balance at end of the financial year		460,476,112	133,518,606	307,915,291	19,042,215

		Total \$	Accumulated Surplus \$	Revaluation Reserve \$	Other Reserves \$
2021					
Balance at beginning of the financial year		383,331,628	131,560,472	231,594,639	20,176,517
Surplus/(deficit) for the year		(2,763,856)	(2,763,856)	-	-
Net asset revaluation increment	9.1	53,275,108	-	53,275,108	-
Transfers to other reserves	9.1(b)	-	(1,752,326)	-	1,752,326
Transfers from other reserves	9.1(b)	-	1,694,247	-	(1,694,247)
Balance at end of the financial year		433,842,880	128,738,537	284,869,747	20,234,596

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 2022**

	Note	2022 Inflows/ (Outflows) \$	2021 Inflows/ (Outflows) \$
Cash flows from operating activities			
Rates and charges		22,185,763	21,714,820
Statutory fees and fines		1,363,834	1,236,616
User fees		991,036	1,216,855
Grants - operating		9,649,684	9,044,273
Grants - capital		4,911,793	7,460,270
Contributions - monetary		419,742	332,820
Interest received		332,873	426,852
Other receipts		1,035,803	700,312
Net Fire Services Property Levy received (remitted)		877	(61,682)
Net GST refund		1,802,541	1,441,525
Net receipt of trust funds and deposits		344,804	(71,159)
Materials and services		(14,603,524)	(14,797,074)
Employee costs		(14,459,859)	(15,553,601)
Other payments		(351,626)	(293,811)
Net cash provided by operating activities	9.2	<u>13,623,741</u>	<u>12,797,016</u>
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment		(12,482,856)	(11,144,653)
Payments for intangible assets		(8,300)	(81,303)
Proceeds from sale of property, infrastructure, plant and equipment		385,364	103,227
Receipts /(payments) for Investments		<u>900,000</u>	<u>(8,280,500)</u>
Net cash provided (used) in investing activities		<u>(11,205,792)</u>	<u>(19,403,229)</u>
Cash flows from financing activities			
Finance costs		-	(28,298)
Repayment of interest bearing loans and borrowings		-	(478,556)
Net cash (used) in financing activities		<u>-</u>	<u>(506,854)</u>
Net increase/(decrease) in cash and cash equivalents		2,417,950	(7,113,067)
Cash and cash equivalents at the beginning of the financial year		<u>10,981,779</u>	<u>18,094,846</u>
Cash and cash equivalents at the end of the financial year	5.1(a)	<u>13,399,729</u>	<u>10,981,779</u>

The above statement of cash flows should be read with the accompanying notes.

Statement of Capital Works For the Year Ended 30 June 2022

	Note	2022	2021
Property			
Land		680,898	542,673
Buildings		1,592,238	1,740,544
Total property		<u>2,273,136</u>	<u>2,283,217</u>
Plant and equipment			
Heritage plant and equipment		174,798	-
Plant, machinery and equipment		1,701,406	1,738,560
Fixtures, fittings and furniture		174,454	150,276
Library books		100,593	106,503
Total plant and equipment		<u>2,151,251</u>	<u>1,995,339</u>
Infrastructure			
Roads		4,910,368	4,120,785
Bridges		1,533,755	426,315
Footpaths and cycleways		1,064,740	1,099,927
Drainage		395,370	602,272
Total infrastructure		<u>7,904,233</u>	<u>6,249,299</u>
Total capital works expenditure		<u>12,328,620</u>	<u>10,527,855</u>
Represented by:			
New asset expenditure		1,091,556	3,328,953
Asset renewal expenditure		7,213,426	4,477,563
Asset expansion expenditure		615,519	378,260
Asset upgrade expenditure		3,408,119	2,343,079
Total capital works expenditure		<u>12,328,620</u>	<u>10,527,855</u>

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

Notes to Financial Report For the Year Ended 30 June 2022

Note 1 Overview

Introduction

The Murrindindi Shire Council was established by an Order of the Governor in Council on 18 November 1994 and is a body corporate. The Council's main office is located at Perkins Street, Alexandra.

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 (AAS), other authoritative pronouncements of the Australian Accounting Standards Board, the *Local Government Act 2020*, and the *Local Government (Planning and Reporting) Regulations 2020*.

The Council is a not-for-profit entity and therefore applies the additional AUS paragraphs applicable to a not-for-profit entity under the Australian Accounting Standards.

Significant accounting policies

(a) **Basis of accounting**

The accrual basis of accounting has been used in the preparation of these financial statements, except for the cash flow information, 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.

The financial statements are based on the historical cost convention unless a different measurement basis is specifically disclosed in the notes to the financial statements.

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.

The financial statements have been prepared on a going concern basis. The financial statements are in Australian dollars. The amounts presented in the financial statements have been rounded to the nearest dollar unless otherwise specified. Minor discrepancies in tables between totals and the sum of components are due to rounding.

Revisions to accounting estimates are recognised in the period in which the estimates are 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 6.1)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.1)
- the determination of employee provisions (refer to Note 5.5)
- the determination of landfill provisions (refer to Note 5.5)
- the determination of whether performance obligations are sufficiently specific so as to determine whether an arrangement is within the scope of *AASB 15 Revenue from Contracts with Customers* or *AASB 1058 Income of Not-for-Profit Entities* (refer to Note 3)
- the determination, in accordance with *AASB 16 Leases*, of the lease term, the estimation of the discount rate when not implicit in the lease and whether an arrangement is in substance short-term or low value (refer to Note 5.8)
- other areas requiring judgements.

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.

**Notes to Financial Report
For the Year Ended 30 June 2022**

Note 2.1.1 Performance against budget

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2020* requires explanation of any material variances. Council has adopted a materiality threshold of the lower of 10 percent or \$500,000 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 23rd June 2021. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for revenue 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 2020* and the *Local Government (Planning and Reporting) Regulations 2020*.

2.1.1 Income and expenditure

	Budget 2022 \$	Actual 2022 \$	Variance \$	Variance %	Ref
Income					
Rates and charges	22,017,000	22,104,551	87,551	0%	
Statutory fees and fines	1,219,000	1,346,299	127,299	10%	1
User fees	990,000	1,288,386	298,386	30%	2
Grants-operating	6,767,000	8,907,017	2,140,017	32%	3
Grants-capital	4,866,000	3,510,055	(1,355,945)	(28%)	4
Contributions-monetary	179,000	394,471	215,471	120%	5
Contributions-non monetary	600,000	1,204,062	604,062	101%	6
Other income	1,015,000	1,485,581	470,581	46%	7
Total income	37,653,000	40,240,422	2,587,422	7%	
Expenses					
Employee costs	15,373,000	14,785,116	587,884	(4%)	8
Materials and services	11,254,000	12,368,864	(1,114,864)	10%	9
Bad and doubtful debts	-	8,968	(8,968)	100%	
Depreciation	8,563,000	7,953,062	609,938	(7%)	10
Amortisation - intangible assets	357,000	422,916	(65,916)	18%	11
Net loss on disposal of property, infrastructure, plant and equipment	600,000	229,176	370,824	(62%)	12
Other expenses	362,000	543,227	(181,227)	50%	13
Increase in provision for landfill Liability	-	276,566	(276,566)	100%	14
Total expenses	36,509,000	36,587,895	(78,895)	0%	
Surplus/(deficit) for the year	1,144,000	3,652,527	2,508,527		

**Notes to Financial Report
For the Year Ended 30 June 2022**

Note 2.1.1 Performance against budget (cont.)

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Statutory fees and fines	Favourable variance in planning fees \$52k , building fees \$50k, animal registrations \$24k.
2	User fees	Favourable variance in Saleyard fee income \$151,327 and Landfill and Recycling charges \$145,561.
3	Grants-operating	New grants received during the year that were not budgeted \$805k. An additional 25% of the 2022/23 Grants Commission Financial Assistance payment was paid in advance, equating to \$1.7m unbudgeted.
4	Grants-capital	Budgeted grants deferred to unearned income as outcomes not delivered, DITRDC Bridge renewal and Heavy Vehicle road grants \$2.4 m, offset by new unbudgeted grants received \$1.4m.
5	Contributions-monetary	Favourable variance in contributions to capital projects \$68k, Public Space Contributions \$68k; Operating contributions: Eildon Alliance Boat Ramp \$30k. Includes contributions to Goulburn Murray Climate Alliance.
6	Contributions-non monetary	Council receives contributions in the form of infrastructure as a result of subdivisions and developments. The timing and amount of such contributions is largely outside Council's control. Details of contributions are shown at note 3.5.
7	Other income	Favourable variances from interest income earnings \$293k due to increasing interest rates, sale of scrap steel and batteries \$177k and value of volunteer services \$120k as highlighted in note 3.6. The recognition of volunteer services under Accounting Standards is cost neutral, with the matching amounts recognised as revenue and expenditure.
8	Employee costs	Variance mainly in Infrastructure Operations: Parks and Gardens and Road Maintenance. Vacancies filled by contract positions (materials and services).
9	Materials and services	Unfavourable variances in Waste Management and Landfill including plant repairs and leachate treatment \$626k, Rubicon Waste Water (grant funded) project \$126k, Small Business Support (grant funded) \$162k, Parks and gardens \$103k, Road maintenance \$104k tree works \$49k, increased weed control \$81k, Goulburn Murray Climate project (supported by contributions) \$43k, 2021 Storm recovery works \$59, Kinglake streetscape works budgeted as capital \$258k, contractors filling staff vacancies \$202k; offset by favourable variances in Family Day Care (grant funded) \$340k, Grants program over budgeted \$223k.
10	Depreciation	The roads revaluation work undertaken in late 2020/21 resulted in a downward adjustment to depreciation rates. These figures were not available at the time of adopting the 2021/22 budget.
11	Amortisation - intangible assets	The amortisation (consumption) of landfill airspace was higher than expected.
12	Net loss on disposal of property, infrastructure, plant and equipment	When assets are replaced, renewed, or upgraded, the underlying book value of the assets must be written out of the asset register, this value is recorded as an expense. The amount of this expense depends on the size, nature and timing of the completion of the capital works program. In the current year the bridge replacement program has been delayed, when the new bridges are completed in 2022-23 the book value of the existing bridges will be adjusted and any remaining book value expensed.
13	Other expenses	Variance of \$156,048 due to the recognition of the offsetting volunteer services contribution as highlighted in note 4.8. The recognition of volunteer services is cost neutral, with the corresponding amounts recognised as other revenue.
14	Increase in provision for landfill Liability	Landfill provision increased following the annual review and alignment with EPA assurance requirements.

**Notes to Financial Report
For the Year Ended 30 June 2022**

2.1.2 Capital works	Budget 2022 \$	Actual 2022 \$	Variance 2022 \$	Variance 2021 %	Ref
Property					
Land	1,250,000	680,898	(569,102)	(46%)	1
Total Land	1,250,000	680,898	(569,102)	(46%)	
Buildings	2,209,586	1,592,238	(617,348)	(28%)	2
Total Buildings	2,209,586	1,592,238	(617,348)	(28%)	
Total Property	3,459,586	2,273,136	(1,186,450)	(34%)	
Plant and Equipment					
Heritage plant and equipment	-	174,798	174,798	100%	3
Plant, machinery and equipment	1,680,000	1,701,406	21,406	1%	
Fixtures, Computer hardware, fittings and furniture	240,000	174,454	(65,546)	(27%)	4
Computers and telecommunications software	-	8,300	8,300	100%	
Library materials	100,000	100,593	593	1%	
Total Plant and Equipment	2,020,000	2,159,551	139,551	7%	
Infrastructure					
Roads	3,862,542	4,910,368	1,047,826	27%	5
Bridges	4,183,600	1,533,755	(2,649,845)	(63%)	6
Footpaths and cycleways	433,730	1,064,740	631,010	145%	7
Drainage	730,698	395,370	(335,328)	(46%)	8
Total Infrastructure	9,210,570	7,904,233	(1,306,337)	(14%)	
Total Capital Works Expenditure	14,690,156	12,336,920	(2,353,236)	(16%)	
Represented by:					
New asset expenditure	366,000	1,091,556	725,556	198%	
Asset renewal expenditure	8,217,156	7,221,726	(995,430)	(12%)	
Asset expansion expenditure	214,000	615,519	401,519	188%	
Asset upgrade expenditure	5,893,000	3,408,119	(2,484,881)	(42%)	
Total Capital Works Expenditure	14,690,156	12,336,920	(2,353,236)	(16%)	

**Notes to Financial Report
For the Year Ended 30 June 2022**

Note 2.1.2 Performance against budget (cont.)

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Land	Yea landfill rehabilitation works completed under budget.
2	Buildings	Works on Alexandra Rotary Park & Visitors Precinct delayed due to increased project with works to commence early 2022/23.
3	Heritage Plant & Equipment	Goulburn Valley Rail Trail Art Installation and Signage Project commenced. An unbudgeted, grant funded project.
4	Fixtures, Computer hardware, fittings and furniture	Laptops purchased. Delay in GIS mapping and Digital Futures initiatives.
5	Roads	Gravel Road Resheeting works and Kinglake Streetscape project were both delayed in 2020-21 with budgets carried forward for completion in 2021-22.
6	Bridges	Bridge renewal and upgrade works for McDonalds Bridge Yarck Road Gobur & Break O'Day Road Bridge Glenburn were both delayed addressing community concerns and confirmation of additional funding with work commencing late in the 2021-22 financial year with remaining budgets carried forward for completion in 2022-23.
7	Footpaths and cycleways	Council received post budget adoption additional grant funding for footpath extension works in Alexandra and the Blue Gums to Eildon Rail Trail with some expenditure incurred in the current year. In addition recognition of footpath works as part of the Kinglake streetscape projects show as variance as these works were budgeted for within Roads project budget.
8	Drainage	Grant funded drainage works on Kinglake Glenburn Road and Mt Kitchener Avenue Marysville have been retendered due to high costs tendered and the withdrawal of Contractor. These work have been carried forward for completion in 2022-23.

**Notes to Financial Report
For the Year Ended 30 June 2022**

Note 2.2 Analysis of Council results by program

Council delivers its functions and activities through the following programs.

2.2.1 Resilient Communities

To ensure we are welcoming, inclusive, caring and connected.

We recognise that resilient communities are connected communities with access to services that support physical and mental health in a safe environment. We value the community's diversity and are committed to inclusion, access and equity for everyone. We will build on this quality by encouraging participation and involvement. These principles foster cohesiveness, empower people and improve resilience and the wellbeing of the community.

Resilient communities includes, children and family services, library services, community services, community development and engagement.

Beautiful Townships and Rural settings

To create a better place for our community and visitors to live in harmony with our rural character, natural beauty and heritage.

The unique character, history, scenic beauty and ambience of our places and spaces and the health of our natural environment are highly valued by our communities. We will ensure our built environments are well planned to enable sensible growth that does not compromise the natural environment, nor the liveability, accessibility and character of our towns and localities.

Beautiful township and rural settings includes, building control, community safety, development approvals, environmental health, infrastructure maintenance, parks, gardens and open space management.

Growth and Opportunity

To prioritise and promote a culture in which the economy, businesses and community can grow and thrive.

We recognise that growth and opportunity are key to supporting individual aspirations and our communities. We will ensure that opportunities to encourage our businesses, social enterprises and industry sectors to grow and thrive are pursued. We will support businesses to start, grow or transition, promote tourism, facilitate access to support and training, and embrace activities that help boost local employment and investment.

Growth and opportunity includes tourism and business development services and saleyards management.

Our Protected Environment

To protect and enhance our natural environment, supporting environmental sustainability, community resilience, innovation and adaptation to climate change to achieve net-zero emissions by 2035.

We are fortunate to live in one of the most diverse and beautiful places in the world. We recognise that the prosperity and wellbeing of our communities depends on a healthy environment, and a healthy environment depends on us making ecologically-sustainable choices. We will continue to value our natural landscapes and biodiversity and share the responsibility of being climate ready and leaders in resource management to help our Shire grow and thrive.

Our protected environment includes, environmental and waste management.

Transparency, Inclusion and Accountability

To ensure our services, people and systems deliver the best possible outcomes for our communities now and into the future.

Our organisation will be innovative, accountable and focused on achieving the community's needs and priorities. Our workplace is equitable, flexible and focused on health, safety and wellbeing, as our staff are integral in effective and responsive service delivery. We value working with our communities to prioritise, plan and advocate for the needs now and into the future.

Transparency, inclusion and accountability includes, councillors, chief executive and executive team, communications and publications, financial services, corporate services, human resources, customer services, emergency services, asset planning and management.

2.2.2 Summary of revenues, expense and assets by program

	Income	Expenses	Surplus/(Deficit)	Grants included in income	Total assets
	\$	\$	\$	\$	\$
2022					
Resilient Communities	1,971,228	4,912,110	(2,940,882)	1,544,471	24,947,215
Beautiful Townships and Rural settings	8,879,610	8,553,234	326,376	6,081,105	339,757,035
Growth and Opportunity	1,087,716	1,716,448	(628,732)	379,152	8,717,353
Our Protected Environment	4,895,021	4,911,771	(16,750)	45,627	24,945,493
Transparency, Inclusion and Accountability	644,189	8,683,868	(8,039,679)	117,136	44,102,905
General Rates	18,513,077	-	18,513,077	-	-
Unattributed	4,249,581	7,875,304	(3,625,723)	4,249,581	39,996,438
	40,240,422	36,652,735	3,587,687	12,417,072	482,466,438
	Income	Expenses	Surplus/(Deficit)	Grants included in income	Total assets
	\$	\$	\$	\$	\$
2021					
Resilient Communities	2,256,264	5,481,159	(3,224,895)	2,645,495	40,645,489
Beautiful Townships and Rural settings	8,040,015	11,402,958	(3,362,943)	4,868,185	337,182,700
Growth and Opportunity	1,291,017	2,417,552	(1,126,535)	590,848	10,263,387
Our Protected Environment	4,466,675	5,159,523	(692,848)	-	31,637,144
Transparency, Inclusion and Accountability	669,330	8,277,785	(7,608,455)	56,356	-
General Rates	18,036,839	-	18,036,839	-	-
Unattributed	3,086,315	7,871,335	(4,785,020)	3,086,318	33,428,311
	37,846,455	40,610,312	(2,763,857)	11,247,202	453,157,031

**Notes to Financial Report
For the Year Ended 30 June 2022**

Note 3 Funding for the delivery of our services

	2022	2021
	\$	\$
3.1 Rates and charges		
<p>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 total value of land plus buildings and improvements.</p> <p>The valuation base used to calculate the general rates for 2021/2022 was \$6,007 million (2020/2021 \$5,299 million). The 2021/2022 rate in the dollar for general rate was 0.002658 of the capital improved value of the property (2020/2021 0.002967).</p> <p>The 2021/2022 Municipal Charge was \$346 (2020/2021 \$341) per rateable assessment. In 2021/2022 the Garbage Service Charge was \$395.80 (2020/2021 \$391.20) and Recycling Charge was \$121.00 (2020/2021 \$119.60).</p>		
Residential	6,889,909	6,925,263
Commercial	858,407	717,936
Rural 1	3,317,163	3,212,030
Rural 2	3,325,376	3,142,489
Vacant Land - Residential	624,502	632,394
Vacant Land - Commercial	36,057	29,235
Municipal charge	3,394,610	3,311,363
Garbage charge	2,739,201	2,664,186
Recycling	852,272	828,653
Revenue in lieu of rates	67,054	66,129
Total rates and charges	<u>22,104,551</u>	<u>21,529,678</u>

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2022, and the valuation will be applied in the rating year commencing 1 July 2022.

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.

3.2 Statutory fees and fines

Building inspection and permits	430,186	398,175
Community safety - including companion animal registrations	208,531	212,952
Environmental health inspections and permits	151,611	155,452
Planning and development permits	391,018	327,118
Infrastructure inspections and permits	124,202	90,891
Other	40,751	28,863
Total statutory fees and fines	<u>1,346,299</u>	<u>1,213,451</u>

Statutory 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.

Notes to Financial Report
For the Year Ended 30 June 2022

Note 3	Funding for the delivery of our services (cont.)	2022	2021
3.3	User fees	\$	\$
	Halls and Community Centres	19,736	11,200
	Saleyard fees	521,327	469,870
	Recreation pools and leisure centres	23,368	16,645
	Waste - transfer station & landfill fees	708,457	625,321
	Other fees and charges	15,498	9,524
	Total user fees	<u>1,288,386</u>	<u>1,132,560</u>
	User fees are recognised as revenue at a point in time, or over time, when (or as) the performance obligation is satisfied. Recognition is based on the underlying contractual terms.		
3.4	Funding from other levels of government		
	Grants were received in respect of the following :		
	Summary of grants		
	Commonwealth funded grants	9,869,462	7,779,986
	State funded grants	2,547,610	3,467,216
	Total grants received	<u>12,417,072</u>	<u>11,247,202</u>
	(a) Operating Grants		
	Recurrent -Commonwealth Government		
	Financial Assistance Grants	6,584,131	4,781,601
	Aged and disability	57,161	56,206
	Children services	701,410	1,015,484
	Recurrent -State Government		
	Aged and disability	22,895	18,216
	Children services	309,232	297,866
	Public health	10,457	7,076
	Library services	163,395	157,870
	Road safety	37,020	36,246
	Total recurrent Operating Grants	<u>7,885,701</u>	<u>6,370,565</u>
	Non-recurrent -Commonwealth Government		
	Children services		
	Community	-	21,000
	Emergency management	27,790	-
	Infrastructure	66,923	-
	Non-recurrent -State Government		
	Children services	59,915	61,240
	Community	120,936	180,216
	Development approvals	79,422	30,299
	Economic development	379,152	590,848
	Emergency management	73,200	73,200
	Environmental services	35,627	32,774
	Public health	79,517	228,029
	Road safety	10,500	19,500
	Recreational services	-	13,857
	Youth services	78,334	55,639
	Waste and recycling	10,000	10,000
	Working for Victoria	-	787,211
	Total non recurrent operating grants	<u>1,021,316</u>	<u>2,103,813</u>
	Total Operating grants	<u>8,907,017</u>	<u>8,474,378</u>

Notes to Financial Report
For the Year Ended 30 June 2022

Note 3.4	Funding from other levels of government (Cont.)	2022	2021
		\$	\$
	(b) Capital Grants		
	Recurrent-Commonwealth Government		
	Roads to Recovery	1,161,351	1,021,986
	Recurrent-State Government		
	Library materials	6,255	6,255
	Total recurrent capital grants	<u>1,167,606</u>	<u>1,028,241</u>
	Non-recurrent-Commonwealth Government		
	Buildings	356,112	27,201
	Cultural and heritage		
	Footpaths and cycleways	4,854	41,293
	Roads	909,730	815,215
	Environment		
	Non-recurrent-State Government		
	Governance		
	Buildings	455,977	228,543
	Cultural and heritage	149,798	
	Footpaths and cycleways	165,978	-
	Roads	300,000	632,331
	Total non-recurrent capital grants	<u>2,342,449</u>	<u>1,744,583</u>
	Total capital grants	<u><u>3,510,055</u></u>	<u><u>2,772,824</u></u>

(c) Unspent grants received on condition that they be spent in a specific manner

	Operating		
	Balance at start of year	424,918	991,836
	Received during the financial year and remained unspent at balance date	948,907	354,017
	Received in prior years and spent during the financial year	(348,176)	(920,935)
	Balance at year end	<u>1,025,649</u>	<u>424,918</u>
	Capital		
	Balance at start of year	4,550,433	479,566
	Received during the financial year and remained unspent at balance date	2,374,872	4,550,433
	Received in prior years and spent during the financial year	(1,123,635)	(479,566)
	Balance at year end	<u>5,801,670</u>	<u>4,550,433</u>

(d) Recognition of grant income

Before recognising funding from government grants as revenue the Council assesses whether there is a contract that is enforceable and has sufficiently specific performance obligations in accordance with AASB 15 *Revenue from Contracts with Customers*. When both these conditions are satisfied, the Council:

- identifies each performance obligation relating to revenue under the contract/agreement
- determines the transaction price
- recognises a contract liability for its obligations under the agreement
- recognises revenue as it satisfies its performance obligations, at the time or over time when services are rendered.

Where the contract is not enforceable and/or does not have sufficiently specific performance obligations, the Council applies AASB 1058 Income for *Not-for-Profit Entities*.

Grant revenue with sufficiently specific performance obligations is recognised over time as the performance obligations specified in the underlying agreement are met. Where performance obligations are not sufficiently specific, grants are recognised on the earlier of receipt or when an unconditional right to receipt has been established. Grants relating to capital projects are generally recognised progressively as the capital project is completed. The following table provides a summary of the accounting framework under which grants are recognised.

Income recognised under AASB 1058 Income of Not-for-Profit Entities

General purpose	7,885,701	6,370,565
Specific purpose grants to acquire non-financial assets	3,510,055	2,772,824
Other specific purpose grants	782,043	1,196,953
Revenue recognised under AASB 15 Revenue from Contracts with Customers		
Specific purpose grants	<u>239,273</u>	<u>906,860</u>
	<u>12,417,072</u>	<u>11,247,202</u>

**Notes to Financial Report
For the Year Ended 30 June 2022**

Note 3	Funding for the delivery of our services (cont.)	2022 \$	2021 \$
3.5	Contributions		
	Monetary - operating	228,582	216,724
	Monetary - capital	165,889	103,455
	Non-monetary - capital	1,204,062	1,219,962
	Total contributions	<u>1,598,533</u>	<u>1,540,141</u>

Contributions of non monetary assets were received in relation to the following asset classes

Land	288,691	-
Land under roads	38,330	11,418
Drainage	257,228	417,953
Footpaths and Cycleways	171,250	90,150
Roads	448,563	700,441
Total non-monetary contributions	<u>1,204,062</u>	<u>1,219,962</u>

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

3.6 Other income

Interest	187,452	230,151
Interest on rates	178,136	162,201
Rental	278,286	213,806
Reimbursements	304,439	236,352
Volunteer Services	201,048	156,099
Other	336,220	184,814
Total other income	<u>1,485,581</u>	<u>1,183,423</u>

Interest and rent are recognised as it is earned. Other income is measured at the fair value of the consideration received and is recognised when Council gains control over the right to receive the income.

Notes to Financial Report
For the Year Ended 30 June 2022

Note 4	The cost of delivering services	2022	2021
		\$	\$
4.1	Employee costs		
	Wages and salaries	12,751,321	13,399,054
	Casual Staff	447,730	481,974
	Fringe benefits tax	19,038	8,745
	Superannuation	1,286,143	1,291,850
	Workcover	280,884	265,532
	Total employee costs	<u>14,785,116</u>	<u>15,447,155</u>

(a) Superannuation

Council made contributions to the following funds:

Defined benefit fund

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	<u>20,468</u>	<u>23,678</u>
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Employer contributions payable at reporting date.

Accumulation funds

Employer contributions to:

Vision Super	687,615	665,778
Australian Super	96,858	103,467
Hostplus	55,686	69,521
Other funds	425,516	429,406
	<u>1,286,143</u>	<u>1,291,850</u>

Employer contributions payable at reporting date.

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	12,177	7,519
Employer contributions - other funds	7,536	6,803

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2023 is \$45,660

Refer to note 9.3 for further information relating to Council's superannuation obligations.

4.2 Materials and services

Consultants	189,455	447,507
Contractors	9,054,821	8,795,648
Contributions	587,617	823,656
Insurance	603,386	522,951
Legal Expenses	193,373	152,088
Materials	793,293	1,070,070
Information technology and software	497,999	407,627
Utilities	448,920	427,440
Total material and services	<u>12,368,864</u>	<u>12,646,987</u>

Expenses are recognised as they are incurred and reported in the financial year to which they relate.

4.3 Depreciation

Property	1,994,623	2,343,381
Plant and Equipment	1,083,858	1,052,646
Infrastructure	<u>4,874,581</u>	<u>5,259,459</u>
Total depreciation	<u>7,953,062</u>	<u>8,655,486</u>

Refer to 6.1 for a more detailed breakdown of depreciation and accounting policy.

4.4 Amortisation - intangible assets

Landfill airspace	422,916	277,763
Software	64,840	56,710
Total amortisation	<u>487,756</u>	<u>334,473</u>

Refer to note 5.2 (b) for a more detailed breakdown of amortisation charges and accounting policy.

**Notes to Financial Report
For the Year Ended 30 June 2022**

Note 4	The cost of delivering services (cont.)	2022	2021
4.5	Bad and doubtful debts	\$	\$
	Debtors - Infringements	<u>8,968</u>	<u>169,784</u>
	Total bad and doubtful debts	<u>8,968</u>	<u>169,784</u>
	Movement in provisions for doubtful debts		
	Balance at the beginning of the year	67,107	59,422
	New provisions recognised during the year	8,673	8,661
	Amounts already provided for and written off as uncollectible	<u>-</u>	<u>(976)</u>
	Balance at end of year	<u>75,780</u>	<u>67,107</u>
4.6	Borrowing cost		
	Interest - borrowings	<u>-</u>	<u>22,906</u>
	Total borrowing costs	<u>-</u>	<u>22,906</u>
4.7	Net loss on disposal of property, infrastructure, plant and equipment		
	Written down value of assets disposed	614,540	1,433,501
	Less proceeds from sales	<u>(385,364)</u>	<u>(103,227)</u>
		<u>229,176</u>	<u>1,330,274</u>
	The profit or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer.		
	Refer to Note 6 for additional details.		
4.8	Other expenses		
	Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	51,400	47,600
	Auditors' remuneration - Internal Audit	45,175	25,030
	Councillors' allowances	228,146	194,187
	Volunteer Services	201,048	156,099
	Other	<u>17,458</u>	<u>18,877</u>
	Total other expenses	<u>543,227</u>	<u>441,793</u>

Notes to Financial Report
For the Year Ended 30 June 2022

Note 5	Our financial position	2022 \$	2021 \$
5.1	Financial assets		
	(a) Cash and cash equivalents		
	Cash at bank and on hand	2,555,729	5,667,779
	Term deposits and at call	<u>10,844,000</u>	<u>5,314,000</u>
	Total cash and cash equivalents	<u>13,399,729</u>	<u>10,981,779</u>
	(b) Other financial assets		
	Term Deposit - current	<u>29,400,000</u>	<u>30,300,000</u>
	Total other financial assets	<u>29,400,000</u>	<u>30,300,000</u>
	Total financial assets	<u>42,799,729</u>	<u>41,281,779</u>

Council's cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:

Trust funds and deposits (Note 5.3(b))	1,695,123	1,349,442
Statutory reserves (Note 9.1(b))	<u>589,530</u>	<u>575,811</u>
Total restricted funds	<u>2,284,653</u>	<u>1,925,253</u>
Total unrestricted cash and cash equivalents	<u>11,115,076</u>	<u>9,056,526</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	7,596,747	5,536,788
- grants received in advance (Note 3.4)	6,827,319	4,975,351
- cash held to fund discretionary reserves	18,452,685	19,658,785
- portion of long service leave liability	<u>518,863</u>	<u>551,520</u>
Total funds subject to intended allocations	<u>33,395,614</u>	<u>30,722,444</u>

Cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with an original maturity of three months or less, net of outstanding bank overdrafts.

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

Other financial assets include term deposits and those with original maturity dates of three to 12 months are classified as current, whilst term deposits with maturity dates greater than 12 months are classified as non-current.

Notes to Financial Report
For the Year Ended 30 June 2022

5.1 Financial assets (cont.)	2022	2021
(c) Trade and other receivables	\$	\$
Current		
<i>Statutory receivables</i>		
Rates debtors	2,244,615	2,324,533
Provision for doubtful rate debts	(52,480)	(52,480)
Garbage and recycling debtors	465,044	466,338
Special rate scheme	6,111	6,328
Infringement debtors	77,769	48,757
Provision for doubtful debts - infringements	(23,300)	(14,627)
Net GST receivable	383,847	159,774
<i>Non statutory receivables</i>		
Other debtors	549,344	356,801
Government grants	132,334	285,809
Total Current trade and other receivables	<u>3,783,284</u>	<u>3,581,233</u>
Non-current		
<i>Statutory receivables</i>		
Special rate scheme	705	1,481
Total trade and other receivables	<u>3,783,989</u>	<u>3,582,714</u>

Short term receivables are carried at invoice amount. There is no impairment of non -statutory receivables.
Long term receivables are carried at amortised cost using the effective interest rate method.

(d) Ageing of receivables

The ageing of the Council's trade and other receivables (excluding statutory receivables) that are not impaired was

Current (not yet due)	336,980	227,061
Past due by up to 30 days	137,717	241,003
Past due between 31 and 180 days	43,829	15,737
Past due between 181 and 365 days	6,016	52,639
Past due by more than 1 year	157,136	106,170
Total trade and other receivables	<u>681,678</u>	<u>642,610</u>

Notes to Financial Report
For the Year Ended 30 June 2022

5.2 Non-financial assets	2022	2021	
	\$	\$	
(a) Other assets			
Accrued Income	76,347	43,632	
Prepayments	176,928	157,746	
Total other assets	253,275	201,378	
(b) Intangible assets			
Landfill airspace	1,163,907	1,586,823	
Software	305,214	361,754	
Total intangible assets	1,469,121	1,948,577	
	Software	Landfill	Total
	\$	\$	\$
Gross carrying amount			
Balance at 1 July 2021	509,912	4,469,566	4,979,478
Other Additions	8,300	-	8,300
Balance at 1 July 2022	518,212	4,469,566	4,987,778
Accumulated amortisation and impairment			
Balance at 1 July 2021	(148,158)	(2,882,743)	(3,030,901)
Amortisation expense	(64,840)	(422,916)	(487,756)
Balance at 30 June 2022	(212,998)	(3,305,659)	(3,518,657)
Net book value at 30 June 2021	361,754	1,586,823	1,948,577
Net book value at 30 June 2022	305,214	1,163,907	1,469,121

Landfill air space represents the unused capacity of the Alexandra landfill. The value of this asset is based on the corresponding landfill restoration provision (refer to note 5.4) adjusted to reflect the portion of unused air space remaining within this landfill. Amortisation is on the basis of the assets useful life and amortisation method is reviewed at least annually, and adjustments made where appropriate.

Software assets are amortised as an expense on a straight line basis over the asset's useful life.

**Notes to Financial Report
For the Year Ended 30 June 2022**

	2022	2021
	\$	\$
5.3 Payables, trust funds and deposits and unearned income/revenue		
(a) Trade and other payables		
Non-statutory payables		
Trade payables	1,851,180	1,917,856
Accrued wages	669,555	349,248
Accrued expenses	43,471	41,551
Total trade and other payables	<u>2,564,206</u>	<u>2,308,655</u>
(b) Trust funds and deposits		
Refundable building deposits	50,500	50,500
Refundable planning permit bonds	199,071	240,402
Retention contract deposits	751,567	512,274
Fire Service Property Levy	60,342	59,465
Other refundable deposits	633,643	486,801
Total trust funds and deposits	<u>1,695,123</u>	<u>1,349,442</u>
(c) Unearned income		
Grants received in advance - operating	693,478	132,997
Grants received in advance - capital	5,801,672	4,550,434
Total unearned income	<u>6,495,150</u>	<u>4,683,431</u>

Unearned income/revenue represents contract liabilities and reflect consideration received in advance from customers. Unearned income/revenue are derecognised and recorded as revenue when promised goods and services are transferred to the customer. Refer to Note 3.

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. Trust funds that are forfeited, resulting in Council gaining control of the funds, are recognised as revenue at the time of the forfeit.

Purpose and nature of items:

Refundable building deposits and planning permit bonds - These amounts have been received from individuals or companies to guarantee performance of obligations under various building permits, planning permits and contract agreements.

Fire Service Property Levy - Council is the collection agent for this 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 this process.

Retention Amounts - Council has a contractual right to retain certain amounts until a contractor has met certain requirements or 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.

Notes to Financial Report
For the Year Ended 30 June 2022

5.4 Provisions

	Employee	Landfill restoration	Total
	\$	\$	\$
2022			
Balance at beginning of the financial year	3,693,138	7,279,485	10,972,623
Additional provisions	1,055,940	276,566	1,332,506
Amounts used	(1,050,990)	-	(1,050,990)
Increase in the discounted amount arising because of the time and the effect of any change in the discount rate	-	(18,292)	(18,292)
Balance at the end of the financial year	3,698,088	7,537,759	11,235,847
2021			
Balance at beginning of the financial year	3,448,326	5,756,563	9,204,889
Additional provisions	1,106,112	1,561,454	2,667,566
Amounts used	(861,300)	-	(861,300)
Increase in the discounted amount arising because of the time and the effect of any change in the discount rate	-	(38,532)	(38,532)
Balance at the end of the financial year	3,693,138	7,279,485	10,972,623
		2022	2021
		\$	\$
(a) Employee benefits			
Current provision expected to be wholly settled within 12 months			
Annual leave		909,366	968,166
Long service leave		145,975	111,112
		1,055,341	1,079,278
Current provision expected to be wholly settled after 12 months			
Annual leave		567,294	407,782
Long service leave		1,791,082	1,972,651
		2,358,376	2,380,433
Total current employee provision		3,413,717	3,459,711
Non-current			
Long service leave		284,371	233,427
Total non-current employee provision		284,371	233,427
Aggregate carrying amount of employee benefits:			
Current		3,413,717	3,459,711
Non-current		284,371	233,427
Total aggregate carrying amount of employee benefits		3,698,088	3,693,138

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

Annual leave

A liability for annual leave is recognised in the provision for employee benefits as a current liability because the Council does not have an unconditional right to defer settlement of the liability. Liabilities for annual leave are measured at:

- nominal value if the Council expects to wholly settle the liability within 12 months
- present value if the Council does not expect to wholly settle within 12 months.

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.

Notes to Financial Report
For the Year Ended 30 June 2022

5.4 Provisions (Cont.)

Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits. Unconditional LSL is disclosed as a current liability as the Council does not have an unconditional right to defer settlement. Unconditional LSL is measured at nominal value if expected to be settled within 12 months or at present value if not expected to be settled within 12 months. 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 and measured at present value.

Key assumptions	2022	2021
- discount rate	3.25%	0.88%
- inflation rate	2.75%	2.00%

(b) Provisions - Landfill Restoration

	2022	2021
	\$	\$
Non-current		
Landfill restoration	7,537,759	7,279,485
	<u>7,537,759</u>	<u>7,279,485</u>

Council is obligated to restore the landfill site to a particular standard. The forecast life of the site is based on current estimates of remaining capacity and the forecast rate of infill. The provision for landfill restoration has been calculated based on the present value of the expected cost of works to be undertaken. The expected cost of works has been estimated based on current understanding of work required to reinstate the site to a suitable standard. Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs.

Key assumptions	2022	2021
- discount rate	3.95%	0.55%
- inflation rate	5.00%	2.00%

Summary of Provision

Current		
Annual leave	1,476,660	1,375,948
Long service leave	1,937,057	2,083,763
Total current provisions	<u>3,413,717</u>	<u>3,459,711</u>
Non current		
Long service leave	284,371	233,427
Landfill restoration	7,537,759	7,279,485
Total non current provisions	<u>7,822,130</u>	<u>7,512,912</u>
Total Provisions	<u>11,235,847</u>	<u>10,972,623</u>

Notes to Financial Report
For the Year Ended 30 June 2022

5.5 Commitments

The Council has entered into the following commitments. Commitments are not recognised in the Balance Sheet. Commitments are disclosed at their nominal value and presented inclusive of the GST payable.

(a) Commitments for expenditure

2022	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					
Cleaning buildings services	237,048	242,973	249,048		729,069
Garbage and recycling collection	1,135,371	1,206,741			2,342,112
Landfill	44,625	33,256			77,881
Library	66,065				66,065
Photocopiers and printers	28,680				28,680
Software	181,112	119,890	52,004		353,005
Telecommunications	6,174				6,174
Total	1,699,075	1,602,860	301,052	-	3,602,986
Capital					
Bridges	2,760,412	-	-	-	2,760,412
Buildings & improvements	1,939,674	-	-	-	1,939,674
Drainage	145,288	-	-	-	145,288
Heritage and cultural	30,000	-	-	-	30,000
Paths and Cycleways	529,007	-	-	-	529,007
Plant and equipment	544,941	-	-	-	544,941
Roads	307,252	-	-	-	307,252
Total	6,256,573	-	-	-	6,256,573
2021	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					
Cleaning buildings services	57,958	-	-	-	57,958
Garbage and recycling collection	1,179,996	1,135,371	1,206,741	-	3,522,108
Internal audit	32,500	-	-	-	32,500
Landfill	-	33,256	-	-	33,256
Library	64,141	66,065	-	-	130,206
Software	208,498	71,500	-	-	279,998
Street Lighting	-	-	-	-	-
Street sweeping	181,808	-	-	-	181,808
Telecommunications	14,818	-	-	-	14,818
Total	1,789,714	1,306,192	1,206,741	-	4,302,647
Capital					
Bridges	18,556	-	-	-	18,556
Buildings & improvements	653,876	-	-	-	653,876
Drainage	73,008	-	-	-	73,008
Kerb and Channel	16,199	-	-	-	16,199
Landfill	27,779	-	-	-	27,779
Paths and Cycleways	168,929	-	-	-	168,929
Plant and equipment	738,605	-	-	-	738,605
Roads	2,656,349	-	-	-	2,656,349
Total	4,354,946	-	-	-	4,354,946

Notes to Financial Report
For the Year Ended 30 June 2022

5.5 Commitments (cont.)

(b) Operating lease receivables

Operating lease receivables

The Council has entered into commercial property leases of its Caravan Parks and other property assets. These properties held under operating leases have remaining non-cancellable lease terms of between 1 and 99 years.

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

	2022	2021
	\$	\$
Not later than one year	223,104	196,211
Later than one year and not later than five years	801,496	705,326
Later than five years	1,484,521	1,312,123
	<u>2,509,121</u>	<u>2,213,660</u>

5.6 Leases

Council has not recognised any right-of-use assets and lease liabilities on the Balance Sheet, in accordance with AASB 16 Leases. All assets held by Council have been assessed as either short term or low value.

At inception of a contract, all entities would assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To identify whether a contract conveys the right to control the use of an identified asset, it is necessary to assess whether:

- The contract involves the use of an identified asset;
- The customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The customer has the right to direct the use of the asset.

This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

As a lessee, Council recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for:

- any lease payments made at or before the commencement date less any lease incentives received; plus
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, an appropriate incremental borrowing rate. Generally, Council uses an appropriate incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that Council is reasonably certain to exercise, lease payments in an optional renewal period if Council is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless Council is reasonably certain not to terminate early.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Council has elected to apply the temporary option available under AASB 16 Leases which allows not-for-profit entities to not measure right-of-use assets at initial recognition at fair value in respect of leases that have significantly below-market terms.

Short-term and low value leases

Council has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets (individual assets worth less than existing capitalisation thresholds for a like asset up to a maximum of AUD\$10,000), including IT equipment. Council recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

	2022	2021
	\$	\$
Expenses relating to:		
Leases of low value assets	3,213	4,313
Total	<u>3,213</u>	<u>4,313</u>

Non-cancellable lease commitments - Short-term and low-value leases

Commitments for minimum lease payments for short-term and low-value leases are payable as follows:

Payable:

Within one year	1,100	1,479
Later than one year but not later than five years	2,113	2,834
Total lease commitments	<u>3,213</u>	<u>4,313</u>

Notes to Financial Report
For the Year Ended 30 June 2022

Note 6 Assets we manage

6 Property, infrastructure, plant and equipment

Summary of property, Infrastructure, plant and equipment

	Carrying amount 30 June 2021	Acquisitions	Contributions	Revaluations	Depreciation	Disposals	Transfers	Carrying amount 30 June 2022
	\$	\$	\$	\$	\$	\$	\$	\$
Land	50,015,791	-	327,021	8,274,165	-	-	-	58,616,977
Buildings	67,368,524	526,020	-	2,680,524	(1,994,623)	(135,464)	191,782	68,636,763
Plant and Equipment	6,275,853	1,976,453	-	-	(1,083,857)	(107,383)	-	7,061,066
Infrastructure	278,109,371	1,749,288	877,041	12,090,857	(4,874,581)	(371,692)	1,430,749	289,011,032
Works in Progress	4,335,235	8,076,859	-	-	-	-	(1,622,531)	10,789,563
Total	406,104,775	12,328,620	1,204,062	23,045,546	(7,953,061)	(614,539)	-	434,115,402

Summary of Works in Progress

	Opening WIP	Additions	Transfers	Closing WIP
	\$	\$	\$	\$
Buildings	1,752,881	1,747,116	(191,782)	3,308,215
Plant and Equipment	-	174,798	-	174,798
Infrastructure	2,582,354	6,154,945	(1,430,749)	7,306,550
Total	4,335,235	8,076,859	(1,622,531)	10,789,563

Notes to Financial Report
For the Year Ended 30 June 2022

6 Property, infrastructure, plant and equipment (cont.)

(a) Property

	Land - specialised \$	Land - non specialised \$	Land Under Roads \$	Total Land \$	Buildings - specialised \$	Buildings - non specialised \$	Total Buildings \$	Work In Progress \$	Total Property \$
At fair value 1 July 2021	-	34,931,212	15,084,579	50,015,791	104,187,582	-	104,187,582	1,752,881	155,956,254
Accumulated depreciation at 1 July 2021	-	-	-	-	(36,819,058)	-	(36,819,058)	-	(36,819,058)
	-	34,931,212	15,084,579	50,015,791	67,368,524	-	67,368,524	1,752,881	119,137,197
Movements in fair value									
Additions	-	-	-	-	717,802	-	717,802	1,747,116	2,464,918
Contributions	-	288,691	38,330	327,021	-	-	-	-	327,021
Revaluation increments/decrements	-	5,506,510	2,767,655	8,274,165	4,272,133	-	4,272,133	-	12,546,298
Disposals	-	-	-	-	(303,181)	-	(303,181)	-	(303,181)
Transfers	-	-	-	-	-	-	-	(191,782)	(191,782)
	-	5,795,201	2,805,985	8,601,186	4,686,754	-	4,686,754	1,555,334	14,843,274
Movements in accumulated depreciation									
Depreciation and amortisation	-	-	-	-	(1,994,623)	-	(1,994,623)	-	(1,994,623)
Accumulated depreciation of disposals	-	-	-	-	167,717	-	167,717	-	167,717
Revaluation increments/decrements	-	-	-	-	(1,591,609)	-	(1,591,609)	-	(1,591,609)
	-	-	-	-	(3,418,515)	-	(3,418,515)	-	(3,418,515)
At fair value 30 June 2022	-	40,726,413	17,890,564	58,616,977	108,874,336	-	108,874,336	3,308,215	170,799,528
Accumulated depreciation at 30 June 2022	-	-	-	-	(40,237,573)	-	(40,237,573)	-	(40,237,573)
Carrying amount	-	40,726,413	17,890,564	58,616,977	68,636,763	-	68,636,763	3,308,215	130,561,956

Notes to Financial Report
For the Year Ended 30 June 2022

6 Property, infrastructure, plant and equipment (cont.)
(b) Plant and Equipment

	Heritage plant and equipment \$	Plant machinery and equipment \$	Fixtures fittings and furniture \$	Library books \$	Works in Progress \$	Total plant and equipment \$
At fair value 1 July 2021	358,172	10,120,046	2,369,333	919,859	-	13,767,410
Accumulated depreciation at 1 July 2021	(47,081)	(5,153,711)	(1,848,617)	(442,148)	-	(7,491,557)
	311,091	4,966,335	520,716	477,711	-	6,275,853
Movements in fair value						
Additions	-	1,701,406	174,454	100,593	174,798	2,151,251
Disposals	-	(1,002,219)	(19,455)	(94,587)	-	(1,116,261)
	-	699,187	154,999	6,006	174,798	1,034,990
Movements in accumulated depreciation						
Depreciation and amortisation	(1,790)	(794,691)	(194,257)	(93,119)	-	(1,083,857)
Accumulated depreciation of disposals		895,585	18,705	94,588	-	1,008,878
	(1,790)	100,894	(175,552)	1,469	-	(74,979)
At fair value 30 June 2022	358,172	10,819,233	2,524,332	925,865	174,798	14,802,400
Accumulated depreciation at 30 June 2022	(48,871)	(5,052,817)	(2,024,169)	(440,679)	-	(7,566,536)
Carrying amount	309,301	5,766,416	500,163	485,186	174,798	7,235,864

Notes to Financial Report
For the Year Ended 30 June 2022

6 Property, infrastructure, plant and equipment (cont.)
(c) Infrastructure

	Roads	Bridges	Footpaths and cycleways	Drainage	Work In Progress	Total Infrastructure
	\$	\$	\$	\$	\$	\$
At fair value 1 July 2021	225,046,538	64,977,950	12,663,747	22,273,841	2,582,354	327,544,430
Accumulated depreciation at 1 July 2021	(13,707,492)	(23,399,214)	(3,537,296)	(6,208,704)	-	(46,852,705)
	<u>211,339,046</u>	<u>41,578,736</u>	<u>9,126,451</u>	<u>16,065,137</u>	<u>2,582,354</u>	<u>280,691,725</u>
Movements in fair value						
Additions	1,630,822	56,350	1,203,080	289,785	6,154,945	9,334,982
Contributions	448,563	-	171,250	257,228	-	877,041
Revaluation increments/decrements	-	13,816,413	5,567,840	-	-	19,384,253
Disposals	(367,212)	(8,880)	(208,612)	(22,400)	-	(607,104)
Transfers	-	-	-	-	(1,430,749)	(1,430,749)
	<u>1,712,173</u>	<u>13,863,883</u>	<u>6,733,558</u>	<u>524,613</u>	<u>4,724,196</u>	<u>27,558,423</u>
Movements in accumulated depreciation						
Depreciation and amortisation	(3,429,034)	(707,615)	(497,077)	(240,855)	-	(4,874,581)
Accumulated depreciation of disposals	117,107	5,661	105,668	6,976	-	235,412
Revaluation increments/decrements	-	(5,385,492)	(1,907,904)	-	-	(7,293,396)
	<u>(3,311,927)</u>	<u>(6,087,446)</u>	<u>(2,299,313)</u>	<u>(233,879)</u>	<u>-</u>	<u>(11,932,565)</u>
At fair value 30 June 2022	226,758,711	78,841,833	19,397,305	22,798,454	7,306,550	355,102,853
Accumulated depreciation at 30 June 2022	(17,019,419)	(29,486,660)	(5,836,609)	(6,442,583)	-	(58,785,270)
Carrying amount	<u>209,739,292</u>	<u>49,355,173</u>	<u>13,560,696</u>	<u>16,355,871</u>	<u>7,306,550</u>	<u>296,317,583</u>

Notes to Financial Report
For the Year Ended 30 June 2022

6.1 Property, infrastructure, plant and equipment (Cont.)

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 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.

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 below have been applied when recognising assets within an applicable asset class. These are consistent with the prior year.

Asset recognition thresholds and depreciation periods

	Depreciation Years	Threshold Limit \$
Land	-	1
Land under roads	-	1
Buildings	30 to 80	5,000
Plant and Equipment		
fixtures, fittings and furniture	4 to 20	2,000
computers and telecommunication	4 to 10	2,000
heritage and cultural	20 to 30	1,000
library materials	3 to 10	1,000
plant, machinery and equipment	3 to 15	2,000
Infrastructure		
bridges	30 to 100	7,500
drainage	50 to 100	5,000
footpaths and cycleways	20 to 70	5,000
road formations and earthworks	100 to 200	5,000
road pavements	20 to 40	5,000

Land under roads

Council recognises land under roads it controls at fair value.

Depreciation

Buildings, 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 infrastructure 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.

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

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

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.

Notes to Financial Report
For the Year Ended 30 June 2022

6.1 Property, infrastructure, plant and equipment (cont'd)

Valuation of land and buildings

Valuation of land and buildings were undertaken at 30 June 2019 by a qualified independent valuers Lackaln Black APV Valuers and Asset Management valuer registration number 66132 and Josh Franklin valuer registration number 102257. An indexed based revaluation was conducted using Valuer General Victoria (VGV) data for all land and building asset classes in June 2022. 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.

Land under roads is valued at fair value. Fair value is based on valuations at 30 June 2018 for land under roads in existence at that date, 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. Valuation of land under roads was undertaken by a qualified independent valuer Marcus Hann valuer registration number 62901. An indexed based revaluation was conducted using Valuer General Victoria (VGV) data for all land and building asset classes in June 2022.

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 2022 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation	
	\$	\$	\$		
Land	-	40,726,413	-	30-June-2022	Jian Zhao MIE Aust. (Murrindindi Shire Council)
Land Under Roads	-	-	17,890,564	30-June-2022	Jian Zhao MIE Aust. (Murrindindi Shire Council)
Buildings	-	-	68,636,763	30-June-2022	Jian Zhao MIE Aust. (Murrindindi Shire Council)
Total	-	40,726,413	86,527,327		

Valuation of infrastructure

Valuation of infrastructure assets has been determined in accordance with a valuation undertaken as detailed in the following table.

Details of the Council's infrastructure and information about the fair value hierarchy as at 30 June 2022 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation	Valuer
	\$	\$	\$		
Roads	-	-	209,739,292	30-June-2021	Dale Hughes (Talis Consultants)
Bridges	-	-	49,355,173	30-June-2022	Jian Zhao MIE Aust. (Murrindindi Shire Council)
Footpaths and cycleway	-	-	13,560,696	30-June-2022	Jian Zhao MIE Aust. (Murrindindi Shire Council)
Drainage	-	-	16,355,870	31-March-2020	Richard Medhurst (HDS Australia) & Jian Zhao MIE Aust
Total	-	-	289,011,032		

Notes to Financial Report
For the Year Ended 30 June 2022

6.1 Property, infrastructure, plant and equipment (cont.)

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 25% 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 \$295 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 cost is calculated on a square metre basis and range from \$100 to \$15,000 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 8 years to 80 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 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. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 20-200 years. Replacement cost are 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.

	2022	2021
	\$	\$
Reconciliation of specialised land		
Land under roads	17,890,564	15,084,579
Total specialised land	<u>17,890,564</u>	<u>15,084,579</u>

Notes to Financial Report
For the Year Ended 30 June 2022

Note 7 People and relationships	2022	2021
7.1 Council and key management remuneration	No.	No.
(a) Related Parties		
Parent entity Murrindindi Council is the parent entity		
Subsidiaries and Associated There are no subsidiaries and associates		
(b) Key Management Personnel		
Key management personnel (KMP) are those people with the authority and responsibility for planning, directing and controlling Councils activities. The Councillors, Chief Executive Officer and Directors are deemed KMP.		
Details of KMP at any time during the year are:		
Councillors	Councillor – Sue Carpenter Mayor from 17/11/21 Councillor - Sandice McAulay - Mayor from 23/11/2020 to 16/11/21 Councillor - Damien Gallagher Councillor - Eric Lording Councillor - Ilona Gerencer Councillor - John Walsh Councillor - Karine Haslam	
Officers	Chief Executive Officer - Livia Bonazzi Director Assets and Development Services - Vito Albicin Director Community Engagement - Shivaun Brown Director Corporate and Community Services - Michael Chesworth	
Total Number of Councillors	7	12
Chief Executive Officer and other Key Management Personnel	4	6
Total Key Management Personnel	<u>11</u>	<u>18</u>
(c) Remuneration of Key Management Personnel		
Total remuneration of key management personnel was as follows:		
Short-term benefits	998,257	980,668
Post-employment benefits	77,011	72,368
Long-term benefits	49,717	43,741
Total	<u>1,124,985</u>	<u>1,096,777</u>
The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands		
\$0 - \$9,999	-	4
\$10,000 - \$19,999	-	6
\$20,000 - \$29,999	4	2
\$30,000 - \$39,999	1	-
\$40,000 - \$49,999	1	1
\$60,000 - \$69,999	1	-
\$100,000 - \$109,999	-	1
\$120,000 - \$129,999	-	1
\$190,000 - \$199,999	1	-
\$200,000 - \$209,999	2	2
\$240,000 - \$249,999	-	1
\$290,000 - \$300,000	1	-
	<u>11</u>	<u>18</u>

Notes to Financial Report
For the Year Ended 30 June 2022

7.1 Council and key management remuneration (Cont.)

(d) Senior Officers Remuneration

A Senior Officer is an officer of Council, other than Key Management Personnel, who:

- a) has management responsibilities and reports directly to the Chief Executive; or
- b) whose total annual remuneration exceeds \$151,000

The number of Senior Officers are shown below in their relevant income bands:

Income Range:	2022 No.	2021 No.
Less than \$151,000	-	1
\$151,000 - \$159,999	3	4
\$160,000 - \$169,999	-	1
\$170,000 - \$179,999	-	1
Total Senior Officers	3	7
	\$	\$

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

461,671 1,077,938

The prior year remuneration figures included 27 fortnightly pays which resulted in a number of officers receiving remuneration above the threshold.

7.2 Related party disclosure

(a) Transactions with related parties

During the period Council entered into the following transactions with related parties.

Alexandra Events Corporation Ltd

- Grant payment of \$16,000.00 relating to Alexandra Pro Rodeo.
- Grant payment of \$1,000.00 relating to Alexandra Truck Ute & Rod Show.
- Receipts of \$2,675.40 relating to facility rental.

Central Ranges Local Learning and Employment Network

Grant payment of \$28,600 relating to How Work Works project for Youth Services.

Tourism North East

- Payment of \$41,800 relating to 21/22 annual member contributions.
- Payment of \$82,216.20 relating to 21/22 industry development activity contributions.
- Payment of \$699.60 relating to Reimbursement of PR Expenses for MSC Tourism Officer.

All transactions relate to entities that are controlled or jointly controlled by Key Management Personnel or close family members. These transactions were made at arm's length with the appropriate delegation, and any conflict of interest appropriately declared and reported.

(b) Outstanding balances with related parties

No balances were outstanding at the end of the reporting period in relation to transactions with related parties.

(c) Loans to/from related parties

No loans are in existence as at 30 June 2022 between Council and any related party, nor were any loan transactions entered into during the 2021/22 financial year.

(d) Commitments to/from related parties

No commitments are in existence as at 30 June 2022 between Council and any related party, nor were any commitments made during the financial year.

Note 8 Managing uncertainties

8.1 Contingent liabilities and contingent assets

(a) Contingent assets

There were no contingent assets as at 30 June 2022 (2021 Nil).

(b) Contingent liabilities

Superannuation

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 9.3. As a result of the volatility in financial markets the likelihood of making such contributions in future periods exists.

Legal Liabilities

The Council is presently involved in two confidential legal matters, which are being conducted through Council's solicitors. These matters are yet to be finalised, and the financial outcomes are unable to be reliably estimated, no allowance for these contingencies have been made in the financial report. As at 30 June 2022 there is no contingent liability identified by Council. (2021:nil).

Landfill

Council operates a landfill. Council will have to carry out site rehabilitation works in the future. At balance date Council is unable to precisely assess the financial implications of such works.

As these matters are yet to be finalised, and the financial outcomes are unable to be reliably estimated, no allowance for these contingencies has been made in the financial report.

Liability Mutual Insurance

Council is a participant of the MAV Liability Mutual Insurance (LMI) Scheme. The LMI scheme provides public liability and professional indemnity insurance cover. The LMI scheme states that each participant will remain liable to make further contributions to the scheme in respect of any insurance year in which it was a participant to the extent of its participant's share of any shortfall in the provision set aside in respect of that insurance year, and such liability will continue whether or not the participant remains a participant in future insurance years.

MAV Workcare

Council was a participant of the MAV WorkCare Scheme. The MAV WorkCare Scheme provided workers compensation insurance. MAV WorkCare commenced business on 1 November 2017 and the last day the Scheme operated as a self-insurer was 30 June 2021. In accordance with the *Workplace Injury Rehabilitation and Compensation Act 2013*, there is a six year liability period following the cessation of the Scheme (to 30 June 2027). During the liability period, adjustment payments may be required, or received. The determination of any adjustment payments is dependent upon revised actuarial assessments of the Scheme's tail claims liabilities as undertaken by Work Safe Victoria. If required, adjustments will occur at the 3-year and 6-year points during the liability period, and will affect participating members.

8.2 Change in accounting standards

Certain new Australian Accounting Standards and interpretations have been published that are not mandatory for the 30 June 2022 reporting period. Council assesses the impact of these new standards. As at 30 June 2021 there were no new accounting standards or interpretations issued by the AASB which are applicable for the year ending 30 June 2022 that are expected to impact Council.

8.3 Financial Instruments

(a) Objectives and policies

The Council's principal financial instruments comprise cash assets, term deposits, receivables excluding statutory receivables and payables, but excluding statutory payables. Details of the significant accounting policies and methods are 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 our financial instruments will fluctuate because of changes in market prices. The Council's exposures 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 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 2020*. 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 has exposure to credit risk on all financial assets included in the balance sheet. To help manage this risk:

- Council has a policy for establishing credit limits for the entities it deals with;
- Council may require collateral where appropriate; and
- Council only invests surplus funds with financial institutions which have a recognised credit rating specified in the investment policy.

Receivables consist of a large number of customers, spread across the consumer, business and government sectors. Credit risk associated with the Council's financial assets is minimal because the major 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 provides a guarantee for another party. Details of our contingent liabilities are disclosed in note 8.1(b).

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.

(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:

- has an investment policy which requires that only surplus funds are invested in financial assets;
- has readily accessible standby facilities and other funding arrangements in place;
- has a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments;
- monitors budget to actual performance on a regular basis; and
- sets limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

Council's exposure to liquidity risk 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.

All financial liabilities are expected to be settled within normal terms of trade.

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

(e) 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 +2% and -2% in market interest rates (AUD) from year-end rates of 1.04%.

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.

8.4 Fair value measurement

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.

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 on the basis of the nature, characteristics and risks of the asset 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.

Revaluation

Subsequent to the initial recognition of assets, non-current physical assets, other than plant and equipment, furniture and equipment, library books and heritage assets, 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, 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 on 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 in Note 6.1, Property, infrastructure, plant and equipment.

In addition, Council undertakes a formal revaluation of land, buildings and infrastructure assets on a regular basis ranging from 3 to 5 years. The valuation is performed either by experienced council officers or an independent expert valuer.

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 this 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.

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.

8.5 Events occurring after balance date

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

Notes to Financial Report
For the Year Ended 30 June 2022

Note 9 Other Matters

9.1 Reserves	2022	2021
	\$	\$
Asset revaluation reserves (a)	307,915,291	284,869,747
Other reserves (b)	19,042,215	20,234,596
	<u>326,957,506</u>	<u>305,104,343</u>

(a) Asset revaluation reserves	Balance at beginning of reporting period	Increment (decrement)	Balance at end of reporting period
	\$	\$	\$
2022			
Property			
Land	30,233,531	5,506,509	35,740,040
Land under roads	11,468,076	2,767,656	14,235,731
Buildings	35,038,096	2,680,524	37,718,620
	<u>76,739,703</u>	<u>10,954,689</u>	<u>87,694,391</u>
Infrastructure			
Bridges	11,119,518	8,430,921	19,550,439
Drainage	10,677,238	-	10,677,238
Footpaths and cycleways	7,602,810	3,659,935	11,262,745
Roads	178,730,478	-	178,730,478
	<u>208,130,044</u>	<u>12,090,856</u>	<u>220,220,900</u>
Total Asset revaluation reserves	<u>284,869,747</u>	<u>23,045,545</u>	<u>307,915,291</u>
2021			
Property			
Land	29,870,552	362,979	30,233,531
Land under roads	11,311,452	156,624	11,468,076
Buildings	32,907,649	2,130,447	35,038,096
	<u>74,089,653</u>	<u>2,650,050</u>	<u>76,739,703</u>
Infrastructure			
Bridges	11,119,518	-	11,119,518
Drainage	10,677,238	-	10,677,238
Footpaths and cycleways	7,602,810	-	7,602,810
Roads	128,105,420	50,625,058	178,730,478
	<u>157,504,986</u>	<u>50,625,058</u>	<u>208,130,044</u>
Total Asset revaluation reserves	<u>231,594,639</u>	<u>53,275,108</u>	<u>284,869,747</u>

The asset revaluation reserve is used to record the increase in (net) value of Council's assets over time.

Notes to Financial Report
For the Year Ended 30 June 2022

	Balance at beginning of reporting period	Transfer from accumulated surplus	Transfer to accumulated surplus	Balance at end of reporting period
	\$	\$	\$	\$
9.1 Reserves (cont.)				
(b) Other reserves				
2022				
Statutory Reserves				
Public Open Space	575,811	97,500	(83,781)	589,530
Discretionary Reserves				
Defined Benefits Superannuation	1,200,000	-	(180,000)	1,020,000
Gifted and Novated Assets	700,948	-	-	700,948
Infrastructure Contributions Parking	41,080	-	-	41,080
Infrastructure Balance MAP funding	-	45,537	-	45,537
Infrastructure Maintenance	1,040,130	-	-	1,040,130
Infrastructure	4,915,478	126,826	(1,509,345)	3,532,959
Landfill and Waste Management	11,417,707	878,781	(800,569)	11,495,919
Marysville Caravan Park	137,205	75,679	-	212,884
Shaw Avenue Redevelopment	43,752	-	-	43,752
Yea Caravan Park	(20,876)	60,384	-	39,508
Yea Saleyards	183,361	170,160	(73,553)	279,968
Total Other reserves	20,234,596	1,454,867	(2,647,248)	19,042,215

	Balance at beginning of reporting period	Transfer from accumulated surplus	Transfer to accumulated surplus	Balance at end of reporting period
	\$	\$	\$	\$
2021				
Statutory Reserves				
Public Open Space	556,330	82,700	(63,219)	575,811
Discretionary Reserves				
Defined Benefits Superannuation	1,200,000	-	-	1,200,000
Gifted and Novated Assets	700,948	-	-	700,948
Infrastructure Contributions Parking	41,080	-	-	41,080
Infrastructure Balance MAP funding	498,428	-	(498,428)	-
Infrastructure Maintenance	1,040,130	-	-	1,040,130
Infrastructure	4,915,478	-	-	4,915,478
Landfill and Waste Management	10,893,202	1,473,934	(949,429)	11,417,707
Marysville Caravan Park	151,557	22,439	(36,791)	137,205
Shaw Avenue Redevelopment	43,752	-	-	43,752
Yea Caravan Park	32,882	35,162	(88,920)	(20,876)
Yea Saleyards	102,730	138,091	(57,460)	183,361
Total Other reserves	20,176,517	1,752,326	(1,694,247)	20,234,596

**Notes to Financial Report
For the Year Ended 30 June 2022**

9.1 Reserves (cont.)

Public Open Space; represents payments from subdividers as specified under the Subdivisions Act, to fund future creation of areas of recreational land.

Defined Benefits; been created to assist in meeting obligations for future funding calls from the Vision Super Defined Benefits Superannuation Fund.

Gifted and Novated Assets ; contains the balance of funds that were held by (VBRRA) the Victorian Bushfire Recovery and Reconstruction Authority for reconstruction projects in Murrindindi Shire when the Authority closed. The funds (also known as VBBRA Cessation funds) were transferred by the State Government to Council as further assistance for the new assets gifted after the 2009 bushfires.

Infrastructure Contributions ; represents payments from Subdividers set aside for future infrastructure works relating to provision of car parking.

Infrastructure Balance MAP Funding; represents the final payment received from State Government related to the Murrindindi Assistance Package. Funds have been utilised in the current period to support the Covid support package.

Infrastructure Maintenance; represents funds set aside for addressing council's long term infrastructure renewal obligations.

Infrastructure; has been established as an accumulation fund to plan for the future investment in community infrastructure. Any unallocated savings from the annual capital works program will be transferred to this reserve. The reserve is the consolidation of two previous reserves which had similar objectives – the Infrastructure Unexpended Capital Works reserve and the New and Expanded Assets Reserve.

Landfill and Waste Management; is to be utilised for future works, including site rehabilitation and ongoing monitoring followings the sites closer.

Marysville Caravan Park; is surplus operational funds (rental) set aside for future capital works or operational requirements.

Marysville Community Fund contains funds set aside from the sale of Council land associated with the prior Marysville Retirement Village which are available for reinvestment in infrastructure or programs in Marysville.

Shaw Avenue; represents remaining funds from Council land sales at Shaw Avenue in 2003.

Yea Caravan Park; is surplus operational funds (rental) set aside for future capital works or operational requirements..

Yea Saleyards; is surplus operational funds set aside for future capital works or operational requirements.

9.2 Reconciliation of cash flows from operating activities to surplus

	2022	2021
	\$	\$
Surplus for the financial year	3,587,687	(2,763,856)
Depreciation and amortisation	8,440,818	8,989,958
Contributions - non-monetary	(1,204,062)	(1,219,962)
Finance Costs	-	28,298
(Gain)/loss on disposal of property, plant and equipment, infrastructure	229,176	1,330,274
Change in assets and liabilities:		
Decrease in trade and other receivables	(201,275)	891,363
(Increase)/decrease in inventories	(7,114)	(10,648)
(Increase)/decrease in other assets	(51,897)	76,562
Increase/(decrease) in trade and other payables	409,784	(363,731)
Increase/(decrease) in trust funds and deposits	345,681	(132,841)
Increase unearned income	1,811,719	4,203,865
Increase in provisions	263,224	1,767,734
Net cash provided by operating activities	<u>13,623,741</u>	<u>12,797,016</u>

9.3 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 My Super/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of employee earnings (for the year ended 30 June 2022, this was 10% as required under Superannuation Guarantee legislation. (2021: 9.5%)).

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 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 2021, 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 109.8%. The financial assumptions used to calculate the VBI were:

Net investment returns	4.75% pa
Salary information	2.75% pa
Price inflation (CPI)	2.25% pa

As at 30 June 2022, an interim actuarial investigation is underway as the Fund provides lifetime pensions in the Defined Benefit category. It is expected to be completed by 31 October 2022.

Vision Super has advised that the VBI at 30 June 2022 was 102.2%. Council was notified of the 30 June 2022 VBI during August 2022. The financial assumptions used to calculate this VBI were:

Net investment returns	5.5% pa
Salary information	2.5% pa to 30 June 2023, and 3.5% pa thereafter.
Price inflation (CPI)	3% pa

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2021 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.

9.3 Superannuation (Cont.)

Employer contributions

Regular contributions

On the basis of the results of the 2021 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 2022, this rate was 10% of members' salaries (9.5% in 2020/21). This rate is expected to increase in line with any increase to the SG contribution rate and be reviewed as part of the 30 June 2020 triennial valuation.

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.

The 2021 triennial actuarial investigation surplus amounts.

An actuarial investigation is conducted annually for the Defined Benefit category of which Council is a contributing employer. Generally, a full actuarial investigation is conducted every three years and interim actuarial investigations are conducted for each intervening year. An interim investigation was conducted as at 30 June 2021 and the last full investigation was conducted as at 30 June 2020.

The Fund's actuarial investigation identified the following for the Defined Benefit category of which Council is a contributing employer:

	2021 (Interim)	2020 (Triennial)
	\$m	\$m
- A VBI Surplus	214.7	100
- A total service liability surplus	270.3	200
- A discounted accrued benefits surplus	285.2	217.8

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 2021.

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 as at 30 June 2021.

The discounted accrued benefit surplus means that the current value of the assets in the Fund's Defined Benefit category exceeds the value of benefits payable in the future but accrued in respect of service to 30 June 2021.

9.3 Superannuation (Cont.)

The 2022 interim actuarial investigation

An interim actuarial investigation is being conducted for the Fund's position as at 30 June 2022 as the Fund provides lifetime pensions in the Defined Benefit category. It is anticipated that this actuarial investigation will be completed by October 2022. Council was notified of the 30 June 2022 VBI during August 2022 (2021: August 2021).

Enterprise bargaining agreement

Staff employed under Councils Enterprise Bargaining Agreement are entitled to additional superannuation depending on years of service as outlined below;

Years of service between 10- 15 1%

Years of service greater than 15 2%

9.4 Impact of COVID 19 pandemic

On 30 January 2020, Covid-19 was declared as a global pandemic by the world health organisation. The impacts were disruptive and significant, but do not cast any doubt on the ability of the entity to continue as a going concern.

The Covid-19 pandemic was a consideration to judgements and assumptions made by management in the application of AAS's that have significant effects on the financial statements and estimates particularly in relation to the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 6.1). At reporting date any material impact was not apparent.

Note 10 Change in accounting policy

10.1 Change in accounting standards

There have been no changes to accounting policies in the 2021-22 year.

There are no pending accounting standards that are likely to have a material impact on Council.