

Murrindindi Shire Council Annual Financial Report For the Year Ended 30 June 2023

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 (Planning and Reporting) Regulations 2020*, Australian Accounting Standards and other mandatory professional reporting requirements.

Cheryl Nickels-Beattie
Principal Accounting Officer

Date: 28 September 2023
Alexandra

In our opinion the accompanying financial statements present fairly the financial transactions of Murrindindi Shire Council for the year ended 30 June 2023 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.

John Walsh
Mayor

Date: 28 September 2023
Alexandra

Damien Gallagher
Councillor

Date: 28 September 2023
Alexandra

Livia Bonazzi
Chief Executive Officer

Date: 28 September 2023
Alexandra

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**Comprehensive
Income Statement
For the Year Ended 30 June 2023**

	Note	2023 \$'000	2022 \$'000
Income / Revenue			
Rates and charges	3.1	22,769	22,105
Statutory fees and fines	3.2	1,162	1,346
User fees	3.3	1,671	1,288
Grants - operating	3.4	9,455	8,907
Grants - capital	3.4	6,871	3,510
Contributions - monetary	3.5	424	394
Contributions - non monetary	3.5	482	1,204
Other income	3.6	2,462	1,486
Total income / revenue		45,295	40,240
Expenses			
Employee costs	4.1	15,369	14,785
Materials and services	4.2	14,448	12,369
Depreciation	4.3	8,174	7,953
Amortisation - intangible assets	4.4	538	488
Bad and doubtful debts - allowance for impairment losses	4.5	14	9
Net loss on disposal of property, infrastructure, plant and equipment	4.6	1,555	229
Other expenses	4.7	601	543
Increase in provision for landfill liability	5.4	56	277
Total expenses		40,755	36,653
Surplus/(deficit) for the year		4,540	3,588
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment	6.1	43,453	23,046
Total other comprehensive income		43,453	23,046
Comprehensive result		47,993	26,633

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

Balance Sheet
As at 30 June 2023

	Note	2023 \$'000	2022 \$'000
Assets			
Current assets			
Cash and cash equivalents	5.1(a)	7,408	13,400
Trade and other receivables	5.1(c)	5,665	3,783
Other financial assets	5.1(b)	33,600	29,400
Inventories	5.2(a)	37	45
Other assets	5.2(b)	2,797	253
Total current assets		<u>49,507</u>	<u>46,881</u>
Non-current assets			
Trade and other receivables	5.1(c)	1	1
Property, infrastructure, plant and equipment	6.1	481,331	434,115
Intangible assets	5.2(c)	931	1,469
Total non-current assets		<u>482,263</u>	<u>435,585</u>
Total assets		<u>531,770</u>	<u>482,466</u>
Liabilities			
Current liabilities			
Trade and other payables	5.3(a)	3,999	2,564
Trust funds and deposits	5.3(b)	1,894	1,695
Unearned income / revenue	5.3(c)	6,269	6,495
Provisions	5.4	3,331	3,414
Total current liabilities		<u>15,493</u>	<u>14,168</u>
Non-current liabilities			
Provisions	5.4	7,808	7,822
Total non-current liabilities		<u>7,808</u>	<u>7,822</u>
Total liabilities		<u>23,301</u>	<u>21,990</u>
Net assets		<u>508,469</u>	<u>460,476</u>
Equity			
Accumulated surplus		138,374	133,519
Reserves	9.1	370,095	326,957
Total equity		<u>508,469</u>	<u>460,476</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 2023

	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2023					
Balance at beginning of the financial year		460,476	133,519	307,915	19,042
Surplus / (deficit) for the year		4,540	4,540	-	-
Net asset revaluation increment	9.1	43,453	-	43,453	-
Transfers to other reserves	9.1(b)	-	(5,912)	-	5,912
Transfers from other reserves	9.1(b)	-	6,227	-	(6,227)
Balance at end of the financial year		508,469	138,374	351,368	18,727
2022					
Balance at beginning of the financial year		433,843	128,739	284,870	20,234
Surplus / (deficit) for the year		3,588	3,588	-	-
Net asset revaluation increment	9.1	23,045	-	23,045	-
Transfers to other reserves	9.1(b)	-	(1,455)	-	1,455
Transfers from other reserves	9.1(b)	-	2,647	-	(2,647)
Balance at end of the financial year		460,476	133,519	307,915	19,042

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 2023

	Note	2023 Inflows/ (Outflows) \$'000	2022 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rates and charges		22,531	22,186
Statutory fees and fines		1,195	1,364
User fees		246	991
Grants - operating		11,382	9,650
Grants - capital		2,796	4,912
Contributions - monetary		460	420
Interest received		941	333
Other receipts		895	1,036
Net Fire Services Property Levy received (remitted)		22	1
Net GST refund		1,914	1,802
Trust funds and deposits repaid		177	345
Materials and services		(14,879)	(14,604)
Employee costs		(15,793)	(14,460)
Other payments		(356)	(352)
Net cash provided by (used in) operating activities	9.2	11,530	13,624
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment		(13,724)	(12,483)
Payments for intangible assets		-	(8)
Proceeds from sale of property, infrastructure, plant and equipment		402	385
Receipts / (payments) for Investments		(4,200)	900
Net cash provided by (used in) investing activities		(17,522)	(11,206)
Net increase / (decrease) in cash and cash equivalents		(5,992)	2,418
Cash and cash equivalents at the beginning of the financial year		13,400	10,982
Cash and cash equivalents at the end of the financial year	5.1(a)	7,408	13,400

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

Statement of Capital Works For the Year Ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
Property			
Land		261	681
Total land		261	681
Buildings		3,082	1,592
Total buildings		3,082	1,592
Total property		3,343	2,273
Plant and equipment			
Heritage plant and equipment		304	175
Plant, machinery and equipment		894	1,701
Fixtures, fittings and furniture		177	174
Library books		87	101
Total plant and equipment		1,462	2,151
Infrastructure			
Roads		2,610	4,910
Bridges		3,075	1,534
Footpaths and cycleways		2,704	1,065
Drainage		397	395
Total infrastructure		8,786	7,904
Total capital works expenditure		13,591	12,329
Represented by:			
New asset expenditure		2,659	1,092
Asset renewal expenditure		5,796	7,213
Asset expansion expenditure		720	615
Asset upgrade expenditure		4,416	3,408
Total capital works expenditure		13,591	12,329

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 2023

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

1.1 Basis of accounting

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. Accounting policies applied are disclosed in sections where the related balance or financial statement matter is disclosed.

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.

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 thousand dollar unless otherwise specified. Minor discrepancies in tables between totals and the sum of components are due to rounding.

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

Revisions to accounting estimates are recognised in the period in which the 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 5.4)
- the determination of landfill provisions (refer to Note 5.4)
- 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 5.6)
- 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.

Goods and Services Tax (GST)

Income and expenses are recognised net of the amount of associated GST. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

1.2 Impact of Covid-19

During 2022-23 the COVID-19 pandemic has not had any significant impact on Council's operations or financials.

Notes to Financial Report For the Year Ended 30 June 2023

Note 2 Analysis of Results

2.1 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. 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 / revenue and expenditure

	Budget 2023 \$'000	Actual 2023 \$'000	Variance \$'000	Variance %	Ref
Income / revenue					
Rates and charges	22,676	22,769	93	0%	
Statutory fees and fines	1,453	1,162	(291)	(20%)	1
User fees	1,374	1,671	297	22%	2
Grants - operating	6,648	9,455	2,807	42%	3
Grants - capital	7,730	6,871	(859)	(11%)	4
Contributions - monetary	452	424	(28)	(6%)	
Contributions - non monetary	600	482	(118)	(20%)	5
Other income	1,180	2,462	1,282	109%	6
Total income / revenue	42,113	45,295	3,182	8%	
Expenses					
Employee costs	16,538	15,369	1,169	(7%)	7
Materials and services	11,607	14,448	(2,841)	24%	8
Bad and doubtful debts - allowance for impairment losses	-	14	(14)	100%	
Depreciation	8,045	8,174	(129)	2%	
Amortisation - intangible assets	361	538	(177)	49%	9
Net loss on disposal of property, infrastructure, plant and equipment	600	1,555	(955)	159%	10
Other expenses	500	601	(101)	20%	11
Increase in provision for landfill liability	-	56	(56)	100%	12
Total expenses	37,651	40,755	(3,104)	8%	
Surplus/(deficit) for the year	4,462	4,540	78	2%	

Notes to Financial Report For the Year Ended 30 June 2023

Note 2 Performance against budget (cont.)

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Statutory fees and fines	Unfavourable variances in Planning \$95k, Building \$65k and Project Delivery \$55k. The amount of statutory fees raised is reflective of the economic development activities.
2	User fees	The impact of October 2022 floods on the community resulted in an increase in Waste (Landfill) \$271k and reduction in SaleYards income \$37k.
3	Grants - operating	New grants and 2021/22 carry forwards not included in 2022/23 Original Budget: Leaping into Resilience, Oct 2022 Floods, Forestry and other projects.
4	Grants - capital	Budgeted grants deferred to unearned income as outcomes not delivered. Eg: Roads to Recovery Program \$1.1million.
5	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.
6	Other income	Interest on investments \$1.1 million favourable due to higher interest rates. Volunteer services higher than budgeted (offset by corresponding expenditure) \$132k.
7	Employee costs	Various staff vacancies across the organisation, filled with short term contractors (materials and services).
8	Materials and services	Capital Works Projects included operating expenditure on non-Council assets \$773k. This included projects such as Rail Trail Art Project and Maintongoon Road where each project extended into other Councils and therefore are not Murrindindi Council Assets. This expenditure has been reported as operating materials and services. Oct 2022 Flood Recovery costs were not expected at the time of the 2022/23 Annual Budget. Contractor expenditure was high, offsetting the savings in employee costs.
9	Amortisation - intangible assets	Extra consumption of airspace due to flood debris disposed at landfill.
10	Net loss on disposal of property, infrastructure, plant and equipment	When assets are replaced, renewed or upgraded, the underlying book value of the asset must be written out of the asset register. This value is recorded as an expense. The amount of the expense depends on the time of completion of works scheduled in the Capital Works Program.
11	Other expenses	Volunteers Services (offset by income) \$132k.
12	Increase in provision for landfill liability	Landfill provision (not budgeted) has increased following the annual review and alignment of the Environmental Protection Authority Assurance requirement.

**Notes to Financial Report
For the Year Ended 30 June 2023**

2.1.2 Capital works	Budget 2023 \$'000	Actual 2023 \$'000	Variance \$'000	Variance %	Ref
Property					
Land	257	261	4	2%	
Total land	257	261	4	2%	
Buildings	8,956	3,082	(5,874)	(66%)	1
Total buildings	8,956	3,082	(5,874)	(66%)	
Total property	9,213	3,343	(5,870)	(64%)	
Plant and equipment					
Heritage plant and equipment	1,100	304	(796)	100%	2
Plant, machinery and equipment	1,020	894	(126)	(12%)	3
Fixtures, fittings and furniture	480	177	(303)	(63%)	4
Library books	100	87	(13)	(13%)	5
Total plant and equipment	2,700	1,462	(1,238)	(46%)	
Infrastructure					
Roads	4,318	2,610	(1,708)	(40%)	6
Bridges	540	3,075	2,535	469%	7
Footpaths and cycleways	1,953	2,704	751	38%	8
Drainage	30	397	367	1223%	9
Total infrastructure	6,841	8,786	1,945	28%	
Total capital works expenditure	18,754	13,591	(5,163)	(28%)	
Represented by:					
New asset expenditure	3,730	2,659	(1,071)	(29%)	
Asset renewal expenditure	7,234	5,796	(1,438)	(20%)	
Asset expansion expenditure	3,520	720	(2,800)	(80%)	
Asset upgrade expenditure	4,270	4,416	146	3%	
Total capital works expenditure	18,754	13,591	(5,163)	(28%)	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Buildings	Landfill cell construction and capping of yet to be closed cells was delayed. Works at the Eildon, Marysville and Yea pools have been scheduled for 2023/24. Eildon Splash park works will continue in 2023/24.
2	Heritage plant and equipment	The original budget included the Great Victorian Rail Trail Artworks project. This was in joint project with Mitchell and Mansfield Shire Councils. The budget was for the entire project, however actual the capital expenditure reported relates to only those assets within Murrindindi. The balance was transferred to operating expenditure.
3	Plant, machinery and equipment	Delays in delivery.
4	Fixtures, fittings and furniture	Collaborative Digitalisation (CODI) Transformation Project delayed.
5	Library books	Minor underspend in annual bookstock allocation.
6	Roads	October flooding caused delay in access and diverted resources. Difficulties in obtaining internal and external resources result in some works being deferred to 2023/24.
7	Bridges	3 Bridges initially scheduled for completion in 2021/22 were carried over and completed in this year.
8	Footpaths and cycleways	Works continued on the Blue Gums to Eildon Trail. Funds were carried forward from the 2021/22 budget.
9	Drainage	Drainage trouble spots Alexandra program funds were carried forward from 2021/22 budget and completed in the current year.

Notes to Financial Report
For the Year Ended 30 June 2023

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 income / revenue, expenses assets and capital expenses by program

	Income / Revenue	Expenses	Surplus / (Deficit)	Grants included in Income / Revenue	Total Assets
2023	\$'000	\$'000	\$'000	\$'000	\$'000
Resilient communities	2,038	5,458	(3,420)	1,688	25,819
Beautiful townships and rural settings	11,732	10,606	1,127	9,761	389,166
Growth and opportunity	710	1,478	(768)	30	6,990
Our protected environment	5,476	5,234	242	144	24,758
Transparency, inclusion and accountability	1,701	7,498	(5,798)	120	35,468
General rates	19,054	-	19,054	-	-
Unattributed	4,583	10,480	(5,896)	4,583	49,570
	45,295	40,755	4,540	16,326	531,770
	Income / Revenue	Expenses	Surplus / (Deficit)	Grants included in Income / Revenue	Total Assets
2022	\$'000	\$'000	\$'000	\$'000	\$'000
Resilient communities	1,971	4,912	(2,941)	1,544	24,947
Beautiful townships and rural settings	8,880	8,553	326	6,081	339,757
Growth and opportunity	1,088	1,716	(629)	379	8,717
Our protected environment	4,895	4,912	(17)	46	24,946
Transparency, inclusion and accountability	644	8,684	(8,040)	117	44,103
General rates	18,513	-	18,513	-	-
Unattributed	4,249	7,875	(3,626)	4,250	39,996
	40,240	36,653	3,588	12,417	482,466

Unattributed income includes Victorian Grants Commission funding and proceeds from sale of assets.

Unattributed expenses include depreciation, amortisation and the written down value of the asset disposed.

Rates income is also reported separately, in line with the 2022/23 Annual Budget.

Notes to Financial Report
For the Year Ended 30 June 2023

Note 3 Funding for the delivery of our services **2023**
\$'000 **2022**
\$'000

3.1 Rates and charges

Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The CIV of a property is its total value of land plus buildings and improvements.

The valuation base used to calculate the general rates for 2022/2023 was \$7,804 million (2021/2022 \$6,007 million). The 2022/2023 rate in the dollar for general rate was 0.002117 of the capital improved value of the property (2021/2022 0.002658).

The 2022/2023 Municipal Charge was \$352 (2021/2022 \$346) per rateable assessment. In 2022/2023 the Garbage Service Charge was \$402.73 (2021/2022 \$395.80) and Recycling Charge was \$123.12 (2021/2022 \$121.00).

Residential	6,895	6,890
Commercial	824	859
Rural 1	3,575	3,317
Rural 2	3,461	3,325
Vacant land - residential	640	625
Vacant land - commercial	32	36
Municipal charge	3,469	3,395
Garbage charge	2,833	2,739
Recycling	881	852
Revenue in lieu of rates	159	67
Total rates and charges	22,769	22,105

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2022, and the valuation was 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	391	430
Community safety - including companion animal registrations	172	208
Environmental health inspections and permits	163	152
Planning and development permits	314	391
Infrastructure inspections and permits	104	124
Other	18	41
Total statutory fees and fines	1,162	1,346

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.

3.3 User fees

Halls and community centres	34	20
Saleyard fees	459	521
Recreation pools and leisure centres	17	23
Waste - transfer station & landfill fees	1,101	708
Other fees and charges	60	16
Total user fees	1,671	1,288

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.

User fees by timing of revenue recognition

User fees recognised at a point in time	1,671	1,288
Total user fees	1,671	1,288

Notes to Financial Report
For the Year Ended 30 June 2023

Note 3 Funding for the delivery of our services (cont.)	2023 \$'000	2022 \$'000
3.4 Funding from other levels of government		
Grants were received in respect of the following :		
Summary of grants		
Commonwealth funded grants	8,400	9,869
State funded grants	7,926	2,548
Total grants received	<u>16,326</u>	<u>12,417</u>
(a) Operating grants		
Recurrent - Commonwealth Government		
Financial Assistance Grants	7,113	6,584
Aged and disability	29	57
Children services	608	702
Recurrent - State Government		
Aged and disability	25	23
Children services	332	309
Public health	14	11
Library services	166	163
Road safety	44	37
Total recurrent operating grants	<u>8,331</u>	<u>7,886</u>
Non-recurrent - Commonwealth Government		
Emergency management	224	28
Infrastructure	-	67
Non-recurrent - State Government		
Children services	63	60
Community	81	121
Development approvals	40	79
Economic development	134	379
Emergency management	247	73
Environmental services	172	36
Public health	56	80
Road safety	-	10
Tourism	12	-
Youth services	96	78
Waste and recycling	-	10
Total non-recurrent operating grants	<u>1,124</u>	<u>1,021</u>
Total operating grants	<u>9,455</u>	<u>8,907</u>

Notes to Financial Report
For the Year Ended 30 June 2023

Note 3 Funding for the delivery of our services (cont.)	2023 \$'000	2022 \$'000
3.4 (b) Capital grants		
Recurrent - Commonwealth Government		
Roads to Recovery	-	1,162
Recurrent - State Government		
Library materials	6	6
Total recurrent capital grants	<u>6</u>	<u>1,168</u>
Non-recurrent - Commonwealth Government		
Bridges	1,961	-
Buildings	-	356
Footpaths and cycleways	-	4
Roads	426	910
Non-recurrent - State Government		
Buildings	1,366	456
Cultural and heritage	1,050	150
Footpaths and cycleways	1,689	166
Roads	372	300
Total non-recurrent capital grants	<u>6,864</u>	<u>2,342</u>
Total capital grants	<u><u>6,871</u></u>	<u><u>3,510</u></u>

(c) 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 of 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.

	2023 \$'000	2022 \$'000
Income recognised under AASB 1058 Income of Not-for-Profit Entities		
General purpose	8,331	7,886
Specific purpose grants to acquire non-financial assets	6,871	3,510
Other specific purpose grants	466	782
Revenue recognised under AASB 15 Revenue from Contracts with Customers		
Specific purpose grants	658	239
	<u>16,326</u>	<u>12,417</u>

Notes to Financial Report
For the Year Ended 30 June 2023

Note 3 Funding for the delivery of our services (cont.)	2023 \$'000	2022 \$'000
3.4 (d) Unspent grants received on condition that they be spent in a specific manner		
Operating		
Balance at start of year	1,026	425
Adjustment for prior years	(394)	-
Received during the financial year and remained unspent at balance date	2,790	949
Received in prior years and spent during the financial year	(716)	(348)
Balance at year end	<u>2,705</u>	<u>1,026</u>
Capital		
Balance at start of year	5,802	4,550
Received during the financial year and remained unspent at balance date	2,926	2,375
Received in prior years and spent during the financial year	(5,164)	(1,124)
Balance at year end	<u>3,564</u>	<u>5,802</u>

Unspent grants are determined and disclosed on a cash basis.

3.5 Contributions

Monetary - operating	313	228
Monetary - capital	111	166
Non-monetary - capital	482	1,204
Total contributions	<u>906</u>	<u>1,598</u>

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

Land	-	289
Land under roads	6	38
Plant and equipment	5	-
Drainage	178	257
Footpaths and cycleways	49	171
Roads	244	449
Total non-monetary contributions	<u>482</u>	<u>1,204</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	1,234	188
Interest on rates	182	178
Rental	275	278
Reimbursements	313	305
Volunteer services	252	201
Other	206	336
Total other income	<u>2,462</u>	<u>1,486</u>

Interest and rent are recognised as it is earned.

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

Notes to Financial Report
For the Year Ended 30 June 2023

Note 4 The cost of delivering services	2023	2022
	\$'000	\$'000
4.1 (a) Employee costs		
Wages and salaries	13,642	13,199
Fringe benefits tax	35	19
Superannuation	1,461	1,286
Workcover	231	281
Total employee costs	<u>15,369</u>	<u>14,785</u>
(b) Superannuation		
Council made contributions to the following funds:		
Defined benefit fund		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	<u>27</u>	<u>20</u>
Employer contributions payable at reporting date.	-	-
Accumulation funds		
Employer contributions to:		
Local Authorities Superannuation Fund (Vision Super)	770	688
Australian Super	125	97
Hostplus	76	56
Other funds	463	425
	<u>1,461</u>	<u>1,286</u>
Employer contributions payable at reporting date.		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	16	12
Employer contributions - other funds	13	8
Contributions made exclude amounts accrued at balance date. Refer to note 9.3 for further information relating to Council's superannuation obligations.		
4.2 Materials and services		
Consultants	258	190
Contractors	10,255	9,055
Contributions	693	588
Insurance	704	603
Legal expenses	270	193
Materials	1,220	793
Information technology and software	536	498
Utilities	512	449
Total material and services	<u>14,448</u>	<u>12,369</u>

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

Notes to Financial Report
For the Year Ended 30 June 2023

Note 4 The cost of delivering services (cont.)	2023	2022
	\$'000	\$'000
4.3 Depreciation		
Property	1,686	1,995
Plant and equipment	1,116	1,083
Infrastructure	5,372	4,875
Total depreciation	<u>8,174</u>	<u>7,953</u>
Refer to Note 6.1 for a more detailed breakdown of depreciation charges and accounting policy.		
4.4 Amortisation - Intangible assets		
Landfill airspace	476	423
Software	62	65
Total amortisation - intangible assets	<u>538</u>	<u>488</u>
Refer to Note 5.2 (b) for a more detailed breakdown of amortisation charges and accounting policy.		
4.5 Bad and doubtful debts - allowance for impairment losses		
Debtors - infringements	14	9
Total bad and doubtful debts - allowance for impairment losses	<u>14</u>	<u>9</u>
Movement in allowance for impairment losses in respect of debtors		
Balance at the beginning of the year	76	67
New provisions recognised during the year	14	9
Amounts already provided for and written off as uncollectible	-	-
Amounts provided for but recovered during the year	(5)	-
Balance at end of year	<u>85</u>	<u>76</u>
An allowance for impairment losses in respect of debtors is recognised based on an expected credit loss model. This model considers both historic and forward looking information in determining the level of impairment.		
4.6 Net Loss on Disposal, infrastructure, plant and equipment		
Written down value of assets disposed	1,957	614
Less proceeds from sales	(402)	(385)
	<u>1,555</u>	<u>229</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.		
4.7 Other expenses		
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	48	51
Auditors' remuneration - internal audit	34	45
Councillors' allowances	238	228
Volunteer services	252	201
Other	29	18
Total other expenses	<u>601</u>	<u>543</u>

**Notes to Financial Report
For the Year Ended 30 June 2023**

Note 5	Our financial position	2023 \$'000	2022 \$'000
5.1	Financial assets		
	(a) Cash and cash equivalents		
	Cash on hand	1	1
	Cash at bank	1,607	2,555
	Term deposits and at call	5,800	10,844
	Total cash and cash equivalents	<u>7,408</u>	<u>13,400</u>
	(b) Other financial assets		
	Current		
	Term deposit - current	<u>33,600</u>	<u>29,400</u>
	Total current other financial assets	<u>33,600</u>	<u>29,400</u>
	Total financial assets	<u>41,008</u>	<u>42,800</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 2023

Note 5	Our financial position (cont.)	2023	2022
5.1	Financial assets (cont.)	\$'000	\$'000
	(c) Trade and other receivables		
	Current		
	<i>Statutory receivables</i>		
	Rates debtors	2,442	2,244
	Provision for doubtful rate debts	(61)	(53)
	Garbage and recycling debtors	513	465
	Special rate scheme	6	6
	Infringement debtors	81	78
	Provision for doubtful debts - infringements	(24)	(23)
	Net GST receivable	134	384
	<i>Non statutory receivables</i>		
	Other debtors	2,377	549
	Government grants	197	132
	Total Current trade and other receivables	5,665	3,783
	Non-current		
	<i>Statutory receivables</i>		
	Special rate scheme	1	1
	Total trade and other receivables	5,666	3,784

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

(d) Ageing of receivables	\$'000	\$'000
The ageing of the Council's trade and other receivables (excluding statutory receivables) that are not impaired was:		
Current (not yet due)	2,441	337
Past due by up to 30 days	87	138
Past due between 31 and 180 days	28	44
Past due between 181 and 365 days	9	6
Past due by more than 1 year	9	157
Total trade and other receivables	2,574	682

Notes to Financial Report
For the Year Ended 30 June 2023

Note 5	Our financial position (cont.)	2023	2022
5.2	Non-financial assets	\$'000	\$'000

(a) Inventories

Inventories held for distribution	37	45
Total inventories	37	45

Inventories held for distribution are measured at cost, adjusted when applicable for any loss of service potential. All other inventories, including land held for sale, are measured at the lower of cost and net realisable value. Where inventories are acquired for no cost or nominal consideration, they are measured at current replacement cost at the date of acquisition.

(b) Other assets

Accrued income	2,074	-
Accrued interest income	551	76
Prepayments	172	177
Total other assets	2,797	253

(c) Intangible assets

Landfill airspace	688	1,164
Software	243	305
Total intangible assets	931	1,469

	Software \$'000	Landfill \$'000	Total \$'000
Gross carrying amount			
Balance at 1 July 2022	518	4,470	4,988
Other Additions	-	-	-
Balance at 30 June 2023	518	4,470	4,988

Accumulated amortisation and impairment

Balance at 1 July 2022	(213)	(3,306)	(3,519)
Amortisation expense	(62)	(476)	(538)
Balance at 30 June 2023	(275)	(3,782)	(4,057)
Net book value at 30 June 2022	305	1,164	1,469
Net book value at 30 June 2023	243	688	931

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 2023

Note 5	Our financial position (cont.)	2023	2022
5.3	Payables, trust funds and deposits and unearned income / revenue	\$000	\$000
	(a) Trade and other payables		
	Current		
	<i>Non-statutory payables</i>		
	Trade payables	2,086	1,851
	Accrued wages	383	670
	Accrued expenses	1,530	43
	Total current trade and other payables	3,999	2,564
	(b) Trust funds and deposits		
	Current		
	Refundable building deposits	50	51
	Refundable planning permit bonds	251	199
	Retention contract deposits	909	752
	Fire Service Property Levy	82	60
	Other refundable deposits	602	634
	Total current trust funds and deposits	1,894	1,695
	(c) Unearned income / revenue		
	Current		
	Grants received in advance - operating	2,705	693
	Grants received in advance - capital	3,564	5,802
	Total current unearned income / revenue	6,269	6,495

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 2023

5.4 Provisions

	Employee	Landfill restoration	Total
	\$'000	\$'000	\$'000
2023			
Balance at beginning of the financial year	3,698	7,538	11,236
Additional provisions	1,180	56	1,236
Amounts used	(1,318)	-	(1,318)
Increase in the discounted amount arising because of the time and the effect of any change in the discount rate	-	(15)	(15)
Balance at the end of the financial year	3,560	7,579	11,139
Provisions - current	3,331	-	3,331
Provisions - non-current	229	7,579	7,808
Total Provisions	3,560	7,579	11,139
2022			
Balance at beginning of the financial year	3,693	7,279	10,972
Additional provisions	1,056	277	1,333
Amounts used	(1,051)	-	(1,051)
Increase in the discounted amount arising because of the time and the effect of any change in the discount rate	-	(18)	(18)
Balance at the end of the financial year	3,698	7,538	11,236
Provisions - current	3,414	-	3,414
Provisions - non-current	284	7,538	7,822
Total Provisions	3,698	7,538	11,236
		2023	2022
(a) Employee benefits		\$'000	\$'000
Current provision expected to be wholly settled within 12 months			
Annual leave		858	909
Long service leave		333	146
		1,191	1,055
Current provision expected to be wholly settled after 12 months			
Annual leave		476	567
Long service leave		1,664	1,791
		2,140	2,358
Total current employee provision		3,331	3,414
Non-current			
Long service leave		229	284
Total non-current employee provision		229	284
Aggregate carrying amount of employee benefits:			
Current		3,331	3,414
Non-current		229	284
Total aggregate carrying amount of employee benefits		3,560	3,698

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

**Notes to Financial Report
For the Year Ended 30 June 2023**

5.4 Provisions (Cont.)

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.

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	2023	2022
- discount rate	4.38%	3.25%
- inflation rate	2.75%	2.75%
(b) Provisions - Landfill Restoration	2023	2022
	\$'000	\$'000
Non-current		
Landfill restoration	7,579	7,538
	7,579	7,538

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.

Council reviews the landfill restoration provision on an annual basis, including the key assumptions listed below.

Key assumptions	2023	2022
- discount rate	4.38%	3.95%
- inflation rate	7.10%	5.00%

Notes to Financial Report
For the Year Ended 30 June 2023

5.5 Financing arrangements

	2023 \$'000	2022 \$'000
The Council has the following funding arrangements in place as at 30 June 2023		
Bank overdraft	-	-
Credit card facilities	100	100
Total facilities	<u>100</u>	<u>100</u>
Used facilities	-	-
Unused facilities	<u>100</u>	<u>100</u>

5.6 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

2023	Not later than 1 year \$'000	Later than 1 year and not later than 2 years \$'000	Later than 2 years and not later than 5 years \$'000	Later than 5 years \$'000	Total \$'000
Operating					
Cleaning buildings services	243	249	-	-	492
Garbage and recycling collection	1,192	-	-	-	1,192
Landfill	33	-	-	-	33
Library	68	67	-	-	135
Street sweeping	93	94	-	-	187
Photocopiers and printers	31	32	79	-	142
Software	125	33	-	-	158
Telecommunications	113	106	107	-	326
Yea Lawn Cemetery	124	-	-	-	124
Rubicon waste water	30	-	-	-	30
Total	<u>2,052</u>	<u>581</u>	<u>186</u>	<u>-</u>	<u>2,819</u>
Capital					
Bridges	265	-	-	-	265
Buildings & improvements	906	-	-	-	906
Drainage	126	-	-	-	126
Paths and cycleways	304	-	-	-	304
Plant and equipment	686	-	-	-	686
Roads	460	-	-	-	460
Vegetation	2	-	-	-	2
Waste management	59	-	-	-	59
Intangibles	27	-	-	-	27
Library Materials	52	-	-	-	52
Total	<u>2,887</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,887</u>

Notes to Financial Report
For the Year Ended 30 June 2023

5.6 Commitments (Cont.)

2022	Not later	Later than 1 year	Later than 2 years	Later than 5 years	Total
	than 1 year	and not later	and not later	than 5 years	
	\$'000	than 2 years	than 2 years	\$'000	\$'000
Operating					
Cleaning buildings services	237	243	249	-	729
Garbage and recycling collection	1,135	1,207	-	-	2,342
Landfill	45	33	-	-	78
Library	66	-	-	-	66
Photocopiers and printers	29	-	-	-	29
Software	181	120	52	-	353
Telecommunications	6	-	-	-	6
Total	1,699	1,603	301	-	3,603
Capital					
Bridges	2,760	-	-	-	2,760
Buildings & improvements	1,940	-	-	-	1,940
Drainage	145	-	-	-	145
Heritage and cultural	30	-	-	-	30
Paths and cycleways	529	-	-	-	529
Plant and equipment	545	-	-	-	545
Roads	307	-	-	-	307
Total	6,256	-	-	-	6,256

(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:

	2023	2022
	\$'000	\$'000
Not later than one year	206	223
Later than one year and not later than five years	769	801
Later than five years	1,303	1,485
Total	2,278	2,509

5.7 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.

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.

Expenses relating to:	2023	2022
	\$000	\$000
Short-term leases	-	-
Leases of low value assets	-	3
Total	-	3

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
Later than one year but not later than five years	-	2
Total lease commitments	-	3

Notes to Financial Report
For the Year Ended 30 June 2023

Note 6 Assets we manage

6.1 Property, infrastructure, plant and equipment

Summary of property, Infrastructure, plant and equipment

	Carrying amount 30 June 2022	Acquisitions	Contributions	Revaluations	Depreciation	Disposals	Transfers	Carrying amount 30 June 2023
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Property	127,253	143	6	2,729	(1,686)	(75)	411	128,781
Plant and equipment	7,061	1,462	5	-	(1,116)	(134)	168	7,446
Infrastructure	289,011	2,241	471	40,724	(5,372)	(1,748)	4,760	330,087
Work in progress	10,790	9,745	-	-	-	-	(5,518)	15,017
Total	434,115	13,591	482	43,453	(8,174)	(1,957)	(179)	481,331

Summary of works in progress (WIP)

	Opening WIP	Additions	Transfers	Closing WIP
	\$000	\$000	\$000	\$000
Property	3,308	3,200	(429)	6,079
Plant and equipment	175	-	(150)	25
Infrastructure	7,307	6,545	(4,939)	8,913
Total	10,790	9,745	(5,518)	15,017

Notes to Financial Report
For the Year Ended 30 June 2023

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

(a) Property

	Land - non specialised \$000	Land Under Roads \$000	Total Land \$000	Buildings - specialised \$000	Buildings - non specialised \$000	Total Buildings \$000	Work In Progress \$000	Total Property \$000
At fair value 1 July 2022	40,726	17,891	58,617	108,885	-	108,885	3,308	170,810
Accumulated depreciation at 1 July 2022	-	-	-	(40,248)	-	(40,248)	-	(40,248)
	40,726	17,891	58,617	68,637	-	68,637	3,308	130,562
Movements in fair value								
Additions	-	-	-	143	-	143	3,200	3,343
Contributions	-	6	6	-	-	-	-	6
Revaluation	-	-	-	4,426	-	4,426	-	4,426
Disposals	-	-	-	(185)	-	(185)	-	(185)
Transfer - Works in progress asset to plant and equipment.	-	-	-	-	-	-	(18)	(18)
Transfers	(156)	156	-	411	-	411	(411)	-
	(156)	162	6	4,795	-	4,795	2,771	7,572
Movements in accumulated depreciation								
Depreciation and amortisation	-	-	-	(1,686)	-	(1,686)	-	(1,686)
Accumulated depreciation of disposals	-	-	-	110	-	110	-	110
Revaluation	-	-	-	(1,697)	-	(1,697)	-	(1,697)
	-	-	-	(3,273)	-	(3,273)	-	(3,273)
At fair value 30 June 2023	40,570	18,053	58,623	113,680	-	113,680	6,079	178,382
Accumulated depreciation at 30 June 2023	-	-	-	(43,521)	-	(43,521)	-	(43,521)
Carrying amount	40,570	18,053	58,623	70,159	-	70,159	6,079	134,861

Notes to Financial Report
For the Year Ended 30 June 2023

6.1 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
	\$000	\$000	\$000	\$000	\$000	\$000
At fair value 1 July 2022	358	10,819	2,524	926	175	14,801
Accumulated depreciation at 1 July 2022	(49)	(5,053)	(2,024)	(440)	-	(7,566)
	309	5,766	500	486	175	7,235
Movements in fair value						
Additions	303	894	178	87	-	1,462
Disposals	-	(1,022)	(45)	(90)	-	(1,157)
Contributions	-	30	-	-	-	30
Transfer - Works in progress asset from buildings	-	-	-	-	18	18
Transfers	150	18	-	-	(168)	-
	453	(80)	133	(3)	(150)	353
Movements in accumulated depreciation						
Depreciation and amortisation	(2)	(838)	(182)	(94)	-	(1,116)
Accumulated depreciation of disposals	-	889	44	90	-	1,023
Contributions	-	(25)	-	-	-	(25)
Transfers	-	-	-	-	-	-
	(2)	26	(138)	(4)	-	(118)
At fair value 30 June 2023	811	10,739	2,657	923	25	15,155
Accumulated depreciation at 30 June 2023	(51)	(5,027)	(2,162)	(444)	-	(7,684)
Carrying amount	760	5,712	495	479	25	7,471

Notes to Financial Report
For the Year Ended 30 June 2023

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

	Roads	Bridges	Footpaths and cycleways	Drainage	Work In Progress	Total Infrastructure
	\$000	\$000	\$000	\$000	\$000	\$000
At fair value 1 July 2022	226,758	78,842	19,397	22,820	7,307	355,124
Accumulated depreciation at 1 July 2022	(17,019)	(29,487)	(5,836)	(6,464)	-	(58,806)
	209,739	49,355	13,561	16,356	7,307	296,318
Movements in fair value						
Additions	1,850	135	56	200	6,545	8,786
Contributions	243	-	49	178	-	470
Revaluation	15,870	24,731	1,400	1,617	-	43,618
Disposals	(3,277)	(410)	(8)	(49)	-	(3,744)
Transfer - Works in progress asset expensed	-	-	-	-	(179)	(179)
Transfers	3,187	1,248	267	58	(4,760)	-
	17,873	25,704	1,764	2,004	1,606	48,951
Movements in accumulated depreciation						
Depreciation and amortisation	(3,490)	(854)	(782)	(246)	-	(5,372)
Accumulated depreciation of disposals	1,792	174	4	26	-	1,996
Revaluation	(1,296)	(653)	(470)	(475)	-	(2,894)
	(2,994)	(1,333)	(1,248)	(695)	-	(6,270)
At fair value 30 June 2023	244,631	104,546	21,161	24,824	8,913	404,075
Accumulated depreciation at 30 June 2023	(20,013)	(30,820)	(7,084)	(7,159)	-	(65,076)
Carrying amount	224,618	73,726	14,077	17,665	8,913	338,999

Notes to Financial Report
For the Year Ended 30 June 2023

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.

<i>Asset recognition thresholds and depreciation periods</i>	Depreciation Period Years	Threshold Limit \$'000
Land & land improvements		
land	-	1
land improvements	-	1
Buildings		
buildings	30 to 80	5,000
building and leasehold improvements	-	-
Plant and Equipment		
fixtures, fittings and furniture	3 to 20	2,000
heritage plant and equipment	20 to 200	1,000
library materials	5 to 10	1,000
plant, machinery and equipment	3 to 20	2,000
Infrastructure		
bridges	35 to 100	7,500
drainage	50 to 100	5,000
footpaths and cycleways	15 to 80	5,000
roads - formation and earthworks	80 to 200	5,000
roads - pavements	20 to 40	5,000

Land under roads

Council recognises land under roads it controls at fair value.

Depreciation and amortisation

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 2023

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

Valuation of land and buildings

Valuation of land and buildings were undertaken at 30 June 2019 by a qualified independent valuers Lackal 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 2023. 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.

The date and type of the current valuation is detailed in the following table. A full revaluation of these assets will be conducted in 2023/24.

Details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2023 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation	Type of Valuation
	\$'000	\$'000	\$'000		
Land	-	40,570	-	30/06/2022	Jian Zhao MIE Australia
Specialised land	-	-	18,053	30/06/2022	Jian Zhao MIE Australia
Buildings	-	-	70,159	31/03/2023	Indexed valuation Valuer General Victoria (VGV)
Total	-	40,570	88,212		

Valuation of infrastructure

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

The date and type of the current valuation is detailed in the following table.

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

Details of the Council's infrastructure and information about the fair value hierarchy as at 30 June 2023 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation	Type of Valuation
	\$'000	\$'000	\$'000		
Roads	-	-	224,618	30/06/2023	Indexed valuation ABS Producer Price Index Revaluation Joshua Baulch - Qualified VicRoads Bridge Inspector.
Bridges	-	-	73,726	31/05/2023	Reviewed Chris Morton Principal Bridge Engineer. Pitt and Sherry
Footpaths and cycleways	-	-	14,077	30/06/2023	Indexed valuation ABS Producer Price Index
Drainage	-	-	17,664	30/06/2023	Indexed valuation ABS Producer Price Index
Total	-	-	330,085		

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.

	2023	2022
	\$'000	\$'000
Reconciliation of specialised land		
Land under roads	18,053	17,891
Total specialised land	18,053	17,891

Notes to Financial Report
For the Year Ended 30 June 2023

Note 7 People and relationships

7.1 Council and key management remuneration

(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 - John Walsh - Mayor from 17/11/2022
Councillor - Karine Haslam - Deputy Mayor from 17/11/2022
Councillor – Sue Carpenter Mayor to 16/11/22
Councillor - Damien Gallagher - Deputy Mayor to 16/11/2022
Councillor - Eric Lording
Councillor - Ilona Gerencer
Councillor - Sandice McAulay

Officers
Chief Executive Officer - Livia Bonazzi
Director Assets and Environment - Vito Albicini
Director People and Corporate Performance - Michael Chesworth
Director Community Engagement - Shivaun Brown - until 16/09/2022
Interim Director Community Engagement - Natascha Powne (Siebert) from 12/09/2022 to 29/05/2023
Director Community & Development - Andrew Paxton from 1/05/2023

	2023 No.	2022 No.
Total number of Councillors	7	7
Chief Executive Officer and other Key Management Personnel	6	4
Total Key Management Personnel	13	11

(c) Remuneration of Key Management Personnel

Remuneration comprises employee benefits including all forms of consideration paid, payable or provided by Council, or on behalf of the Council, in exchange for services rendered. Remuneration of Key Management Personnel and other senior staff is disclosed in the following categories.

Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

Other long-term employee benefits include long service leave, other long service benefits or deferred compensation.

Post-employment benefits include pensions, and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Termination benefits include termination of employment payments, such as severance packages.

	2023 \$000	2022 \$000
Total remuneration of key management personnel was as follows:		
Short-term employee benefits	1,044	1,030
Other long-term employee benefits	15	18
Post-employment benefits	72	77
Total	1,131	1,125

Notes to Financial Report
For the Year Ended 30 June 2023

7.1 Council and key management remuneration (cont.)

The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:

	2023 No.	2022 No.
\$20,000 - \$29,999	5	4
\$30,000 - \$39,999	1	1
\$40,000 - \$49,999	1	1
\$50,000 - \$59,999	1	-
\$60,000 - \$69,999	-	1
\$90,000 - \$99,999	2	-
\$190,000 - \$199,999	1	1
\$200,000 - \$209,999	1	2
\$280,000 - \$289,999	1	-
\$290,000 - \$300,000	-	1
	13	11

(d) Remuneration of other senior staff

Other senior staff are officers of Council, other than Key Management Personnel, whose total remuneration exceeds \$160,000 and who report directly to a member of the KMP. *

The number of other senior staff are shown below in their relevant income bands:

	2023 No.	2022 No.
Income Range:		
\$150,000 - \$159,999	-	3
\$160,000 - \$169,999	4	-
\$170,000 - \$179,999	1	-
	5	3

	\$000	\$000
Total remuneration for the reporting year for other senior staff included above, amounted to:	829	461

7.2 Related party disclosure

(a) Transactions with related parties

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

Eildon Events Inc 1 transaction totalling \$10,000 relating to payment for CovidSafe Activation funding for Eildon outdoor stage.

Tourism North East 1 transacton totalling \$142,166.20 relating to payment for 22/23 Tourism North East annual membership, tourism marketing and activities.
1 transacton totalling \$5,500.00 relating to payment received for Gravel Cycling Photography.

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 2023 between Council and any related party, nor were any loan transactions entered into during the 2022/23 financial year.

(d) Commitments to/from related parties

No commitments are in existence as at 30 June 2023 between Council and any related party, nor were any commitments made during the financial year.

Note 8 Managing uncertainties

8.1 Contingent assets and liabilities

(a) Contingent assets

There were no contingent assets as at 30 June 2023 (2022 Nil).

(b) Contingent liabilities

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council; or
- present obligations that arise from past events but are not recognised because:
 - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - the amount of the obligation cannot be measured with sufficient reliability.

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.

Insurance Claims

Council has three major insurance claims that are yet to be finalised.

Legal Liabilities

The Council is presently involved in three confidential legal matters, which are being conducted through Council's insurers. These matters are yet to be finalised and the financial outcomes are anticipated to be in the region of \$60,000. Any additional costs will be covered by Council's insurer. As at 30 June 2023 there is no contingent liability identified by Council. (2022: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.

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.

Council is currently managing their WorkCover insurance through the WorkSafe agent DXC. Council have not processed a claim since October 2022 due to management of injuries in house where applicable.

8.2 Change in accounting standards

Certain new Australian Accounting Standards and interpretations have been published that are not mandatory for the 30 June 2023 reporting period. Council assesses the impact of these new standards. As at 30 June 2023 there were no new accounting standards or interpretations issued by the AASB which are applicable for the year ending 30 June 2023 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 (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.

8.3 Financial Instruments (cont.)

(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. Council have exposure to credit risk on some financial assets included in the balance sheet. Particularly significant areas of credit risk exist in relation to outstanding fees and fines as well as loans and receivables from sporting clubs and associations. 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 3.95%.

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.

Notes to Financial Report For the Year Ended 30 June 2023

8.4 Fair value measurement

Fair value hierarchy

Council's financial assets 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.

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, 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. (For plant and equipment carrying amount is considered to approximate fair value given short useful lives). At balance date, the Council reviewed the carrying value of the individual classes of assets measured at fair value to ensure that each asset materially approximated its fair value. Where the carrying value materially differed from the fair value at balance date, the class of asset was revalued.

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use of an asset result in changes to the permissible or practical highest and best use of the asset. 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 independent experts. The following table sets out the frequency of revaluations by asset class.

Asset class	Revaluation frequency
Land	3 to 5 years
Buildings	3 to 5 years
Roads	3 to 5 years
Bridges	3 to 5 years
Footpaths and cycleways	3 to 5 years
Drainage	3 to 5 years

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 2023

Note 9 Other Matters

9.1 Reserves	2023 \$'000	2022 \$'000
Asset revaluation reserves (a)	351,368	307,915
Other reserves (b)	18,727	19,042
Total reserves	370,095	326,958

(a) Asset revaluation reserves	Balance at beginning of reporting period \$'000	Increment (decrement) \$'000	Balance at end of reporting period \$'000
2023			
Property			
Land	35,740	-	35,740
Land under roads	14,236	-	14,236
Buildings	37,719	2,729	40,447
	<u>87,694</u>	<u>2,729</u>	<u>90,423</u>
Infrastructure			
Bridges	19,551	24,078	43,629
Drainage	10,677	1,142	11,819
Footpaths and cycleways	11,263	930	12,193
Roads	178,730	14,574	193,304
	<u>220,221</u>	<u>40,724</u>	<u>260,945</u>
Total Asset revaluation reserves	307,916	43,453	351,368
2022			
Property			
Land	30,234	5,507	35,740
Land under roads	11,468	2,768	14,236
Buildings	35,038	2,681	37,719
	<u>76,740</u>	<u>10,955</u>	<u>87,694</u>
Infrastructure			
Bridges	11,120	8,431	19,551
Drainage	10,677	-	10,677
Footpaths and cycleways	7,603	3,660	11,263
Roads	178,730	-	178,730
	<u>208,130</u>	<u>12,091</u>	<u>220,221</u>
Total Asset revaluation reserves	284,870	23,046	307,916

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 2023

9.1 Reserves (cont.)	Balance at beginning of reporting period	Transfer from accumulated surplus	Transfer to accumulated surplus	Balance at end of reporting period
	\$'000	\$'000	\$'000	\$'000
2023				
Statutory Reserves				
Public Open Space	590	-	(200)	390
Discretionary Reserves				
Defined Benefits Superannuation	1,020	-	-	1,020
Gifted and Novated Assets	701	-	-	701
Infrastructure Contributions Parking	41	-	-	41
Infrastructure Balance MAP funding	46	-	-	46
Infrastructure Maintenance	1,040	-	-	1,040
Infrastructure	3,533	-	(958)	2,575
Landfill and Waste Management	11,496	5,287	(4,598)	12,184
Marysville Caravan Park	213	90	(57)	247
Shaw Avenue Redevelopment	44	-	-	44
Yea Caravan Park	40	56	(90)	6
Yea Saleyards	280	479	(325)	435
Total Other reserves	19,042	5,912	(6,227)	18,727

	Balance at beginning of reporting period	Transfer from accumulated surplus	Transfer to accumulated surplus	Balance at end of reporting period
	\$'000	\$'000	\$'000	\$'000
2022				
Statutory Reserves				
Public Open Space	576	98	(84)	590
Discretionary Reserves				
Defined Benefits Superannuation	1,200	-	(180)	1,020
Gifted and Novated Assets	701	-	-	701
Infrastructure Contributions Parking	41	-	-	41
Infrastructure Balance MAP funding	-	46	-	46
Infrastructure Maintenance	1,040	-	-	1,040
Infrastructure	4,915	127	(1,509)	3,533
Landfill and Waste Management	11,418	879	(801)	11,496
Marysville Caravan Park	137	76	-	213
Shaw Avenue Redevelopment	44	-	-	44
Yea Caravan Park	(21)	60	-	40
Yea Saleyards	183	170	(74)	280
Total Other reserves	20,235	1,455	(2,647)	19,042

Notes to Financial Report For the Year Ended 30 June 2023

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.

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

	2023	2022
	\$'000	\$'000
Surplus for the financial year	4,540	3,588
Depreciation and amortisation	8,712	8,441
Bad and doubtful debts	-	-
Contributions - non-monetary	(482)	(1,204)
Finance costs	-	-
Works in progress asset expensed	179	-
(Gain)/loss on disposal of property, plant and equipment, infrastructure	1,555	229
Change in assets and liabilities:		
Decrease in trade and other receivables	(1,882)	(201)
(Increase) / decrease in inventories	8	(7)
(Increase) / decrease in other assets	(2,544)	(52)
Increase / (decrease) in trade and other payables	1,568	410
Increase / (decrease) in trust funds and deposits	199	346
Increase unearned income	(226)	1,812
Increase in provisions	(97)	263
Net cash provided by operating activities	11,530	13,624

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 category, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2023, this was 10.5% as required under Superannuation Guarantee (SG) legislation (2022: 10.0%).

Defined Benefit

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

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

Funding Arrangements

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

A triennial actuarial investigation is currently underway for the Defined Benefit category which is expected to be completed by 31 December 2023. Council was notified of the 30 June 2023 VBI during August 2023 (2022: August 2022). The financial assumptions used to calculate the 30 June 2023 VBI were:

Net investment returns	5.7% pa
Salary information	3.5% pa
Price inflation (CPI)	2.8% pa

As at 30 June 2022, 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 102.2%. The financial assumptions used to calculate the 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)	3.0% pa

Council was notified of the 30 June 2022 VBI during August 2022 (2021: August 2021).

Vision Super has advised that the estimated VBI at June 2023 was 104.1%.

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2022 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

(a) Regular contributions

On the basis of the results of the 2022 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 2023, this rate was 10.5% of members' salaries (10.0% in 2021/22). This rate is expected to increase in line with any increases in the SG contribution rate and was reviewed as part of the 30 June 2022 interim 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.

(b) 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 2022 interim 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 2022 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:

	2022	2021
	(Interim)	(Interim)
	\$m	\$m
- A VBI Surplus	44.6	214.7
- A total service liability surplus	105.8	270.3
- A discounted accrued benefits surplus	111.9	285.2

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 2022.

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 2022.

The discounted accrued benefits 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 2022.

Notes to Financial Report For the Year Ended 30 June 2023

9.3 Superannuation (Cont.)

The 2023 triennial actuarial investigation

An interim actuarial investigation is being conducted for the Fund's position as at 30 June 2023 as the Fund provides lifetime pensions in the Defined Benefit category. It is anticipated that this actuarial investigation will be completed by 31 December 2023. The financial assumptions for the purposes of this investigation are:

	2023	2020
	Triennial Investigation	Triennial investigation
Net investment return	5.7% pa	5.6% pa
Salary inflation	3.5% pa	2.5% pa for the first two years and 2.75% pa thereafter
Price inflation	2.8% pa	2.0% pa

Superannuation contributions

Refer to note 4.1 for details of Council's superannuation contributions.

Enterprise bargaining agreement

Staff employed under Council's 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%

Note 10 Change in accounting policy

10.1 Change in accounting standards

There have been no changes to accounting policies in the 2022-23 year.

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