

ATTACHMENT TO AGENDA ITEM

Special Meeting

14 September 2016

Agenda Item 5.2	Financial Statements and Performance Statement for Year Ended 30 June 2016	
Attachment 1	Greater Shepparton City Council Financial Statements year ended 30 June 2016.....	115
Attachment 2	Greater Shepparton City Council Performance Statement year ended 30 June 2016.....	159

Greater Shepparton City Council
ANNUAL FINANCIAL REPORT

For the Year Ended 30 June 2016

The final statements certified by Council will be after any changes recommended by the Audit and Risk Management Committee or the auditor, and agreed to by the auditor, have been made.

**Greater Shepparton City Council
Financial Report
Table of Contents**

FINANCIAL REPORT	Page
Financial Statements	
Comprehensive Income Statement	1
Balance Sheet	2
Statement of Changes in Equity	3
Statement of Cash Flows	4
Statement of Capital Works	5
Notes to Financial Statements	
Introduction	6
Note 1 Significant accounting policies	6
Note 2 Budget comparison	12
Note 3 Rates and charges	16
Note 4 Statutory fees and fines	16
Note 5 User fees	16
Note 6 Grants	17
Note 7 Contributions	18
Note 8 Net gain / (loss) on disposal of property, infrastructure, plant and equipment	18
Note 9 Other income	18
Note 10 Employee costs	18
Note 11 Materials and services	19
Note 12 Bad and doubtful debts	19
Note 13 Depreciation and amortisation	19
Note 14 Borrowing costs	19
Note 15 Other expenses	19
Note 16 Investments in associates, joint ventures and subsidiaries	20
Note 17 Cash and cash equivalents	21
Note 18 Trade and other receivables	21
Note 19 Other financial assets	22
Note 20 Inventories	22
Note 21 Other assets	22
Note 22 Property, infrastructure, plant and equipment	23
Note 23 Intangible assets	29
Note 24 Trade and other payables	29
Note 25 Trust funds and deposits	30
Note 26 Provisions	30
Note 27 Interest bearing loans and borrowings	31
Note 28 Reserves	32
Note 29 Reconciliation of cash flows from operating activities to surplus/(deficit)	33
Note 30 Financing arrangements	33
Note 31 Commitments	34
Note 32 Operating leases	35
Note 33 Superannuation	35
Note 34 Contingent liabilities and contingent assets	37
Note 35 Financial instruments	38
Note 36 Related party transactions	40
Note 37 Events occurring after balance date	41
Certification of the Financial Statements	42

Greater Shepparton City Council
2015/2016 Financial Report

**Comprehensive Income Statement
For the Year Ended 30 June 2016**

	Note	2016 \$	2015 \$
Income			
Rates and charges	3	68,260,370	63,779,711
Statutory fees and fines	4	3,101,773	2,777,728
User fees	5	17,590,733	18,980,801
Grants - operating	6	16,533,467	29,170,289
Grants - capital	6	11,330,928	1,910,676
Contributions - monetary	7	1,827,308	2,259,432
Contributions - non monetary	7	4,074,092	13,607,192
Net gain (or loss) on disposal of property, infrastructure, plant and equipment	8	14,826	105,840
Share of net profits (or loss) of associates and joint ventures	16	(20,555)	131,196
Other income	9	1,729,300	1,865,236
Total income		124,442,241	134,588,101
Expenses			
Employee costs	10 (a)	(44,180,180)	(42,222,309)
Materials and services	11	(49,794,183)	(52,512,015)
Bad and doubtful debts	12	(61,690)	(224,242)
Depreciation and amortisation	13	(21,838,450)	(22,728,072)
Borrowing costs	14	(1,194,869)	(1,123,275)
Other expenses	15	(7,283,228)	(8,196,776)
Total expenses		(124,352,600)	(127,006,689)
Surplus/(deficit) for the year		89,641	7,581,412
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment/(decrement)	22	-	(1,791,530)
Total comprehensive result		89,641	5,789,882

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

Greater Shepparton City Council
2015/2016 Financial Report

Balance Sheet
As at 30 June 2016

	Note	2016 \$	2015 \$
Assets			
Current assets			
Cash and cash equivalents	17	13,275,933	18,302,549
Trade and other receivables	18	5,965,568	5,260,957
Other financial assets	19	27,042,827	25,100,000
Inventories	20	73,754	93,670
Other assets	21	1,230,300	1,131,987
Total current assets		47,588,382	49,889,163
Non-current assets			
Investments in associates and joint ventures	16	1,493,041	1,513,596
Property, infrastructure, plant and equipment	22	1,020,986,173	1,008,911,117
Intangible assets	23	972,944	1,013,338
Total non-current assets		1,023,452,158	1,011,438,051
Total assets		1,071,040,541	1,061,327,214
Liabilities			
Current liabilities			
Trade and other payables	24	9,986,239	8,680,085
Trust funds and deposits	25	3,093,498	2,748,204
Provisions	26	11,499,521	9,323,920
Interest-bearing loans and borrowings	27	896,755	489,696
Total current liabilities		25,476,013	21,241,905
Non-current liabilities			
Provisions	26	6,484,709	4,720,584
Interest-bearing loans and borrowings	27	17,494,161	13,868,708
Total non-current liabilities		23,978,870	18,589,292
Total liabilities		49,454,882	39,831,197
Net assets		1,021,585,658	1,021,496,017
Equity			
Accumulated surplus		323,971,195	323,881,554
Reserves	28	697,614,463	697,614,463
Total Equity		1,021,585,658	1,021,496,017

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

Greater Shepparton City Council
2015/2016 Financial Report

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

	Note	Total \$	Accumulated Surplus \$	Revaluation Reserve \$
2016				
Balance at beginning of the financial year		1,021,496,017	323,881,554	697,614,463
Surplus/(deficit) for the year		89,641	89,641	-
Balance at end of the financial year		1,021,585,658	323,971,195	697,614,463
2015				
Balance at beginning of the financial year		1,013,939,001	316,300,142	697,638,859
Surplus/(deficit) for the year		7,581,412	7,581,412	-
Net asset revaluation increment/(decrement)	28	(1,791,530)	-	(1,791,530)
Adjustment to prior year accounts	22	1,767,134	-	1,767,134
Balance at end of the financial year		1,021,496,017	323,881,554	697,614,463

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

Page 3

Greater Shepparton City Council
2015/2016 Financial Report

**Statement of Cash Flows
For the Year Ended 30 June 2016**

	Note	2016 Inflows/ (Outflows) \$	2015 Inflows/ (Outflows) \$
Cash flows from operating activities			
Rates and charges		68,461,621	63,779,711
Statutory fees and fines		3,021,964	2,026,029
User fees		17,451,499	19,995,685
Grants - operating		16,390,534	29,170,289
Grants - capital		11,330,926	1,910,676
Contributions - monetary		1,827,308	2,281,796
Interest received		1,182,721	1,865,236
Trust funds and deposits taken		345,294	(26,159)
Other receipts		546,579	527,135
Net GST refund/payment		(627,888)	1,378
Employee costs		(43,749,658)	(41,617,234)
Materials and services		(45,124,911)	(51,726,845)
Trust funds and deposits repaid		(306,843)	(26,165)
Net cash provided by/(used in) operating activities	29	<u>30,749,145</u>	<u>28,161,532</u>
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment	22	(37,164,981)	(27,462,150)
Proceeds from sale of property, infrastructure, plant and equipment		494,404	344,702
Payments for investments		(1,942,826)	(8,600,000)
Net cash provided by/(used in) investing activities		<u>(38,613,403)</u>	<u>(35,717,448)</u>
Cash flows from financing activities			
Finance costs		(1,194,869)	(1,123,275)
Proceeds from borrowings		4,436,000	-
Repayment of borrowings		(403,488)	(453,745)
Net cash provided by/(used in) financing activities		<u>2,837,643</u>	<u>(1,577,020)</u>
Net increase (decrease) in cash and cash equivalents		(5,026,616)	(9,132,936)
Cash and cash equivalents at the beginning of the financial year		18,302,549	27,435,485
Cash and cash equivalents at the end of the financial year		<u>13,275,933</u>	<u>18,302,549</u>

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

Greater Shepparton City Council
2015/2016 Financial Report

**Statement of Capital Works
For the Year Ended 30 June 2016**

	Note	2016 \$	2015 \$
Property			
Land		1,989,448	26,559
Land improvements		11,033,512	4,817,330
Total land		13,022,960	4,843,889
Buildings		4,245,437	4,357,488
Total buildings		4,245,437	4,357,488
Total property		17,268,397	9,201,377
Plant and equipment			
Plant, machinery and equipment		2,098,394	1,825,662
Fixtures, fittings and furniture		970,411	356,223
Computers and telecommunications		815,333	766,238
Art collection and regalia		-	168,669
Total plant and equipment		3,884,137	3,116,792
Infrastructure			
Roads		9,768,116	10,597,568
Bridges		-	119,930
Footpaths and cycleways		216,371	636,314
Drainage		1,667,324	1,498,810
Recreational, leisure and community facilities		3,061,285	1,015,133
Waste management		722,382	926,041
Parks, open space and streetscapes		201,821	201,575
Aerodromes		37,087	123,535
Other infrastructure		214,045	25,075
Total infrastructure		15,888,431	15,143,981
Total capital works expenditure		37,040,965	27,462,150
Represented by:			
New asset expenditure		15,680,140	8,602,159
Asset renewal expenditure		17,980,809	16,748,148
Asset expansion expenditure		452,297	-
Asset upgrade expenditure		2,927,720	2,111,843
Total capital works expenditure		37,040,965	27,462,150

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

Page 5

Introduction

The Greater Shepparton City Council was established by an Order of the Governor in Council on 17th November 1994 and is a body corporate. The Council's main office is located at 90 Welsford Street Shepparton.

Statement of compliance

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

Note 1 Significant accounting policies**(a) Basis of accounting**

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

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

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

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Notes 1 (f & k))
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 1 (l))
- the determination of employee provisions (refer to Note 1 (q)) and landfill site provisions (refer to Note 1 (r))

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

(b) Changes in accounting policies

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

(c) Committees of management

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

(d) Accounting for investments in associates and joint arrangements**Associates**

Associates are all entities over which Council has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

(e) Revenue recognition

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

Rates and Charges

Annual rates and charges are recognised as revenues when Council issues annual rates notices.

Supplementary rates are recognised when a valuation and reassessment is completed and a supplementary rates notice issued.

Statutory fees and fines

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

Note 1 Significant accounting policies (cont.)**(e) Revenue recognition (cont.)***User fees*

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

Grants

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

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

Contributions

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

Sale of property, infrastructure, plant and equipment

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

Interest

Interest is recognised as it is earned.

Dividends

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

Other Income

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

(f) Fair value measurement

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

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

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

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

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

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

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

(g) Cash and cash equivalents

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

Note 1 Significant accounting policies (cont.)**(h) Trade and other receivables**

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

(i) Other financial assets

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

(j) Inventories

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

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

(k) Recognition and measurement of property, plant and equipment, infrastructure, intangibles*Acquisition*

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

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

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

Revaluation

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

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use of an asset result in changes to the permissible or practical highest and best use of the asset. Further details regarding the fair value hierarchy are disclosed at Note 22 Property, infrastructure, plant and equipment.

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

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

Land under roads

Council recognises land under roads it controls at fair value.

Note 1 Significant accounting policies (cont.)**(i) Depreciation and amortisation of property, infrastructure, plant and equipment and intangibles**

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

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

Road earthworks are not depreciated on the basis that they are assessed as not having a limited useful life. Straight line depreciation is charged based on the residual useful life as determined each year. Depreciation periods used are listed below and are consistent with the prior year unless otherwise stated.

<i>Asset recognition thresholds and depreciation periods</i>	Depreciation Period	Threshold Limit \$
Property		
Buildings and Land Improvements		
land	-	1
land improvements	5 to 60 years	5,000
land under roads	-	-
buildings ^{1,2}	10 to 100 years	5,000
Heritage Assets		
heritage assets ³	10 to 100 years	5,000
Plant and Equipment		
plant, machinery and equipment	2 to 10 years	500
furniture, equipment and computers	2 to 13 years	1,500
Art and civic regalia ³	-	3,000
Infrastructure		
Roads		
road surface and seals	12 to 60 years	-
spray seal	-	500m2
asphalt	-	150m2
concrete	-	55m2
line marking	-	5,000
road pavement	53 to 60 years	290m2
road kerb, channel and minor culverts	60 to 90 years	1
bridges deck	50 to 80 years	1
Footpaths	10 to 60 years	1
Bike paths	10 to 65 years	1
Drainage	50 to 90 years	1
Naturestrip trees	50 years	1
Regulatory signs	7 to 35 years	1
Street furniture	5 to 50 years	1

¹In 2014/2015 Council had elected to adopt a depreciation period of 40 years as per an independent valuation. In May 2016 Council adopted a Depreciation Policy that prescribed a useful life of 10 to 100 years. This table shows the impact of the change in the depreciation rate.

Asset	40 Years Depreciation	10 to 100 Years Depreciation
Buildings	4,936,928	3,213,729

²Greater Shepparton City Council's Depreciation Policy 34.POL3 notes a threshold for New buildings as 'all'. The minimum threshold for renewal, upgrade and expansion is \$5,000

³Greater Shepparton City Council's Depreciation Policy 34.POL3 notes a depreciation period of 50 years for Mayoral Robes

(m) 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.

Note 1 Significant accounting policies (cont.)**(n) Impairment of assets**

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

(o) Trust funds and deposits

Amounts received as deposits and retention amounts controlled by Council are recognised as trust funds until they are returned, transferred in accordance with the purpose of the receipt, or forfeited (refer to Note 25).

(p) Borrowings

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

Borrowing costs

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

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

(q) Employee costs and benefits

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

Wages and salaries and annual leave

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

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

Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits. Current liability - unconditional LSL is disclosed as a current liability even when the council does not expect to settle the liability within 12 months because it will not have the unconditional right to defer settlement of the entitlement should an employee take leave within 12 months.

The components of this current liability are measured at:

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

Classification of employee costs

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

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

Note 1 Significant accounting policies (cont.)**(r) Landfill rehabilitation provision**

Council is obligated to restore the Cosgrove 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.

(s) Leases*Operating leases*

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

(t) Goods and Services Tax (GST)

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

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

(u) Contingent assets and contingent liabilities and commitments

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

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

(v) Pending accounting standards

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

(w) Rounding

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

Greater Shepparton City Council
2015/2016 Financial Report

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

Note 2 Budget comparison

The budget comparison notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variances. Council has adopted a materiality threshold of 10 percent and \$100k where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures detailed below are those adopted by Council on 23 June 2015. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for income and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

(a) Income and Expenditure

	Budget 2016 \$'000	Actual 2016 \$'000	Variance 2016 \$'000	Ref
Income				
Rates and charges	67,706	68,260	554	
Statutory fees and fines	2,420	3,102	682	1
User fees	18,520	17,591	(929)	
Grants - operating	21,602	16,533	(5,068)	2
Grants - capital	7,604	11,331	3,727	3
Contributions - monetary	1,862	1,827	(34)	
Contributions - non monetary	3,000	4,074	1,074	4
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	(541)	15	555	5
Share of net profits/(losses) of associates and joint ventures	-	(21)	(21)	
Other income	2,983	1,729	(1,254)	6
Total income	125,156	124,442	(714)	
Expenses				
Employee costs	45,617	44,180	1,437	
Materials and services	46,562	49,794	(3,232)	7
Bad and doubtful debts	15	62	(47)	
Depreciation and amortisation	22,636	21,838	798	
Borrowing costs	1,210	1,195	15	
Other expenses	-	7,283	(7,283)	8
Total expenses	116,041	124,353	(8,312)	
Surplus/(deficit) for the year	9,115	90	(9,026)	

Greater Shepparton City Council
2015/2016 Financial Report

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

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Statutory fees and fines	More than budget by \$682k due to Parking Infringements being budgetted under Other income, but correctly reported under Statutory fees and fines (\$671k).
2	Grants - operating	Less than budget by \$5.068m largely due to the early receipt in 2014/15 of 50% (\$5.74m) of the 2015/16 Federal Financial Assistance Grant funding from the Commonwealth Government.
3	Grants - capital	More than budget by \$3.727m largely due to additional Roads to Recovery Grant funding of \$1.325m, \$750k contribution from VicRoads for Midland Highway Duplication drainage works, \$654k in additional milestone payments for the Greater Shepparton Regional Sports Precinct and \$460k grant funding from the Department of Economic Development, Jobs, Transport and Resources for Katandra West Community Centre.
4	Contributions - non monetary	More than budget by \$1.071m largely due to contributions received from developers which are often difficult to predict.
5	Net gain/(loss) on disposal of property, infrastructure, plant and equipment	Less than budget by \$555k due to \$350k write off of replaced assets being recorded as an other expense (refer #8) and a lower recorded value of write offs for sold motor vehicles (\$240k).
6	Other income	Less than budget by \$1.254m due to budget incorrectly including Parking Infringements of \$671k (refer #1).
7	Materials and services	More than budget by \$3.232m due to increased provision for cell capping required against Cosgrove Landfill.
8	Other expenses	More than budget by \$7.283m due to write down of replaced assets, lost assets and works in progress expenditure not relating to Council assets.

Greater Shepparton City Council
2015/2016 Financial Report

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

Note 2 Budget comparison (cont.)

(b) Capital Works

	Budget 2016 \$'000	Actual 2016 \$'000	Variance 2016 \$'000	Ref
Property				
Land	-	1,989	1,989	1
Land improvements	16,985	11,034	(5,951)	2
Total Land	16,985	13,023	(3,962)	
Buildings	4,405	4,245	(159)	
Total Buildings	4,405	4,245	(159)	
Total Property	21,390	17,268	(4,121)	
Plant and Equipment				
Plant, machinery and equipment	2,169	2,098	(71)	
Fixtures, fittings and furniture	647	970	323	3
Computers and telecommunications	1,385	815	(569)	4
Total Plant and Equipment	4,201	3,884	(317)	
Infrastructure				
Roads	10,781	9,768	(1,013)	
Bridges	79	-	(79)	
Footpaths and cycleways	345	216	(129)	5
Drainage	1,255	1,667	412	6
Recreational, leisure and community facilities	1,489	3,061	1,573	7
Waste management	-	722	722	8
Parks, open space and streetscapes	217	202	(15)	
Aerodromes	-	37	37	
Other infrastructure	340	214	(125)	9
Total Infrastructure	14,506	15,888	1,383	
Total Capital Works Expenditure	40,096	37,041	(3,055)	
Represented by:				
New asset expenditure	13,369	452	(12,916)	
Asset renewal expenditure	23,332	15,680	(7,651)	
Asset expansion expenditure	334	17,981	17,647	
Asset upgrade expenditure	3,062	2,928	(134)	
Total Capital Works Expenditure	40,096	37,041	(3,055)	

Greater Shepparton City Council
2015/2016 Financial Report

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

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Land	More than budget by \$1.989m due to land acquisition for Cosgrove 3 landfill originally budgeted in Land Improvements.
2	Land improvements	Less than budget by \$5.951m largely due to the Cosgrove Landfill with \$1.989m land acquisition reclassified to Land, \$772k reclassified to Waste Management and \$2.721m of works rescheduled to future years and therefore transferred to the Waste Restricted Investment.
3	Fixtures, fittings and furniture	More than budget by \$323k largely due to the rebudget of Kids Town Fruit Bin Upgrade works from 2014/15 \$140k and increased kerbside waste bin purchases \$118k.
4	Computers and telecommunications	Less than budget by \$569k due to rebudgeting of the replacement Finance System expenditure into 2016/17 \$400k and leasing of computers instead of purchasing outright \$180k.
5	Footpaths and cycleways	Less than budget by \$129k largely due to budget savings on Shared Path Renewal \$69k and Corio Street Bike Lanes \$38k.
6	Drainage	More than budget by \$412k largely due to Mooroopna West Growth Corridor DCP drainage works \$316k.
7	Recreational, leisure and community facilities	More than budget by \$1.573m largely due to reclassification of Aquamoves Change Room renewals from Buildings to Recreational, Leisure and Community Facilities \$1.04m and the rebudget of Mooroopna Recreation Reserve Power Upgrade works from 2014/15 \$334k.
8	Waste management	More than budget by \$772k due to the reclassification of Cosgrove 3 Landfill works from Land Improvements to Waste Management.
9	Other infrastructure	Less than budget by \$125k largely due to budget savings for Victoria Park Lake lighting works \$67k.

Greater Shepparton City Council
2015/2016 Financial Report

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

	2016	2015
	\$	\$
Note 3 Rates and charges		
<p>Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The CIV of a property is its market value, which takes into account the land and all improvements fixed to the land.</p> <p>The valuation base used to calculate general rates for 2015/16 was \$8.98 billion (2014/15 \$8.92 billion).</p>		
General Rates	52,239,432	47,007,926
Municipal charge	7,334,500	6,629,966
Waste management charge	8,430,173	7,700,800
Supplementary rates and rate adjustments	256,265	2,441,019
Total rates and charges	68,260,370	63,779,711
<p>The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2016, and the valuation will be first applied in the rating year commencing 1 July 2016.</p>		
Note 4 Statutory fees and fines		
Infringements and costs	681,006	708,077
Court recoveries	40,563	21,921
Town planning fees	422,302	309,204
Permits	1,419,448	1,194,248
Aged Services	538,454	544,278
Total statutory fees and fines	3,101,773	2,777,728
Note 5 User fees		
Aged and Disability services	27,358	44,359
Animal Control	97,360	650,228
Aquatic Facilities	2,821,997	2,815,368
Arts and Culture	36,097	730,025
Children's Services	2,224,757	2,011,324
Development Facilities	212,281	115,348
Environmental Health	25,140	89,022
Financial Services	432,052	960,290
Miscellaneous	1,415,946	941,599
Parking	1,254,776	1,283,241
Private Works	385,792	399,837
Recreational Facilities	409,619	1,368,521
Saleyards	1,741,715	1,984,755
Tourism	1,013,930	310,761
Waste Management	5,491,913	5,276,123
Total user fees	17,590,733	18,980,801

Greater Shepparton City Council
2015/2016 Financial Report

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

	2016	2015
	\$	\$
Note 6 Grants		
Grants were received in respect of the following :		
Summary of grants		
Commonwealth funded grants	13,568,282	22,423,476
State funded grants	14,296,113	8,657,489
Total grants received	27,864,395	31,080,965
Operating Grants		
Recurrent - Commonwealth Government		
Federal Financial Assistance Grants	5,706,000	17,274,971
Children's Services	2,527,218	2,442,892
Aged & Disability Services	558,633	452,387
Waste & Resource Recovery	104,940	-
Recurrent - State Government		
Aged & Disability Services	3,314,989	3,157,114
Children's Services	1,735,661	1,685,411
Art and Culture	193,000	169,033
Economic Development	15,000	135,000
Environmental Health	74,038	163,202
Emergency Management	146,106	146,106
Other	77,849	68,022
Total recurrent operating grants	14,453,434	25,694,138
Non-recurrent - Commonwealth Government		
Environmental planning	267,511	511,926
Other	150,353	192,112
Non-recurrent - State Government		
Recreation and Parks	32,973	4,062
Youth and Children's Services	1,216,355	1,307,739
Infrastructure	100,000	2,179
Emergency Management	-	846,760
Arts and Culture	139,606	282,622
Active Living	74,545	145,930
Community Development	-	117,950
Other	98,690	64,871
Total non-recurrent operating grants	2,080,033	3,476,151
Total operating grants	16,533,467	29,170,289
Capital Grants		
Recurrent - Commonwealth Government		
Roads to recovery	4,225,997	1,479,188
Non-recurrent - Commonwealth Government		
Information Services	19,800	-
Recreation and Parks	7,830	-
Community life	-	70,000
Non-recurrent - State Government		
Buildings	110,000	248,421
Sports Facilities	5,993,289	-
Recreation and Parks	123,700	-
Drainage	750,400	-
Other	99,912	113,067
Total non-recurrent capital grants	7,104,931	431,488
Total capital grants	11,330,928	1,910,676
Unspent grants received on condition that they be spent in a specific manner		
Balance at start of year	5,769,338	3,550,466
Received during the financial year and remained unspent at balance date	777,174	6,052,405
Received in prior years and spent during the financial year	6,052,405	3,833,533
Balance at year end	494,107	5,769,338

Greater Shepparton City Council
2015/2016 Financial Report

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

	2016	2015
	\$	\$
Note 7 Contributions		
Monetary	1,827,308	2,259,432
Non-monetary	4,074,092	13,607,192
Total contributions	5,901,399	15,866,624
<i>Contributions of non monetary assets were received in relation to the following asset classes.</i>		
Land	671,345	3,276,339
Roads	3,402,747	10,330,853
Total non-monetary contributions	4,074,092	13,607,192
Note 8 Net gain on disposal of property, infrastructure, plant and equipment		
Proceeds of sale	494,404	344,702
Written down value of assets disposed	(479,578)	(238,862)
Total net gain on disposal of property, infrastructure, plant and equipment	14,826	105,840
Note 9 Other income		
Interest	1,182,721	1,338,101
Other rent	546,579	527,135
Total other income	1,729,300	1,865,236
Note 10 (a) Employee costs		
Wages and salaries	39,833,737	37,861,120
WorkCover	316,467	557,858
Superannuation	3,823,195	3,588,531
Fringe benefits tax	206,781	214,800
Total employee costs	44,180,180	42,222,309
Note 10 (b) Superannuation		
Council made contributions to the following funds:		
Defined benefit fund		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	172,053	191,821
	172,053	191,821
Employer contributions payable at reporting date.	-	2,580
Accumulation funds		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	3,642,084	3,387,284
Employer contributions - other funds	9,058	9,426
	3,651,142	3,396,710
Employer contributions payable at reporting date.	62	26,881
	3,823,195	3,588,531

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

Greater Shepparton City Council
2015/2016 Financial Report

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

	2016	2015
	\$	\$
Note 11 Materials and services		
Contract payments	15,456,631	14,233,960
Building maintenance	778,954	3,252,500
General maintenance	14,999,779	17,299,539
Utilities	3,090,771	3,142,891
Office administration	12,219,309	9,892,398
Information technology	283,780	1,764,313
Insurance	1,016,706	1,020,454
Consultants	1,948,253	1,905,960
Total materials and services	49,794,183	52,512,015
Note 12 Bad and doubtful debts		
Parking fine debtors	28,857	206,226
Rates debtors	11,371	10,037
Other debtors	21,462	7,979
Total bad and doubtful debts	61,690	224,242
Note 13 Depreciation and amortisation		
Property	4,000,083	5,461,394
Plant and equipment	2,527,236	2,249,502
Infrastructure	15,311,131	15,017,176
Total depreciation	21,838,450	22,728,072
Intangible assets	-	-
Total depreciation and amortisation	21,838,450	22,728,072
<i>Refer to note 22 and 23 for a more detailed breakdown of depreciation and amortisation charges</i>		
Note 14 Borrowing costs		
Interest - Borrowings	1,194,869	1,123,275
Total borrowing costs	1,194,869	1,123,275
Note 15 Other expenses		
Auditors' remuneration - VAGO - audit of the financial statements, performance	66,500	66,526
Auditors' remuneration - Internal	84,435	96,903
Councillors' allowances	240,343	231,703
Write off of replaced assets	6,811,859	7,789,271
Write down of intangible assets	80,091	13,373
Total other expenses	7,283,228	8,196,776

Page 19

Greater Shepparton City Council
2015/2016 Financial Report

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

Note 16 Investments in associates, joint ventures and subsidiaries	2016 \$	2015 \$
(a) Investments in associates		
Investments in associates accounted for by the equity method are:		
- Goulburn Valley Regional Library Corporation	1,493,041	1,513,596
Goulburn Valley Regional Library Corporation		
<i>Background</i>		
The Goulburn Valley Regional Library Corporation is an entity which has been established to serve three northern Victorian councils; the Greater Shepparton City Council, Moira Shire Council and the Strathbogie Shire Council. Each Council has two representatives on the Board of the Corporation.		
Each of the member Councils contributes financially to the operation of the Corporation based on the ratio of their population base. Contribution payments are considered a 'fee for service' on a commercial basis and are relative to the services the Corporation provides. The amount of financial contribution does not bring with it any additional voting rights or influence on the library activities and therefore no greater power or control.		
Fair value of Council's investment in the Goulburn Valley Regional Library Corporation	1,493,041	1,513,596
Council's share of accumulated surplus/(deficit)		
Council's share of accumulated surplus/(deficit) at start of year	(366,592)	(497,788)
Reported surplus/(deficit) for year	(20,555)	131,196
Council's share of accumulated surplus/(deficit) at end of year	(387,147)	(366,592)
Council's share of reserves		
Council's share of reserves at start of year	1,382,400	1,382,400
Council's share of reserves at end of year	1,382,400	1,382,400
Movement in carrying value of specific investment		
Carrying value of investment at start of year	1,513,596	1,382,400
Share of surplus/(deficit) for year	(20,555)	131,196
Carrying value of investment at end of year	1,493,041	1,513,596

Greater Shepparton City Co.
2015/2016 Financial Report

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

	2016 \$	2015 \$
Note 17 Cash and cash equivalents		
Cash on hand	8,700	8,900
Cash at bank	7,763,119	13,289,535
Term deposits	5,504,114	5,004,114
	<u>13,275,933</u>	<u>18,302,549</u>
Councils cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:		
- Trust funds and deposits (Note 25)	3,093,498	2,748,204
- Funds held on a statutory basis	1,429,228	1,848,779
Total restricted funds	<u>4,522,726</u>	<u>4,596,983</u>
Total unrestricted cash and cash equivalents	<u>8,753,207</u>	<u>13,705,566</u>
Intended allocations		
Although not externally restricted the following amounts have been allocated for specific future purposes by Council:		
- Cash held to fund carried forward capital works	3,425,876	2,734,393
- Conditional grants unspent	777,174	-
Total funds subject to intended allocations	<u>4,203,050</u>	<u>2,734,393</u>
Refer also to Note 19 for details of other financial assets held by Council.		
Note 18 Trade and other receivables		
Current		
Rates debtors	3,277,313	3,478,564
Infringement debtors	425,046	345,237
Provision for doubtful debts - infringements	(44,778)	(101,386)
Other debtors	1,711,478	1,568,542
Provision for doubtful debts - other debtors	(30,000)	(30,000)
Net GST receivable	626,510	-
Total current trade and other receivables	<u>5,965,568</u>	<u>5,260,957</u>
Total trade and other receivables	<u>5,965,568</u>	<u>5,260,957</u>
(a) Ageing of Receivables		
At balance date other debtors representing financial assets were past due but not impaired. These amounts relate to a number of independent customers for whom there is no recent history of default. The ageing of the Council's trade & other receivables (excluding statutory receivables) was:		
Current (not yet due)	1,457,932	1,437,507
Past due by up to 30 days	169,752	54,833
Past due between 31 and 180 days	83,794	76,202
Past due between 181 and 365 days	-	-
Past due by more than 1 year	-	-
Total trade & other receivables	<u>1,711,478</u>	<u>1,568,542</u>
(b) Movement in provisions for doubtful debts		
Balance at the beginning of the year	(131,386)	(125,689)
New Provisions recognised during the year	(5,082)	(22,405)
Amounts already provided for and written off as uncollectible	61,690	16,708
Amounts provided for but recovered during the year	-	-
Balance at end of year	<u>(74,778)</u>	<u>(131,386)</u>
(c) Ageing of individually impaired Receivables		
At balance date, other debtors representing financial assets with a nominal value of \$29,826 (2015: \$33,995) were impaired. The amount of the provision raised against these debtors was \$30,000 (2015: \$30,000). They individually have been impaired as a result of their doubtful collection. Many of the long outstanding past due amounts have been lodged with Council's debt collectors or are on payment arrangements.		
The ageing of receivables that have been individually determined as impaired at reporting date was:		
Past due between 31 and 180 days	29,826	33,995
Total trade & other receivables	<u>29,826</u>	<u>33,995</u>

Greater Shepparton City Co.
2015/2016 Financial Report

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

	2016	2015
	\$	\$
Note 19 Other financial assets		
Term deposits	27,042,827	25,100,000
Total other financial assets	<u>27,042,827</u>	<u>25,100,000</u>
Note 20 Inventories		
Inventories held for distribution	73,754	93,670
Total inventories	<u>73,754</u>	<u>93,670</u>
Note 21 Other assets		
Prepayments	763,344	725,462
Accrued income	421,491	321,367
Intangible asset - Parkside Gardens right to receive income within 12 months	45,465	85,158
Total other assets	<u>1,230,300</u>	<u>1,131,987</u>

Greater Shepparton City Council
2015/2016 Financial Report

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

Note 22 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	At Fair Value 30 June 2016	Accumulated Depreciation	WDV 30 June 2016	At Fair Value 30 June 2015	Accumulated Depreciation	WDV 30 June 2015
Land	244,432,282	(790,637)	243,641,645	308,078,921	(4,863,148)	303,215,773
Buildings	116,992,529	(46,585,108)	70,407,420	197,118,587	(81,400,779)	115,717,808
Plant and Equipment	44,643,824	(17,222,705)	27,421,119	50,523,883	(20,385,457)	30,138,426
Infrastructure	960,680,855	(314,683,134)	645,997,721	796,451,365	(257,395,918)	539,055,447
Work in progress	33,518,268	-	33,518,268	20,783,663	-	20,783,663
	<u>1,400,267,758</u>	<u>(379,281,584)</u>	<u>1,020,986,173</u>	<u>1,372,956,419</u>	<u>(364,045,302)</u>	<u>1,008,911,117</u>

Summary of Work in Progress

	Opening WIP	Additions	Transfers	Write Offs	Closing WIP
Buildings	9,481,399	2,572,089	(9,229,821)	-	2,823,667
Plant and Equipment	(167,584)	692,597	479,181	-	1,204,194
Infrastructure	11,469,848	22,600,338	(4,579,779)	-	29,490,407
Total	<u>20,783,663</u>	<u>26,065,024</u>	<u>(13,330,419)</u>	<u>-</u>	<u>33,518,268</u>

Greater Shepparton City Council
2015/2016 Financial Report

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

Note 22 Property, infrastructure, plant and equipment (cont.)

Land and Buildings	Note	Land - specialised	Land - non specialised	Land improvements	Total Land	Heritage buildings	Buildings - specialised	Buildings - non specialised	Building improvements	Leasehold improvements	Total Buildings	Work In Progress	Total Property
At fair value 1 July 2015		178,510,839	113,676,733	15,891,349	308,078,921	3,763,536	193,355,051	-	-	-	197,118,587	9,481,399	514,678,907
Opening balance accumulated depreciation at 1 July 2015		-	-	(4,863,148)	(4,863,148)	(1,557,026)	(81,610,887)	-	-	-	(83,167,913)	-	(88,031,061)
Adjustment to prior year depreciation ⁷		-	-	-	-	280,865	1,486,269	-	-	-	1,767,134	-	1,767,134
Accumulated depreciation at 1 July 2015		-	-	(4,863,148)	(4,863,148)	(1,276,161)	(80,124,618)	-	-	-	(81,400,779)	-	(86,263,927)
		178,510,839	113,676,733	11,028,201	303,215,773	2,487,375	113,230,433	-	-	-	115,717,808	9,481,399	428,414,980
Movements in fair value													
Acquisition of assets at fair value		-	-	649,248	649,248	266,133	951,150	-	-	-	1,217,283	2,572,089	4,438,620
Fair value of assets disposed		(82,675)	(136,500)	(246,768)	(465,943)	-	(2,075,538)	-	-	-	(2,075,538)	-	(2,541,481)
Gifted		646,345	25,000	15,386	686,731	-	-	-	-	-	-	-	686,731
Transfers		-	-	5,020,512	5,020,512	-	2,027,105	-	-	-	2,027,105	(9,229,821)	(2,182,204)
Transfers between Categories		-	(55,369,100)	(14,168,087)	(69,537,187)	22,524,580	(103,819,488)	-	-	-	(81,294,908)	-	(150,832,095)
		563,670	(55,480,800)	(8,729,709)	(63,646,639)	22,790,713	(102,916,771)	-	-	-	(80,126,058)	(6,657,732)	(150,430,429)
Movements in accumulated depreciation													
Depreciation and amortisation		-	-	(755,452)	(755,452)	(30,902)	(3,213,729)	-	-	-	(3,244,631)	-	(4,000,083)
Accumulated depreciation of disposals		-	-	89,116	89,116	-	1,726,830	-	-	-	1,726,830	-	1,815,946
Transfers between Categories		-	-	4,738,847	4,738,847	(8,168,980)	44,502,452	-	-	-	36,333,472	-	41,072,319
		-	-	4,072,511	4,072,511	(8,199,882)	43,015,553	-	-	-	34,815,671	-	38,888,182
At fair value 30 June 2016		179,074,509	58,196,133	7,161,640	244,432,282	26,554,249	90,438,280	-	-	-	116,992,529	2,823,667	364,248,477
Accumulated depreciation at 30 June 2016		-	-	(790,637)	(790,637)	(9,476,043)	(37,109,065)	-	-	-	(46,585,108)	-	(47,375,745)
		179,074,509	58,196,133	6,371,003	243,641,645	17,078,206	53,329,214	-	-	-	70,407,420	2,823,667	316,872,732

Greater Shepparton City Council
2015/2016 Financial Report

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

Note 22 Property, infrastructure, plant and equipment (cont.)

Plant and Equipment	Note	Heritage plant and equipment	Plant machinery and equipment	Fixtures fittings and furniture	Computers & Telecommunications	Art Collection & Regalia	Work In Progress	Total plant and equipment
At fair value 1 July 2015		-	13,820,235	19,504,403	-	17,199,245	(167,584)	50,356,299
Accumulated depreciation at 1 July 2015		-	(6,999,229)	(13,385,228)	-	-	-	(20,385,457)
		-	6,821,006	6,118,175	-	17,199,245	(167,584)	29,970,842
Movements in fair value								
Acquisition of assets at fair value		-	1,757,184	609,417	-	-	892,597	3,259,198
Fair value of assets disposed		-	(1,370,359)	(776,867)	-	-	-	(2,147,226)
Transfers		-	77,943	935,015	-	-	479,181	1,492,139
Transfers between Categories		-	(898)	(13,268,358)	6,156,864	-	-	(7,112,392)
		-	463,870	(12,500,793)	6,156,864	-	1,371,778	(4,508,281)
Movements in accumulated depreciation								
Depreciation and amortisation		-	(1,335,260)	(1,191,976)	-	-	-	(2,527,236)
Accumulated depreciation of disposals		-	890,780	742,738	-	-	-	1,633,518
Transfers between Categories		-	897	9,024,706	(4,969,133)	0	-	4,056,470
		-	(443,583)	8,575,468	(4,969,133)	0	-	3,162,752
At fair value 30 June 2016		-	14,284,105	7,003,610	6,156,864	17,199,245	1,204,194	45,848,018
Accumulated depreciation at 30 June 2016		-	(7,442,812)	(4,810,760)	(4,969,133)	-	-	(17,222,705)
		-	6,841,293	2,192,850	1,187,731	17,199,245	1,204,194	28,625,313

Greater Shepparton City Council
2015/2016 Financial Report

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

Note 22 Property, infrastructure, plant and equipment (cont.)

Infrastructure	Note	Roads	Bridges	Footpaths and cycleways	Drainage	Recreational, leisure and community	Waste Management	Parks open spaces and streetscapes	Aerodromes	Off street car parks	Other Infrastructure	Work In Progress	Total Infrastructure
At fair value 1 July 2015		567,110,708	23,954,449	65,459,528	127,855,074	-	-	-	-	-	12,071,606	11,469,848	807,921,213
Accumulated depreciation at 1 July 2015		(166,699,267)	(7,983,978)	(31,802,361)	(46,368,971)	-	-	-	-	-	(4,541,341)	-	(257,395,918)
		400,411,441	15,970,471	33,657,167	81,486,103	-	-	-	-	-	7,530,265	11,469,848	550,525,295
Movements in fair value													
Acquisition of assets at fair value		5,841,585	-	6,835	108,650	-	-	-	-	-	145,172	22,600,338	28,702,580
Fair value of assets disposed		(5,647,109)	-	(75,814)	(53,409)	-	-	-	-	-	(132,300)	(1,872,084)	(7,780,716)
Gifted		1,694,385	-	544,924	1,120,554	-	-	-	-	-	23,836	-	3,383,699
Transfers		2,045,467	(124,024)	400,580	323,847	-	-	-	-	-	61,825	(2,707,695)	-
Transfers between Categories		(24,291)	(2,070,000)	(255,397)	(2,087,220)	111,478,113	5,886,741	27,450,373	6,955,423	11,138,999	(528,255)	-	157,944,486
		3,910,037	(2,194,024)	621,128	(587,578)	111,478,113	5,886,741	27,450,373	6,955,423	11,138,999	(429,722)	18,020,559	182,250,049
Movements in accumulated depreciation													
Depreciation and amortisation		(11,737,367)	(327,721)	1,157,808	(1,485,020)	-	-	-	-	-	(603,213)	-	(15,311,129)
Accumulated depreciation of disposals		2,966,895	-	39,783	18,689	-	-	-	-	-	94,995	-	3,120,362
Transfers		-	13,213	-	(13,213)	-	-	-	-	-	-	-	-
Transfers between Categories		12,955	445,322	120,469	722,451	(39,500,752)	(2,481,542)	(2,358,760)	(510,098)	(1,792,374)	245,680	-	(45,096,449)
		(8,757,517)	130,814	(997,556)	(757,093)	(39,500,752)	(2,481,542)	(2,358,760)	(510,098)	(1,792,374)	(262,338)	-	(57,287,216)
At fair value 30 June 2016		571,020,745	21,760,425	66,080,656	127,267,496	111,478,113	5,886,741	27,450,373	6,955,423	11,138,999	11,641,684	29,490,407	990,171,262
Accumulated depreciation at 30 June 2016		(175,456,784)	(7,853,164)	(32,799,917)	(47,126,064)	(39,500,752)	(2,481,542)	(2,358,760)	(510,098)	(1,792,374)	(4,803,679)	-	(314,683,134)
		395,563,961	13,907,261	33,280,739	80,141,432	71,977,361	3,405,199	25,091,613	6,445,325	9,346,625	6,838,005	29,490,407	675,488,128

Note 22 Property, infrastructure, plant and equipment (cont.)*Valuation of land and buildings*

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

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

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

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Land	-	195,675	58,000,458
Specialised land	-	646,345	178,428,164
Land improvements	-	5,685,146	685,857
Heritage buildings	-	266,133	16,812,073
Buildings	-	3,075,183	50,254,031
Building improvements	-	-	-
Total	-	9,868,482	304,180,583

Valuation of infrastructure

Valuation of infrastructure assets (excluding Major Culverts) has been determined in accordance with an internal valuation undertaken by the Team Leader Strategic Assets.

Valuation of infrastructure assets (Major Culverts) has been determined in accordance with an internal valuation undertaken by Sterling Group Consultants Pty Ltd.

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Roads	-	9,581,423	385,982,538
Bridges	-	-	13,907,261
Footpaths and cycleways	-	952,339	32,328,400
Drainage	-	1,533,051	78,686,381
Recreational, leisure and community facilities	-	-	71,977,361
Waste management	-	-	3,405,199
Parks, open space and streetscapes	-	-	25,091,613
Aerodromes	-	-	6,445,325
Off Street Car Parks	-	-	9,346,625
Other infrastructure	-	230,833	6,607,372
Total	-	12,297,646	633,680,075

Note 22 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 6% 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 \$0.05 and \$634.54 per square metre.

Specialised buildings are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs is calculated on a square metre basis and ranges from \$150 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 20 years to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

Infrastructure assets are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 7 years to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

	2016	2015
	\$	\$
Reconciliation of specialised land		
Land under roads	179,074,509	178,510,839
Total specialised land	<u>179,074,509</u>	<u>178,510,839</u>

¹ *Adjustment to prior period Accumulated Depreciation.*

In May 2016 Council adopted a Depreciation Policy that prescribed a useful life of 10 to 100 years for Building and Heritage Assets. This replaced the previous policy useful life of 40 years. Refer Note 1 (f).

Greater Shepparton City Council
2015/2016 Financial Report

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

	2016	2015
	\$	\$
Note 23 Intangible assets		
Parkside Gardens	972,944	1,013,338
Total intangible assets	<u>972,944</u>	<u>1,013,338</u>
	Parkside Gardens	
	\$	
Gross carrying amount		
Balance at 1 July 2014	1,046,471	
Additions from internal developments	-	
Other	(33,133)	
Balance at 1 July 2015	1,013,338	
Other	(40,394)	
Balance at 30 June 2016	<u>972,944</u>	
Accumulated amortisation and impairment		
Balance at 1 July 2014	-	
Amortisation expense	-	
Balance at 1 July 2015	-	
Amortisation expense	-	
Balance at 30 June 2016	<u>-</u>	
Net book value at 30 June 2015	1,013,338	
Net book value at 30 June 2016	<u>972,944</u>	
	2016	2015
	\$	\$
Note 24 Trade and other payables		
Trade payables	1,565,326	1,669,231
Net GST payable	-	1,378
Accrued expenses	8,420,913	7,009,476
Total trade and other payables	<u>9,986,239</u>	<u>8,680,085</u>

Greater Shepparton City Council
2015/2016 Financial Report

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

	2016 \$	2015 \$	
Note 25 Trust funds and deposits			
Refundable deposits	2,189,369	1,931,045	
Fire services levy	397,577	377,311	
Retention amounts	506,552	439,848	
Total trust funds and deposits	3,093,498	2,748,204	
<i>Purpose and nature of items</i>			
Refundable deposits - Deposits are taken by council as a form of surety in a number of circumstances, including in relation to building works, tender deposits, contract deposits and the use of civic facilities.			
Fire Service Levy - Council is the collection agent for fire services levy on behalf of the State Government. Council remits amounts received on a quarterly basis. Amounts disclosed here will be remitted to the state government in line with that process.			
Retention Amounts - Council has a contractual right to retain certain amounts until a contractor has met certain requirements or a related warrant or defect period has elapsed. Subject to the satisfactory completion of the contractual obligations, or the elapsing of time, these amounts will be paid to the relevant contractor in line with Council's contractual obligations.			
Note 26 Provisions			
	Employee	Landfill restoration	Total
	\$	\$	\$
2016			
Balance at beginning of the financial year	10,015,174	4,029,330	14,044,504
Additional provisions	3,489,286	3,455,329	6,944,615
Amounts used	(3,091,327)	-	(3,091,327)
Increase in the discounted amount arising because of time and the effect of any change in the discount rate	86,437	-	86,437
Balance at the end of the financial year	10,499,570	7,484,659	17,984,229
2015			
Balance at beginning of the financial year	9,575,423	-	9,575,423
Additional provisions	4,384,824	4,029,330	8,414,154
Amounts used	(3,544,545)	-	(3,544,545)
Increase in the discounted amount arising because of time and the effect of any change in the discount rate	(400,528)	-	(400,528)
Balance at the end of the financial year	10,015,174	4,029,330	14,044,504
	2016 \$	2015 \$	
(a) Employee provisions			
Current provisions expected to be wholly settled within 12 months			
Annual leave	2,667,615	2,591,227	
Long service leave	1,649,109	1,246,645	
	4,316,724	3,837,872	
Current provisions expected to be wholly settled after 12 months			
Annual leave	779,685	745,955	
Long service leave	4,835,594	4,740,093	
	5,615,279	5,486,048	
Total current employee provisions	9,932,003	9,323,920	
Non-current			
Long service leave	567,568	691,254	
Annual leave	-	-	
Total non-current employee provisions	567,568	691,254	
Aggregate carrying amount of employee provisions:			
Current	9,932,003	9,323,920	
Non-current	567,568	691,254	
Total aggregate carrying amount of employee provisions	10,499,570	10,015,174	

Greater Shepparton City Council
2015/2016 Financial Report

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

	2016	2015
	\$	\$
Note 26 Provisions (cont.)		
(b) Land fill restoration		
Current	1,567,518	-
Non-current	5,917,141	4,029,330
	<u>7,484,659</u>	<u>4,029,330</u>
Note 27 Interest-bearing loans and borrowings		
Current		
Borrowings - secured	896,755	489,696
	<u>896,755</u>	<u>489,696</u>
Non-current		
Borrowings - secured	17,494,161	13,868,708
	<u>17,494,161</u>	<u>13,868,708</u>
Total	<u>18,390,916</u>	<u>14,358,404</u>
Borrowings are secured over general rates as per <i>Local Government Act - Section 148 (1) (a)</i> .		
(a) The maturity profile for Council's borrowings is:		
Not later than one year	896,755	489,696
Later than one year and not later than five years	4,175,361	2,379,065
Later than five years	13,318,800	11,489,643
	<u>18,390,916</u>	<u>14,358,404</u>

Greater Shepparton City Council
2015/2016 Financial Report

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

Note 28 Reserves	Balance at beginning of reporting period	Increment (decrement)	Balance at end of reporting period
	\$	\$	\$
(a) Asset revaluation reserves			
2016			
Property			
Land	230,250,523	-	230,250,523
Buildings	26,162,472	-	26,162,472
	<u>256,412,995</u>	<u>-</u>	<u>256,412,995</u>
Plant & Equipment			
Artwork & Regalia	13,516,054	-	13,516,054
	<u>13,516,054</u>	<u>-</u>	<u>13,516,054</u>
Infrastructure			
Roads	343,537,637	-	343,537,637
Bridges	17,826,478	-	17,826,478
Footpaths and cycleways	33,335,296	-	33,335,296
Drainage	31,855,019	-	31,855,019
Recreational, leisure and community facilities	-	-	-
Waste management	-	-	-
Parks, open space and streetscapes	-	-	-
Other infrastructure	1,130,984	-	1,130,984
	<u>427,685,414</u>	<u>-</u>	<u>427,685,414</u>
Total asset revaluation reserves	<u>697,614,463</u>	<u>-</u>	<u>697,614,463</u>
2015			
Property			
Land	233,456,986	(3,206,463)	230,250,523
Buildings	19,775,848	6,386,624	26,162,472
	<u>253,232,834</u>	<u>3,180,161</u>	<u>256,412,995</u>
Plant & Equipment			
Artwork & Regalia	11,351,012	2,165,042	13,516,054
	<u>11,351,012</u>	<u>2,165,042</u>	<u>13,516,054</u>
Infrastructure			
Roads	350,674,370	(7,136,733)	343,537,637
Bridges	17,826,478	-	17,826,478
Footpaths and cycleways	33,335,296	-	33,335,296
Drainage	31,855,019	-	31,855,019
Recreational, leisure and community facilities	-	-	-
Waste management	-	-	-
Parks, open space and streetscapes	-	-	-
Other infrastructure	1,130,984	-	1,130,984
	<u>434,822,147</u>	<u>(7,136,733)</u>	<u>427,685,414</u>
Total asset revaluation reserves	<u>699,405,993</u>	<u>(1,791,530)</u>	<u>697,614,463</u>

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

Greater Shepparton City Council
2015/2016 Financial Report

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

	2016	2015
	\$	\$
Note 29 Reconciliation of cash flows from operating activities to surplus/(deficit)		
Surplus/(deficit) for the year	89,641	7,581,412
Depreciation/amortisation	21,838,450	30,517,343
(Profit)/loss on disposal of property, infrastructure, plant and equipment	(14,826)	(105,840)
Contributions - Non-monetary assets	(4,074,092)	(13,607,192)
Finance costs	1,194,869	1,123,275
Share of net (profits)/losses of associates and joint ventures	20,555	(131,196)
Change in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(704,611)	191,554
(Increase)/decrease in prepayments	(37,882)	(246,133)
Increase/(decrease) in accrued income	(100,124)	594,971
Increase/(decrease) in trade and other payables	1,306,154	(2,220,261)
Increase/(decrease) in other liabilities	4,377,806	(479,910)
(Increase)/decrease in inventories	19,916	12,653
Increase/(Decrease) in provisions	484,396	1,131,899
Increase/(Decrease) in landfill provisions	3,455,329	3,337,182
(Increase)/decrease in other assets	2,893,563	461,775
Net cash provided by/(used in) operating activities	<u>30,749,144</u>	<u>28,161,532</u>
Note 30 Financing arrangements		
Bank overdraft	200,000	200,000
Credit card facilities	100,000	-
Total facilities	<u>300,000</u>	<u>200,000</u>
Used facilities	58,113	-
Unused facilities	<u>241,887</u>	<u>200,000</u>

Greater Shepparton City Council
2015/2016 Financial Report

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

Note 31 Commitments

The Council has entered into the following commitments

2016	Not later than 1	Later than 1 year	Later than 2 years	Later than 5	Total
	year	and not later than 2 years	and not later than 5 years	years	
	\$	\$	\$	\$	\$
Operating					
Recycling	820,500	861,525	904,601	949,831	3,536,458
Garbage collection	4,310,000	4,525,500	4,751,775	4,989,364	18,576,639
Open space management	682,426	-	-	-	682,426
Consultancies	1,580,196	796,104	465,639	149,031	2,990,971
Home care services	2,007,600	2,066,328	2,126,817	-	6,200,745
Cleaning contracts for council buildings	406,456	406,456	-	-	812,912
Meals for delivery	400,000	412,000	424,360	-	1,236,360
Council elections 2016	360,000	-	-	-	360,000
Total	10,567,178	9,067,913	8,673,192	6,088,226	34,396,510
Capital					
Buildings	2,474,061	-	-	-	2,474,061
Roads	1,289,505	-	-	-	1,289,505
Drainage	82,344	-	-	-	82,344
Total	3,845,910	-	-	-	3,845,910

2015	Not later than 1	Later than 1 year	Later than 2 years	Later than 5	Total
	year	and not later than 2 years	and not later than 5 years	years	
	\$	\$	\$	\$	\$
Operating					
Recycling	559,500	-	-	-	559,500
Garbage collection	2,248,000	-	-	-	2,248,000
Open space management	731,064	607,426	631,723	-	1,970,213
Consultancies	666,184	128,660	39,775	-	834,619
Home care services	2,209,451	2,159,451	6,478,353	2,159,451	13,006,706
Cleaning contracts for council buildings	19,722	-	-	-	19,722
Meals for delivery	420,000	420,000	1,260,000	420,000	2,520,000
Total	6,853,921	3,315,537	8,409,851	2,579,451	21,158,760
Capital					
Buildings	2,827,833	165,000	-	-	2,992,833
Roads	942,599	-	-	-	942,599
Drainage	85,206	-	-	-	85,206
Total	3,855,638	165,000	-	-	4,020,638

Greater Shepparton City Council
2015/2016 Financial Report

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

	2016	2015
	\$	\$
Note 32 Operating leases		
(a) Operating lease commitments		
At the reporting date, the Council had the following obligations under non-cancellable operating leases for the lease of equipment and land and buildings for use within Council's activities (these obligations are not recognised as liabilities):		
Not later than one year	427,812	389,178
Later than one year and not later than five years	933,694	419,341
Later than five years	-	-
	1,361,507	808,519
(b) Operating lease receivables		
The Council has entered into commercial property leases on its investment property, consisting of surplus freehold office complexes. These properties held under operating leases have remaining non-cancellable lease terms of between 1 and 10 years. All leases include a CPI based revision of the rental charge annually.		
Future minimum rentals receivable under non-cancellable operating leases are as follows:		
Not later than one year	215,770	230,153
Later than one year and not later than five years	236,684	457,828
Later than five years	-	36,885
	452,455	724,866

Note 33 Superannuation

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

Accumulation

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

Defined Benefit

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

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

Funding arrangements

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

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

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

Note 33 Superannuation (cont.)

Vision Super has advised that the estimated VBI at June 2016 quarter end was 102.0% (subject to the finalisation of Fund Actuary report). The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 2015 interim actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

Employer contributions**Regular contributions**

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

Funding calls

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

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

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

2015 Interim actuarial investigation surplus amounts

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

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

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

Superannuation contributions

Contributions by Council (excluding any unfunded liability payments) to superannuation plans for the financial year ended 30 June 2016 are detailed below:

Scheme	Type of scheme	Rate	2016 \$'000	2015 \$'000
Vision Super	Defined benefits	9.50%	172	192
Vision Super	Accumulation	9.50%	3,642	3,367
Other Funds than Vision Super	Accumulation	9.50%	9	9

There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2016.

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2017 is \$180k.

Note 34 Contingent liabilities and contingent assets**Contingent Liabilities****(i) Contingent liabilities arising from public liabilities**

As a local authority with ownership of numerous parks, reserves, roads and other land holdings, the council carries a \$400 million Public and Products Liability Insurance that has an excess payment of \$20,000 per claim on this policy. Any exposure to the Council from insurable incidents allegedly arising out of negligent management of its assets has a maximum liability of the excess payment on any single claim. MAV Insurance – Liability Mutual Insurance (LMI) is the Council's primary insurer and under the terms and conditions of the 2015/2016 policy the Council has made the insurer aware of any pending or existing claims. Financial outcomes pertaining to claims are unpredictable and are an estimate only. Payments for Public Liability claims are limited to the excess amount or part thereof.

(ii) Contingent liabilities arising from professional indemnity

As a local authority with statutory regulatory responsibilities, including the issuing of permit approvals, the Council can be exposed to claims and demands for damages allegedly arising due to advice given by Council Officers. The Council carries \$300 million Professional Indemnity Insurance that has an excess payment of \$20,000 per claim on this policy. The maximum liability for the Council in any single insurable claim is the extent of its excess payment. MAV Insurance – Liability Mutual Insurance (LMI) is Council's primary insurer and under the terms and conditions of the 2015/2016 policy the Council has made the insurer aware of any pending or existing claims.

(iii) Contingent liabilities arising from Cosgrove Landfill Financial Assurance

Council has a responsibility under the Environment and Protection Act 1970, for rehabilitation, site aftercare and remedial action at its landfill site at Cosgrove. While rehabilitation and site after care is funded through the annual budget, the EPA requires a financial assurance to meet the potential costs should Council neglect their responsibility for closure. As it is not possible to accurately calculate the cost of such a contingent event, the EPA has derived a formula to calculate the required landfill financial operational assurance. Using this model, Council has recognised a contingent liability of \$487k at 30 June 2016 (\$493k at 2014/15). The Council also has a \$30k bank guarantee held by the Dept. Primary Industry for an extractive industry work authority for clay extraction (WA1425) taken out in 2010.

(iv) Contingent liabilities arising from defined benefits superannuation scheme (refer Vision Super website for more details)

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

Contingent assets

As at the reporting date there were a number of subdivisions in progress throughout the municipality and on completion the Council will receive ownership of the infrastructure associated with those subdivisions. Valuations are determined at the time of handover.

Note 35 Financial instruments**(a) Objectives and policies**

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

(b) Market risk

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

Interest rate risk

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

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

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

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

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

(c) Credit risk

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

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

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

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

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

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

(d) Liquidity risk

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

To help reduce these risks Council:

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

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

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

With the exception of borrowings, all financial liabilities are expected to be settled within normal terms of trade. Details of the maturity profile for borrowings are disclosed at Note 27.

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

Note 35 Financial instruments (cont.)**(e) Fair value***Fair value hierarchy*

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

(f) Sensitivity disclosure analysis

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

- A parallel shift of +1.0% and -1.0% in market interest rates (AUD) from year-end rates of 2.79%.

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.

Greater Shepparton City Council
2015/2016 Financial Report

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

Note 36 Related party transactions

(i) Responsible Persons

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

Councillors	Cr Dinny Adem [Mayor from November 2015]
	Cr Dennis Patterson [Mayor until November 2015]
	Cr Kevin Ryan
	Cr Jenny Houlihan
	Cr Fern Summer
	Cr Les Oroszvary
	Cr Michael Polan [Resigned as Councillor 30 June 2015]
	Cr Chris Hazelman [Elected to Council 6 July 2015]

Chief Executive Officer	Peter Harriott (Appointed from 4 January 2016)
	Chris Teitzel (Acting CEO 4 July 2015 to 3 January 2016)
	Gavin Cator (Resigned at 3 July 2015)

(ii) Remuneration of Responsible Persons

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

	2016 No.	2015 No.
\$1 - \$9,999	1	-
\$20,000 - \$29,999	5	5
\$40,000 - \$49,999	1	1
\$50,000 - \$59,999	2	1
\$110,000 - \$119,999	1	-
\$120,000 - \$129,999	1	-
\$280,000 - \$289,999	-	1
	11	8

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

\$	537,699	\$	514,727
----	---------	----	---------

(iii) Senior Officers Remuneration

A Senior Officer other than a Responsible Person, is an officer of Council who:
a) has management responsibilities and reports directly to the Chief Executive; or
b) whose total annual remuneration exceeds \$139,000

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

Income Range:	2016 No.	2015 No.
Less than \$119,999	2	2
\$120,000 - \$129,999	1	1
\$130,000 - \$139,999	1	2
\$140,000 - \$149,999	2	-
\$170,000 - \$179,999	1	1
\$180,000 - \$189,999	1	2
\$190,000 - \$199,999	1	-
	9	8

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

\$	1,306,201	\$	1,152,639
----	-----------	----	-----------

(iv) Responsible persons retirement benefits

The aggregate amount paid during the reporting period by Council in connection with the retirement of responsible persons was \$55k. (2014/15, \$390k).

Greater Shepparton City Council
2015/2016 Financial Report

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

Note 36 Related party transactions (cont.)

(v) Loans to responsible persons

At balance date Council had not made, guaranteed or secured any loans to a responsible person of the council, or a related party of a responsible person (2014/15, Nil).

(vi) Transactions with responsible persons

There were no transactions with responsible persons or related parties of responsible persons during the reporting period (2014/15, Nil).

Note 37 Events occurring after balance date

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

Greater Shepparton City Council
2015/2016 Financial Report

Certification of the Financial Statements

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

Mr. Matthew Jarvis, Manager Finance and Rates
Principal Accounting Officer

Date : 14-September-2016
Shepparton

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

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

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

Cr. Dinny Adem (Mayor)
Councillor

Date : 14-September-2016
Shepparton

Cr. Fern Summer (Dep. Mayor)
Councillor

Date : 14-September-2016
Shepparton

Mr. Peter Harriott
Chief Executive Officer

Date : 14-September-2016
Shepparton

GREATER SHEPPARTON CITY COUNCIL

Performance Statement

For the year ended 30 June 2016

The final performance statement certified by Council will be after any changes recommended by the Audit and Risk Management Committee or the auditor, and agreed to by the auditor, have been made.

Description of municipality

Greater Shepparton is a vibrant, diverse community located approximately two hours north of Melbourne in the heart of the Goulburn Valley, the food bowl of Australia.

As a growing regional centre with a vibrant cultural mix of people, the community comprises approximately 62,000 residents living within 60 localities. However Shepparton services a much larger population of approximately 250,000 people as the main service centre for northern Victoria.

Greater Shepparton enjoys a young demographic with growing families, with 2011 census data showing the proportion of couples with children nearly three per cent above the regional Victorian average, at 29.7 per cent.

Our community is culturally rich with a large proportion of the population born overseas (13 per cent), with many residents immigrating from India, Afghanistan, Sudan, Italy, Iraq, Turkey, New Zealand and the Philippines. Italian, Arabic, Persian/Dari, Turkish, Albanian, Punjabi, Greek, Macedonian, Mandarin and Filipino/Tagalog are the most commonly spoken languages other than English.

Greater Shepparton is also the home to regional Victoria's largest Aboriginal community, making up approximately 10 per cent of the population.

Two hours north of Melbourne, Greater Shepparton's central location is a major advantage and has seen our urban centre emerge as the retail, industry and services hub for central Victoria. Located at the intersection of the Midland and Goulburn Valley Highways, Greater Shepparton provides easy access to Adelaide, Sydney, Brisbane and Melbourne.

The City of Greater Shepparton acts as a major industrial, employment and service centre for a wide catchment, including many rural settlements within and beyond its municipal boundaries, with its gross regional product totalling \$2.86 billion per annum.

Greater Shepparton forms part of the 'Food Bowl of Australia', which accounts for 25 per cent of the total value of Victoria's agricultural production. We are a national centre for dairy and horticulture, exporting reliable premium quality fresh and value-added produce via innovative practices and a world class irrigation system. Shepparton is also often referred to as the transport hub of regional Victoria due to its extensive road transport industry.

Major industries for the region include manufacturing, retail trade, health care and social assistance, agriculture and construction. Greater Shepparton is home to several multinational and iconic companies such as Campbell's Soups, SPC, Tatura Milk Industries (Bega), Unilever, Visy, Pental Soaps and Pactum Dairy (Australian Consolidated Milk). Several multinational companies also reside just outside of the Greater Shepparton municipal boundary, such as Nestle, Murray Goulburn and Bega.

These companies utilise Shepparton as their major hub and home to their transport and logistics operations.

Sustainable Capacity Indicators

For the year ended 30 June 2016

<i>Indicator/measure</i>	Results		Material Variations
	2015	2016	
Own-source revenue			
<i>Own-source revenue per head of municipal population</i> [Own-source revenue / Municipal population]	\$1,385	\$1,431	No material variations
Recurrent grants			
<i>Recurrent grants per head of municipal population</i> [Recurrent grants / Municipal population]	\$429	\$314	2016 result is impacted by timings. In 2014/15 Council received in advance 50% (\$5.74m) of its 2015/16 Federal Financial Assistance Grant funding allocation.
Population			
<i>Expenses per head of municipal population</i> [Total expenses / Municipal population]	\$2,007	\$1,964	No material variations
<i>Infrastructure per head of municipal population</i> [Value of infrastructure / Municipal population]	\$9,172	\$12,268	As per the definitions "infrastructure" means non-current property, plant and equipment excluding land. During 2015/16 Council re-categorised a number of land and building assets into the Recreational, Leisure and Community Facilities asset category. This has reduced the reported value of land assets and increased the infrastructure asset values (compared to 2014/15). Therefore the result of this indicator has seen an increase between years. Population has remained steady and has not influenced the reported result.
<i>Population density per length of road</i> [Municipal population / Kilometres of local roads]	28	28	No material variations
Disadvantage			
<i>Relative socio-economic disadvantage</i> [Index of Relative Socio-economic Disadvantage by decile]	2	2	No material variations

Definitions

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

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

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

"population" means Estimated Resident Population (ERP) sourced from the Australian Bureau of Statistics, Regional Population Growth, Australia (3218.0)

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

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

Service Performance Indicators

For the year ended 30 June 2016

<i>Service/ indicator/ measure</i>	Results		Material Variations
	2015	2016	
Governance			
Satisfaction			
<i>Satisfaction with council decisions</i> [Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]	56	46	The Local Government Victoria Community Satisfaction Survey conducted approximately 400 interviews of residents within the Greater Shepparton municipality. While there have been minimal changes to council processes, programs and services over this time, it is a possibility that the following activities may have influenced the result: - Councillor code of conduct investigations and perceived associated legal costs - Perceived disunity between Councillors and former CEO - Decision to pursue a new Shepparton Art Museum which is not supported by some sections of the community and despite clear and consistent communication some misunderstanding prevails - Implementation of an imposed green waste service - Reduced financial contribution to HACC services - Greater media attention given to business and community groups and their success - Negative perceptions of Greater Shepparton with the reporting of high obesity levels, unemployment, prevalent drug and alcohol abuse, and family violence.
Statutory Planning			
Decision making			
<i>Council planning decisions upheld at VCAT</i> [Number of VCAT decisions that did not set aside council's decision in relation to a planning application / Number of VCAT decisions in relation to planning applications] x100	80%	100%	Fewer applications decided by VCAT in 2015/16 compared to 2014/15. All applications were found in Council's favour.
Roads			
Satisfaction			
<i>Satisfaction with sealed local roads</i> [Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]	49	48	No material variations
Libraries			
Participation			
<i>Active library members</i> [Number of active library members / Municipal population] x100	14%	13%	No material variations
Waste Collection			
Waste diversion			
<i>Kerbside collection waste diverted from landfill</i> [Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100	28%	37%	No material variations
Aquatic facilities			
Utilisation			
<i>Utilisation of aquatic facilities</i> [Number of visits to aquatic facilities / Municipal population]	10	10	No material variations

<i>Service/ indicator/ measure</i>	Results		Material Variations
	2015	2016	
Animal management			
Health and safety			
<i>Animal management prosecutions</i> [Number of successful animal management prosecutions]	1	1	No material variations
Food safety			
Health and safety			
<i>Critical and major non-compliance notifications</i> [Number of critical non-compliance notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance notifications and major non-compliance notifications about food premises] x100	0%	100%	In 2014/15 Greater Shepparton City Council had resolved all issues prior to critical/major non-compliance outcomes. This means that Council did not have ANY critical or major non-compliance notifications for 2014/15. In 2015/16 one critical/major non-compliance notification was recorded and followed up.
Home and community care			
Participation			
<i>Participation in HACC service</i> [Number of people that received a HACC service / Municipal target population for HACC services] x100	15%	17%	No material variations
Participation <i>Participation in HACC service by CALD people</i> [Number of CALD people who receive a HACC service / Municipal target population in relation to CALD people for HACC services] x100	11%	10%	No material variations
Maternal and child health			
Participation			
<i>Participation in the MCH service</i> [Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100	78%	77%	No material variations
Participation <i>Participation in the MCH service by Aboriginal children</i> [Number of Aboriginal children who attend the MCH service at least once (in the year) / Number of Aboriginal children enrolled in the MCH service] x100	66%	64%	No material variations

Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"population" means Estimated Resident Population (ERP) sourced from the Australian Bureau of Statistics, Regional Population Growth, Australia (3218.0)

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

Financial Performance Indicators

For the year ended 30 June 2016

Dimension/ <i>indicator</i> / <i>measure</i>	Results		Forecasts				Material Variations
	2015	2016	2017	2018	2019	2020	
Operating position							
Adjusted underlying result							
<i>Adjusted underlying surplus (or deficit)</i> [Adjusted underlying surplus (deficit)/ Adjusted underlying revenue] x100	-6%	-9%	7%	6%	7%	8%	No material variations
Liquidity							
Working capital							
<i>Current assets compared to current liabilities</i> [Current assets / Current liabilities] x100	241%	186%	140%	137%	141%	147%	2014/15 working capital was high due to Council receiving in advance 50% (\$5.74m) of its 2015/16 Federal Financial Assistance Grant funding allocation.
Unrestricted cash							
<i>Unrestricted cash compared to current liabilities</i> [Unrestricted cash / Current liabilities] x100	144%	136%	86%	85%	83%	82%	No material variations
Obligations							
Loans and borrowings							
<i>Loans and borrowings compared to rates</i> [Interest bearing loans and borrowings / Rate revenue] x100	23%	27%	31%	28%	35%	34%	No material variations
<i>Loans and borrowings repayments compared to rates</i> [Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100	3%	2%	3%	4%	4%	5%	No material variations
Indebtedness							
<i>Non-current liabilities compared to own source revenue</i> [Non-current liabilities / Own source revenue] x100	22%	26%	26%	24%	28%	27%	No material variations

Dimension / indicator / measure	Results		Forecasts				Material Variations
	2015	2016	2017	2018	2019	2020	
Asset renewal <i>Asset renewal compared to depreciation</i> [Asset renewal expenses / Asset depreciation] x100	74%	82%	113%	103%	106%	64%	No material variations
Stability Rates concentration <i>Rates compared to adjusted underlying revenue</i> [Rate revenue / Adjusted underlying revenue] x100	53%	60%	56%	52%	54%	58%	2014/15 lower due to Council receiving in advance 50% (\$5.74m) of its 2015/16 Federal Financial Assistance Grant funding allocation.
Rates effort <i>Rates compared to property values</i> [Rate revenue / Capital improved value of rateable properties in the municipality] x100	0.7%	0.7%	0.8%	0.8%	0.8%	0.8%	No material variations
Efficiency Expenditure level <i>Expenses per property assessment</i> [Total expenses / Number of property assessments]	\$4,449	\$4,141	\$3,855	\$3,931	\$3,818	\$3,822	No material variations
Revenue level <i>Average residential rate per residential property assessment</i> [Residential rate revenue / Number of residential property assessments]	\$1,696	\$1,803	\$1,597	\$1,605	\$1,613	\$1,622	The increase from 2015 to 2016 is due to the 4.95% rate increase in 2016 plus the introduction of the green organics kerbside collection service. Future years should read as \$1,857 in 2017, \$1,888 in 2018, \$1,920 in 2019 and \$1,952 in 2010. Waste service charges include a contribution towards future capital construction costs of the Cosgrove 3 landfill.
Workforce turnover <i>Resignations and terminations compared to average staff</i> [Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100	7%	13%	9%	9%	9%	9%	During 2015/16 Council had an increase in retirements and resignations due to our ageing workforce. Resignations/terminations for future years are difficult to predict and are based on historical trends.

Definitions

"adjusted underlying revenue" means total income other than—

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

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

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

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

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

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

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

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

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

"population" means the resident population estimated by council

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

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

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

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

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

Other Information

For the year ended 30 June 2016

1. Basis of preparation

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

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

The performance statement presents the actual results for the current year for the prescribed financial performance indicators and measures as well as the results forecast by the council's strategic resource plan.

The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variations in the results contained in the performance statement. Council has adopted the materiality thresholds as per Appendix B – Materiality Guidelines of the *Local Government Better Practice Guide 2014-15 Performance Statement*. Explanations have not been provided for variations below the materiality thresholds unless the variance is considered to be material of its nature.

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

Certification of the performance statement

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

Matthew Jarvis CPA
Principal Accounting Officer
Dated:

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

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

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

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

Cr Dinny Adem
Mayor
Dated:

Cr Fern Summer
Deputy Mayor
Dated:

Peter Harriott
Chief Executive Officer
Dated: