

Financial statements

Year ending 30 June 2020

Sunset at Serpentine.

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CERTIFICATION OF 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.

Signed:  Date: 22, 9, 2020
 SHARON ROSEMARIE MORRISON BA (POLITICS), LLB (HONS), GDLP, DIP BUS, CERT IV HR,
 PRINCIPAL ACCOUNTING OFFICER
 Wedderburn, Victoria 3518

In our opinion the accompanying financial statements present fairly the financial transactions of the Loddon Shire Council for the year ended 30 June 2020 and the financial position of the Council as at that date.

At the date of signing, we are not aware of any circumstances that 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.

Signed:  Date: 22, 9, 2020
 CHERYL ANNETTE MCKINNON, MAYOR
 Wedderburn, Victoria, 3518

Signed:  Date: 22, 9, 2020
 GAVAN LINDSAY HOLT, COUNCILLOR
 Wedderburn, Victoria, 3518

Signed:  Date: 22/09/2020
 PHILIP LEONARD PINYON, CHIEF EXECUTIVE OFFICER
 Wedderburn, Victoria 3518



Victorian Auditor-General's Office

Independent Auditor's Report

To the Councillors of Loddon Shire Council

Opinion	<p>I have audited the financial report of Loddon Shire Council (the council) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2020 • comprehensive income statement for the year then ended • statement of changes in equity for the year then ended • statement of cash flows for the year then ended • statement of capital works for the year then ended • notes to the financial statements, including significant accounting policies • certification of the financial report. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the council as at 30 June 2020 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 6 of the <i>Local Government Act 1989</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's <i>APES 110 Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Councillors's responsibilities for the financial report	<p>The Councillors of the council are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Local Government Act 1989</i>, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Councillors are responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

Auditor's responsibilities for the audit of the financial report	<p>As required by the <i>Audit Act 1994</i>, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.</p> <p>As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:</p> <ul style="list-style-type: none"> • identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. • obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the council's internal control • evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Councillors • conclude on the appropriateness of the Councillors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the council to cease to continue as a going concern. • evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation. <p>I communicate with the Councillors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.</p>
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MELBOURNE
25 September 2020



Sanchu Chummar

as delegate for the Auditor-General of Victoria

COMPREHENSIVE INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 \$	2019 \$
Income			
Rates and charges	3.1	11,047,771	10,751,069
Statutory fees and fines	3.2	462,337	419,014
User fees	3.3	1,607,281	1,676,373
Grants - operating	3.4	11,748,029	26,115,760
Grants - capital	3.4	4,026,095	5,002,287
Contributions - monetary	3.5	21,165	93,475
Reimbursements and subsidies	3.6	885,849	971,794
Net gain on disposal of property, infrastructure, plant and equipment	3.7	29,889	-
Interest earnings	3.8	442,148	481,846
Share of net profits of associates and joint ventures	6.3	10,042	2,432
Other income	3.9	103	1,658
Total income		30,280,709	45,515,708
Expenses			
Employee costs	4.1	11,734,709	11,293,506
Materials and services	4.2	8,987,370	23,158,346
Depreciation	4.3	9,898,344	9,473,510
Bad debts expense	4.4	9,255	12,747
Other expenses	4.5	300,773	297,160
Net loss on disposal of property, infrastructure, plant and equipment	3.7	-	233,155
Total expenses		30,930,451	44,468,424
Surplus / (deficit) for year		(649,742)	1,047,284
Other comprehensive income			
<i>Items that will not be reclassified to surplus or deficit</i>			
Net asset revaluation increment/(decrement)	9.1(a)	12,996,471	18,055,306
Share of other comprehensive income of associates and joint ventures accounted for by the equity method	6.3	(4,278)	(4,240)
Total comprehensive result		12,342,451	19,098,350

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

BALANCE SHEET AS AT 30 JUNE 2020

	Note	2020 \$	2019 \$
Assets			
Current assets			
Cash and cash equivalents	5.1	8,326,446	2,182,697
Other financial assets	5.1	22,000,000	13,710,435
Trade and other receivables	5.1	807,408	2,498,935
Other assets	5.2	462,212	801,952
Inventories	5.2	26,782	40,278
Non-current assets classified as held for sale	6.1	540,076	556,092
Total current assets		32,162,924	19,790,389
Non-current assets			
Other financial assets	5.1	-	10,000,000
Other assets	5.2	100	100
Trade and other receivables	5.1	1,168	2,297
Investments in associates and joint ventures	6.3	275,336	269,572
Intangible assets	5.2	2,979,650	2,702,545
Property, infrastructure, plant and equipment	6.2	362,791,061	353,733,914
Right-of-use assets	5.7	-	-
Total non-current assets		366,047,315	366,708,428
Total assets		398,210,239	386,498,817
Liabilities			
Current liabilities			
Trade and other payables	5.3(a)	634,196	1,174,480
Trust funds and deposits	5.3(b)	356,380	340,748
Unearned income	5.3(c)	705,000	-
Provisions	5.4	2,622,435	2,412,407
Lease liabilities	5.7	-	-
Total current liabilities		4,318,011	3,927,635
Non-current liabilities			
Provisions	5.4	1,716,013	1,797,418
Lease liabilities	5.7	-	-
Total non-current liabilities		1,716,013	1,797,418
Total liabilities		6,034,024	5,725,053
Net assets		392,176,215	380,773,764
Equity			
Accumulated surplus		90,918,332	93,620,656
Reserves	9	301,257,883	287,153,108
Total equity		392,176,215	380,773,764

The above Balance Sheet should be read with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

2020

	Note	Total 2020 \$	Accumulated surplus 2020 \$	Revaluation reserve 2020 \$	Other reserves 2020 \$
Balance at beginning of the financial year		380,773,764	93,620,656	265,442,673	21,710,435
Impact on change of accounting policy - AASB 15 Revenue from Contracts with Customers		-	-	-	-
Impact on change of accounting policy - AASB 1058 Income of Not-for-Profit-Entities		(940,000)	(940,000)	-	-
Impact on change of accounting policy - AASB 16 Leases		-	-	-	-
Adjusted opening balance		379,833,764	92,680,656	265,442,673	21,710,435
Surplus/(deficit) for the year		(649,742)	(649,742)	-	-
Net asset revaluation increment/(decrement)	9.1(a)	12,996,471	-	12,996,471	-
Transfer to reserves	9.1(b)	-	(18,170,723)	-	18,170,723
Transfer from reserves	9.1(b)	-	17,062,419	-	(17,062,419)
Share of other comprehensive income		(4,278)	(4,278)	-	-
Balance at end of financial year		392,176,215	90,918,332	278,439,144	22,818,739

2019

	Note	Total 2019 \$	Accumulated surplus 2019 \$	Revaluation reserve 2019 \$	Other reserves 2019 \$
Balance at beginning of the financial year		361,675,414	95,354,472	247,387,367	18,933,575
Surplus/(deficit) for the year		1,047,284	1,047,284	-	-
Net asset revaluation increment/(decrement)	9.1(a)	18,055,306	-	18,055,306	-
Transfer to reserves	9.1(b)	-	(15,753,317)	-	15,753,317
Transfer from reserves	9.1(b)	-	12,976,457	-	(12,976,457)
Share of other comprehensive income		(4,240)	(4,240)	-	-
Balance at end of financial year		380,773,764	93,620,656	265,442,673	21,710,435

The above Statement of Changes in Equity should be read with the accompanying notes.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 Inflows/ (outflows) \$	2019 Inflows/ (outflows) \$
Cash flows from operating activities			
Rates and charges		10,986,638	10,843,895
Statutory fees and fines		454,147	491,673
User fees		2,468,996	464,988
Grants - operating		11,964,173	29,150,748
Grants - capital		4,903,322	3,996,405
Contributions		21,165	93,475
Reimbursements and subsidies		935,089	943,282
Interest received		449,893	498,029
Net GST refund (payable)		1,153,154	978,331
Short-term, low value and variable lease payments		-	-
Trust funds and deposits taken		15,632	(35,014)
Employee costs		(11,540,031)	(11,246,525)
Material and services		(11,189,843)	(23,955,700)
Trust funds and deposits repaid		-	-
Net cash provided by (used in) operating activities	9.2	10,622,335	12,223,587
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment	6.2	(6,504,115)	(8,374,932)
Proceeds from sale of property, infrastructure, plant and equipment		313,894	508,770
Payments for intangible assets		-	-
Payments from / (for) investments		1,710,435	(4,919,123)
Loans and advances to community organisations		-	-
Repayment of loans and advances from community organisations		1,200	82,200
Net cash provided by (used in) investing activities		(4,478,586)	(12,703,085)
Cash flows from financing activities			
Repayment of interest bearing loans and borrowings		-	-
Borrowing costs		-	-
Interest paid - lease liability		-	-
Repayment of lease liabilities		-	-
Net cash provided by (used in) financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		6,143,749	(479,498)
Cash and cash equivalents at the beginning of the financial year		2,182,697	2,662,195
Cash and cash equivalents at the end of the financial year	5.1	8,326,446	2,182,697

The above Statement of Cash Flows should be read with the accompanying notes.

STATEMENT OF CAPITAL WORKS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 \$	2019 \$
Land and buildings			
Land		-	-
Buildings - specialised		795,763	452,106
Work in progress		79,285	887,334
Total buildings		875,048	1,339,440
Plant and fittings			
Plant, machinery and equipment		1,214,486	2,397,567
Office furniture and equipment		336,300	58,430
Total plant and equipment		1,550,786	2,455,997
Infrastructure			
Roads		2,614,113	2,477,860
Bridges		499,518	657,245
Footpaths and cycleways		549,199	295,395
Kerb and channel		-	-
Drainage		31,736	267,839
Street furniture		7,227	15,365
Work in progress		376,488	865,791
Total infrastructure		4,078,281	4,579,495
Total capital works expenditure		6,504,115	8,374,932
Represented by:			
New asset expenditure		597,416	2,415,697
Asset renewal expenditure		3,141,769	1,881,432
Asset expansion expenditure		194,720	773,270
Asset upgrade expenditure		2,570,210	3,304,533
Total capital works expenditure		6,504,115	8,374,932

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

OVERVIEW

Introduction

The Loddon Shire Council was established by an Order of the Governor in Council on 19 January 1995 and is a body corporate. The Council's main office is located at 41 High Street, Wedderburn.

Statement of compliance

These financial statements are a general purpose financial report that consist 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 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*.

Impact of COVID-19 on Loddon

On 30 January 2020, COVID 19 was declared as a global pandemic by world health organisation. Since then, various measures are taken by all three levels of Government in Australia to reduce the spread of COVID-19. This crisis and measures taken to mitigate it has impacted council operations in the following areas for the financial year ended 30 June 2020:

- In response to significant decrease in demand / government directive amidst the COVID-19 outbreak, Council leisure facilities / libraries / community centres were closed. These closures resulted in no change to the direct revenue received for these facilities.
- Council did not pause commercial rent agreements.
- Council activated its hardship policy in response to this crisis on 26 May 2020. This resulted in a slight decrease in overdue interest earned along with a slight lag on cash flow income from rates and related charges.

Significant accounting policies

Basis of accounting

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

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

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

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 6.2)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.2)
- the determination of employee provisions (refer to Note 5.4)
- the determination of landfill provisions (refer to Note 5.4)
- the determination of whether performance obligations are sufficiently specific as to determine whether an arrangement is within the scope of *AASB 15 Revenue from Contracts with Customers* or *AASB 1058 Income for Not-for-Profit Entities* (refer to Note 3)
- the determination, in accordance with *AASB 16 Leases*, of the lease term, the estimation of the discount rate when not implicit in the lease and whether an arrangement is in substance short-term or low value (refer to Note 5.7)
- other areas requiring judgements.

Unless otherwise stated, all accounting policies are consistent with those applied in the prior year. Where appropriate, comparative figures have been amended to accord with current presentation (except where transitional requirements of *AASB 15 Revenue from Contracts with Customers*, *AASB 16 Leases* and *AASB 1058 Income of Not-for-Profit Entities* do not require restatements of comparatives under the modified retrospective approach adopted by the Council), and disclosure has been made of any material changes to comparatives.

NOTE 1 PERFORMANCE AGAINST BUDGET

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variances. Management has adopted a materiality threshold of 20 percent and \$50,000 where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures detailed below are those adopted by Council on 25 June 2019. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for revenue and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

1.1 Income and expenditure

	Budget 2020 \$	Actual 2020 \$	Variance 2020 \$	Variance 2020 %	Ref
Income					
Rates and charges	11,027,275	11,047,771	(20,496)	0.2%	
Statutory fees and fines	241,877	462,337	(220,460)	91.1%	1
User fees	1,594,127	1,607,281	(13,154)	0.8%	
Grants - operating	6,297,978	11,748,029	(5,450,051)	86.5%	2
Grants - capital	5,841,828	4,026,095	1,815,733	-31.1%	3
Contributions - monetary	310,000	21,165	288,835	-93.2%	4
Reimbursements and subsidies	819,897	885,849	(65,952)	8.0%	
Interest earnings	375,125	442,148	(67,023)	17.9%	
Share of net profits/(losses) of associates and joint ventures	-	10,042	(10,042)	100.0%	
Other income	-	103	(103)	100.0%	
Total income	26,508,107	30,250,820	(3,742,713)	14.1%	
Expenses					
Employee costs	12,125,227	11,734,709	390,518	-3.2%	
Materials and services	9,455,317	8,987,370	467,947	-4.9%	
Depreciation	9,431,014	9,898,344	(467,330)	5.0%	
Bad and doubtful debts	-	9,255	(9,255)	100.0%	
Other expenses	310,797	300,773	10,024	-3.2%	
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	-	(29,889)	29,889	100.0%	5
Total expenses	31,322,355	30,900,562	421,793	-1.3%	
Surplus/(deficit) for the year	(4,814,248)	(649,742)	(4,164,506)	-86.5%	

NOTE 1 PERFORMANCE AGAINST BUDGET (CONTINUED)

1.1 Income and expenditure (continued)

(i) Explanation of material variations

- 1 The increase to statutory fees and fines relates mainly to additional income received for planning services (\$155K) and increase income from gravel pit operations (\$114K).
- 2 Operating grant income is higher than expected mainly due to the 50 per cent upfront payment of the Financial Assistance Grant of \$4.54M.
- 3 Capital grant income is lower due with the grant for Donaldson Park (\$2.5M) delayed until 2020/21. This is partially offset with additional infrastructure grants (\$1.14M) received during the year.
- 4 Contributions are lower with the community contribution for the Donaldson Park project (\$310K) not due until the project commences.
- 5 Council does not budget for a net gain or loss on disposal of assets. Therefore there is a cost variance of \$30K.

1.2 Capital works

	Budget 2020 \$	Actual 2020 \$	Variance 2020 \$	Variance 2020 %	Ref
Property					
Land	-	-	-	0.0%	
Land improvements	84,932	58,900	26,032	-30.7%	
Total land	84,932	58,900	26,032	-30.7%	
Buildings	500,000	-	500,000	100.0%	6
Building improvements	464,000	438,052	25,948	-5.6%	
Total buildings	964,000	438,052	525,948	-54.6%	
Total property	1,048,932	496,952	551,980	-52.6%	
Plant and equipment					
Plant, machinery and equipment	1,275,763	1,214,486	61,277	-4.8%	
Office furniture and equipment	405,500	336,300	69,200	-17.1%	
Total plant and equipment	1,681,263	1,550,786	130,477	-7.8%	
Infrastructure					
Roads	3,680,082	2,621,340	1,058,742	-28.8%	7
Bridges	1,031,454	663,943	367,511	-35.6%	8
Footpaths and cycleways	261,057	549,199	(288,142)	110.4%	9
Drainage	924,000	243,799	680,201	-73.6%	10
Recreation, leisure and community facilities	4,507,054	27,048	4,480,006	-99.4%	11
Parks, open space and streetscapes	550,000	351,048	198,952	-36.2%	12
Total infrastructure	10,953,647	4,456,377	6,497,270	-59.3%	
Total capital works expenditure	13,683,842	6,504,115	7,179,727	-52.5%	
Represented by:					
New asset expenditure	2,464,585	597,416	1,867,169	-75.8%	
Asset renewal expenditure	6,036,593	3,141,769	2,894,824	-48.0%	
Asset expansion expenditure	3,891,164	194,720	3,696,444	-95.0%	
Asset upgrade expenditure	1,291,500	2,570,210	(1,278,710)	99.0%	
Total capital works expenditure	13,683,842	6,504,115	7,179,727	-52.5%	

NOTE 1 PERFORMANCE AGAINST BUDGET (CONTINUED)

1.2 Capital works (continued)

(i) Explanation of material variations

- 6 The variation to budget for buildings relates to the community planning contribution (\$500K) which was unspent and carried over to 2020/21.
- 7 The variation to the roads program is mainly due to the completion of some works under budget along with minor carry over projects that have not commenced or were not completed at year end.
- 8 The variation to the bridges program is mainly due to the minor carry over projects that have not commenced or were not completed at year end.
- 9 Additional footpath projects were added to the program during the year which resulted in a variation to budget. This is partially offset by lower expenditure in roads and bridges.
- 10 The main variations relate to flood mitigation works in Pyramid Hill and Boort (\$574K) where work has commenced but land use approvals have caused delay in progressing.
- 11 The main variations relate to the Donaldson Park Pavilion project (\$3.3M) which has not yet commenced and the purchase of caravan parks (\$778K) which is waiting for final government approval.
- 12 The main variation relates to the Bridgewater Stage Two project (\$289K) due to a delay in the commencement until the earlier stage had been finalised.

NOTE 2 COUNCIL RESULTS BY PROGRAM

2.1 Analysis of Council results by program

Council delivers its functions and activities through the following programs.

1 - Economic development and tourism

To promote economic growth through the retention and development of agriculture and business, and the development and promotion of tourism.

2 - Leadership

To provide Loddon Shire with strategic direction, representation and advocacy to promote good government, realisation of opportunities and to build confidence, pride and unity within the community.

3 - Works and infrastructure

Infrastructure to be provided in an efficient manner that meets the needs of the community.

4 - Good management

Ensure best practice management of human, physical and financial resources.

5 - Environment

To promote and enhance the natural and built environment for the enjoyment of future generations.

6 - Community services and recreation

To enhance the quality of life of all ages through the provision of community services and support of community organisations.

2020

	Income \$	Expenses \$	Surplus / (Deficit) \$	Grants included in income \$	Total assets \$
Economic development and tourism	682,749	1,362,084	(679,335)	49,000	4,699,972
Leadership	389,519	1,623,623	(1,234,104)	321,892	31,409,290
Works and infrastructure	4,652,758	14,765,252	(10,112,494)	3,524,252	305,499,922
Good management	19,324,128	4,564,842	14,759,286	9,169,589	6,385,317
Environment	1,868,248	2,025,854	(157,606)	124,057	13,882,135
Community services and recreation	3,363,307	6,588,796	(3,225,489)	2,585,334	36,333,603
Total	30,280,709	30,930,451	(649,742)	15,774,124	398,210,239

2019

	Income \$	Expenses \$	Surplus / (Deficit) \$	Grants included in income \$	Total assets \$
Economic development and tourism	984,832	1,165,882	(181,050)	86,591	4,184,593
Leadership	14,142,608	15,923,583	(1,780,975)	14,040,305	32,208,811
Works and infrastructure	11,361,209	8,418,959	2,942,250	3,620,510	306,098,726
Good management	12,443,731	9,314,251	3,129,480	9,334,607	3,809,879
Environment	2,082,273	2,534,670	(452,397)	537,928	12,883,894
Community services and recreation	4,501,055	7,111,079	(2,610,024)	3,498,106	27,312,914
Total	45,515,708	44,468,424	1,047,284	31,118,047	386,498,817

NOTE 3 FUNDING FOR THE DELIVERY OF OUR SERVICES

3.1 Rates and charges

Council uses Capital Improved Value (C.I.V.) as the basis of valuation of all properties within the municipal district. The C.I.V. of a property includes the value of the land and all improvements on the land.

The valuation base used to calculate general rates for 2019/20 was \$2,258,890,400. The valuation base used in 2018/19 was \$2,074,220,300.

	2020	2019
	\$	\$
General rates	2,407,703	2,381,877
Rural production rates	5,963,864	5,765,928
Municipal charges	1,238,037	1,199,791
Kerbside recycling charges	372,372	359,186
Garbage charges	1,034,163	1,001,121
Interest on rates and charges	31,632	43,166
Total rates and garbage charges	11,047,771	10,751,069

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2018, and the valuation was first applied in the rating year commencing 1 July 2018.

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

3.2 Statutory fees and fines

	2020	2019
	\$	\$
Statutory fees and fines		
Animal control	71,792	80,438
Building services fees	84,645	110,683
Election fines	201	451
Fire hazards	3,552	1,541
Health Act fees	48,110	45,757
Land information certificates	10,105	11,088
Local laws	1,245	35,637
Other	113	-
Town planning fees	242,574	133,419
Total statutory fees and fines	462,337	419,014

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 occurs first.

NOTE 3 FUNDING FOR THE DELIVERY OF OUR SERVICES (Continued)**3.3 User fees**

	2020	2019
	\$	\$
User fees		
Aged services fees	488,143	496,535
Boat ramps	11,000	-
Caravan park fees	417,328	429,169
Emergency management	20,825	20,901
Gravel pit fees	240,700	98,216
Pre-schools	68,816	108,847
Private works charges	59,950	123,552
Road opening permits	8,757	13,022
Sale of tools and equipment	327	8,346
Staff training / educational fees	937	39,477
Standpipes and truck washes	61,515	99,301
Tip and recycling fees	91,530	49,078
Tourism	12,214	42,839
Other	20,250	35,410
Rent received	-	-
Elderly persons units	61,898	65,264
Commercial properties	43,091	46,416
Council residences	-	-
Total user fees	1,607,281	1,676,373
User fees by timing of revenue recognition		
User fees recognised over time	-	-
User fees recognised at a point in time	1,607,281	1,676,373
Total statutory fees, fines and user fees	1,607,281	1,676,373

User fees are recognised as revenue at a point in time, or over time, when (or as) the performance obligation is satisfied. Recognition is based on the underlying contractual terms.

3.4 Funding from other levels of government

	2020	2019
	\$	\$
Grants were received in respect of the following:		
Summary of grants		
Commonwealth funded grants	11,443,924	25,991,579
State funded grants	4,330,200	5,126,468
Total grants received	15,774,124	31,118,047

	2020	2019
	\$	\$
(a) Operating grants		
Recurrent - Commonwealth Government:		
Financial Assistance Grant - general purpose grant	5,261,324	5,525,044
Financial Assistance Grant - local roads	3,794,873	3,711,629
Non recurrent - Commonwealth Government:		
Flood restoration	-	14,040,305
Total operating Commonwealth Government grants	9,056,197	23,276,978

NOTE 3 FUNDING FOR THE DELIVERY OF OUR SERVICES (Continued)**3.4 Funding from other levels of government (continued)**

	2020	2019
	\$	\$
Recurrent - State Government:		
Aged services	909,385	872,355
Pre-schools	539,857	622,560
Families and children	243,870	211,693
Fire Services Property Levy	43,721	42,655
Youth development	24,500	53,000
Community safety	6,146	6,072
Tips and recycling	4,865	-
Environment	75,000	150,000
Non recurrent - State Government:		
Aged services	30,000	-
Tips and recycling	44,192	125,728
Community support	1,500	85,500
Employment costs	321,892	-
Community safety	123,467	434,331
Preschools	138,976	71,978
Recreation facilities	153,400	6,539
Community facilities	25,061	-
Tourism	-	52,591
Families and children	-	20,000
Environment	6,000	48,570
Other	-	35,210
Total operating State Government grants	2,691,832	2,838,782
Total operating grants	11,748,029	26,115,760
(b) Capital grants		
Recurrent - Commonwealth Government:		
Roads to Recovery	2,387,727	2,714,601
Total capital Commonwealth Government grants	2,387,727	2,714,601
Recurrent - State Government:		
Nil	-	-
Non recurrent - State Government:		
Recreation facilities	105,890	79,272
Community facilities	118,671	20,000
Road infrastructure	1,136,524	905,908
Community support	42,283	80,306
Water infrastructure	235,000	1,202,200
Total capital State Government grants	1,638,368	2,287,686
Total capital grants	4,026,095	5,002,287

NOTE 3 FUNDING FOR THE DELIVERY OF OUR SERVICES (Continued)

3.4 Funding from other levels of government (continued)

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

	2020 \$	2019 \$
Operating		
Balance at start of year	6,158,203	5,585,418
Received during the financial year and remained unspent at balance date	5,355,843	5,195,908
Received in prior years and spent during the financial year	(4,791,201)	(4,623,123)
Balance at year end	6,722,845	6,158,203
Capital		
Balance at start of year	2,529,985	2,146,319
Received during the financial year and remained unspent at balance date	918,381	2,148,662
Received in prior years and spent during the financial year	(2,161,664)	(1,764,996)
Balance at year end	1,286,702	2,529,985

Grant income is recognised at the point in time when the council satisfies its performance obligations as specified in the underlying agreement.

3.5 Contributions

	2020 \$	2019 \$
Contributions - operating - monetary	1,165	93,475
Contributions - capital - monetary	20,000	-
Total contributions	21,165	93,475

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

3.6 Reimbursements and subsidies

	2020 \$	2019 \$
Main roads maintenance and construction	587,516	596,242
Insurance	57,439	55,263
Workcover	54,361	131,142
Fuel rebate	138,477	138,042
Contracted staff	45,556	51,105
Other	2,500	-
Total reimbursements and subsidies	885,849	971,794

Reimbursements and subsidies are recognised as revenue when the service has been provided or Council has otherwise earned the income.

3.7 Net gain / (loss) on disposal of property, infrastructure, plant and equipment

	2020 \$	2019 \$
Proceeds from sale	313,894	508,770
Written down value of assets disposed	(284,005)	(741,925)
Total net gain / (loss) on disposal of property, infrastructure, plant and equipment	29,889	(233,155)

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

NOTE 3 FUNDING FOR THE DELIVERY OF OUR SERVICES (Continued)**3.8 Interest received**

	2020	2019
	\$	\$
Interest on investments	410,516	438,680
Rates interest	31,632	43,166
Total interest received	442,148	481,846

3.9 Other income

	2020	2019
	\$	\$
Reversal of impairment of assets	103	1,658
Total other income	103	1,658

NOTE 4 THE COST OF DELIVERING SERVICES

4.1 (a) Employee costs

	2020 \$	2019 \$
Salaries and wages	9,455,460	9,054,751
Annual leave and long service leave	979,870	1,022,561
Superannuation	983,370	954,398
Fringe benefits	108,089	99,471
Workcover	207,920	162,325
Total employee costs	11,734,709	11,293,506

(b) Superannuation

Council made contributions to the following funds:

	2020 \$	2019 \$
Defined benefit fund		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	69,522	73,851
Total defined benefit fund	69,522	73,851

Employer contributions payable at reporting date **NIL**.

	2020 \$	2019 \$
Accumulation funds		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	521,537	553,084
Employer contributions - other funds	392,311	327,463
Total accumulated funds	913,848	880,547

Employer contributions payable at reporting date **NIL**.

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

4.2 Materials and services

	2020 \$	2019 \$
Major contracts		
Caravan park management	140,808	113,836
Garbage collection	825,979	789,973
Pool operations	255,915	229,882
Public facility cleaning	125,180	116,131
Waste management operations	180,045	118,052
Other materials and services		
Plant operating costs	1,259,746	1,442,680
Utility costs	575,497	606,953
Corporate governance	379,705	366,995
Local road materials	401,896	267,403
Flood recovery works	57,482	13,851,092
Building maintenance	233,416	261,798
Aged care services	234,091	161,382
Training and subscriptions	170,199	216,011
Computer costs and computer programs	600,802	555,409
Office expenses	90,943	107,570
North Central Goldfields Regional Library Corporation	206,312	205,745
Community plan projects	100,569	82,526

NOTE 4 THE COST OF DELIVERING SERVICES (Continued)**4.2 Materials and services (continued)**

	2020	2019
	\$	\$
Recreation projects	617,672	437,199
Insurances	478,697	412,476
Pool maintenance and strategy	148,479	174,529
Loddon Discovery Tours	322	15,148
Main roads materials	53,238	41,937
Parks and gardens maintenance	141,642	159,797
Waste management	297,044	742,024
Families and children	153,695	191,277
Caravan park operations	174,184	130,025
Economic development and tourism initiatives	145,142	104,135
Private works materials	22,344	12,784
Public facilities	60,449	70,710
Community grant projects	213,687	183,416
Community safety	102,674	60,960
Workshops and depots	55,911	93,921
Youth and transport services	12,263	64,422
Valuations	90,571	78,934
Regulatory services	43,777	128,285
Environment	112,390	278,369
Other materials, services and contracts	72,001	133,750
Gravel pit operations	46,038	25,817
Community facilities	-	60,754
Cleaning	21,052	29,242
Other road projects	33,138	34,997
Water	52,375	-
Total materials and services	8,987,370	23,158,346

4.3 Depreciation

	2020	2019
	\$	\$
Roads	6,625,748	6,484,510
Buildings	1,245,171	1,113,954
Plant and equipment	976,570	882,691
Bridges	400,051	393,759
Urban drains	210,708	206,919
Furniture and equipment	130,099	84,174
Footpaths	157,482	155,250
Kerb and channel	97,768	97,942
Landfills	25,655	25,654
Street furniture	27,779	27,279
Quarries	1,313	1,378
Total depreciation	9,898,344	9,473,510

Refer to Note 5.2 (c) and 6.2 for a more detailed breakdown of depreciation charges and accounting policy.

NOTE 4 THE COST OF DELIVERING SERVICES (Continued)

4.4 Bad and doubtful debts

	2020 \$	2019 \$
Rates debtors	2,338	10,120
Sundry debtors	6,917	2,627
Total bad debts expense	9,255	12,747

Movement in provisions for doubtful debts

	2020 \$	2019 \$
Balance at beginning of the year	118,887	112,950
New provisions recognised during the year	9,639	22,077
Amounts already provided for and written off as uncollectible	(894)	(16,140)
Amounts provided for but recovered during the year	(384)	-
Balance at end of year	127,248	118,887

Provision for doubtful debt is recognised based on an expected credit loss model. This model considers both historic and forward looking information in determining the level of impairment.

4.5 Other expenses

	2020 \$	2019 \$
Councillors' emoluments	220,814	213,850
Internal audit remuneration	40,127	43,407
External audit remuneration - VAGO - Audit of the financial statements,	39,800	39,800
Impairment of interest free loans	32	103
Total other expenses	300,773	297,160

NOTE 5 OUR FINANCIAL POSITION

5.1 Financial assets

(a) Cash and cash equivalents

	2020 \$	2019 \$
Cash on hand	3,900	4,750
Cash at bank (CEO's advance account)	4,000	4,000
Cash at bank (general account)	4,135,428	1,993,947
Cash at bank (trust account)	183,118	180,000
Term deposits (less than 90 days)	4,000,000	-
Cash and cash equivalents	8,326,446	2,182,697

(b) Other financial assets

	2020 \$	2019 \$
Term deposits (current)	22,000,000	13,710,435
Term deposits (non-current)	-	10,000,000
Total other financial assets	22,000,000	23,710,435

Council's cash and cash equivalents are subject to a number of internal and external restrictions that limit amounts available for discretionary or future use. These include:

	2020 \$	2019 \$
Restricted funds		
Trust funds (Note 5.3)	356,380	340,748
Total restricted funds	356,380	340,748
Total unrestricted cash and cash equivalents	21,643,620	25,552,384

Intended allocations

Although not externally restricted the intended allocations above have been allocated for specific future purposes by Council.

	2020 \$	2019 \$
Unspent grants (refer to Note 9.1)	8,009,547	8,688,188
Long service leave (refer to Note 5.4)	1,866,223	1,796,636
Total restricted and intended allocation funds	9,875,770	10,484,824

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.

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

NOTE 5 OUR FINANCIAL POSITION (Continued)**5.1 Financial assets (continued)****(c) Trade and other receivables**

	2020	2019
	\$	\$
Current		
<i>Statutory receivables</i>		
Rates debtors	275,553	214,420
LESS provision for doubtful debts	(19,800)	(17,462)
	255,753	196,958
<i>Non statutory receivables</i>		
Sundry debtors	547,667	2,094,620
Other debtors	110,237	112,621
LESS provision for doubtful debts	(107,448)	(101,425)
Net receivable GST	(1)	194,961
Loans and advances to community organisations	1,200	1,200
	551,655	2,301,977
Total current	807,408	2,498,935
Non-current		
<i>Non statutory receivables</i>		
Loans and advances to community organisations	1,168	2,297
Total non-current	1,168	2,297
Total trade and other receivables	808,576	2,501,232

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

(i) Ageing of receivables

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

	2020	2019
	\$	\$
Current (not yet due)	86,196	1,637,718
Past due by up to 30 days	10,474	486,768
Past due between 31 and 180 days	7,850	67,476
Past due between 181 and 365 days	444,346	98,819
Past due over 365 days	2,789	11,196
Total trade and other receivables	551,655	2,301,977

NOTE 5 OUR FINANCIAL POSITION (Continued)

5.1 Financial assets (continued)

(c) Trade and other receivables (continued)

(ii) Ageing of individually impaired receivables

At balance date, other debtors representing financial assets with a nominal value of \$107,448 (2019: \$101,425) were impaired. The amount of the provision raised against these debtors was \$107,448 (2019: \$101,425). 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:

	2020 \$	2019 \$
Current (not yet due)	-	-
Past due by up to 30 days	-	-
Past due between 31 and 180 days	-	-
Past due between 181 and 365 days	107,448	101,425
Past due by more than 1 year	-	-
Total trade and other receivables	107,448	101,425

5.2 Non-financial assets

(a) Inventories

	2020 \$	2019 \$
Inventories held for distribution	26,782	40,278
Inventories held for sale	-	-
Total inventories	26,782	40,278

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

(b) Other assets

	2020 \$	2019 \$
Current		
Accrued income	161,202	649,761
Prepayments	301,010	152,191
Term deposits (original maturity of 90 days or greater)	-	-
Total current	462,212	801,952
Non-current		
Procurement Australia Pty Ltd Shares	100	100
Total non-current	100	100
Total other assets	462,312	802,052

NOTE 5 OUR FINANCIAL POSITION (Continued)**5.2 Non-financial assets (continued)****(c) Intangible assets**

	2020	2019
	\$	\$
Non-current		
Water rights	2,979,650	2,702,545
Total intangible assets	2,979,650	2,702,545

Reconciliation of movements in intangible assets for the reporting period

	2020	2019
	\$	\$
Water rights		
Gross carrying amount at beginning of period	2,702,545	1,979,130
Additional water rights obtained during the period	-	-
Water rights disposed of during the period	-	-
Revaluation increment / (decrement)	277,105	723,415
Depreciation & amortisation	-	-
Gross carrying amount at end of period	2,979,650	2,702,545

Intangible assets with finite lives are amortised as an expense on a systematic basis over the asset's useful life.

Water rights are revalued at 30 June 2020 to the published water trade market rate applying at that date.

NOTE 5 OUR FINANCIAL POSITION (Continued)**5.3 Payables****(a) Trade and other payables**

	2020	2019
	\$	\$
Trade creditors	(245)	662,794
Accrued wages and salaries	291,310	203,439
Accrued expenses	343,131	308,247
Total trade and other payables	634,196	1,174,480

(b) Trust funds and deposits

	2020	2019
	\$	\$
Contract retentions	66,443	66,302
Fire services property levy	67,970	55,097
Building deposits	37,340	37,340
Unclaimed monies	533	533
Other refundable deposits:		
St Andrews church repair fund	976	1,476
Wedderburn pre school investment	183,118	180,000
Total trust funds and deposits	356,380	340,748

(c) Unearned income

	2020	2019
	\$	\$
Grants received in advance - operating	-	-
Grants received in advance - capital	705,000	-
Total unearned income	705,000	-

Amounts received as deposits and retention amounts controlled by Council are recognised as trust funds until they are returned, transferred in accordance with the purpose of the receipt, or forfeited. Trust funds that are forfeited, resulting in Council gaining control of the funds, are to be recognised as revenue at the time of forfeit.

Purpose and nature of items***Contract retentions***

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 contractual obligations, or the elapsing of time, these amounts will be paid to the relevant contractor in line with Council's contractual obligations.

Fire Services Property 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.

NOTE 5 OUR FINANCIAL POSITION (Continued)

5.3 Payables (continued)

Purpose and nature of items

Building deposits

Under the provisions of the Building Act 1993, Council may issue a Building Permit subject to a condition that the applicant must deposit with the Council a bond, for an amount determined in accordance with the regulations, to secure the complete and satisfactory carrying out of the work authorised by the Building Permit.

St Andrews church repair fund

These funds were held by a Section 86 committee which was disbanded in 2012. The funds were returned to Council to use for repairs to the building.

Wedderburn pre-school investment

Council is holding funds on behalf of the Wedderburn Pre-school. These funds are invested by Council according to the instructions of the pre-school.

NOTE 5 OUR FINANCIAL POSITION (Continued)**5.4 Provisions****2020**

	Annual leave	Long service leave	RDOs	Landfill rehabilitation	Gravel pit rehabilitation	Total
Balance at beginning of the financial year	864,146	1,796,636	128,088	1,347,842	73,113	4,209,825
Additional provisions	818,831	281,865	513,984	(43)	21,859	1,636,496
Amounts used	(767,592)	(212,278)	(528,003)	-	-	(1,507,873)
Variation in the discounted amount arising because of time and the effect of any change in the discount rate	-	-	-	-	-	-
Balance at the end of the financial year	915,385	1,866,223	114,069	1,347,799	94,972	4,338,448

2019

	Annual leave	Long service leave	RDOs	Landfill rehabilitation	Gravel pit rehabilitation	Total
Balance at beginning of the financial year	856,052	1,793,538	120,578	1,216,200	59,623	4,045,991
Additional provisions	777,578	244,983	589,097	131,642	13,490	1,756,790
Amounts used	(769,484)	(261,046)	(581,587)	-	-	(1,612,117)
Variation in the discounted amount arising because of time and the effect of any change in the discount rate	-	19,161	-	-	-	19,161
Balance at the end of the financial year	864,146	1,796,636	128,088	1,347,842	73,113	4,209,825

(a) Employee benefits

	2020 \$	2019 \$
Current provisions expected to be wholly settled within 12 months		
Annual leave	732,308	691,317
Long service leave	197,640	184,622
RDOs	114,069	128,088
Total	1,044,017	1,004,027
Current provisions expected to be wholly settled after 12 months		
Annual leave	183,077	172,829
Long service leave	1,322,665	1,235,551
Total	1,505,742	1,408,380
Total current employee provisions	2,549,759	2,412,407
Non-current		
Long service leave	345,918	376,463
Total non-current employee provisions	345,918	376,463
Aggregate carrying amount of employee provisions		
Current	2,549,759	2,412,407
Non-current	345,918	376,463
Total aggregate amount of employee provisions	2,895,677	2,788,870

NOTE 5 OUR FINANCIAL POSITION (Continued)

5.4 Provisions (continued)

(a) Employee benefits (continued)

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 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. LSL is measured at present value. Unconditional LSL is disclosed as a 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.

Key assumptions:	2020	2019
Weighted average increase in employee costs	3.44%	3.62%
Weighted average discount rates	0.64%	2.08%
Weighted average settlement period	21 months	21 months

(b) Landfill restoration

	2020	2019
	\$	\$
Current	72,676	-
Non-current	1,275,123	1,347,842
Total landfill restoration	1,347,799	1,347,842

Council is obligated to restore landfill sites to a particular standard. The forecast life of the sites are 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 costs of works to be undertaken. The expected cost of works have been estimated based on the current understanding of work required to reinstate the site to a suitable standard and budgeted costs for that work. Accordingly, the estimation of a provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs.

Key assumptions:	2020	2019
Weighted average increase in costs	2.56%	2.09%
Weighted average discount rates	0.72%	1.04%
Weighted average settlement period	16 years	17 years

NOTE 5 OUR FINANCIAL POSITION (Continued)

5.4 Provisions (continued)

(c) Gravel pit rehabilitation

	2020 \$	2019 \$
Current	-	-
Non-current	94,972	73,113
Total	94,972	73,113

Council is obligated to restore gravel pit sites 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 gravel pit 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 and budgeted costs for that work. Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs.

Key assumptions:

Weighted average increase in costs	2.56%	2.09%
Weighted average discount rates	0.83%	1.04%
Weighted average settlement period	18 years	18 years

5.5 Financing arrangements

	2020 \$	2019 \$
Bank overdraft - National Australia Bank	500,000	500,000
Bank overdraft - Westpac	500,000	500,000
Credit card facilities	100,000	100,000
Total facilities	1,100,000	1,100,000
Used facilities	-	-
Unused facilities	1,100,000	1,100,000

NOTE 5 OUR FINANCIAL POSITION (Continued)

5.6 Commitments

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

2020

	Not later than 1 year \$	Later than 1 year and not later than 2 years \$	Later than 2 years and not later than 5 years \$	Later than 5 years \$	Total \$
Operating					
Environment services	728,889	-	-	-	728,889
Insurance services	496,824	-	-	-	496,824
Caravan park operations	165,234	109,210	111,394	-	385,838
Workcover	354,689	-	-	-	354,689
Library corporation	216,502	-	-	-	216,502
Swimming pool services	280,000	-	-	-	280,000
Internal audit	23,400	26,000	52,000	-	101,400
Other minor orders committed	38,900	-	-	-	38,900
Operating commitments for expenditure	2,304,438	135,210	163,394	-	2,603,042
Capital					
Inglewood dam project	678,549	-	-	-	678,549
Purchase caravan parks	778,322	-	-	-	778,322
Sloans bridge works	501,340	-	-	-	501,340
Capital commitments for expenditure	1,958,211	-	-	-	1,958,211
Total commitments for expenditure	4,262,649	135,210	163,394	-	4,561,253

2019

	Not later than 1 year \$	Later than 1 year and not later than 2 years \$	Later than 2 years and not later than 5 years \$	Later than 5 years \$	Total \$
Operating					
Environment services	878,180	728,889	-	-	1,607,069
Insurance services	443,598	-	-	-	443,598
Caravan park operations	49,043	-	-	-	49,043
Library corporation	226,984	-	-	-	226,984
Swimming pool services	280,000	280,000	-	-	560,000
Cleaning services	159,446	-	-	-	159,446
Internal audit	23,400	26,000	52,000	-	101,400
Other minor orders committed	154,618	-	-	-	154,618
Operating commitments for expenditure	2,215,269	1,034,889	52,000	-	3,302,158
Capital					
Information technology items and telephone	52,274	-	-	-	52,274
Vehicle purchases	137,650	-	-	-	137,650
Planning and building system modules	18,000	-	-	-	18,000
Donaldson Park redevelopment	500,000	-	-	-	500,000
Capital commitments for expenditure	707,924	-	-	-	707,924
Total commitments for expenditure	2,923,193	1,034,889	52,000	-	4,010,082

NOTE 5 OUR FINANCIAL POSITION (Continued)

5.7 Leases

Policy applicable before 1 July 2019

As a lessee, council classifies leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to council.

Operating lease payments, including any contingent rentals, were recognised as an expense in the comprehensive income statement on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset was not recognised in the balance sheet.

All incentives for the agreement of a new or renewed operating lease were recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

In the event that lease incentives were received to enter into operating leases, the aggregate cost of incentives were recognised as a reduction of rental expense over the lease term on a straight-line basis, unless another systematic basis was more representative of the time pattern in which economic benefits from the leased asset were consumed.

Policy applicable after 1 July 2019

Council has applied *AASB 16 Leases* using a modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to the opening balance of accumulated surplus at 1 July 2019, with no restatement of comparative information. The council applied the approach consistently to all leases in which it is a lessee.

On transition to *AASB 16 Leases*, Council elected to apply the practical expedient to 'grandfather' the assessment of which transactions are leases. The council has applied this practical expedient to all of its contracts and therefore applied *AASB 16 Leases* only to contracts that were previously identified as leases.

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

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

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

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

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

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

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

NOTE 5 OUR FINANCIAL POSITION (Continued)

5.7 Leases (continued)

Policy applicable after 1 July 2019 (continued)

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

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

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

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

Right of use assets	Property \$	Vehicles \$	Other \$	Total \$
Balance as at 1 July 2019	-	-	-	-
Additions	-	-	-	-
Amortisation charge	-	-	-	-
Balance as at 30 June 2020	-	-	-	-

	2020 \$
Lease liabilities	
Maturity analysis - contractual undiscounted cash flows	-
Less than one year	-
One to five years	-
More than five years	-
Total undiscounted lease liabilities as at 30 June:	-
Lease liabilities included in the Balance Sheet as at 30 June:	
Current	-
Non-current	-
Total lease liabilities	-

NOTE 5 OUR FINANCIAL POSITION (Continued)

5.7 Leases (continued)

Short-term and low value leases

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

	2020 \$
Expenses relating to:	
Short-term leases	-
Leases of low value assets	26,090
Total	26,090

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

	2020 \$
Commitments for minimum lease payments for short-term and low-value leases are payable as follows:	
Payable:	
Within one year	5,218
Later than 1 year but no later than 5 years	20,872
Total lease commitments	26,090

i. Leases classified as operating leases under AASB 117 Leases

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at Council's incremental borrowing rate as at 1 July 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. Council applied this approach to all applicable leases.

Council used the following practical expedients when applying *AASB 16 Leases* to leases previously classified as operating leases under *AASB 117 Leases*:

- applied a single discount rate to a portfolio of leases with similar characteristics
- adjusted the right-of-use assets by the amount of *AASB 137 Provisions, Contingent Liabilities and Contingent Assets* onerous contract provision immediately before the date of initial application, as an alternative to an impairment review
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

ii. Leases previously classified as finance leases

For leases that were classified as finance leases under *AASB 117 Leases*, the carrying amount of the right-of-use asset and the lease liability at 1 July 2019 are determined at the carrying amount of the lease asset and lease liability under *AASB 117 Leases* immediately before that date.

Council is not required to make any adjustments on transition to *AASB 16 Leases* for leases in which it acts as a lessor, except for a sub-lease. Council accounted for its leases in accordance with *AASB 16 Leases* from the date of initial application.

NOTE 5 OUR FINANCIAL POSITION (Continued)

5.7 Leases (continued)

Impact on financial statements

On transition to AASB 16 Leases, Council recognised \$NIL of right-of-use assets and \$NIL of lease liabilities, recognising the difference in retained earnings.

	2019 \$
Operating lease commitment at 30 June 2019 as disclosed in Council's financial statements	26,090
Discounted using the incremental borrowing rate at 1 July 2019	-
Finance lease liability recognised as at 30 June 2019	26,090

	2019 \$
Recognition exemption for:	-
- short term leases	-
- leases of low-value assets	(26,090)
Extension and termination options reasonably certain to be exercised	-
Residual value guarantees	-
Lease liabilities recognised as at 1 July 2019	-

NOTE 6 ASSETS WE MANAGE

6.1 Non current assets classified as held for sale

	2020 \$	2019 \$
Non current		
Land at valuation	559,664	576,260
LESS selling costs	(19,588)	(20,168)
Total non current assets held for sale	540,076	556,092

Non-current assets classified as held for sale (including disposal groups) is measured at the lower of its carrying amount and fair value less costs to disposal, and are not subject to depreciation. Non-current assets, disposal groups and related liabilities and assets are treated as current and classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale (or disposal group sale) is expected to be completed within 12 months from the date of classification.

NOTE 6 ASSETS WE MANAGE (Continued)**6.2 Property, infrastructure, plant and equipment****Summary of property, infrastructure, plant and equipment**

	At fair value 30 June 2019 \$	Additions \$	Revaluation / transfers \$	Depreciation \$	Disposals \$	At fair value 30 June 2020 \$
Land	9,561,001	-	499,651	-	(44,390)	10,016,262
Buildings	45,516,210	795,763	3,959,224	(1,245,173)	-	49,026,024
Plant and equipment	7,170,493	1,550,786	-	(1,106,667)	(239,615)	7,374,997
Infrastructure	289,324,375	3,701,793	10,030,720	(7,546,504)	-	295,510,384
Work in progress	2,161,835	455,773	(1,754,214)	-	-	863,394
Total	353,733,914	6,504,115	12,735,381	(9,898,344)	(284,005)	362,791,061

Summary of work in progress

	Opening WIP \$	Additions \$	Transfers \$	Write-off \$	Closing WIP \$
Buildings	1,296,044	79,285	(976,752)	-	398,577
Infrastructure	865,791	376,488	(777,462)	-	464,817
Total	2,161,835	455,773	(1,754,214)	-	863,394

(a) Property

	Land	Buildings - specialised	Work in progress	Total land and buildings
Land and Buildings				
At fair value 1 July 2019	9,561,001	82,988,169	1,296,044	93,845,214
Acc depreciation at 1 July 2019	-	(37,471,959)	-	(37,471,959)
	9,561,001	45,516,210	1,296,044	56,373,255
Movements in fair value				
Addition of assets at fair value	-	795,763	79,285	875,048
Contributed assets	-	-	-	-
Revaluation increments / (decrements)	483,636	4,416,061	-	4,899,697
Fair value of assets disposed	(44,390)	-	-	(44,390)
Impairment losses recognised in operating result	-	-	-	-
Transfers between asset classes	16,015	976,762	(976,752)	16,025
	455,261	6,188,586	(897,467)	5,746,380
Movements in acc depreciation				
Depreciation and amortisation	-	(1,245,173)	-	(1,245,173)
Revaluation (increments) / decrements	-	(1,433,599)	-	(1,433,599)
Acc depreciation of disposals	-	-	-	-
Impairment losses recognised in operating result	-	-	-	-
	-	(2,678,772)	-	(2,678,772)
At fair value 30 June 2020	10,016,262	89,176,755	398,577	99,591,594
Accumulated depreciation at 30 June 2020	-	(40,150,731)	-	(40,150,731)
Total	10,016,262	49,026,024	398,577	59,440,863

NOTE 6 ASSETS WE MANAGE (Continued)**6.2 Property, infrastructure, plant and equipment (continued)****(b) Plant and equipment**

Plant and equipment	Plant machinery and equipment	Fixtures fittings and furniture	Total plant and equipment
At fair value 1 July 2019	13,233,163	1,443,079	14,676,242
Acc depreciation at 1 July 2019	(6,416,505)	(1,089,244)	(7,505,749)
	6,816,658	353,835	7,170,493
Movements in fair value			
Addition of assets at fair value	1,214,486	336,300	1,550,786
Contributed assets	-	-	-
Revaluation increments / (decrements)	-	-	-
Fair value of assets disposed	(942,457)	(2,098)	(944,555)
Impairment losses recognised in operating result	-	-	-
Transfers between asset classes	-	-	-
	272,029	334,202	606,231
Movements in acc depreciation			
Depreciation and amortisation	(976,568)	(130,099)	(1,106,667)
Acc depreciation of disposals	702,842	2,098	704,940
Impairment losses recognised in operating result	-	-	-
	(273,726)	(128,001)	(401,727)
At fair value 30 June 2020	13,505,192	1,777,281	15,282,473
Accumulated depreciation at 30 June 2020	(6,690,231)	(1,217,245)	(7,907,476)
Total	6,814,961	560,036	7,374,997

NOTE 6 ASSETS WE MANAGE (Continued)**6.2 Property, infrastructure, plant and equipment (continued)****(c) Infrastructure**

Infrastructure	Roads	Bridges	Footpaths and cycleways	Kerb and channel	Drainage
At fair value 1 July 2019	371,525,569	38,904,278	7,319,595	5,869,545	16,050,385
Acc depreciation at 1 July 2019	(119,157,467)	(19,676,675)	(2,019,295)	(2,229,217)	(8,153,269)
	252,368,102	19,227,603	5,300,300	3,640,328	7,897,116
Movements in fair value					
Addition of assets at fair value	2,614,113	499,518	549,199	-	31,736
Revaluation increments / (decrements)	4,633,064	101,737	(463,625)	(9,601)	(212,333)
Fair value of assets disposed	-	-	-	-	-
Impairment losses recognised in operating result	-	-	-	-	-
Transfers between asset classes	759,392	-	18,070	-	-
	8,006,569	601,255	103,644	(9,601)	(180,597)
Movements in acc depreciation					
Depreciation and amortisation	(6,625,748)	(400,051)	(157,482)	(97,768)	(210,708)
Revaluation (increments)/decrements	4,631,266	282,283	130,907	68,834	61,433
Acc depreciation of disposals	-	-	-	-	-
Impairment losses recognised in operating result	-	-	-	-	-
	(1,994,482)	(117,768)	(26,575)	(28,934)	(149,275)
At fair value 30 June 2020	379,532,138	39,505,533	7,423,240	5,859,944	15,869,788
Accumulated depreciation at 30 June 2020	(121,151,949)	(19,794,443)	(2,045,870)	(2,258,151)	(8,302,544)
	258,380,189	19,711,090	5,377,370	3,601,793	7,567,244

Infrastructure (continued)	Quarries	Street Furniture	Landfills	Work In Progress	Total Infrastructure
At fair value 1 July 2019	58,507	664,595	1,994,306	865,791	443,252,571
Acc depreciation at 1 July 2019	(25,796)	(187,250)	(1,613,436)	-	(153,062,405)
	32,711	477,345	380,870	865,791	290,190,166
Movements in fair value					
Addition of assets at fair value	-	7,227	-	376,488	4,078,281
Revaluation increments / (decrements)	-	4,941	-	-	4,054,183
Fair value of assets disposed	-	-	-	-	-
Impairment losses recognised in operating result	-	-	-	-	-
Transfers between asset classes	-	-	-	(777,462)	-
	-	12,168	-	(400,974)	8,132,464
Movements in acc depreciation					
Depreciation and amortisation	(1,313)	(27,779)	(25,655)	-	(7,546,504)
Revaluation (increments)/decrements	-	24,351	-	-	5,199,074
Acc depreciation of disposals	-	-	-	-	-
Impairment losses recognised in operating result	-	-	-	-	-
	(1,313)	(3,428)	(25,655)	-	(2,347,430)
At fair value 30 June 2020	58,507	676,763	1,994,306	464,817	451,385,036
Accumulated depreciation at 30 June 2020	(27,109)	(190,678)	(1,639,091)	-	(155,409,835)
	31,398	486,085	355,215	464,817	295,975,201

NOTE 6 ASSETS WE MANAGE (Continued)

6.2 Property, infrastructure, plant and equipment (continued)

Acquisition

The purchase method of accounting is used for all acquisitions of assets, being the fair value of assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition. Fair value is the price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date.

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

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

Asset recognition thresholds and depreciation periods

	Depreciation period Years	Threshold limit \$
Property		
land	-	3,000
leasehold improvements	10 - 30	3,000
Buildings		
buildings	50 - 100	3,000
building and leasehold improvements	10 - 30	3,000
Plant and equipment		
plant, machinery, minor plant and equipment	5 - 30	3,000
motor vehicles	9 - 10	3,000
fixtures fittings and furniture	10 - 100	3,000
computers and telecommunications	3	3,000
Infrastructure		
road seals	13 - 26	3,000
road pavements - sealed	80	3,000
road pavements - unsealed	30	3,000
road formation and earthworks	-	3,000
road kerb, channel and minor culverts	60	3,000
bridges deck and substructure	80 - 100	3,000
footpaths and cycle ways	15 - 50	3,000
drainage	50 - 80	3,000
recreational, leisure and community facilities	50 - 80	3,000
waste management assets	20	3,000
parks, open space and streetscapes	15 - 50	3,000
off street car parks	80	3,000
aerodromes	30 - 80	3,000
Intangible assets - water rights	-	3,000

Land under roads

Council recognises land under roads it controls at fair value.

NOTE 6 ASSETS WE MANAGE (Continued)

6.2 Property, infrastructure, plant and equipment (continued)

Depreciation and amortisation

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 methods are reviewed 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.

Repairs and maintenance

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.

Leasehold improvements

Leasehold improvements are recognised at cost and are amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter. At balance date Council has no leasehold improvements.

Valuation of land and buildings

The valuation of land and buildings was undertaken by LG Valuation Services a qualified independent valuation firm. 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 englobe (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.

The date of the current valuation is detailed in the following table. A full revaluation of these was be conducted in the current year, this valuation was based on land values and market sales, a full revaluation of these assets was conducted in 2019/20.

NOTE 6 ASSETS WE MANAGE (Continued)

6.2 Property, infrastructure, plant and equipment (continued)

Valuation of land and buildings (continued)

Council values all land and building assets every two years. The next full revaluation is due on 30 June 2022. Details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2020 are as follows:

	Level 1	Level 2	Level 3	Date of valuation
Land	-	1,284,878	8,731,384	30/6/2020
Specialised land	-	-	-	30/6/2020
Buildings	-	-	-	30/6/2020
Specialised buildings	-	3,826,992	85,349,763	30/6/2020
TOTAL	-	5,111,870	94,081,147	

Valuation of infrastructure

A valuation of Council's infrastructure assets was performed by David Southcombe, Manager Technical Services of the Loddon Shire Council, as at 30 June 2020.

There were no changes in valuation techniques throughout the period to 30 June 2020.

For all assets measured at fair value, the current use is considered the highest and best use.

The date of the current valuation is detailed in the following table. An indexed based revaluation was conducted in the current year, this valuation was based on current unit rates and sample analysis of condition ratings. Full revaluation of all assets are coordinated on a cyclic timeframe.

Details of the Council's infrastructure and information about the fair value hierarchy as at 30 June 2020 are as follows:

	Level 1	Level 2	Level 3	Date of valuation
Unsealed roads formation	-	-	15,916,494	30/6/2020
Unsealed roads pavement	-	-	65,060,440	30/6/2020
Road seal	-	-	18,830,638	30/6/2020
Sealed roads pavement	-	-	253,877,441	30/6/2020
Sealed road formation	-	-	10,200,176	30/6/2020
Footpaths	-	-	7,423,240	30/6/2020
Culverts	-	-	15,646,949	30/6/2020
Bridges	-	-	39,505,533	30/6/2020
Kerb and channel	-	-	5,859,944	30/6/2020
Urban drains	-	-	15,869,788	30/6/2020
Street furniture	-	-	676,763	30/6/2020
Landfills	-	-	1,994,306	30/6/2020
Quarries	-	-	58,507	30/6/2020
Work in progress	-	-	464,817	30/6/2020
TOTAL	-	-	451,385,036	

NOTE 6 ASSETS WE MANAGE (Continued)

6.2 Property, infrastructure, plant and equipment (continued)

Description of significant unobservable inputs into level 3 valuations

Specialised land and land under roads is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 5% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$0 and \$138 per square metre.

Specialised buildings are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement cost is calculated on a square metre basis and ranges from \$45 to \$3,700 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 1 year 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 2 years to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

Reconciliation of specialised land

	2020 \$	2019 \$
Land under roads	-	-
Parks and reserves	-	-
TOTAL	-	-

COVID-19 Impact on Valuations

The impact that the COVID-19 pandemic has had on the fundamental valuation inputs remains to be seen. However, given the current lack of observable transactions, it is not possible to reliably determine whether the COVID-19 pandemic has caused a significant or material impact on the valuations. In addition, buildings and infrastructure assets are predominantly valued according to depreciated replacement costs which are largely unaffected by the COVID-19 pandemic. Therefore, Council believes that the valuations as disclosed in these financial statements are a true reflection of fair value as at 30 June 2020.

NOTE 6 ASSETS WE MANAGE (Continued)

6.3 Investments in associates, joint arrangements and subsidiaries

Investments in associates

Investments in associates accounted for by the equity method are:

North Central Goldfields Regional Library Corporation

The Council is a member of the North Central Goldfields Regional Library Corporation. At 30 June 2020 Council's equity was \$275,336. At 30 June 2019 Council's equity in the corporation was \$269,572.

Loddon has a 4.96 per cent share of the net assets, and this is calculated on the same ratio as Council contributes to the operating costs of the service. At 30 June 2019 Council's share of the net assets was 5.04 per cent. Any adjustments required due to the reduction in the share of net assets from 2019 to 2020 is reflected as Variation Account - Change in Equity in the following schedules.

	2020 \$	2019 \$
Council's share of accumulated surplus/(deficit)		
Council's share of accumulated surplus/(deficit) at start of year	82,425	82,328
Share of reported surplus/(deficit) for year	10,042	2,432
Variation account - change in equity	(1,901)	(2,335)
Council's share of accumulated surplus/(deficit) at end of year	90,566	82,425
Council's share of reserves		
Council's share of reserves at start of year	187,148	189,053
Variation account - change in equity	(2,377)	(1,905)
Council's share of reserves at end of year	184,771	187,148
Movement in carrying value of share in library		
Carrying value of investment at start of year	269,572	271,380
Share of accumulated surplus/(deficit) for the year	10,042	2,432
Variation account - change in equity	(4,278)	(4,240)
Carrying value of share in library investment at end of year	275,336	269,572
Council's share of expenditure commitments		
Operating commitments	17,792	13,458
Capital commitments	211	4,506
Council's share of expenditure commitments	18,003	17,964
Council's share of contingent liabilities and contingent assets		
Nil	-	-
Council's share of contingent liabilities and contingent assets	-	-

Adjustment to the carrying value of North Central Goldfields Regional Library

	2020 \$	2019 \$
Adjustment to the carrying value of North Central Goldfields Regional Library Corporation	5,764	(1,808)
Total adjustment to the carrying value of North Central Goldfields Regional Library Corporation	5,764	(1,808)

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.

NOTE 6 ASSETS WE MANAGE (Continued)

6.3 Investments in associates, joint arrangements and subsidiaries (continued)

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement.

For joint operations, Council recognises the right to its share of jointly held assets, liabilities, revenues and expenses of joint operations. Council has no joint arrangements at reporting date.

Interests in joint ventures are accounted for using the equity method. Under this method, the interests are initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise Council's share of the post-acquisition profits or losses and movements in other comprehensive income in profit or loss and other comprehensive income respectively.

Principles of consolidation

The consolidated financial statements of Council incorporate all entities controlled by Council as at 30 June 2020, and their income and expenses for that part of the reporting period in which control existed.

Subsidiaries are all entities over which Council has control. Council control an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to Council. They are deconsolidated from the date that control ceases.

Where dissimilar accounting policies are adopted by entities and their effect is considered material, adjustments are made to ensure consistent policies are adopted in these financial statements.

Council has no consolidated entities.

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.

NOTE 7 PEOPLE AND RELATIONSHIPS

7.1 Council and key management remuneration

(a) Related parties

Loddon Shire Council is the parent entity. There are no further interests in subsidiaries and associates.

(b) Key Management Personnel

Details of persons holding the position of Councillor or other members of Key Management Personnel at any time during the year were:

	2020	2019
Councillors:		
Cr Cheryl McKinnon (Mayor from July 19 to June 20)	1	1
Cr Neil Beattie (Councillor from July 19 to June 20)	1	1
Cr Geoff Curnow (Councillor from July 19 to June 20)	1	1
Cr Gavan Holt (Councillor from July 19 to June 20)	1	1
Cr Colleen Condliffe (Councillor from July 19 to June 20)	1	1
Total number of Councillors	5	5
Chief Executive Officer and other Key Management Personnel:		
Mr Phil Pinyon (CEO from July 19 to June 20)	1	1
Mrs Wendy Gladman (Director Community and Wellbeing July 19 to June 20)	1	1
Mrs Sharon Morrison (Director Corporate Services July 19 to June 20)	1	1
Mr Steven Phillips (Director Operations July 19 to June 20)	1	1
Mrs Lynne Habner (Manager Executive and Commercial Services July 19 to June 20)	1	1
Mr Allan Bawden (Acting CEO from November 19 to February 20)	1	-
Total Key Management Personnel	6	5

(c) Remuneration of Key Management Personnel

Total remuneration of Key Management Personnel was as follows:

	2020	2019
	\$	\$
Short-term benefits	1,087,595	1,086,725
Long-term benefits	10,311	18,992
Post employment benefits	89,905	83,642
TOTAL	1,187,811	1,189,359

NOTE 7 PEOPLE AND RELATIONSHIPS (Continued)

7.1 Council and key management remuneration (continued)

(c) Remuneration of Key Management Personnel (continued)

The numbers of Key Management Personnel whose total remuneration from Council and any related entities, fall within the following bands:

Income range	2020 number	2019 number
\$20,000 - \$29,999	2	4
\$30,000 - \$39,999	1	-
\$40,000 - \$49,999	1	-
\$50,000 - \$59,999	1	-
\$60,000 - \$69,999	-	1
\$80,000 - \$89,999	1	-
\$110,000 - \$119,999	-	1
\$130,000 - \$139,999	1	-
\$150,000 - \$159,999	-	1
\$160,000 - \$169,999	-	2
\$170,000 - \$179,999	2	-
\$180,000 - \$189,999	1	-
\$250,000 - \$259,999	1	1
	11	10

All Councillors are ratepayers in the Loddon Shire Council and have completed appropriate Declaration of Interest Forms.

7.2 Related party disclosure

(a) Transactions with related parties

No transactions other than remuneration payments or the reimbursement of approved expenses were entered into by Council with responsible persons or related parties of such responsible persons during the reporting year (Nil in 2018/19).

(b) Outstanding balances with related parties

There are no outstanding balances outstanding at the end of the reporting period in relation to transactions with related parties (Nil in 2018/19).

(c) Loans to/from related parties

No loans have been made, guaranteed or secured by the Council to a responsible person of the Council during the reporting year (Nil in 2018/19).

(d) Commitments to/from related parties

No commitments have been made, guaranteed or secured by Council to a responsible person of the Council during the reporting year (Nil in 2018/19).

NOTE 8 MANAGING UNCERTAINTIES

8.1 Contingent assets and liabilities

(a) Contingent assets

Council has no contingent assets.

(b) Contingent liabilities

Superannuation

Council has obligations under a defined benefit superannuation scheme that may result in the need to make additional contributions to the scheme, matters relating to this potential obligation are outlined below. 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.

Liability Mutual Insurance

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

8.2 Change in accounting standards

The following new AAS's have been issued that are not mandatory for the 30 June 2020 reporting period. Council has assessed these pending standards and has identified the following potential impacts will flow from the application of these standards in future reporting periods.

AASB 1059 Service Concession Arrangements: Grantors (AASB 1059) (applied 2020/21 for LG Sector)

AASB 1059 addresses the accounting for a service concession arrangement by a grantor that is a public sector entity by prescribing the accounting for the arrangement from the grantor's perspective. It requires the grantor to:

- recognise a service concession asset constructed, developed or acquired from a third party by the operator, including an upgrade to an existing asset of the grantor, when the grantor controls the asset;
- reclassify an existing asset (including recognising previously unrecognised identifiable intangible assets and land under roads) as a service concession asset when it meets the criteria for recognition as a service concession asset;
- initially measure a service concession asset constructed, developed or acquired by the operator or reclassified by the grantor at current replacement cost in accordance with the cost approach to fair value in *AASB 13 Fair Value Measurement*. Subsequent to the initial recognition or reclassification of the asset, the service concession asset is accounted for in accordance with *AASB 116 Property, Plant and Equipment* or *AASB 138 Intangible Assets*, as appropriate, except as specified *AASB 1059*;
- recognise a corresponding liability measured initially at the fair value (current replacement cost) of the service concession asset, adjusted for any other consideration between the grantor and the operator; and
- disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of assets, liabilities, revenue and cash flows arising from service concession arrangements.

Based on the Council's current assessment, there is expected to be no impact on the transactions and balances recognised in the financial statements as the Council is not a grantor in a service concession arrangement.

NOTE 8 MANAGING UNCERTAINTIES (Continued)

8.2 Change in accounting standards (continued)

AASB 2018-7 Amendments to Australia Accounting Standards - Definition of Material (applies 2020/21 for LG Sector)

The Standard principally amends *AASB 101 Presentation of Financial Statements* and *AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments refine the definition of material in *AASB 101*. The amendments clarify the definition of material and its application by improving the wording and aligning the definition across AASB Standards and other publications. The impacts on the local government sector are expected to be minimal.

AASB2019-1 Amendments to Australia Accounting Standards - References to the Conceptual Framework

This Standard sets out amendments to Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of the Conceptual Framework for Financial Reporting (Conceptual Framework) by the AASB. The impacts on the local government sector are expected to be minimal.

8.3 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 the Notes of the financial statements. Risk management is carried out by senior management under policies approved by the Council. These policies include identification and analysis of the risk exposure to Council and appropriate procedures, controls and risk minimisation.

(b) Market risk

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

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Council'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 repaid the balance of its loan borrowings in 2015/16, thereby reducing the 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 levels of cash and deposits that are at a floating rate.

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 and financial institutions
- monitoring of return on investment
- 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.

NOTE 8 MANAGING UNCERTAINTIES (Continued)

8.3 Financial instruments (continued)

(c) Credit risk

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

To help manage this risk:

- Council may require bank guarantees or security deposits for contracts where appropriate
- Council will 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 we provide a guarantee for another party. Council has no such guarantees in place at 30 June 2020.

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 our operational liquidity requirements it will not have sufficient funds to settle a transaction when required or will be forced to sell a financial asset at below value or may be unable to settle or recover a financial asset.

To help reduce these risks Council:

- has historically minimised borrowings in the short to medium term
- reduced its reliance on borrowings with repayment of all borrowings occurring in 2015/16
- have readily accessible standby facilities and other funding arrangements in place
- ensures that surplus funds are invested within various bands of liquid investments
- 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.

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 or agreed terms.

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

(e) Sensitivity disclosure analysis

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

- A parallel shift of + 1.5% and -1.5% in market interest rates (AUD) from year-end rates of 0.85%.

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

NOTE 8 MANAGING UNCERTAINTIES (Continued)

8.4 Fair value measurement

Fair value hierarchy

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

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

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

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

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

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

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

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

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

Revaluation

Subsequent to the initial recognition of assets, non-current physical assets, other than plant and equipment and furniture 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 on an asset result in changes to the permissible or practical highest and best use of the asset. In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 1 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.

NOTE 8 MANAGING UNCERTAINTIES (Continued)

8.4 Fair value measurement (continued)

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 fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the comprehensive income statement, unless the asset is carried at the revalued amount in which case, the impairment loss is recognised directly against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

8.5 Events occurring after balance date

In July 2020, the Victorian State Government imposed further lockdown restrictions on the state as a result of a second wave of the COVID-19 pandemic commencing. Due to the inherent uncertainty surrounding the duration of such restrictions it is not possible for Council to estimate the full impact on Council's operations, financial position and cash flow at this point in time. This being the case it is not considered practical to provide quantitative or qualitative estimates on the potential financial impacts of the second wave at this time. Accordingly, no adjustments have been made at balance date to reflect ongoing uncertainties surrounding the COVID-19 pandemic.

Council will continue to monitor both the financial and non-financial impacts of COVID-19 on its operations and has put in place mitigating strategies where possible to ensure Council is well positioned to respond to future events whilst continuing as a going concern.

NOTE 9 OTHER MATTERS

9.1 Reserves

(a) Asset revaluation reserve

2020

	Balance at beginning of reporting period \$	Revaluation increment / (decrement) \$	Balance at end of the reporting period \$
Property			
Land	8,612,532	483,635	9,096,167
Buildings	30,700,051	2,982,460	33,682,511
	39,312,583	3,466,095	42,778,678
Infrastructure assets			
Sealed roads	149,664,910	4,570,728	154,235,638
Unsealed roads	61,200,290	4,693,615	65,893,905
Footpaths	1,564,603	(332,718)	1,231,885
Street furniture	65,379	29,292	94,671
Kerbs	873,309	59,233	932,542
Bridges	10,219,647	384,021	10,603,668
Drains	776,454	(150,900)	625,554
Other infrastructure	224,364,592	9,253,271	233,617,863
Total tangible assets	263,677,175	12,719,366	276,396,541
Intangible assets			
Water rights	1,765,499	277,105	2,042,604
Total	265,442,674	12,996,470	278,439,144

2019

	Balance at beginning of reporting period \$	Revaluation increment / (decrement) \$	Balance at end of the reporting period \$
Property			
Land	8,607,663	4,869	8,612,532
Buildings	30,700,051	-	30,700,051
	39,307,714	4,869	39,312,583
Infrastructure assets			
Sealed roads	138,281,752	11,383,158	149,664,910
Unsealed roads	55,101,213	6,099,077	61,200,290
Footpaths	1,949,986	(385,383)	1,564,603
Street furniture	191,521	(126,142)	65,379
Kerbs	866,271	7,038	873,309
Bridges	9,359,822	859,825	10,219,647
Drains	1,287,005	(510,551)	776,454
Other infrastructure	207,037,570	17,327,022	224,364,592
Total tangible assets	246,345,284	17,331,891	263,677,175
Intangible assets			
Water rights	1,042,084	723,415	1,765,499
Total	247,387,368	18,055,306	265,442,674

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

NOTE 9 OTHER MATTERS (Continued)**9.1 Reserves (continued)****(b) General reserves****2020**

	Balance at beginning of reporting period \$	Transfer from accumulated surplus \$	Transfer to accumulated surplus \$	Balance at end of reporting period \$
Land and buildings reserve	726,889	36,363	(778,322)	(15,070)
Boundary and township signage reserve	-	123,206	(40,000)	83,206
Capital expenditure reserve	3,436,895	6,244,527	(3,436,895)	6,244,527
Caravan park development reserve	361,187	13,206	(325,000)	49,393
Community planning reserve	1,625,220	1,157,039	(775,220)	2,007,039
Economic development reserve	385,410	100,000	(113,670)	371,740
Fleet replacement reserve	523,757	221,834	(104,637)	640,954
Gravel and sand pit restoration reserve	558,192	240,700	(398,892)	400,000
Heritage loan scheme reserve	100,000	-	-	100,000
Information technology reserve	1,115,596	285,000	(600,596)	800,000
Little Lake Boort water reserve	17,069	7,000	-	24,069
Waste management reserve	352,207	35,010	(87,217)	300,000
Major projects reserve	259,796	80,000	(185,800)	153,996
Plant replacement reserve	1,410,711	895,357	(819,115)	1,486,953
Professional development reserve	3,619	6,000	-	9,619
Recreation facilities improvement reserve	100,000	-	-	100,000
Skidders Flat water reserve	7,535	-	(7,535)	-
Swimming pool major projects reserve	100,000	50,000	-	150,000
Unfunded superannuation liability reserve	797,616	101,192	-	898,808
Units reserve	113,744	14,741	(68,485)	60,000
Unightly premises enforcement provision reserve	100,000	-	-	100,000
Unspent contributions reserve	-	-	-	-
Unspent grants reserve	8,688,188	8,009,548	(8,688,189)	8,009,547
Urban drainage reserve	800,598	550,000	(506,640)	843,958
Valuations reserve	123,206	-	(123,206)	-
War memorial reserve	3,000	-	(3,000)	-
Total	21,710,435	18,170,723	(17,062,419)	22,818,739

NOTE 9 OTHER MATTERS (Continued)**9.1 Reserves (continued)****(b) General reserves (continued)****2019**

	Balance at beginning of reporting period \$	Transfer from accumulated surplus \$	Transfer to accumulated surplus \$	Balance at end of reporting period \$
Land and buildings reserve	632,946	96,500	(2,557)	726,889
Capital expenditure reserve	2,160,830	3,436,895	(2,160,830)	3,436,895
Caravan park development reserve	259,937	106,930	(5,680)	361,187
Community planning reserve	1,003,063	1,125,220	(503,063)	1,625,220
Economic development reserve	235,655	171,000	(21,245)	385,410
Fleet replacement reserve	461,737	218,375	(156,355)	523,757
Gravel and sand pit restoration reserve	488,719	98,042	(28,569)	558,192
Heritage loan scheme reserve	100,000	-	-	100,000
Information technology reserve	1,133,398	185,000	(202,802)	1,115,596
Little Lake Boort water reserve	34,525	-	(17,456)	17,069
Waste management reserve	317,517	34,690	-	352,207
Major projects reserve	179,796	80,000	-	259,796
Plant replacement reserve	2,349,664	873,031	(1,811,984)	1,410,711
Professional development reserve	(1,436)	6,000	(945)	3,619
Recreation facilities improvement reserve	100,000	-	-	100,000
Skinners Flat water reserve	15,565	-	(8,030)	7,535
Swimming pool major projects reserve	100,000	50,000	(50,000)	100,000
Unfunded superannuation liability reserve	696,424	101,192	-	797,616
Units reserve	94,965	18,779	-	113,744
Unightly premises enforcement provision reserve	100,000	-	-	100,000
Unspent contributions reserve	-	-	-	-
Unspent grants reserve	7,731,737	8,688,188	(7,731,737)	8,688,188
Urban drainage reserve	692,866	370,000	(262,268)	800,598
Valuations reserve	42,667	93,475	(12,936)	123,206
War memorial reserve	3,000	-	-	3,000
Total	18,933,575	15,753,317	(12,976,457)	21,710,435

NOTE 9 OTHER MATTERS (Continued)

9.1 Reserves (continued)

(b) General reserves (continued)

Purpose of general reserves

Land and buildings reserve

The land and buildings reserve is used to fund the purchase and improvement of land and buildings. Proceeds received from the sale of Council owned land and buildings are transferred to the reserve.

Boundary and township signage reserve

The Boundary and Township Signage Reserve is used to fund replacement of Council's boundary and township signage. Council transfers to the reserve annually an amount determined during the budget process as sufficient to fund the boundary and township signage replacement program, to a maximum reserve level of \$100K, the net cost of boundary and township signage purchases and installation for the year is transferred from the reserve.

Capital expenditure reserve

The capital expenditure reserve is used to set aside funds that have been budgeted for capital works projects in one financial year but will not be expended by the end of that year. Council transfers to the reserve annually the unexpended budget amounts for capital works and other projects that will be undertaken in the following financial year.

Caravan park development reserve

The caravan park development reserve is used to set aside surpluses made from the operations of Council's caravan parks to assist with financing major works carried out at those caravan parks. The annual surplus made on the operations of Council's caravan parks is transferred to the reserve annually, and the funds required to finance major works undertaken at Council's caravan parks are transferred from the reserve.

Community planning reserve

The community planning reserve is used to set aside unspent funds for community planning projects. Council transfers to the reserve annually cumulative unspent funds for each ward's community planning projects. Council transfers from the reserve the amount placed into the reserve at the end of the previous financial year.

Economic development reserve

The economic development reserve is used to assist with economic development initiatives that Council wishes to financially support. Council transfers to the reserve annually an amount determined during the budget process as sufficient to fund economic development initiatives, and proceeds from the sale of industrial land and transfers from the reserve the cost of economic development initiatives during the financial year.

Fleet replacement reserve

The fleet replacement reserve is used to fund the replacement of office vehicles. Council transfers to the reserve annually an amount determined during the budget process as sufficient to fund the fleet replacement program, and transfers from the reserve the net cost of fleet purchases for the year.

Gravel and sand pit (GSP) restoration reserve

The gravel and sand pit (GSP) restoration reserve is used to fund land purchase, development and restoration of gravel and sand pits used by Council for the extraction of road building materials. Council transfers from the reserve the cost of purchasing new sites, development and restoration of gravel and sand pits, and transfers to the reserve annual surplus on operations of gravel and sand pits.

Heritage loan scheme reserve

The heritage loan scheme reserve is used to provide loans to owners of properties located in significant heritage precincts, heritage registered buildings or structures of local heritage significance, to enable repair and maintenance of those buildings with the aims of quality appearance and public safety.

NOTE 9 OTHER MATTERS (Continued)

9.1 Reserves (continued)

(b) General reserves (continued)

Purpose of general reserves (continued)

Information technology reserve

The information technology reserve is used to assist with the purchase of information technology assets. Council transfers to the reserve annually an amount determined during the budget process as sufficient to fund information technology assets, and transfers from the reserve the net cost of information technology assets.

Little Lake Boort water

The Little Lake Boort water reserve is used to secure the proceeds from sale of temporary water rights relating to Little Lake Boort. Council transfers to the reserve the proceeds from the sale of temporary water rights and unexpended amounts from annual expenditure budget and transfers from the reserve the amounts required to purchase water rights or for any other expenditures relating to Little Lake Boort.

Waste management reserve

The waste management reserve is used to assist with the cost of strategic projects, compliance and long term planning for Council's landfills and transfer stations. Council transfers to the reserve annually \$10 per kerbside collection levy (or a pro-rated amount for a pro-rated collection). Council transfers from the reserve the cost of strategic projects, compliance and long term planning within Council landfills and transfer stations.

Major projects reserve

The major projects reserve is used to assist with the funding of major projects identified by Council. An annual allocation determined during the budget process as sufficient to fund major projects is transferred to the reserve. When a major project is identified and approved, an amount will be transferred from the reserve to assist with funding the project.

Plant replacement reserve

The plant replacement reserve is used to fund plant purchases. Council transfers to the reserve annually an amount determined during the budget process as sufficient to fund the plant replacement program. Council transfers from the reserve the net cost of plant purchases for the year.

Professional development reserve

The professional development reserve is used to fund the professional development undertaken by executive officers of Council. An annual allocation is provided to each executive officer in accordance with their contract of employment, while the cost of the professional development undertaken during the year is transferred from the reserve.

Recreation facilities improvement reserve

The recreation facilities improvement reserve is an allocation of funds used to provide interest free loans to community groups for improvements at Council reserves.

Skidders Flat water reserve

The Skidders Flat water reserve is used to fund major repairs and capital works at the Skidders Flat Water Supply. The surplus on operations of the water supply is transferred to the reserve annually and the cost of major repairs and capital works is transferred from the reserve. This reserve was closed in 2020.

Swimming pool major projects reserve

The Swimming Pool Major Projects Reserve is used to fund unplanned major repairs and capital works at the various swimming pool sites across the Shire. Council transfers to the reserve annually an amount determined during the budget process, to a maximum reserve level of \$200K. Council transfers from the reserve the net cost of unplanned major repairs and capital works.

NOTE 9 OTHER MATTERS (Continued)

9.1 Reserves (continued)

(b) General reserves (continued)

Purpose of general reserves (continued)

Unfunded superannuation liability reserve

The unfunded superannuation liability reserve is used to assist with funding any call that may be made on Council as a result of shortfall in the Local Authorities' Superannuation Defined Benefits Plan. Council transfers to the reserve annually an amount determined during the budget process as sufficient to fund potential future calls by the superannuation authority in relation to an unfunded superannuation liability. Council transfers from the reserve any funds required to finance a call made upon Council by the superannuation authority.

Units reserve

The units reserve is used to fund the purchase or improvement of Council owned elderly persons' units. The net surplus generated from rental income is transferred to the reserve annually. Funds are transferred out of the reserve to cover the cost of capital works undertaken at elderly persons' units.

Unightly premises enforcement provision reserve

The Unightly Premises Enforcement Provision Reserve is used to provide funds to assist with the enforcement and rectification works on determined unightly premises with costs recouped via legal or other action.

Unspent contributions reserve

The unspent contributions reserve is used to set aside contributions received for a specific purpose in one financial year that will not be expended until a later financial year. Council transfers to the reserve contributions received during the financial year that have not been expended, and transfers from the reserve the amount placed into the reserve at the end of the previous financial year.

Unspent grants reserve

The unspent grants reserve is used to set aside grants received in one financial year that will not be expended until a later financial year. Council transfers to the reserve grants received during the financial year that have not been expended, and transfers from the reserve the amount placed into the reserve at the end of the previous financial year.

Urban drainage reserve

The urban drainage reserve is used to fund urban drainage works in the towns within the Shire. Council transfers to the reserve annually an amount determined during the budget process sufficient to fund the urban drainage program, and transfers from the reserve the annual cost of urban drainage work.

Valuations reserve

The valuations reserve is used to fund the cost of Council's bi-annual valuations for rating purposes. Council transfers to the reserve the net surplus of valuations in the years that Council is paid for the provision of its data to state government authorities, and amounts determined during the budget process sufficient to fund the bi-annual revaluation process. Council transfers from the reserve the net cost of the revaluation process. This report was closed in 2020.

War memorial restoration reserve

The war memorial restoration reserve is used to fund the cost of maintaining and renewing war memorials across the Shire. Council transfers to the reserve annually an amount determined during the budget process as sufficient to fund the war memorial program, and transfers the cost of works to war memorials from the reserve. This reserve was closed in 2020.

NOTE 9 OTHER MATTERS (Continued)**9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)**

	2020 \$	2019 \$
Surplus / (deficit) for the period	(649,742)	1,047,284
Depreciation	9,898,344	9,473,510
(Profit) / loss on disposal of assets	(29,889)	233,155
Impairment of financial assets	32	103
Reversal of impairment of assets	(103)	(1,658)
Bad debts expense	9,255	12,747
Share of other comprehensive income of associates	(18,003)	(16,156)
Change in assets and liabilities		
(Increase) / decrease in receivables (net of advances)	1,692,656	(1,553,663)
(Increase) / decrease in accrued income	488,559	2,535,361
(Increase) / decrease in prepayments	(148,819)	67,854
(Increase) / decrease in other assets and liabilities	(1,078,876)	631,274
Increase / (decrease) in trust funds and deposits	(15,632)	35,014
(Increase) / decrease in inventories	13,496	3,211
Increase / (decrease) in payables	540,284	(372,687)
Increase / (decrease) in employee benefits	(106,807)	(18,702)
Increase / (decrease) in other provisions	21,816	145,132
(Increase) / decrease in library equity	5,764	1,808
Net cash provided by / used by operating activities	10,622,335	12,223,587

9.3 Superannuation

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

Accumulation

The Fund's accumulation categories, Vision MySuper / Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2020, this was 9.5% 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 define 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 AASB119.

NOTE 9 OTHER MATTERS (Continued)

9.3 Superannuation (continued)

Defined benefit (continued)

Funding arrangements

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

A triennial actuarial review is currently underway for the Defined Benefit category as at 30 June 2020 and is expected to be completed by 31 December 2020.

At 30 June 2019, 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 107.1%. To determine the VBI, the fund Actuary used the following long-term assumptions:

Net investment returns	6.0% pa
Salary information	3.5% pa
Price inflation (CPI)	2.0% pa

Vision Super has advised that the actual VBI at 30 June 2020 was 104.6 per cent.

The VBI is used as the primary funding indicator. When the VBI was above 100%, the 30 June 2019 interim actuarial investigation determined the Defined Benefit category is in a satisfactory financial position and that no change is necessary to the Defined Benefits category's funding arrangements from prior years.

Employer contributions

Regular contributions

On the basis of the results of the 2017 full 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 2020, this rate was 9.5% of members' salaries (9.5% in 2018/19). This rate is expected to increase in line with any increases in the SG contribution rate and reviewed as part of the 30 June 2020 triennial valuation.

In addition, Council reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

Funding calls

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

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Council) are required to make an employer contribution to cover the shortfall.

Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's Defined Benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up.

If there is a surplus in the Fund, the surplus cannot be returned to the participating employers.

In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

NOTE 9 OTHER MATTERS (Continued)

9.3 Superannuation (continued)

Defined benefit (continued)

The 2019 interim actuarial investigation surplus amounts

An actuarial investigation is conducted annually for the Defined Benefit category of which Council is a contributing employer. Generally, a full actuarial investigation is conducted every three years and interim actuarial investigation are conducted for each intervening year. An interim investigation was conducted as at 30 June 2019 and a full actuarial investigation was conducted as at 30 June 2017.

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

	2019	2017
	\$M	\$M
- A VBI surplus	\$151.30	\$69.80
- A total service liability surplus	\$233.40	\$193.50
- A discounted accrued benefits surplus	\$256.70	\$228.80

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

The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses as at 30 June 2019.

The discounted accrued benefit surplus means that the current value of the assets in the Fund's Defined Benefit category exceeds the value of benefits payable in the future but accrued in respect of service to 30 June 2019.

Council was notified of the 30 June 2019 VBI during August 2019 (2018: August 2018).

The 2020 triennial actuarial investigation

An triennial actuarial investigation is being conducted for the Fund's position as at 30 June 2020. It is anticipated that this actuarial investigation will be completed by 31 December 2020. The financial assumptions for the purposes of this investigation are:

	2020 Triennial	2017 Triennial
Net investment return	5.6% pa 2.5% pa for the first two years and 2.75% pa thereafter	6.5% pa
Salary inflation	2.0% pa	3.5% pa
Price inflation	2.0% pa	2.5% pa

Superannuation contributions

Contributions by Council (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2020 are detailed below:

	2020	2019
Scheme - Type of Scheme - Rate	\$	\$
Vision super - Defined Benefit - 9.50%	69,522	73,851
Vision super - Accumulation fund - 9.50%	521,537	553,084
Other super funds	392,311	327,463

There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2020.

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2020 is \$NIL.

NOTE 10 CHANGE IN ACCOUNTING POLICY

Council has adopted *AASB 15 Revenue from Contracts with Customers*, *AASB 16 Leases* and *AASB 1058 Income of Not-for-Profit Entities*, from 1 July 2019. This has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

Due to the transition methods chosen by Council in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards except in relation to contracts that were not complete at 1 July 2019. The transition impact of these are detailed below.

10.1 AASB 15 Revenue from Contracts with Customers - Impact of Adoption

AASB 15 Revenue from Contracts with Customers applies to revenue transactions where Council provides services or goods under contractual arrangements.

Council adopted *AASB 15 Revenue from Contracts with Customers* using the modified (cumulative catch up) method. Revenue for 2019 as reported under *AASB 118 Revenue* is not adjusted, because the new standard is only applied from the date of initial application.

AASB 15 Revenue from Contracts with Customers requires revenue from contracts with customers to be recognised as Council satisfies the performance obligations under the contract.

10.2 AASB 16 Leases

AASB 16 Leases requires right of use assets and related liabilities for all lease agreements to be recognised on the balance sheet. The Statement of Comprehensive Income is to separately recognise the amortisation of the right of use asset, and the finance costs relating to the lease. Council has elected to adopt the modified (cumulative catch up) method under the standard and as such has not adjusted 2019 disclosures. The transition impact of these are detailed below.

10.3 AASB 1058 Income of Not-for-Profit Entities

AASB 1058 Income of Not-for-Profit Entities applies to income received where no contract is in place. This includes statutory charges (such as rates) as well as most grant agreements.

Council adopted *AASB 1058 Income of Not-for-Profit Entities* using the modified (cumulative catch up) method. Income for 2019 is not adjusted, because the new standard is only applied from the date of initial application.

AASB 1058 Income of Not-for-Profit Entities requires income to be recognised as Council satisfies the performance obligations under the contract.

10.4 Transition impacts

The following table summarises the impact of transition to the new standards on retained earnings at 1 July 2019.

	2019 \$
Retained earnings as at 30 June 2019	380,773,764
Revenue adjustment - impact of <i>AASB 15 Revenue from Contracts with Customers</i>	-
Income adjustment - impact of <i>AASB 1058 Income of Not-for-Profit Entities</i>	(940,000)
Retained earnings at 1 July 2019	379,833,764

Council adopted the practical expedient of deeming the lease asset to be equal in value to the lease liability at 1 July 2019. As such there was no impact on retained earnings on the adoption of *AASB 16 Leases*.

NOTE 10 CHANGE IN ACCOUNTING POLICY (Continued)**10.4 Transition impacts (continued)**

The following table summarises the impacts of transition to the new standards on Council's balance sheet for the year ending 30 June 2019.

	As reported 30 June 2019 \$	Adjustments \$	Post adoption \$
Assets			
Right of use assets	-	-	-
Grants receivable	-	-	-
	-	-	-
Liabilities			
Unearned income - operating grants	-	-	-
Unearned income - capital grants	-	(940,000)	(940,000)
Lease liability - current	-	-	-
Lease liability - non-current	-	-	-



Historic swimming hole at Bridgewater on Loddon.



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