



LODDON SHIRE COUNCIL

# FINANCIAL STATEMENTS YEAR ENDING 30 JUNE 2017

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## COMPREHENSIVE INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$	2016 \$
<b>Income</b>			
Rates and charges	3.1	10,102,693	9,742,761
Statutory fees and fines	3.2	304,599	341,541
User fees	3.2	1,708,805	1,688,762
Grants - operating	3.3	15,307,948	6,051,916
Grants - capital	3.3	3,691,765	6,963,416
Contributions - monetary	3.5	220,134	69,869
Reimbursements and subsidies	3.6	977,236	931,590
Interest earnings	3.7	474,173	507,306
Share of net profits of associates and joint ventures	3.9	-	8,800
Other income	3.10	166	570
<b>Total income</b>		<b>32,787,519</b>	<b>26,306,531</b>
<b>Expenses</b>			
Employee costs	4.1	10,003,078	9,846,785
Materials and services	4.2	9,304,997	8,038,650
Depreciation and amortisation	4.3	8,689,491	8,335,880
Borrowing costs	4.4	-	4,271
Bad debts expense	4.5	34,322	22,107
Other expenses	4.6	287,622	284,299
Net loss on disposal of property, infrastructure, plant and equipment	3.8	30,412	102,681
Share of net profits of associates and joint ventures	3.9	76,086	-
<b>Total expenses</b>		<b>28,426,008</b>	<b>26,634,673</b>
<b>Surplus / (deficit) for year</b>		<b>4,361,511</b>	<b>(328,142)</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to surplus or deficit</i>			
Net asset revaluation increment/(decrement)	16a	8,492,798	14,568,074
Share of other comprehensive income of associates and joint ventures accounted for by the equity method	3.9	(12,093)	(655)
<b>Total comprehensive result</b>		<b>12,842,216</b>	<b>14,239,277</b>

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

## BALANCE SHEET AS AT 30 JUNE 2017

	Note	2017 \$	2016 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	9,672,238	15,950,711
Trade and other receivables	6	1,232,111	1,250,191
Financial assets	7	13,776,284	2,385,205
Inventories		53,966	65,814
Non-current assets classified as held for sale	8	865,424	190,356
<b>Total current assets</b>		<b>25,600,023</b>	<b>19,842,277</b>
<b>Non-current assets</b>			
Financial assets	6	100	100
Trade and other receivables	7	79,921	162,000
Investments in associates and joint ventures	9	273,945	362,125
Intangible assets	10	1,668,430	1,654,362
Property, infrastructure, plant and equipment	11	309,596,011	302,836,382
<b>Total non-current assets</b>		<b>311,618,407</b>	<b>305,014,969</b>
<b>Total assets</b>		<b>337,218,430</b>	<b>324,857,246</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	12	642,364	690,923
Trust funds and deposits	13	404,438	277,094
Provisions	14	2,192,670	2,127,212
<b>Total current liabilities</b>		<b>3,239,472</b>	<b>3,095,229</b>
<b>Non-current liabilities</b>			
Provisions	14	1,698,946	2,324,221
<b>Total non-current liabilities</b>		<b>1,698,946</b>	<b>2,324,221</b>
<b>Total liabilities</b>		<b>4,938,418</b>	<b>5,419,450</b>
<b>Net assets</b>		<b>332,280,012</b>	<b>319,437,796</b>
<b>Equity</b>			
Accumulated surplus		37,161,521	56,801,328
Reserves	16	295,118,491	262,636,468
<b>Total equity</b>		<b>332,280,012</b>	<b>319,437,796</b>

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

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

2017

	Note	Total 2017 \$	Accumulated surplus 2017 \$	Revaluation reserve 2017 \$	Other reserves 2017 \$
Balance at beginning of the financial year		319,437,796	56,801,328	208,675,726	53,960,742
Surplus/(deficit) for the year		4,361,511	4,361,511	-	-
Net asset revaluation increment/(decrement)		8,492,798	-	8,492,798	-
Transfer to reserves	16	-	(14,271,936)	-	14,271,936
Transfer from reserves	16	-	(9,717,289)	-	9,717,289
Share of other comprehensive income		(12,093)	(12,093)	-	-
<b>Balance at end of financial year</b>		<b>332,280,012</b>	<b>37,161,521</b>	<b>217,168,524</b>	<b>77,949,967</b>

2016

	Note	Total 2016 \$	Accumulated surplus 2016 \$	Revaluation reserve 2016 \$	Other reserves 2016 \$
Balance at beginning of the financial year		305,198,519	81,516,898	194,107,652	29,573,969
Surplus/(deficit) for the year		(328,142)	(328,142)	-	-
Net asset revaluation increment/(decrement)		14,568,074	-	14,568,074	-
Transfer to reserves	16	-	(11,437,487)	-	11,437,487
Transfer from reserves	16	-	(12,949,286)	-	12,949,286
Share of other comprehensive income		(655)	(655)	-	-
<b>Balance at end of financial year</b>		<b>319,437,796</b>	<b>56,801,328</b>	<b>208,675,726</b>	<b>53,960,742</b>

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

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 Inflows/ (outflows) \$	2016 Inflows/ (outflows) \$
<b>Cash flows from operating activities</b>			
Rates and charges		10,027,110	9,718,892
Statutory fees and fines		417,981	196,376
User fees		1,869,048	1,835,363
Grants - operating		14,224,500	6,323,459
Grants - capital		3,781,805	8,131,258
Reimbursements and subsidies		1,049,999	925,307
Interest received		515,595	494,761
Net GST refund (payable)		1,319,883	1,513,735
Trust funds and deposits taken		127,344	-
Payments to employees		(9,965,656)	(10,386,442)
Payments to suppliers		(11,395,648)	(9,689,215)
Trust funds and deposits repaid		-	(49,275)
<b>Net cash provided by (used in) operating activities</b>	23	<b>11,971,961</b>	<b>9,014,219</b>
<b>Cash flows from investing activities</b>			
Payments for property, infrastructure, plant and equipment		(7,783,594)	(9,845,444)
Proceeds from sale of property, infrastructure, plant and equipment		107,726	331,490
Payment for intangible assets		-	-
Payment for investments		(10,654,153)	5,166,596
Loans and advances to community organisations		6,000	-
Repayment of loans and advances from community organisations		73,587	93,800
<b>Net cash provided by (used in) investing activities</b>		<b>(18,250,434)</b>	<b>(4,253,558)</b>
<b>Cash flows from financing activities</b>			
Repayment of interest bearing loans and borrowings		-	(133,293)
Borrowing costs		-	(4,271)
<b>Net cash provided by (used in) financing activities</b>		<b>-</b>	<b>(137,564)</b>
Net increase/(decrease) in cash and cash equivalents		(6,278,473)	4,623,097
Cash and cash equivalents at the beginning of the financial year		15,950,711	11,327,614
<b>Cash and cash equivalents at the end of the financial year</b>	5	<b>9,672,238</b>	<b>15,950,711</b>

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

## STATEMENT OF CAPITAL WORKS FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$	2016 \$
<b>Buildings</b>			
Buildings - specialised		1,420,958	1,334,056
Work in progress		234,552	2,708,058
<b>Total buildings</b>		<b>1,655,510</b>	<b>4,042,114</b>
Plant, machinery and equipment		328,992	2,043,041
Office furniture and equipment		142,651	58,427
<b>Total plant and equipment</b>	11	<b>471,643</b>	<b>2,101,468</b>
<b>Infrastructure</b>			
Roads		4,584,294	3,057,054
Bridges		301,950	76,968
Footpaths and cycleways		343,551	88,361
Kerb and channel		-	141,506
Drainage		224,043	-
Street furniture		3,530	-
Work in progress		199,076	337,971
<b>Total infrastructure</b>	11	<b>5,656,444</b>	<b>3,701,860</b>
<b>Intangible assets</b>			
Water rights	10	-	-
<b>Total intangible assets</b>		-	-
<b>Total capital works expenditure</b>		<b>7,783,597</b>	<b>9,845,442</b>
<b>Represented by:</b>			
New asset expenditure		560,533	2,739,774
Asset renewal expenditure		2,948,103	2,010,885
Asset expansion expenditure		505,897	2,820,750
Asset upgrade expenditure		3,769,064	2,274,033
<b>Total capital works expenditure</b>		<b>7,783,597</b>	<b>9,845,442</b>

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

## 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.

The purpose of the Council is to:

- ▶ provide for the peace, order and good government of its municipal district
- ▶ promote the social, economic and environmental viability and sustainability of the municipal district
- ▶ ensure that resources are used efficiently and effectively and services are provided in accordance with the Best Value Principles to best meet the needs of the local community
- ▶ improve the overall quality of life of people in the local community
- ▶ promote appropriate business and employment opportunities
- ▶ ensure that services and facilities provided by the Council are accessible and equitable
- ▶ ensure the equitable imposition of rates and charges, and
- ▶ ensure transparency and accountability in Council decision making.

External Auditor  
Internal Auditor  
Solicitor  
Banker

Victorian Auditor-General's Office  
HLB Mann Judd (Vic) Pty Ltd  
MCL Legal  
National Australia Bank

Further information about Council can be found at: [www.loddon.vic.gov.au](http://www.loddon.vic.gov.au)

### 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*.

## NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of accounting

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

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

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

- the fair value of land, buildings, infrastructure, plant and equipment (refer to note 1 (l))
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to note 1 (m))
- the determination of employee provisions (refer to note 1 (s)).

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

### (b) Change in accounting policies

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

### (c) Committees of management

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

### (d) Accounting for investments in associates and joint arrangements

#### *Associates*

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

#### *Joint arrangements*

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.

#### *(i) 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.

## NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (e) Revenue recognition

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

#### *Rates and charges*

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

#### *Statutory fines and fees*

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

#### *User fees*

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

#### *Grants*

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in note 3.4. The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

#### *Contributions*

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

#### *Sale of property, infrastructure, plant and equipment*

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

#### *Interest*

Interest is recognised as it is earned.

#### *Dividends*

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

#### *Other Income*

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

### (f) Fair value measurement

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

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

## NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Fair value measurement (continued)

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.

### (g) Cash and cash equivalents

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

### (h) Trade and other receivables

Short term receivables are carried at invoice amount as amortised cost using the effective interest rate method would not impact the carrying value. A provision for doubtful debts is recognised when there is objective evidence that an impairment has occurred. Long term receivables are carried at amortised cost using the effective interest rate method.

### (i) Other financial assets

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

### (j) Inventories

Inventories held for distribution are measured at cost adjusted when applicable for any loss of service potential.

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

### (k) Non-current assets classified as held for sale

A non-current asset classified as held for sale (including disposal groups) is measured at the lower of its carrying amount and fair value less costs to sell, 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 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

#### *Acquisition*

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

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

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

#### *Revaluation*

Subsequent to the initial recognition of assets, non-current physical assets, other than plant and equipment 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. Further details regarding the fair value hierarchy are disclosed at Note 11, Property, infrastructure, plant and equipment.

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.

#### *Land under roads*

Council recognises land under roads it controls at fair value.

## NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Buildings, land improvements, plant and equipment, infrastructure, and other assets having limited useful lives are systematically depreciated over their useful lives to the Council in a manner which reflects consumption of the service potential embodied in those assets. Estimates of remaining useful lives and 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.

#### *Asset recognition thresholds and depreciation periods*

	Depreciation Period Years	Threshold Limit \$
Property		
land	-	1,000
leasehold improvements	10 - 30	1,000
Buildings		
buildings	50 - 100	1,000
building improvements	10 - 30	1,000
leasehold improvements	10 - 30	1,000
Plant and equipment		
plant, machinery and equipment	5 - 30	1,000
motor vehicles	9 - 10	1,000
minor plant	5 - 30	1,000
fixtures fittings and furniture	10 - 100	1,000
computers and telecommunications	3	1,000
Infrastructure		
road seals	13 - 26	1,000
road pavements - sealed	80	1,000
road pavements - unsealed	30	1,000
road formation and earthworks	-	1,000
road kerb, channel and minor culverts	60	1,000
bridges deck	80 - 100	1,000
bridges substructure	80 - 100	1,000
footpaths and cycle ways	15 - 50	1,000
drainage	50 - 80	1,000
recreational, leisure and community facilities	50 - 80	1,000
waste management assets	20	1,000
parks, open space and streetscapes	15 - 50	1,000
off street car parks	80	1,000
aerodromes	30 - 80	1,000
Intangible assets - water rights	-	1,000

### (n) Repairs and maintenance

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

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)****(o) Investment property**

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

**(p) 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.

**(q) Trust funds and deposits**

Amounts received as deposits and retention amounts controlled by Council are recognised as trust funds until they are returned, transferred in accordance with the purpose of the receipt, or forfeited (refer to Note 13).

**(r) Borrowings**

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

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

*Borrowing costs*

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

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

**(s) Employee costs and benefits**

The calculation of employee 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 and annual 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.

## NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (s) Employee costs and benefits (continued)

#### *Long service leave*

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

Current Liability - unconditional LSL representing 7 years is disclosed as a current liability even when the Council does not expect to settle the liability within 12 months because it will not have the unconditional right to defer settlement of the entitlement should an employee take leave within 12 months.

The components of this current liability are measured at:

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

#### *Classification of employee benefits*

Non-current liability - conditional LSL representing less than 7 years is disclosed as a non - current liability. There is an unconditional right to defer settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL liability is measured at present value.

### (t) Landfill and quarry rehabilitation provision

#### *Landfills*

Council is obligated to restore eight tip sites to a standard set by the Environment Protection Authority (EPA). A calculation was undertaken based on the EPA's guidelines for rehabilitating tip sites when they are no longer required for use. A review of the provision was carried out at 30 June 2017. The forecast life of the sites is based on current estimates of remaining capacity and the forecast rate of infill. The provision for landfill restoration has been calculated based on the present value of the expected cost of works to be undertaken. The expected cost of works has been estimated based on current understanding of work required to reinstate the site to a suitable standard. Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs.

#### *Quarry*

At 30 June 2005, Council made provision for the remediation of quarry pits. Council extracts gravel from the pits for use in roadworks. A calculation was undertaken for remediating the pits when they are no longer required for use. A review of the provision was carried out at 30 June 2017.

Council has two reserves for the remediation of quarries and tip rehabilitation. At 30 June 2017 the combined balance of these reserves was \$1,056,850 (\$983,265 in 2015/16). Details of these reserves are included at Note 16b.

### (u) Goods and services tax (GST)

Revenues, expenses, and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Trade and Other Receivables and Trade and Other Payables in the Balance Sheet are shown inclusive of GST.

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

## NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (v) Financial guarantees

Financial guarantee contracts are not recognised as a liability in the balance sheet unless the lender has exercised their right to call on the guarantee or Council has other reasons to believe that it is probable that that right will be exercised. Details of guarantees that Council has provided, that are not recognised in the Balance Sheet are disclosed at Note 19 Contingent Liabilities and Contingent Assets.

As at 30 June 2017, no such guarantees have been issued by Council.

### (w) Contingent assets and contingent liabilities and commitments

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

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

### (x) Pending accounting standards

The following new AAS's have been issued that are not mandatory for the 30 June 2017 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.

#### *Revenue from contracts with customers (AASB 15) (applies 2018/19)*

The standard shifts the focus from the transaction-level to a contract-based approach. Recognition is determined based on what the customer expects to be entitled to (rights and obligations), while measurement encompasses estimation by the entity of the amount expected to be entitled for performing under the contract. The full impact of this standard is not known however it is most likely to impact where contracts extend over time, where there are rights and obligations that may vary the timing or amount of the consideration, or where there are multiple performance elements. This has the potential to impact on the recognition of certain grant income.

#### *Leases (AASB 16) (applies 2019/20)*

The classification of leases as either finance leases or operating leases is eliminated for lessees. Leases will be recognised in the Balance Sheet by capitalising the present value of the minimum lease payments and showing a 'right-of-use' asset, while future lease payments will be recognised as a financial liability. The nature of the expense recognised in the profit or loss will change. Rather than being shown as rent, or as leasing costs, it will be recognised as depreciation on the 'right-of-use' asset, and an interest charge on the lease liability. The interest charge will be calculated using the effective interest method, which will result in a gradual reduction of interest expense over the lease term.

Council has no operating leases that will be impacted as a result of this change. This will see no further assets and liabilities recognised.

### (y) Rounding

Amounts shown in the financial statements have been rounded to the nearest dollar. Figures in the financial statements may not equate due to rounding.

## NOTE 2 BUDGET COMPARISON

The budget comparison notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variances. Management has adopted a materiality threshold of 10 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 28 June 2016. 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*.

### (a) Income and expenditure

	Budget 2017 \$	Actual 2017 \$	Variance 2017 \$	Ref
<b>Income</b>				
Rates and charges	10,083,316	10,102,693	(19,377)	
Statutory fees and fines	228,451	304,599	(76,148)	1
User fees	1,569,315	1,708,805	(139,490)	
Grants - operating	9,500,431	15,307,948	(5,807,517)	2
Grants - capital	7,245,536	3,691,765	3,553,771	3
Contributions - monetary	60,000	220,134	(160,134)	4
Reimbursements and subsidies	1,327,287	977,236	350,051	5
Interest earnings	375,000	474,173	(99,173)	6
Share of net profits/(losses) of associates and joint ventures	-	76,086	76,086	7
Other income	-	166	(166)	
<b>Total income</b>	<b>30,389,336</b>	<b>32,711,433</b>	<b>(2,322,097)</b>	
<b>Expenses</b>				
Employee costs	10,513,098	10,003,078	510,020	
Materials and services	9,127,818	9,304,997	(177,179)	
Depreciation and amortisation	8,757,634	8,689,491	68,143	
Borrowing costs	-	-	-	
Bad and doubtful debts	-	34,322	(34,322)	
Other expenses	299,116	287,622	11,494	
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	-	30,412	(30,412)	
<b>Total expenses</b>	<b>28,697,666</b>	<b>28,349,922</b>	<b>347,744</b>	
<b>Surplus/(deficit) for the year</b>	<b>1,691,670</b>	<b>4,361,511</b>	<b>(2,669,841)</b>	

## NOTE 2 BUDGET COMPARISON (CONTINUED)

### (i) Explanation of material variations - income and expenditure

- 1 The increase in statutory fees and fines relates mainly to additional income received for planning services of \$49K, with an increase in activity and the schedule of fees set. There was also an increase in animal control services of \$17K with more enforcement fines being issues along with higher animal registrations throughout the year.
- 2 Operating grant income is higher than expected mainly due to the receipt of flood recovery income of \$1.07M which was not in the original budget along with the 2017/18 upfront 50% payment from the grants commission which was \$4.2M higher than expected.
- 3 Capital grant income is lower than expected mainly due to a decrease in claims submitted for the Roads to Recovery of \$3.55M.
- 4 Contributions received for the year have resulted in an increase of \$160K mainly due to contributions for training undertaken of \$52K, and project work done at Serpentine Pavilion of \$32K and Billings Road construction of \$40K.
- 5 The main variation to this area is mainly due to a decrease in demand for main road maintenance works of \$392K. This will be offset by savings in expenditure within these cost areas.
- 6 During the financial year, Council had a higher than expected cash balance on hand and therefore was above to earn more interest from investments.
- 7 Council does not budget for the share in net profits/(losses) of associates and joint ventures, therefore there is a variance of \$76K.

## NOTE 2 BUDGET COMPARISON (CONTINUED)

### b) Capital works

	Budget 2017 \$	Actual 2017 \$	Variance 2017 \$	Ref
<b>Property</b>				
Land	-	-	-	
Land improvements	648,310	20,122	628,188	8
<b>Total land</b>	<b>648,310</b>	<b>20,122</b>	<b>628,188</b>	
Buildings	591,500	107,843	483,657	9
Building improvements	802,190	788,957	13,233	
<b>Total buildings</b>	<b>1,393,690</b>	<b>896,800</b>	<b>496,890</b>	
<b>Total property</b>	<b>2,042,000</b>	<b>916,922</b>	<b>1,125,078</b>	
<b>Plant and equipment</b>				
Plant, machinery and equipment	1,753,895	328,992	1,424,903	10
Office furniture and equipment	569,500	152,101	417,399	11
<b>Total plant and equipment</b>	<b>2,323,395</b>	<b>481,093</b>	<b>1,842,302</b>	
<b>Infrastructure</b>				
Roads	7,105,986	4,688,552	2,417,434	12
Bridges	810,500	311,870	498,630	13
Footpaths and cycleways	548,974	405,386	143,588	14
Drainage	350,000	224,043	125,957	15
Recreation, leisure and community facilities	1,201,331	280,385	920,946	16
Parks, open space and streetscapes	2,927,000	475,347	2,451,653	17
<b>Total infrastructure</b>	<b>12,943,791</b>	<b>6,385,583</b>	<b>6,558,208</b>	
<b>Total capital works expenditure</b>	<b>17,309,186</b>	<b>7,783,598</b>	<b>9,525,588</b>	
<b>Represented by:</b>				
New asset expenditure	2,802,895	560,533	2,242,362	
Asset renewal expenditure	9,083,826	2,948,103	6,135,723	
Asset expansion expenditure	3,336,500	505,897	2,830,603	
Asset upgrade expenditure	2,085,965	3,769,064	(1,683,099)	
<b>Total capital works expenditure</b>	<b>17,309,186</b>	<b>7,783,597</b>	<b>9,525,589</b>	

**NOTE 2 BUDGET COMPARISON (CONTINUED)****(ii) Explanation of material variations - capital works**

- 8 The budget set for 2016/17 included a project costing \$557K to develop the Pyramid Hill industrial estate which has not yet commenced.
- 9 The budget for 2016/17 included a \$500K community planning strategic fund allocation which was not allocated to a project during 2016/17, this has been carried into 2017/18 for expending.
- 10 The main variation for plant, machinery and equipment relates to the purchase of heavy plant which has been delayed and will be undertaken with the scheduled 2017/18 purchases to help achieve more effective purchasing outcomes.
- 11 The main variation for office equipment relates to the purchase of a new corporate IT system (\$500K) which is currently in the planning phase therefore no expenditure has been spent to date. This is expected to occur during 2017/18 and onwards.
- 12 The reduction in expenditure versus budget relates to local road construction projects that have not yet commenced, or have been partially completed during 2016/17 and will be carried forward to 2017/18. This includes works at Yorkshire Rd of \$918K, and Wedderburn Streetscape works of \$766K.
- 13 The main variation to bridges relates to projects that have commenced design works but have not yet reached the construction phase. These projects are Janevale Bridge (\$197K), Conners Rd (\$20K), Woodstock Rd (\$24K) and Baileys Rd (\$37K). Projects that were not in the original 2016/17 budget includes Ruddocks Rd (\$75K) and Talgitcha St (\$25K).
- 14 The main variation to footpaths relates to projects that have commenced design works but have not yet reached the construction phase. These projects are Victoria St (\$85K), Barber St (\$43K) and Kelly St (\$52K). Albert St was added to the works program during the year and had expenditure of (\$207K).
- 15 The main variation to drainage relates to projects that have commenced design works but have not yet reached the construction phase. These projects included Chapel St (\$220K). Projects such as Houston South St (\$145K) and Chapel St West (\$66K) were added to the works program throughout the year.
- 16 The main variation in this area relates to major projects that were not complete at the end of the financial year but have had remaining funds carried over the 2017/18 for finalisation. These projects include various caravan park works of \$275K, swimming pool works of \$356K and Bridgewater foreshore works of \$376K. Projects that were added to the works program as a carried forward item includes the Bridgewater boat ramp project of \$200K.
- 17 The main variation in this area relates to the Wedderburn streetscape project of \$1.67M and the Pyramid Hill streetscape project of \$600K. Wedderburn commenced during the year but was not yet completed. This is expected to be completed during 2017/18. Pyramid Hill is yet to commence.

## NOTE 3.1 RATES AND CHARGES

	2017 \$	2016 \$
General rates	2,466,974	2,404,782
Rural production rates	5,308,885	5,140,947
Municipal charges	1,132,787	1,094,711
Kerbside recycling charges	303,546	280,029
Garbage charges	852,509	791,484
Interest on rates and charges	37,992	30,808
<b>Total rates and garbage charges</b>	<b>10,102,693</b>	<b>9,742,761</b>

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 2016/17 was \$1,728,095,200. The valuation base used in 2015/16 was \$1,614,506,700.

Differential rates have been used since 2002/03. The rural production rate in 2016/17 was 0.4355% of the C.I.V. (0.4512% in 2015/16), while all other rates were 0.4892% of the C.I.V. (0.5069% in 2015/16).

In 2016/17 municipal charges were \$203, residential garbage charges were \$236, commercial garbage charges were \$320 and kerbside recycling charges were \$89. In 2015/16 municipal charges were \$198, residential garbage charges were \$230, commercial garbage charges were \$312, and kerbside recycling charges were \$87.

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2016, and the valuation will be first applied in the rating year commencing 1 July 2016.

## NOTE 3.2 STATUTORY FEES AND FINES AND USER FEES

	2017 \$	2016 \$
<b>Statutory fees and fines</b>		
Animal control	61,214	45,907
Building services fees	91,073	93,398
Election fines	3,042	-
Fire hazards	6,334	3,744
Health Act fees	42,383	44,173
Land information certificates	9,939	7,746
Local laws	6,054	96,737
Town planning fees	84,560	49,836
<b>Total statutory fees and fines</b>	<b>304,599</b>	<b>341,541</b>

**NOTE 3.2 STATUTORY FEES AND FINES AND USER FEES (Continued)**

	2017 \$	2016 \$
<b>User fees</b>		
Aged services fees	619,786	649,439
Caravan park fees	514,993	394,273
Emergency management	12,309	45,634
Gravel pit fees	93,477	136,989
Pre-schools	74,079	34,924
Private works charges	50,137	50,302
Road opening permits	18,260	18,863
Sale of tools and equipment	1,152	9,076
Staff training / educational fees	9,107	-
Standpipes and truck washes	31,773	82,236
Tip and recycling fees	111,443	73,197
Tourism	70,445	42,223
Other	15,301	45,589
<b>Rent received</b>		
Elderly persons units	52,959	64,824
Commercial properties	33,429	28,548
Council residences	155	12,645
<b>Total user fees</b>	<b>1,708,805</b>	<b>1,688,762</b>
<b>Total statutory fees, fines and user fees</b>	<b>2,013,404</b>	<b>2,030,303</b>

**NOTE 3.3 GRANTS**

	2017 \$	2016 \$
Grants were received in respect of the following:		
<b>Summary of grants</b>		
Commonwealth funded grants	15,804,261	8,815,960
State funded grants	3,195,452	4,199,372
<b>Total grants received</b>	<b>18,999,713</b>	<b>13,015,332</b>

	2017 \$	2016 \$
<b>Operating grants</b>		
<b>Recurrent - Commonwealth Government:</b>		
Victoria Grants Commission - general purpose grant	6,859,499	1,762,116
Victoria Grants Commission - local roads	5,222,295	2,264,736
<b>Non recurrent - Commonwealth Government:</b>		
Flood restoration	1,073,791	-
<b>Total operating Commonwealth Government grants</b>	<b>13,155,585</b>	<b>4,026,852</b>

## NOTE 3.3 GRANTS (Continued)

	2017 \$	2016 \$
<b>Recurrent - State Government:</b>		
Aged services	885,875	869,817
Pre-schools	481,379	539,030
Families and children	136,690	122,450
Fire Services Property Levy	40,421	39,261
Youth development	99,837	62,184
Community safety	11,526	65,189
Tips and recycling	6,393	5,837
Environment	75,000	125,000
<b>Non recurrent - State Government:</b>		
Staff wellbeing	6,200	-
Economic development	-	4,500
Environment	-	78,745
Community facilities	13,358	37,148
Planning services	28,250	-
Water infrastructure	17,111	-
Community safety	23,145	-
Preschools	104,018	39,500
Recreation facilities	200,550	28,362
Tourism	22,610	8,041
<b>Total operating State Government grants</b>	<b>2,152,363</b>	<b>2,025,064</b>
<b>Total operating grants</b>	<b>15,307,948</b>	<b>6,051,916</b>
<b>Capital grants</b>		
<b>Recurrent - Commonwealth Government:</b>		
Roads to Recovery	2,648,676	4,789,108
<b>Total capital Commonwealth Government grants</b>	<b>2,648,676</b>	<b>4,789,108</b>
<b>Recurrent - State Government;</b>		
Nil	-	-
<b>Non recurrent - State Government:</b>		
Community facilities	-	1,348
Recreation facilities	294,897	1,042,074
Playground facilities	-	71,821
Community Halls	340,000	816,084
Road infrastructure	150,000	-
Tips and recycling	140,000	-
Streetscapes	12,000	153,235
Economic development	-	20,500
Environment	-	69,246
Water infrastructure	106,192	-
<b>Total capital State Government grants</b>	<b>1,043,089</b>	<b>2,174,308</b>
<b>Total capital grants</b>	<b>3,691,765</b>	<b>6,963,416</b>

**NOTE 3.4 UNEXPENDED GRANTS**

Grants recognised as revenue during the year that were obtained on the condition that they be expended in a specified manner that had not occurred at balance date were:

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Infrastructure works</b>		
Roads to Recovery program	483,468	1,367,761
Houston South Road drainage	-	214,500
ALCAM rail signage	-	34,291
Billings Road project	190,000	-
<b>Recreation and community facilities</b>		
Local Government Infrastructure Program (LGIP) Inglewood Town Hall	-	88,536
LGIP Serpentine pavilion	26,020	872,255
LGIP Wedderburn streetscape	410,778	727,372
LGIP Pyramid Hill streetscape	110,000	110,000
Flood recovery program flood height markers	-	575
Inglewood historical trail	-	2,575
Bridgewater foreshore	288,697	178,395
Recreational reserve and open space plans	27,000	-
Trails signage	-	9,582
Swimming pool solar power projects	180,000	-
Inglewood swimming pool upgrade	294,451	217,524
Canoe trail	19,363	48,559
Wedderburn Community Centre	-	118,538
Bridgewater Memorial Hall	43,901	7,148
Bridgewater boat ramp	-	147,455
Kelly Street playground	-	48,488
BRIC library extension	238,550	-
Janiember Park shade structure	18,182	-
<b>Environment</b>		
Weed and pest program	217,366	208,638
Flood mitigation survey	79,146	-
Flood height markers	575	-
Sustainable water fund project	106,192	-
Loddon River navigation aids	17,111	-
Environmental sustainability strategy	-	76,000

**NOTE 3.4 UNEXPENDED GRANTS (Continued)**

	2017 \$	2016 \$
<b>Other</b>		
Centenary of ANZAC	42,164	42,754
Inglewood war memorial	13,358	-
Improving liveability project	-	11,000
Tobacco reform	5,750	-
Vulnerable family funding	4,474	4,474
School crossing supervisor	14,923	-
Universal access project	-	3,979
Kinder capital grants	27,198	-
Walk to school program	10,000	10,000
Occasional care program	21,780	12,197
Regional assessment officer	7,940	11,116
General revenue grant - Victorian Grants Commission (VGC)	2,339,975	-
Volunteer co-ordination	15,085	16,543
Local roads funding - Victorian Grants Commission (VGC)	1,780,007	-
Home and community care service development	473,888	112,694
Swan Hill packages funding	-	302,694
ANZAC sculptures	149,040	179,470
Stronger regional communities and drought program	-	27,832
Murray River Group of Councils conference trust	-	8,784
KCM initiative	-	1,000
Pyramid Hill fiesta	-	3,000
Youth engagement project	2,045	-
Freeza	6,732	-
Listen, learn and lead program	5,000	-
Planning streamlining for growth	13,053	-
<b>Total unexpended grants</b>	<b>7,683,212</b>	<b>5,225,729</b>

**NOTE 3.5 CONTRIBUTIONS**

	2017 \$	2016 \$
Contributions - operating - monetary	180,134	7,904
Contributions - capital - monetary	40,000	61,965
Contributions - non-monetary	-	-
<b>Total contributions</b>	<b>220,134</b>	<b>69,869</b>

**NOTE 3.6 REIMBURSEMENTS AND SUBSIDIES**

	2017 \$	2016 \$
Main roads maintenance and construction	638,749	629,581
Insurance claims	5,276	3,003
Workcover	108,273	40,778
Fuel rebate	132,895	130,931
Community and recreational facilities	16,676	-
Industrial estates	-	26,696
Emergency management	6,357	50,648
Heritage projects	27,390	-
Contracted staff	36,620	47,453
Other	5,000	2,500
<b>Total reimbursements and subsidies</b>	<b>977,236</b>	<b>931,590</b>

**NOTE 3.7 INTEREST RECEIVED**

	2017 \$	2016 \$
Interest on investments	436,181	476,498
Rates interest	37,992	30,808
<b>Total interest received</b>	<b>474,173</b>	<b>507,306</b>

**NOTE 3.8 NET GAIN/(LOSS) ON DISPOSAL OF PROPERTY, INFRASTRUCTURE, PLANT AND EQUIPMENT**

	2017 \$	2016 \$
<b>Plant and equipment</b>		
Proceeds from sale of plant and equipment	106,999	179,895
LESS : written down value of assets disposed	(137,022)	(305,609)
Profit/(loss) on disposal of plant and equipment	(30,023)	(125,714)
<b>Furniture and equipment</b>		
Proceeds from sale of furniture and equipment	727	1,595
LESS : written down value of assets disposed	(1,116)	(2,621)
Profit / (loss) on disposal of furniture and equipment	(389)	(1,026)
<b>Land and Buildings</b>		
Proceeds from sale of land and buildings	-	150,000
LESS : Written down value of assets disposed	-	(125,941)
Profit / (loss) on disposal of land and buildings	-	24,059
<b>Assets held for sale</b>		
Proceeds from sale of non current assets held for resale	-	-
LESS : written down value of assets disposed	-	-
Profit / (loss) on disposal of assets held for sale	-	-
<b>Total profit / (loss) on disposal of assets</b>	<b>(30,412)</b>	<b>(102,681)</b>
<b>Summary</b>		
Proceeds from disposal of assets	107,726	331,490
LESS : written down value of assets disposed	(138,138)	(434,171)
<b>Net gain / (loss) on property, infrastructure, plant and equipment</b>	<b>(30,412)</b>	<b>(102,681)</b>

## NOTE 3.9 INVESTMENT IN ASSOCIATES

### North Central Goldfields Regional Library Corporation

The Council is a member of the North Central Goldfields Regional Library Corporation. At 30 June 2017 Council's equity was \$273,945. At 30 June 2016 Council's equity in the corporation was \$362,125.

The Council has a 5.21% share of the net assets, and this is calculated on the same ratio as the Shire contributes to the operating costs of the service. At 30 June 2016 the Shire's share of the net assets was 5.39%. Any adjustments required due to the reduction in the share of net assets from 2016 to 2017 is reflected as Variation Account - Change in Equity in the following schedules.

The value of the Council's equity is reflected in Note 9 - Investment in Associates and Joint Ventures. The income or expense for the year is reflected in the Comprehensive Income Statement.

	2017 \$	2016 \$
<b>Council's share of accumulated surplus/(deficit)</b>		
Council's share of accumulated surplus/(deficit) at start of year	170,325	165,136
Share of reported surplus/(deficit) for year	(76,086)	8,800
Variation account - change in equity	(13,173)	(3,611)
Council's share of accumulated surplus/(deficit) at end of year	<b>81,066</b>	<b>170,325</b>
<b>Council's share of reserves</b>		
Council's share of reserves at start of year	191,800	188,844
Variation account - change in equity	1,080	2,956
Council's share of reserves at end of year	<b>192,880</b>	<b>191,800</b>
<b>Movement in carrying value of share in library</b>		
Carrying value of investment at start of year	362,125	353,980
Share of accumulated surplus/(deficit) for the year	(76,086)	8,800
Variation account - change in equity	(12,093)	(655)
Carrying value of share in library investment at end of year	<b>273,945</b>	<b>362,125</b>
<b>Council's share of expenditure commitments</b>		
Operating commitments	15,064	17,873
Capital commitments	4,736	-
	<b>19,800</b>	<b>17,873</b>

### Adjustment to the carrying value of North Central Goldfields Regional Library

	2017 \$	2016 \$
Adjustment to the carrying value of North Central Goldfields Regional Library Corporation	(88,180)	8,145
Total adjustment to the carrying value of North Central Goldfields Regional Library Corporation	<b>(88,180)</b>	<b>8,145</b>

## NOTE 3.10 OTHER INCOME

	2017 \$	2016 \$
Reversal of impairment of assets	166	570
<b>Total other income</b>	<b>166</b>	<b>570</b>

**NOTE 4.1 EMPLOYEE COSTS**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Salaries and wages	8,055,547	7,868,749
Annual leave and long service leave	887,007	906,058
Superannuation expense - Vision Super - defined benefits scheme	87,757	143,636
Superannuation expense - Vision Super - accumulation scheme	459,216	425,265
Superannuation expense - other funds - accumulation scheme	308,090	265,727
Fringe benefits tax and Workcover	205,461	237,350
<b>Total employee costs</b>	<b>10,003,078</b>	<b>9,846,785</b>

**NOTE 4.2 MATERIALS, SERVICES AND CONTRACTS**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Materials and services</b>		
Plant operating costs	736,879	1,040,044
Utility costs	505,528	515,679
Corporate governance	522,842	305,253
Local road materials	247,194	455,283
Flood recovery works	904,284	52,155
Building maintenance	260,899	194,301
Aged care services	249,596	414,245
Training and subscriptions	206,223	258,688
Computer costs and computer programs	375,241	402,331
Office expenses	104,981	117,326
North Central Goldfields Regional Library Corporation	193,801	191,077
Gravel pit operations	2,429	7,508
Community plan projects	49,442	17,776
Recreation reserves allocations	126,952	125,169
Recreation projects	153,736	98,252
Insurances	405,223	413,754
Pool maintenance and strategy	117,562	64,982
Loddon Discovery Tours	41,696	18,587
Main roads materials	46,438	40,213
Parks and gardens maintenance	45,884	97,801
Tips maintenance	98,274	450,162
Families and children	153,800	142,029
Caravan park maintenance	128,386	129,126
Economic development and tourism initiatives	163,503	213,358
Private works materials	33,360	25,079
Public facilities	41,576	-
Community grant projects	223,760	241,086
Community safety	105,795	135,562
Scholarships and leadership programs	13,997	15,624
Workshops and depots	130,594	68,402

**NOTE 4.2 MATERIALS, SERVICES AND CONTRACTS (CONTINUED)**

	2017 \$	2016 \$
<b>Materials and services (continued)</b>		
Youth and transport services	66,551	55,205
Valuations	49,253	17,723
Volunteer services	1,731	2,000
Regulatory services	199,226	109,698
Water services	17,807	112,090
Environment	114,034	40,943
Other materials and services	19,465	50,315
<b>Total materials and services</b>	<b>6,857,942</b>	<b>6,638,826</b>
<b>Contracts</b>		
Flood restoration and design works	101,866	7,700
Building works	1,038,090	-
Economic development and tourism	-	3,771
Garbage collection	651,929	601,336
Pool management	196,115	225,268
Valuations	26,051	153,816
Caravan Parks	121,016	129,274
Cleaning	35,586	35,586
Public facilities	164,889	183,442
Families and children	-	3,500
Corporate governance	84,853	-
Other contracts	26,660	56,131
<b>Total contracts</b>	<b>2,447,055</b>	<b>1,399,824</b>
<b>Total materials, services and contracts</b>	<b>9,304,997</b>	<b>8,038,650</b>

**NOTE 4.3 DEPRECIATION**

	2017 \$	2016 \$
Depreciation expense was charged in respect of:		
Roads	5,575,427	5,230,401
Buildings	1,369,892	1,257,319
Plant and equipment	881,073	794,740
Bridges	332,859	335,457
Urban drains	182,931	184,158
Furniture and equipment	80,024	108,880
Footpaths	129,100	127,819
Kerb and channel	85,753	84,452
Landfills	25,657	186,514
Street furniture	24,691	24,050
Quarries	2,084	2,090
<b>Total depreciation</b>	<b>8,689,491</b>	<b>8,335,880</b>

**NOTE 4.4 BORROWING COSTS**

	2017 \$	2016 \$
Interest - borrowings	-	4,271
<b>Total borrowing costs</b>	<b>-</b>	<b>4,271</b>

**NOTE 4.5 BAD DEBTS EXPENSE**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Rates debtors	31,171	19,192
Sundry debtors	3,151	2,915
<b>Total bad debts expense</b>	<b>34,322</b>	<b>22,107</b>

**NOTE 4.6 OTHER EXPENSES**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Councillors' emoluments	206,385	219,013
Internal audit remuneration	39,458	33,120
External audit remuneration - VAGO - Audit of the financial statements, performance statement and grant acquittals	37,900	32,000
Impairment of interest free loans	3,879	166
<b>Total other expenses</b>	<b>287,622</b>	<b>284,299</b>

**NOTE 5 CASH AND CASH EQUIVALENTS**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Financial</b>		
Cash on hand	4,650	4,650
Cash at bank (CEO's advance account)	4,000	4,000
Cash at bank (general account)	2,663,588	3,552,523
Cash at bank (trust account)	194,837	160,332
Term deposits (original maturity of less than 90 days)	6,805,163	12,229,206
<b>Cash at the end of the period as shown in the statement of cash flows</b>	<b>9,672,238</b>	<b>15,950,711</b>
Comprising:		
Unrestricted cash assets	(124,728)	8,716,165
Cash assets subject to external restrictions	9,796,966	7,234,546
<b>Total cash and cash equivalents</b>	<b>9,672,238</b>	<b>15,950,711</b>

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:

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Restricted funds</b>		
Trust funds (refer Note 13)	404,438	277,094
<b>Intended allocations</b>		
Unspent grants (refer to Note 3.4)	7,683,212	5,225,729
Long service leave (refer to Note 14)	1,709,316	1,731,723
<b>Total restricted and intended allocation funds</b>	<b>9,796,966</b>	<b>7,234,546</b>

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

Refer also to Note 6 for details of other financial assets held by Council.

## NOTE 6 FINANCIAL ASSETS

	2017 \$	2016 \$
<b>Current</b>		
Accrued income	1,131,879	244,876
Prepayments	240,252	390,329
Term deposits (original maturity of 90 days or greater)	12,404,153	1,750,000
<b>Total current</b>	<b>13,776,284</b>	<b>2,385,205</b>
<b>Non-current</b>		
Maps shares	100	100
<b>Total non-current</b>	<b>100</b>	<b>100</b>
<b>Total financial assets</b>	<b>13,776,384</b>	<b>2,385,305</b>

## NOTE 7 TRADE AND OTHER RECEIVABLES

	2017 \$	2016 \$
<b>Current</b>		
<i>Statutory receivables</i>		
Rates debtors	352,528	276,945
LESS provision for doubtful debts	(105,537)	(74,366)
	246,991	202,579
<i>Non statutory receivables</i>		
Sundry debtors	610,802	745,005
Other debtors	101,663	104,543
LESS provision for doubtful debts	(5,084)	(4,190)
Net receivable GST	194,126	117,420
Loans and advances to community organisations	83,613	84,834
	985,120	1,047,612
<b>Total current</b>	<b>1,232,111</b>	<b>1,250,191</b>
<b>Non-current</b>		
<i>Non statutory receivables</i>		
Loans and advances to community organisations	79,921	162,000
<b>Total non-current</b>	<b>79,921</b>	<b>162,000</b>
<b>Total trade and other receivables</b>	<b>1,312,032</b>	<b>1,412,191</b>

## (a) Ageing of receivables

At balance date sundry debtors representing financial assets were past due but not impaired.

The ageing of the Council's trade and other receivables (excluding statutory receivables) was:

	2017 \$	2016 \$
Current (not yet due)	165,269	323,965
Past due by up to 30 days	319,774	122,207
Past due between 31 and 180 days	125,759	298,833
Past due between 181 and 365 days	-	-
<b>Total trade and other receivables</b>	<b>610,802</b>	<b>745,005</b>

**NOTE 7 TRADE AND OTHER RECEIVABLES (CONTINUED)****(b) Movement in provisions for doubtful debts**

	2017 \$	2016 \$
Balance at the beginning of the year	(78,010)	(57,639)
New provisions recognised during the year	(34,322)	(20,107)
Amounts already provided for and written off as uncollectible	1,712	(264)
<b>Balance at end of year</b>	<b>(110,620)</b>	<b>(78,010)</b>

**(c) Ageing of individually impaired receivables**

At balance date, other debtors representing financial assets with a nominal value of \$5,084 (2016: \$4,190) were impaired. The amount of the provision raised against these debtors was \$5,084 (2016: \$4,190).

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:

	2017 \$	2016 \$
Current (not yet due)	-	-
Past due by up to 30 days	-	-
Past due between 31 and 180 days	360	1,405
Past due between 181 and 365 days	4,720	2,634
Past due by more than 1 year	4	151
<b>Total trade and other receivables</b>	<b>5,084</b>	<b>4,190</b>

**NOTE 8 NON CURRENT ASSETS CLASSIFIED AS HELD FOR SALE**

	2017 \$	2016 \$
<b>Non current</b>		
Land at valuation	896,812	197,260
LESS selling costs	(31,388)	(6,904)
<b>Total non current assets held for sale</b>	<b>865,424</b>	<b>190,356</b>

Non current assets held for sale are carried at fair value less the cost of disposal. The following table provides the fair value measurement hierarchy for non current assets held for sale.

Carrying value at 30 June 2017	Fair value measurement at the end of the period using (1)		
	Level 1	Level 2	Level 2
Land	-	865,424	-

(1) - Classified in accordance with the fair value hierarchy - see Note 11

**NOTE 9 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES**

	2017 \$	2016 \$
Equity in North Central Goldfields Regional Library Corporation	273,945	362,125
<b>Total investment in associates and joint ventures</b>	<b>273,945</b>	<b>362,125</b>

**NOTE 10 INTANGIBLE ASSETS**

	2017 \$	2016 \$
<b>Non-current</b>		
Water rights	1,668,430	1,654,362
<b>Total intangible assets</b>	<b>1,668,430</b>	<b>1,654,362</b>

**Reconciliation of movements in intangible assets for the reporting period**

	2017 \$	2016 \$
<b>Water rights</b>		
Gross carrying amount at beginning of period	1,654,362	1,589,445
Additional water rights obtained during the period	-	-
Water rights disposed of during the period	-	-
Revaluation increment (decrement)	14,068	64,917
<b>Gross carrying amount at end of period</b>	<b>1,668,430</b>	<b>1,654,362</b>

Water rights are revalued at 30 June 2017 to the published water trade market rate applying at that date.

**NOTE 11 PROPERTY, INFRASTRUCTURE PLANT AND EQUIPMENT****Summary of property, infrastructure, plant and equipment**

	At fair value 30 June 2016	Acquisitions	Revaluation / Transfers	Depreciation	Disposals	At fair value 30 June 2017
Land	10,041,918	-	675,068	-	(674,560)	10,042,426
Buildings	45,751,429	1,420,958	1,952,160	(1,369,892)	246,508	48,001,163
Plant and equipment	6,985,438	471,643	-	(961,097)	(138,138)	6,357,846
Infrastructure	236,189,642	5,457,368	8,974,340	(6,358,502)	-	244,262,848
Work in progress	4,058,311	433,628	(2,694,787)	-	-	1,797,152
<b>Total</b>	<b>303,026,738</b>	<b>7,783,597</b>	<b>8,906,781</b>	<b>(8,689,491)</b>	<b>(566,190)</b>	<b>310,461,435</b>

**Summary of work in progress**

	Opening WIP	Additions	Transfers	Write Offs	Closing WIP
Buildings	3,668,999	234,552	(3,353,996)	-	549,555
Infrastructure	389,312	199,076	659,209	-	1,247,597
<b>Total</b>	<b>4,058,311</b>	<b>433,628</b>	<b>(2,694,787)</b>	<b>-</b>	<b>1,797,152</b>

	Note	Land	Buildings - specialised	Work in progress	Total land and buildings
<b>Land and Buildings</b>					
At fair value 1 July 2016		10,041,918	80,205,098	3,668,999	93,916,015
Acc depreciation at 1 July 2016		-	(34,453,669)	-	(34,453,669)
		10,041,918	45,751,429	3,668,999	59,462,346
<b>Movements in fair value</b>					
Acquisition of assets at fair value	2	-	1,420,958	234,552	1,655,510
Contributed assets		-	-	-	-
Revaluation increments / (decrements)		330,646	-	-	330,646
Fair value of assets disposed	3.8	(674,560)	-	-	(674,560)
Impairment losses recognised in operating result		-	-	-	-
Transfers between asset classes		344,422	1,952,160	(3,353,996)	(1,057,414)
		508	3,373,118	(3,119,444)	254,182
<b>Movements in acc depreciation</b>					
Depreciation and amortisation	4.3	-	(1,369,892)	-	(1,369,892)
Revaluation (increments) / decrements		-	-	-	-
Acc depreciation of disposals		-	246,508	-	246,508
Impairment losses recognised in operating result		-	-	-	-
		-	(1,123,384)	-	(1,123,384)
At fair value 30 June 2017		10,042,426	83,578,216	549,555	94,170,197
Accumulated depreciation at 30 June 2017		-	(35,577,053)	-	(35,577,053)
<b>Total</b>		<b>10,042,426</b>	<b>48,001,163</b>	<b>549,555</b>	<b>58,593,144</b>

## NOTE 11 PROPERTY, INFRASTRUCTURE PLANT AND EQUIPMENT (CONTINUED)

<b>Plant and equipment</b>	<b>Note</b>	<b>Plant machinery and equipment</b>	<b>Fixtures fittings and furniture</b>	<b>Total plant and equipment</b>
At fair value 1 July 2016		12,635,943	1,113,178	13,749,120
Acc depreciation at 1 July 2016		(5,901,275)	(862,407)	(6,763,682)
		6,734,668	250,771	6,985,438
<b>Movements in fair value</b>				
Acquisition of assets at fair value	2	328,992	142,651	471,643
Contributed assets		-	-	-
Revaluation increments / (decrements)		-	-	-
Fair value of assets disposed	3.8	(376,768)	(31,723)	(408,491)
Impairment losses recognised in operating result		-	-	-
Transfers between asset classes		-	-	-
		(47,776)	110,928	63,152
<b>Movements in acc depreciation</b>				
Depreciation and amortisation	4.3	(881,073)	(80,024)	(961,097)
Acc depreciation of disposals		239,746	30,607	270,353
Impairment losses recognised in operating result		-	-	-
		(641,327)	(49,417)	(690,744)
At fair value 30 June 2017		12,588,167	1,224,106	13,812,272
Accumulated depreciation at 30 June 2017		(6,542,602)	(911,824)	(7,454,426)
<b>Total</b>		<b>6,045,565</b>	<b>312,282</b>	<b>6,357,846</b>

## NOTE 11 PROPERTY, INFRASTRUCTURE PLANT AND EQUIPMENT (CONTINUED)

Infrastructure	Note	Roads	Bridges	Footpaths and cycleways	Kerb and channel	Drainage
At fair value 1 July 2016		304,716,605	33,168,165	6,025,109	5,060,920	14,433,372
Acc depreciation at 1 July 2016		(100,107,764)	(17,034,173)	(1,777,559)	(2,023,316)	(7,255,966)
		204,608,841	16,133,992	4,247,550	3,037,604	7,177,406
<b>Movements in fair value</b>						
Acquisition of assets at fair value	2	4,584,294	301,950	343,551	-	224,043
Revaluation increments / (decrements)		8,329,528	(522,861)	(307,555)	78,078	(92,377)
Fair value of assets disposed	3.8	-	-	-	-	-
Impairment losses recognised in operating result		-	-	-	-	-
Transfers between asset classes		327,809	-	2,337	-	-
		13,241,631	220,911	38,333	78,078	131,666
<b>Movements in acc depreciation</b>						
Depreciation and amortisation	4.3	(5,575,427)	(332,859)	(129,100)	(85,753)	(182,931)
Revaluation (increments)/decrements		337,656	482,393	(80,658)	87,189	231,258
Acc depreciation of disposals		-	-	-	-	-
Impairment losses recognised in operating result		-	-	-	-	-
		(5,237,771)	149,534	(209,758)	1,436	48,327
At fair value 30 June 2017		317,958,236	32,947,254	6,063,442	5,138,998	14,565,038
Accumulated depreciation at 30 June 2017		(105,345,535)	(16,884,639)	(1,987,317)	(2,021,880)	(7,207,639)
		<b>212,612,701</b>	<b>16,062,615</b>	<b>4,076,125</b>	<b>3,117,118</b>	<b>7,357,399</b>

Infrastructure (continued)	Note	Quarries	Street Furniture	Landfills	Work In Progress	Total Infrastructure
At fair value 1 July 2016		58,507	646,845	1,994,306	389,312	366,493,141
Acc depreciation at 1 July 2016		(20,872)	(158,056)	(1,536,481)	-	(129,914,187)
		37,635	488,789	457,825	389,312	236,578,954
<b>Movements in fair value</b>						
Acquisition of assets at fair value	2	-	3,530	-	199,076	5,656,444
Revaluation increments / (decrements)		-	13,129	-	-	7,497,942
Fair value of assets disposed	3.8	-	-	-	-	-
Impairment losses recognised in operating result		-	-	-	-	-
Transfers between asset classes		-	68,060	-	659,209	1,057,415
		-	84,719	-	858,285	14,211,801
<b>Movements in acc depreciation</b>						
Depreciation and amortisation	4.3	(2,084)	(24,691)	(25,657)	-	(6,358,502)
Revaluation (increments)/decrements		-	20,354	-	-	1,078,192
Acc depreciation of disposals		-	-	-	-	-
Impairment losses recognised in operating result		-	-	-	-	-
		(2,084)	(4,337)	(25,657)	-	(5,280,310)
At fair value 30 June 2017		58,507	731,564	1,994,306	1,247,597	380,704,942
Accumulated depreciation at 30 June 2017		(22,956)	(162,393)	(1,562,138)	-	(135,194,497)
		<b>35,551</b>	<b>569,171</b>	<b>432,168</b>	<b>1,247,597</b>	<b>245,510,445</b>

## NOTE 11 PROPERTY, INFRASTRUCTURE PLANT AND EQUIPMENT (CONTINUED)

### 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 englobo (undeveloped and / or unserviced) characteristics, access rights and private interests of other parties and entitlements of infrastructure assets and services. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the Comprehensive Income Statement.

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

The date of the current valuation is detailed in the following table. A full revaluation of these will be conducted in 2017/18.

Details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2017 are as follows:

	Level 1	Level 2	Level 3	Date of valuation
Land	-	2,053,018	7,989,408	30/6/2016
Specialised land	-	-	-	30/6/2016
Buildings	-	-	-	30/6/2016
Specialised buildings	-	3,639,586	75,974,582	30/6/2016
<b>TOTAL</b>	-	<b>5,692,604</b>	<b>83,963,990</b>	

### Valuation of infrastructure

A valuation of Council's, infrastructure assets was performed by Indivar Dhakal, Asset Engineer of the Loddon Shire Council, as at 30 June 2017.

There were no changes in valuation techniques throughout the period to 30 June 2017.

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.

## NOTE 11 PROPERTY, INFRASTRUCTURE PLANT AND EQUIPMENT (CONTINUED)

### Valuation of infrastructure (continued)

Details of the Council's infrastructure and information about the fair value hierarchy as at 30 June 2017 are as follows:

	Level 1	Level 2	Level 3	Date of valuation
Unsealed roads formation	-	-	12,709,233	30/6/2017
Unsealed roads pavement	-	-	53,489,717	30/6/2017
Road seal	-	-	15,446,852	30/6/2017
Sealed roads pavement	-	-	214,277,776	30/6/2017
Sealed road formation	-	-	8,642,180	30/6/2017
Footpaths	-	-	6,063,442	30/6/2017
Culverts	-	-	13,392,477	30/6/2017
Bridges	-	-	32,947,254	30/6/2017
Kerb and channel	-	-	5,138,998	30/6/2017
Urban drains	-	-	14,565,038	30/6/2017
Street furniture	-	-	731,564	30/6/2017
Landfills	-	-	1,994,306	30/6/2017
Quarries	-	-	58,507	30/6/2017
<b>TOTAL</b>	-	-	<b>379,457,344</b>	

### Description of significant unobservable inputs into level 3 valuations

*Specialised land and land under roads* is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 5% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$1 and \$120 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 \$1 to \$420 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 33 years to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

*Infrastructure assets* are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 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

	2017	2016
	\$	\$
Land under roads	-	-
Parks and reserves	-	-
	-	-

**NOTE 12 TRADE AND OTHER PAYABLES**

	2017 \$	2016 \$
<b>Current</b>		
Trade creditors	325,882	61,963
Accrued wages & salaries	143,565	134,243
Accrued expenses	172,917	494,717
<b>TOTAL TRADE AND OTHER PAYABLES</b>	<b>642,364</b>	<b>690,923</b>

**NOTE 13 TRUST FUNDS AND DEPOSITS**

	2017 \$	2016 \$
<b>Current</b>		
Contract retentions	109,142	26,907
Fire services property levy	55,486	48,232
Building sureties	43,340	39,990
Unclaimed monies	157	157
Other refundable deposits:		
St Andrews church repair fund	1,476	1,476
Wedderburn pre school investment	194,837	160,332
<b>TOTAL CURRENT TRUST FUNDS AND DEPOSITS</b>	<b>404,438</b>	<b>277,094</b>

The nature and purpose of trust funds and deposits held at the reporting date are:

**Contract retentions**

Council collects contract retentions under normal commercial practice. These amounts are refundable to the contractor after the satisfactory completion of a warranty period.

**Fire Services Property Levy**

Council holds these funds on behalf of the State Revenue Office and remits the current holdings quarterly.

**Building sureties**

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 14 PROVISIONS

## 2017

	Annual leave	Long service leave	RDOs	Landfill rehabilitation	Gravel pit rehabilitation	Total
Balance at beginning of the financial year	732,554	1,731,723	112,295	1,825,773	49,088	4,451,433
Additional provisions	741,021	237,264	559,274	-	5,507	1,543,066
Amounts used	(687,503)	(199,504)	(562,285)	(593,424)	-	(2,042,716)
Variation in the discounted amount arising because of time and the effect of any change in the discount rate	-	(60,167)	-	-	-	(60,167)
Balance at the end of the financial year	<b>786,072</b>	<b>1,709,316</b>	<b>109,284</b>	<b>1,232,349</b>	<b>54,595</b>	<b>3,891,616</b>

## 2016

	Annual leave	Long service leave	RDOs	Landfill rehabilitation	Gravel pit rehabilitation	Total
Balance at beginning of the financial year	828,116	1,843,377	106,218	1,790,496	54,360	4,622,567
Additional provisions	656,573	53,369	518,574	35,277	-	1,263,793
Amounts used	(752,135)	(153,923)	(512,497)	-	-	(1,418,555)
Variation in the discounted amount arising because of time and the effect of any change in the discount rate	-	(11,100)	-	-	(5,272)	(16,372)
Balance at the end of the financial year	<b>732,554</b>	<b>1,731,723</b>	<b>112,295</b>	<b>1,825,773</b>	<b>49,088</b>	<b>4,451,433</b>

**NOTE 14 PROVISIONS (CONTINUED)****(a) Employee benefits**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Annual leave	786,072	732,554
Long service leave	1,297,314	1,282,363
RDOs	109,284	112,295
<b>Total current</b>	<b>2,192,670</b>	<b>2,127,212</b>
<b>Non-current</b>		
Long service leave	412,002	449,360
<b>Total non-current</b>	<b>412,002</b>	<b>449,360</b>
Aggregate carrying amount of employee benefits		
Current	2,192,670	2,127,212
Non-current	412,002	449,360
<b>Total employee benefits</b>	<b>2,604,672</b>	<b>2,576,572</b>
The following assumptions were adopted in measuring the present value of long service leave:		
Weighted average increase in employee costs	5.69%	7.02%
Weighted average discount rates	2.99%	3.33%
Weighted average settlement period	21 months	21 months

In accordance with the accounting standards, employee benefits that are presently entitled are included as current liabilities, however, the expectation of expenditure for these provisions is:

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Within 12 months:</b>		
Annual leave	628,858	595,058
Long service leave	170,932	170,000
RDOs	109,284	112,295
<b>Total within 12 months</b>	<b>909,074</b>	<b>877,353</b>
<b>After 12 months:</b>		
Annual leave	157,214	137,496
Long service leave	1,538,384	1,561,723
<b>Total after 12 months</b>	<b>1,695,598</b>	<b>1,699,219</b>
<b>Total employee benefits</b>	<b>2,604,672</b>	<b>2,576,572</b>

**NOTE 14 PROVISIONS (CONTINUED)****(b) Tip rehabilitation**

Council is obligated to restore landfill sites to a particular standard. Current engineering projections indicate that the eight landfill sites across the Shire will have all ceased operation by 2035 and restoration work is expected to commence shortly thereafter. 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.

Council does not expect to receive reimbursement from a third party.

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Non-current	1,232,349	1,825,773
<b>Total</b>	<b>1,232,349</b>	<b>1,825,773</b>

The following assumptions were adopted in measuring the present value of tip rehabilitation:

Weighted average increase in costs	2.32%	1.73%
Weighted average discount rates	1.93%	1.93%
Weighted average settlement period	19 years	15 years

**(c) Gravel pit rehabilitation**

Council is obligated to restore gravel pit sites to a particular standard. Current engineering projections indicate that the Neivandt's quarry site will have ceased operation by 2040 and restoration work is expected to commence shortly thereafter. 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.

Council does not expect to receive reimbursement from a third party.

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Non-current	54,595	49,088
<b>Total</b>	<b>54,595</b>	<b>49,088</b>

The following assumptions were adopted in measuring the present value of gravel pit rehabilitation:

Weighted average increase in costs	2.32%	1.73%
Weighted average discount rates	1.93%	1.93%
Weighted average settlement period	18 years	19 years

**NOTE 15 INTEREST BEARING LOANS AND BORROWINGS**

	2017 \$	2016 \$
<b>Current</b>		
Borrowings - secured	-	-
<b>Total current</b>	-	-
<b>Non-current</b>		
Borrowings - secured	-	-
Total non-current	-	-
<b>Total interest bearing loans and borrowings</b>	-	-
The maturity profile for Council's borrowings is:		
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	-	-
<b>Total interest bearing loans and borrowings</b>	-	-

**NOTE 16 RESERVES****(a) Asset revaluation reserve****2017**

	Balance at beginning of reporting period \$	Revaluation increment / (decrement) \$	Net movement for the reporting period \$	Balance at end of the reporting period \$
<b>Property</b>				
Land	8,034,742	(97,405)	(97,405)	7,937,337
Buildings	31,971,201	-	-	31,971,201
	40,005,943	(97,405)	(97,405)	39,908,538
<b>Infrastructure assets</b>				
Sealed roads	115,781,124	5,179,646	5,179,646	120,960,770
Unsealed roads	42,436,348	3,487,539	3,487,539	45,923,887
Footpaths	2,010,522	(388,213)	(388,213)	1,622,309
Street furniture	85,637	33,483	33,483	119,120
Kerbs	220,378	165,267	165,267	385,645
Bridges	7,040,571	(40,468)	(40,468)	7,000,103
Drains	377,888	138,881	138,881	516,769
Other infrastructure	167,952,468	8,576,135	8,576,135	176,528,603
<b>Total tangible assets</b>	207,958,411	8,478,730	8,478,730	216,437,141
<b>Intangible assets</b>				
Water rights	717,316	14,068	14,068	731,384
<b>Total</b>	<b>208,675,727</b>	<b>8,492,798</b>	<b>8,492,798</b>	<b>217,168,524</b>

**2016**

	Balance at beginning of reporting period \$	Revaluation increment / (decrement) \$	Net movement for the reporting period \$	Balance at end of the reporting period \$
<b>Property</b>				
Land	6,910,050	1,124,692	1,124,692	8,034,742
Buildings	25,752,083	6,219,118	6,219,118	31,971,201
	32,662,133	7,343,810	7,343,810	40,005,943
<b>Infrastructure assets</b>				
Sealed roads	112,844,856	2,936,268	2,936,268	115,781,124
Unsealed roads	38,821,855	3,614,493	3,614,493	42,436,348
Footpaths	1,959,459	51,063	51,063	2,010,522
Street furniture	56,231	29,406	29,406	85,637
Kerbs	227,793	(7,415)	(7,415)	220,378
Bridges	6,716,203	324,368	324,368	7,040,571
Drains	166,724	211,164	211,164	377,888
Other infrastructure	160,793,121	7,159,347	7,159,347	167,952,468
<b>Total tangible assets</b>	193,455,254	14,503,157	14,503,157	207,958,411
<b>Intangible assets</b>				
Water rights	652,399	64,917	64,917	717,316
<b>Total</b>	<b>194,107,653</b>	<b>14,568,074</b>	<b>14,568,074</b>	<b>208,675,726</b>

**NOTE 16 RESERVES (CONTINUED)****(b) General reserves****2017**

	Balance at beginning of reporting period \$	Transfer from accumulated surplus \$	Transfer to accumulated surplus \$	Balance at end of reporting period \$
Land and buildings reserve	303,400	-	(23,046)	280,354
Capital expenditure reserve	3,037,963	3,141,720	(3,037,963)	3,141,720
Caravan park development reserve	85,982	199,239	(20,254)	264,967
Community planning reserve	476,514	901,067	(476,514)	901,067
Economic development reserve	163,180	2,203	(45,348)	120,035
Fleet replacement reserve	427,424	304,740	(55,319)	676,845
Gravel and sand pit (GSP) restoration reserve	719,738	69,029	(15,064)	773,703
Heritage loan scheme reserve	72,610	27,390	-	100,000
Information technology reserve	977,623	485,000	(236,154)	1,226,469
Little Lake Boort water reserve	17,815	2,488	-	20,303
Landfill rehabilitation reserve	263,527	33,620	(14,000)	283,147
Major projects reserve	95,752	55,000	(50,956)	99,796
Plant replacement reserve	1,075,344	850,000	(155,484)	1,769,860
Professional development reserve	19,919	4,000	(26,037)	(2,118)
Rates reserve	229,206	-	(229,206)	-
Recreation facilities improvement reserve	100,000	-	-	100,000
Skidders Flat water reserve	12,908	-	-	12,908
Swimming pool major projects reserve	-	50,000	-	50,000
Unfunded superannuation liability reserve	1,000,000	-	-	1,000,000
Units reserve	64,994	12,135	-	77,129
Unsuitably premises enforcement provision reserve	-	100,000	-	100,000
Unspent contributions reserve	-	987	-	987
Unspent grants reserve	5,225,729	7,683,212	(5,225,729)	7,683,212
Urban drainage reserve	528,588	254,650	(78,687)	704,551
Valuations reserve	122,967	95,456	(27,528)	190,895
War memorial reserve	3,000	-	-	3,000
<b>Total</b>	<b>15,024,183</b>	<b>14,271,936</b>	<b>(9,717,289)</b>	<b>19,578,830</b>

**NOTE 16 RESERVES (CONTINUED)****(b) General reserves (continued)****2016**

	Balance at beginning of reporting period \$	Transfer from accumulated surplus \$	Transfer to accumulated surplus \$	Balance at end of reporting period \$
Land and buildings reserve	213,400	90,000	-	303,400
Capital expenditure reserve	1,881,189	3,037,963	(1,881,189)	3,037,963
Caravan park development reserve	10,204	239,978	(164,200)	85,982
Community planning reserve	328,302	476,514	(328,302)	476,514
Economic development reserve	436,744	60,000	(333,564)	163,180
Fleet replacement reserve	285,229	291,000	(148,805)	427,424
Gravel and sand pit (GSP) restoration reserve	615,549	105,596	(1,407)	719,738
Heritage loan scheme reserve	72,610	-	-	72,610
Information technology reserve	485,697	750,000	(258,074)	977,623
Little Lake Boort water reserve	19,494	10,420	(12,099)	17,815
Landfill rehabilitation reserve	230,337	33,190	-	263,527
Major projects reserve	600,152	80,000	(584,400)	95,752
Plant replacement reserve	1,956,969	824,000	(1,705,625)	1,075,344
Professional development reserve	51,946	10,000	(42,027)	19,919
Rates reserve	351,469	8,791	(131,054)	229,206
Recreation facilities improvement reserve	100,000	-	-	100,000
Skidders Flat water reserve	18,503	-	(5,595)	12,908
Swimming pool major projects reserve	-	-	-	-
Unfunded superannuation liability reserve	1,000,000	-	-	1,000,000
Units reserve	50,560	14,434	-	64,994
Unsuitably premises enforcement provision reserve	-	-	-	-
Unspent contributions reserve	-	-	-	-
Unspent grants reserve	7,197,967	5,225,729	(7,197,967)	5,225,729
Urban drainage reserve	429,527	100,000	(939)	528,588
Valuations reserve	197,134	79,872	(154,039)	122,967
War memorial reserve	3,000	-	-	3,000
<b>Total</b>	<b>16,535,982</b>	<b>11,437,487</b>	<b>(12,949,286)</b>	<b>15,024,183</b>

## NOTE 16 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.

##### 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 the restoration of gravel and sand pits used by Council for the extraction of road building materials. Council transfers from the reserve the annual cost of quarry rehabilitation, and transfers to the reserve profit made from gravel 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.

##### 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.

**NOTE 16 RESERVES (CONTINUED)****(b) General reserves (continued)****Purpose of general reserves (continued)****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.

**Landfill rehabilitation reserve**

The landfill rehabilitation reserve has been established to assist with the cost of rehabilitating Council's landfills. 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 landfill rehabilitation.

**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.

**Rates reserve**

The rates reserve has been established to offset the effect of unbundling of water rights from Council valuations from 1 July 2007, and the subsequent effect that this will have on Council's ability to raise rates on the affected properties in the 2008/09 and future rating periods. Movements are in accordance with Council's Rating Strategy.

**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.

**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 16 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.

##### 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.

## NOTE 17 COMMITMENTS FOR EXPENDITURE

At the reporting date Council had entered into contracts with external parties for the following operating and capital expenditure:

### 2017

	Not later than 1 year \$	Later than 1 year and not later than 2 \$	Later than 2 years and not later than 5 \$	Later than 5 years \$	Total \$
<b>Operating</b>					
Environment services	745,588	745,588	1,366,911	-	2,858,087
Insurance services	468,980	-	-	-	468,980
Caravan park operations	139,710	40,000	-	-	179,710
Library corporation	201,226	201,226	201,226	-	603,678
Valuation services	159,656	-	-	-	159,656
Swimming pool services	174,826	174,826	-	-	349,652
HACC recall of funds	109,000	-	-	-	109,000
Cleaning services	159,446	159,446	159,446	-	478,338
Internal audit	27,950	27,950	-	-	55,900
<b>Operating commitments for expenditure</b>	<b>2,186,382</b>	<b>1,349,036</b>	<b>1,727,583</b>	<b>-</b>	<b>5,263,001</b>
<b>Capital</b>					
Wedderburn depot	180,536	-	-	-	180,536
Soldiers Memorial Park sculpture	102,745	-	-	-	102,745
Wedderburn streetscape	1,718,441	-	-	-	1,718,441
Serpentine pavilion	52,578	-	-	-	52,578
Inglewood War Memorial works	13,000	-	-	-	13,000
<b>Capital commitments for expenditure</b>	<b>2,067,300</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,067,300</b>
<b>Total commitments for expenditure</b>	<b>4,253,682</b>	<b>1,349,036</b>	<b>1,727,583</b>	<b>-</b>	<b>7,330,301</b>

### 2016

	Not later than 1 year \$	Later than 1 year and not later than 2 \$	Later than 2 years and not later than 5 \$	Later than 5 years \$	Total \$
<b>Operating</b>					
Environment services	610,101	622,300	1,942,800	-	3,175,201
Insurance services	333,269	-	-	-	333,269
Caravan park operations	10,900	-	-	-	10,900
Library corporation	193,801	193,801	387,602	-	775,204
Cleaning services	11,862	-	-	-	11,862
Internal audit	29,250	27,950	27,950	-	85,150
<b>Operating commitments for expenditure</b>	<b>1,189,183</b>	<b>844,051</b>	<b>2,358,352</b>	<b>-</b>	<b>4,391,586</b>
<b>Capital</b>					
Inglewood Town Hall	400,000	-	-	-	400,000
Nolens Park playground	57,980	-	-	-	57,980
Wedderburn streetscape	1,846,263	-	-	-	1,846,263
Serpentine pavilion	1,116,726	-	-	-	1,116,726
Albert Street Pyramid Hill	198,490	-	-	-	198,490
Ridge and Yelka Street Wedderburn	29,678	-	-	-	29,678
Bridgewater boat ramp	202,115	-	-	-	202,115
Pyramid Hill Hall restumping	25,665	-	-	-	25,665
<b>Capital commitments for expenditure</b>	<b>3,876,917</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,876,917</b>
<b>Total commitments for expenditure</b>	<b>5,066,100</b>	<b>844,051</b>	<b>2,358,352</b>	<b>-</b>	<b>8,268,503</b>

## NOTE 18 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 2017, 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 defined benefit liabilities, assets or costs between the participating employers, as the defined benefit obligation is a floating obligation between the participating employers, and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of Loddon Shire Council in the Fund cannot be measured as a percentage compared with other participating employers. Therefore the Actuary is unable to allocate benefit liabilities, assets and costs between employees for the purposes of AASB 119.

### Funding arrangements

Council makes employer contributions to the defined benefit category of the fund at rates determined by the Trustee on the advice of the Actuary.

At 30 June 2016, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 102.0%. To determine the VBI, the fund Actuary used the following long-term assumptions:

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

Vision Super has reported that the VBI at 30 June 2017 was estimated at 103.1%. The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 2016 interim actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefits category's funding arrangements from prior years.

### Employer contributions

#### Regular contributions

On the basis of the results of the 2016 interim actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2017, this rate was 9.5% of members' salaries (9.5% in 2015/16). This rate will increase in line with any increase to the Superannuation Guarantee (SG) contribution rate.

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

## NOTE 18 SUPERANNUATION (CONTINUED)

### Employer contributions (continued)

#### *Funding calls*

If the defined benefit category is in an unsatisfactory financial position at 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.

#### **2016 Interim actuarial investigation surplus amounts**

The Fund's latest actuarial investigation as at 30 June 2016 identified the following in the defined benefit category of which Loddon Shire Council is a contributing employer:

- A VBI surplus of \$40.3 million; and
- A total service liability surplus of \$156 million.

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2016.

The total service liability surplus means that the current value of the assets in the Fund's defined benefit category plus expected future contributions exceeds the value of expected future benefits and expenses.

Council was notified of the 30 June 2016 VBI during August 2016.

#### **2017 Full triennial actuarial investigation**

A full actuarial investigation is being conducted for the Fund's position as at 30 June 2017. It is anticipated that this actuarial investigation will be completed in December 2017.

#### **Future superannuation contributions**

In addition to the disclosed contributions, Loddon Shire Council has paid no unfunded liability payments to Vision Super in 2016/17 or 2015/16. There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2017. The expected contributions to be paid to the Defined benefit category of Vision Super for the year ending 30 June 2018 is \$80,000.

**NOTE 18 SUPERANNUATION (CONTINUED)****Superannuation contributions**

Contributions paid by Loddon Shire Council (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2017 are detailed below:

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Defined Benefit Fund</b>		
Employer contributions to Local Authorities Superannuation Fund (Vision)	<b>87,757</b>	<b>143,636</b>
<b>Accumulation Funds</b>		
Employer contributions to Local Authorities Superannuation Fund (Vision)	<b>459,216</b>	<b>425,265</b>
<b>Superannuation Fund</b>		
AMP Flexible Lifetime Super	7,122	5,972
Australian Super	31,051	26,653
BT Lifetime Super	5,612	5,491
Cbus	21,400	19,531
Colonial First State Super	13,037	14,636
Commonwealth Super Select	6,591	-
First State Super	19,726	14,656
Health Super Fund	-	440
Hesta Super	14,109	14,764
IOOF Portfolio Super Fund	9,290	8,961
Local Government Super	30,281	10,111
Media Super	5,929	5,972
MLC Personal Super	9,497	2,450
MTAA Superannuation	6,003	6,173
Plum Superannuation Fund	6,253	10,798
Prime Super	14,019	14,272
Pursuit Select Superannuation	10,845	10,941
Quadrant Superannuation	-	7,619
REST Super	14,944	11,880
Tasplan Superannuation Fund	7,564	-
Telstra Super	5,324	5,470
UniSuper Super	11,664	5,438
VicSuper	34,870	50,236
Other minor funds	22,959	13,263
<b>Total - Other superannuation funds</b>	<b>308,090</b>	<b>265,727</b>

Council has paid unfunded liability payments to Vision Super totalling \$0 during 2016/17 (2015/16 \$0).

There were no contributions outstanding to the above schemes as at 30 June 2017.

For more information regarding superannuation, refer to Note 19, Contingent Liabilities.

## NOTE 19 CONTINGENT LIABILITIES

At the reporting date, the municipality was aware of the following contingent liabilities:

(a) Council has obligations under a defined benefit superannuation scheme that may result in the need to make additional contributions to the scheme, matters relating to this potential obligation are outlined in Note 18. 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.

## NOTE 20 RELATED PARTY DISCLOSURES

### (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:

#### Councillors:

Cr Neil Beattie (Mayor from July 2016 to June 2017)  
 Cr Geoff Curnow (Councillor from July 2016 to June 2017)  
 Cr Gavan Holt (Councillor from July 2016 to June 2017)  
 Cr Colleen Condliffe (Councillor from July 2016 to June 2017)  
 Cr Cheryl McKinnon (Councillor from July 2016 to June 2017)

#### Chief Executive Officer (CEO):

Mrs Marg Allan (From July 2016 to July 2016)  
 Mr Phil Pinyon (From July 2016 to June 2017)

### (b) Remuneration of key management personnel

Total remuneration of key management personnel was as follows:

	2017	2016
	\$	\$
Short-term benefits	455,293	400,593
Long-term benefits	-	-
Termination benefits	-	-
<b>Total</b>	<b>455,293</b>	<b>400,593</b>

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

Income range	2017	2016
	number	number
\$10,000 - \$19,999	1	0
\$20,000 - \$29,999	3	3
\$30,000 - \$39,999	1	1
\$40,000 - \$49,999	0	1
\$60,000 - \$69,999	0	1
\$80,000 - \$89,999	1	0
\$180,000 - \$189,999	0	1
\$230,000 - \$239,999	1	0
	<b>7</b>	<b>7</b>

**NOTE 20 RELATED PARTY TRANSACTIONS (CONTINUED)****(b) Remuneration of key management personnel (continued)**

No officers acted in the role of Chief Executive Officer in 2016/17 (Two people in 2015/16):

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

**(c) 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 2015/16).

**(d) Outstanding balanced 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 2015/16).

**(e) 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 2015/16).

**(f) 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 2015/16).

**(g) Senior officers' remuneration**

A senior officer is an officer of Council, other than Key Management Personnel who has management responsibilities and reports directly to the Chief Executive Officer.

The number of senior officers other than responsible persons, are shown below in their relevant income bands:

<b>Income range</b>	<b>2016/17 number</b>	<b>2015/16 number</b>
Under \$130,000	2	0
\$130,000 - \$139,999	1	0
\$140,000 - \$149,999	0	1
\$150,000 - \$159,999	1	3
\$180,000 - \$189,999	1	0
	<u>5</u>	<u>4</u>

Total remuneration for the reporting period of senior officers included above amounted to \$593,963 in 2016/17 (\$610,725 in 2015/16).

## NOTE 21 FINANCIAL INSTRUMENTS

### (a) Objectives and policies

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

### (b) Market risk

Market risk is the risk that the fair value or future cash flows of 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.

### (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 2017. Details of contingent liabilities are disclosed in Note 19.

## NOTE 21 FINANCIAL INSTRUMENTS (CONTINUED)

### (c) Credit risk (continued)

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. Details of the maturity profile for borrowings are disclosed at Note 15.

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

### (e) Fair value

#### *Fair value hierarchy*

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

### (f) Sensitivity disclosure analysis

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

- A parallel shift of + 1.5% and -1.5% in market interest rates (AUD) from year-end rates of 2.55%.

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 22 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO SURPLUS / (DEFICIT)

	2017 \$	2016 \$
Surplus / (deficit) for the period	4,361,511	(328,142)
Depreciation	8,689,491	8,335,880
(Profit) / loss on disposal of assets	30,412	102,681
Impairment of financial assets	3,879	166
Reversal of impairment of assets	(166)	(570)
Bad debts expense	34,322	22,107
Share of other comprehensive income of associates	76,086	(8,800)
<b>Change in assets and liabilities</b>		
(Increase) / decrease in receivables (net of advances)	16,859	1,119,656
(Increase) / decrease in accrued income	(887,003)	227,792
(Increase) / decrease in prepayments	150,077	(129,307)
(Increase) / decrease in other assets and liabilities	(122,503)	(7,522)
Increase / (decrease) in trust funds and deposits	127,344	(49,275)
(Increase) / decrease in inventories	11,848	42,314
Increase / (decrease) in payables	(48,559)	(133,482)
Increase / (decrease) in employee benefits	28,100	(201,139)
Increase / (decrease) in other provisions	(587,917)	30,005
(Increase) / decrease in library equity	88,180	(8,145)
<b>Net cash provided by / used by operating activities</b>	<b>11,971,961</b>	<b>9,014,219</b>

## NOTE 23 RECONCILIATION OF CASH AND CASH EQUIVALENTS

	2017 \$	2016 \$
Cash and cash equivalents (see Note 5)	9,672,238	15,950,711
Less bank overdraft used	-	-
<b>Net cash and cash equivalents</b>	<b>9,672,238</b>	<b>15,950,711</b>

## NOTE 24 FINANCING ARRANGEMENTS

	2017 \$	2016 \$
Bank overdraft	500,000	500,000
Used facilities	-	-
<b>Unused facilities</b>	<b>500,000</b>	<b>500,000</b>

## NOTE 25 OPERATING LEASES

At reporting date Council had entered into commercial property leases on various land and buildings. These properties, held under operating leases have remaining cancellable lease terms of between 1 and 20 years. Some of the leases include a consumer price index based review of the annual rental charged.

	2017 \$	2016 \$
Not later than 1 year	33,035	26,817
Later than 1 year and not later than 2 years	97,461	21,461
Later than 2 years and not later than 5 years	295,272	67,272
<b>Total leases</b>	<b>425,768</b>	<b>115,550</b>

## NOTE 26 AUDITORS' REMUNERATION

	2017 \$	2016 \$
Audit fee to conduct external audit - VAGO	37,900	32,000
Internal audit fees	39,458	33,120
<b>Total</b>	<b>77,358</b>	<b>65,120</b>

## NOTE 27 EVENTS OCCURRING AFTER BALANCE DATE

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

## 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, 8, 17  
 SHARON ROSEMARIE MORRISON BA (POLITICS), LLB (HONS), GDLP, DIP BUS, CERT IV HR,  
 PRINCIPAL ACCOUNTING OFFICER

In our opinion the accompanying financial statements present fairly the financial transactions of the Loddon Shire Council for the year ended 30 June 2017 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: 22/8/2017  
 NEIL EDWARD BEATTIE, MAYOR

Signed:  Date: 22/8/2017  
 GAVAN LINDSAY HOLT, COUNCILLOR

Signed:  Date: 22/8/2017  
 PHILIP LEONARD PINYON, CHIEF EXECUTIVE OFFICER

## Independent Auditor's Report

To the Councillors of Loddon Shire Council

<b>Opinion</b>	<p>I have audited the financial report of Loddon Shire Council (the council) which comprises the:</p> <ul style="list-style-type: none"> <li>• balance sheet as at 30 June 2017</li> <li>• comprehensive income statement for the year then ended</li> <li>• statement of changes in equity for the year then ended</li> <li>• statement of cash flows for the year then ended</li> <li>• statement of capital works for the year then ended</li> <li>• notes to the financial statements, including a summary of significant accounting policies</li> <li>• certification of the financial statements.</li> </ul> <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the council as at 30 June 2017 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>
<b>Basis for Opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. My responsibilities under the Act are further described 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 Australia. 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>
<b>Councillors's responsibilities for the financial report</b>	<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, and using the going concern basis of accounting unless it is inappropriate to do so.</p>

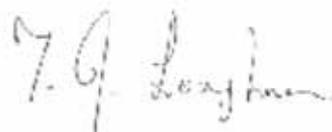
**Auditor's responsibilities for the audit of the financial report** As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole 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.

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:

- 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 our 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.

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.

MELBOURNE  
29 August 2017



Tim Loughnan  
as delegate for the Auditor-General of Victoria