



Financial statements

Year ending 30 June 2018

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CERTIFICATION OF FINANCIAL STATEMENTS

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

Signed:  Date: 28, 8, 18.
 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 2018 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: 28, 8, 18
 CHERYL ANNETTE MCKINNON, MAYOR

Signed:  Date: 28, 8, 18
 GAVAN LINDSAY HOLT, COUNCILLOR

Signed:  Date: 28, 8, 18
 PHILIP LEONARD PINYON, CHIEF EXECUTIVE OFFICER

Independent Auditor's Report

To the Councillors of Loddon Shire Council

Opinion	<p>I have audited the financial report of Loddon Shire Council (the council) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2018 • comprehensive income statement for the year then ended • statement of changes in equity for the year then ended • statement of cash flows for the year then ended • notes to the financial statements, including significant accounting policies • certification of the financial statements. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the council as at 30 June 2018 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 6 of the <i>Local Government Act 1989</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's <i>APES 110 Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Councillors' responsibilities for the financial report	<p>The Councillors of the council are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Local Government Act 1989</i>, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Councillors are responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

Auditor's responsibilities for the audit of the financial report

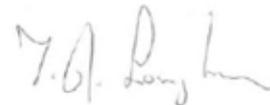
As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and 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 my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the council's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Councillors
- conclude on the appropriateness of the Councillors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the council to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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
30 August 2018



Tim Loughnan
as delegate for the Auditor-General of Victoria

COMPREHENSIVE INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$	2017 \$
Income			
Rates and charges	2.1	10,445,501	10,102,693
Statutory fees and fines	2.2	403,422	304,599
User fees	2.3	1,588,792	1,708,805
Grants - operating	2.4	14,846,183	15,307,948
Grants - capital	2.4	4,057,747	3,691,765
Contributions - monetary	2.5	41,775	220,134
Reimbursements and subsidies	2.6	1,072,221	977,236
Interest earnings	2.8	508,561	474,173
Share of net profits of associates and joint ventures	5.3	2,264	-
Other income	2.9	3,879	166
Total income		32,970,345	32,787,519
Expenses			
Employee costs	3.1	10,851,796	10,003,078
Materials and services	3.2	13,311,521	9,304,997
Depreciation and amortisation	3.3	9,233,178	8,689,491
Bad debts expense	3.4	21,086	34,322
Other expenses	3.5	302,948	287,622
Net loss on disposal of property, infrastructure, plant and equipment	2.7	68,428	30,412
Share of net profits of associates and joint ventures	5.3	-	76,086
Total expenses		33,788,957	28,426,008
Surplus / (deficit) for year		(818,612)	4,361,511
Other comprehensive income			
<i>Items that will not be reclassified to surplus or deficit</i>			
Net asset revaluation increment/(decrement)	8.1a	30,218,843	8,492,798
Share of other comprehensive income of associates and joint ventures accounted for by the equity method	5.3	(4,829)	(12,093)
Total comprehensive result		29,395,402	12,842,216

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

BALANCE SHEET AS AT 30 JUNE 2018

	Note	2018 \$	2017 \$
Assets			
Current assets			
Cash and cash equivalents	4.1	3,662,195	9,672,238
Trade and other receivables	4.1	944,197	1,232,111
Financial assets	4.1	21,196,479	13,776,284
Inventories	4.2	43,490	53,966
Non-current assets classified as held for sale	5.1	690,322	865,424
Total current assets		26,536,683	25,600,023
Non-current assets			
Financial assets	4.1	100	100
Trade and other receivables	4.1	3,372	79,921
Investments in associates and joint ventures	4.2	271,380	273,945
Intangible assets	4.2	1,979,130	1,668,430
Property, infrastructure, plant and equipment	5.2	338,108,295	309,596,011
Total non-current assets		340,362,277	311,618,407
Total assets		366,898,960	337,218,430
Liabilities			
Current liabilities			
Trade and other payables	4.3	801,793	642,364
Trust funds and deposits	4.3	375,762	404,438
Provisions	4.4	2,397,604	2,192,670
Total current liabilities		3,575,159	3,239,472
Non-current liabilities			
Provisions	4.4	1,648,387	1,698,946
Total non-current liabilities		1,648,387	1,698,946
Total liabilities		5,223,546	4,938,418
Net assets		361,675,414	332,280,012
Equity			
Accumulated surplus		95,354,472	95,532,658
Reserves	8.1 b	266,320,942	236,747,354
Total equity		361,675,414	332,280,012

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

2018

	Note	Total 2018 \$	Accumulated surplus 2018 \$	Revaluation reserve 2018 \$	Other reserves 2018 \$
Balance at beginning of the financial year		332,280,012	95,532,658	217,168,524	19,578,830
Surplus/(deficit) for the year		(818,612)	(818,612)	-	-
Net asset revaluation increment/(decrement)		30,218,843	-	30,218,843	-
Transfer to reserves	8.1b	-	(13,151,230)	-	13,151,230
Transfer from reserves	8.1b	-	13,796,485	-	(13,796,485)
Share of other comprehensive income		(4,829)	(4,829)	-	-
Balance at end of financial year		361,675,414	95,354,472	247,387,367	18,933,575

2017

	Note	Total 2017 \$	Accumulated surplus 2017 \$	Revaluation reserve 2017 \$	Other reserves 2017 \$
Balance at beginning of the financial year		319,437,796	95,737,887	208,675,726	15,024,183
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	8.1b	-	(14,271,936)	-	14,271,936
Transfer from reserves	8.1b	-	9,717,289	-	(9,717,289)
Share of other comprehensive income		(12,093)	(12,093)	-	-
Balance at end of financial year		332,280,012	95,532,658	217,168,524	19,578,830

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 Inflows/ (outflows) \$	2017 Inflows/ (outflows) \$
Cash flows from operating activities			
Rates and charges		10,490,783	10,027,110
Statutory fees and fines		418,579	417,981
User fees		1,648,775	1,869,048
Grants - operating		12,844,409	14,224,500
Grants - capital		4,268,402	3,781,805
Contributions		41,775	-
Reimbursements and subsidies		1,045,938	1,049,999
Interest received		455,620	515,595
Net GST refund (payable)		1,683,479	1,319,883
Trust funds and deposits taken		(28,676)	127,344
Payments to employees		(10,654,704)	(9,965,656)
Payments to suppliers		(15,188,232)	(11,395,648)
Trust funds and deposits repaid		-	-
Net cash provided by (used in) operating activities		7,026,148	11,971,961
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment	5.2	(8,381,624)	(7,783,594)
Proceeds from sale of property, infrastructure, plant and equipment		650,979	107,726
Payment for intangible assets		-	-
Payment for investments		(5,387,159)	(10,654,153)
Loans and advances to community organisations		6,000	6,000
Repayment of loans and advances from community organisations		75,613	73,587
Net cash provided by (used in) investing activities		(13,036,191)	(18,250,434)
Cash flows from financing activities			
Repayment of interest bearing loans and borrowings		-	-
Borrowing costs		-	-
Net cash provided by (used in) financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		(6,010,043)	(6,278,473)
Cash and cash equivalents at the beginning of the financial year		9,672,238	15,950,711
Cash and cash equivalents at the end of the financial year	5	3,662,195	9,672,238

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

STATEMENT OF CAPITAL WORKS FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$	2017 \$
Land and buildings			
Land		31,460	-
Buildings - specialised		635,862	1,420,958
Work in progress		142,309	234,552
Total buildings		809,631	1,655,510
Plant and fittings			
Plant, machinery and equipment		889,602	328,992
Office furniture and equipment		172,479	142,651
Total plant and equipment	5.2	1,062,081	471,643
Infrastructure			
Roads		3,823,677	4,584,294
Bridges		51,980	301,950
Footpaths and cycleways		1,853,257	343,551
Kerb and channel		-	-
Drainage		218,929	224,043
Street furniture		-	3,530
Work in progress		562,068	199,076
Total infrastructure	5.2	6,509,911	5,656,444
Intangible assets			
Water rights	4.2	-	-
Total intangible assets		-	-
Total capital works expenditure		8,381,623	7,783,597
Represented by:			
New asset expenditure		984,860	560,533
Asset renewal expenditure		3,321,999	2,948,103
Asset expansion expenditure		2,090,846	505,897
Asset upgrade expenditure		1,983,918	3,769,064
Total capital works expenditure		8,381,623	7,783,597

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

OVERVIEW

Introduction

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

Statement of compliance

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

Significant accounting policies

Basis of accounting

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

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

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

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 5.2)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 5.2)
- the determination of employee provisions (refer to Note 4.5)
- the determination of landfill provisions (refer to Note 4.5)
- other areas requiring judgements.

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

NOTE 1 PERFORMANCE AGAINST BUDGET

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

The budget figures detailed below are those adopted by Council on 27 June 2017. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for revenue and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

1.1 Income and expenditure

	Budget 2018 \$	Actual 2018 \$	Variance 2018 \$	Ref
Income				
Rates and charges	10,406,865	10,445,501	(38,636)	
Statutory fees and fines	248,670	403,422	(154,752)	1
User fees	1,432,607	1,588,792	(156,185)	
Grants - operating	5,830,781	14,846,183	(9,015,402)	2
Grants - capital	3,296,530	4,057,747	(761,217)	3
Contributions - monetary	15,000	41,775	(26,775)	
Reimbursements and subsidies	1,015,967	1,072,221	(56,254)	
Interest earnings	378,000	508,561	(130,561)	4
Share of net profits/(losses) of associates and joint ventures	-	-	-	
Other income	-	3,879	(3,879)	
Total income	22,624,420	32,968,081	(10,343,661)	
Expenses				
Employee costs	10,809,393	10,851,796	(42,403)	
Materials and services	8,606,761	13,311,521	(4,704,760)	5
Depreciation and amortisation	8,976,575	9,233,178	(256,603)	
Borrowing costs	-	-	-	
Bad and doubtful debts	-	21,086	(21,086)	
Other expenses	304,738	302,948	1,790	
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	-	68,428	(68,428)	6
Total expenses	28,697,467	33,788,957	(5,091,490)	
Surplus/(deficit) for the year	(6,073,047)	(820,876)	(5,252,171)	

NOTE 1 PERFORMANCE AGAINST BUDGET (CONTINUED)

1.1 Income and expenditure (continued)

(i) Explanation of material variations

- 1 The increase in statutory fees and fines relates mainly to additional income received for planning services of \$93K, with an increase in activity and the schedule of fees set. There was also an increase in animal control services of \$24K.
- 2 Operating grant income is higher than expected mainly due to the receipt of flood recovery income of \$4.32M more than what was in the original budget along with a 50% upfront payment from the Victoria Grants Commission of \$4.44M, similar to 2016/17.
- 3 Capital grant income is higher than expected due to an increase in Roads to Recovery income of \$1.7M which is offset by higher capital expenditure in this area.
- 4 During the financial year, Council had higher than expected cash on hand and therefore was able to earn more interest from investments.
- 5 The main variation in materials and services is the flood restoration works which are underway and had a total of \$4.17M more expenditure than expected for the year. This is offset by an increase in flood recovery income.
- 6 Council does not budget for a net gain or loss on disposals of assets. Therefore there is a cost variance of \$68K.

NOTE 1 PERFORMANCE AGAINST BUDGET (CONTINUED)**1.2 Capital works**

	Budget 2018 \$	Actual 2018 \$	Variance 2018 \$	Ref
Property				
Land	-	28,500	(28,500)	
Land improvements	45,000	7,460	37,540	
Total land	45,000	35,960	9,040	
Buildings	71,500	125,122	(53,622)	
Building improvements	988,500	161,894	826,606	
Total buildings	1,060,000	287,016	772,984	7
Total property	1,105,000	322,976	782,024	
Plant and equipment				
Plant, machinery and equipment	884,100	889,602	(5,502)	
Office furniture and equipment	317,363	172,479	144,884	
Total plant and equipment	1,201,463	1,062,081	139,382	
Infrastructure				
Roads	3,516,452	4,197,454	(681,002)	
Bridges	251,000	42,060	208,940	8
Footpaths and cycleways	293,755	617,465	(323,710)	9
Drainage	1,558,000	417,017	1,140,983	10
Recreation, leisure and community facilities	1,084,000	351,124	732,876	11
Parks, open space and streetscapes	354,500	1,371,446	(1,016,946)	12
Total infrastructure	7,057,707	6,996,566	61,141	
Total capital works expenditure	9,364,170	8,381,623	982,547	
Represented by:				
New asset expenditure	849,100	984,860	(135,760)	
Asset renewal expenditure	4,674,047	3,321,999	1,352,048	
Asset expansion expenditure	1,494,500	2,090,846	(596,346)	
Asset upgrade expenditure	2,346,523	1,983,918	362,605	
Total capital works expenditure	9,364,170	8,381,623	982,547	

NOTE 1 PERFORMANCE AGAINST BUDGET (CONTINUED)

1.2 Capital works (continued)

(i) Explanation of material variations

- 7 The budget set for 2017/18 included an allocation of \$500K for the strategic fund but remained unspent at 30 June 2018.
- 8 Projects that did not commence during 2017/18 and therefore remain unspent at 30 June include Janevale Bridge of \$152K and Kingower Brenanah Rd of \$33K.
- 9 There were projects carried forward from the 2016/17 financial year that were completed during 2017/18 and these include Chapel Street Serpentine of \$83K along with Kelly Street, Victoria Street and Barber Street in Pyramid Hill with a combined actual of \$513K.
- 10 The main variance includes two projects for flood mitigation works, the first at Boort for \$500K which is yet to commence and the second at Pyramid Hill of \$750K which has been deferred until funding is received in future years.
- 11 The budget included spending for caravan park improvements of \$750K which has been deferred until funding is received and swimming pool solar power of \$314K with only \$191K spent to date.
- 12 The main variance is due to a carry forward project of \$1.2M for the Wedderburn Streetscape project which was not in the original budget.

NOTE 2 FUNDING FOR THE DELIVERY OF OUR SERVICES

2.1 Rates and charges

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

The valuation base used to calculate general rates for 2017/18 was \$1,734,759,500. The valuation base used in 2016/17 was \$1,728,095,200.

	2018	2017
	\$	\$
General rates	2,540,550	2,466,974
Rural production rates	5,420,427	5,308,885
Municipal charges	1,162,043	1,132,787
Kerbside recycling charges	338,141	303,546
Garbage charges	944,319	852,509
Interest on rates and charges	40,021	37,992
Total rates and garbage charges	10,445,501	10,102,693

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

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.

2.2 Statutory fees and fines

	2018	2017
	\$	\$
Statutory fees and fines		
Animal control	68,823	61,214
Building services fees	112,960	91,073
Election fines	2,616	3,042
Fire hazards	4,283	6,334
Health Act fees	51,324	42,383
Land information certificates	12,470	9,939
Local laws	7,748	6,054
Town planning fees	143,198	84,560
Total statutory fees and fines	403,422	304,599

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

NOTE 2 FUNDING FOR THE DELIVERY OF OUR SERVICES (Continued)**2.3 User fees**

	2018	2017
	\$	\$
User fees		
Aged services fees	438,687	619,786
Caravan park fees	407,550	514,993
Emergency management	28,320	12,309
Gravel pit fees	87,329	93,477
Pre-schools	76,856	74,079
Private works charges	222,420	50,137
Road opening permits	23,310	18,260
Sale of tools and equipment	273	1,152
Staff training / educational fees	38,549	9,107
Standpipes and truck washes	63,980	31,773
Tip and recycling fees	58,613	111,443
Tourism	28,816	70,445
Other	12,380	15,301
Rent received		
Elderly persons units	62,089	52,959
Commercial properties	39,620	33,429
Council residences	-	155
Total statutory fees, fines and user fees	1,588,792	1,708,805

User fees are recognised as revenue when the service has been provided or Council has otherwise earned the income.

2.4 Funding from other levels of government

	2018	2017
	\$	\$
Grants were received in respect of the following:		
Summary of grants		
Commonwealth funded grants	16,322,839	15,804,261
State funded grants	2,581,091	3,195,452
Total grants received	18,903,930	18,999,713

	2018	2017
	\$	\$
(a) Operating grants		
Recurrent - Commonwealth Government:		
Victoria Grants Commission - general purpose grant	4,909,068	6,859,499
Victoria Grants Commission - local roads	3,589,883	5,222,295
Non recurrent - Commonwealth Government:		
Flood restoration	4,364,993	1,073,791
Total operating Commonwealth Government grants	12,863,944	13,155,585

NOTE 2 FUNDING FOR THE DELIVERY OF OUR SERVICES (Continued)**2.4 Funding from other levels of government (continued)**

	2018	2017
	\$	\$
Recurrent - State Government:		
Aged services	872,443	885,875
Pre-schools	634,298	481,379
Families and children	143,790	136,690
Fire Services Property Levy	41,615	40,421
Youth development	59,500	99,837
Community safety	5,776	11,526
Tips and recycling	7,018	6,393
Environment	50,000	75,000
Planning services	5,455	-
Non recurrent - State Government:		
Culture	14,000	-
Tips and recycling	6,000	-
Planning services	-	28,250
Water infrastructure	1,744	17,111
Community safety	20,000	23,145
Preschools	9,918	104,018
Recreation facilities	108,182	200,550
Other	2,500	42,168
Total operating State Government grants	1,982,239	2,152,363
Total operating grants	14,846,183	15,307,948
(b) Capital grants		
Recurrent - Commonwealth Government:		
Roads to Recovery	3,458,895	2,648,676
Total capital Commonwealth Government grants	3,458,895	2,648,676
Recurrent - State Government:		
Nil	-	-
Non recurrent - State Government:		
Recreation facilities	78,638	294,897
Community halls	-	340,000
Road infrastructure	276,666	150,000
Tips and recycling	-	140,000
Streetscapes	50,000	12,000
Water infrastructure	193,548	106,192
Total capital State Government grants	598,852	1,043,089
Total capital grants	4,057,747	3,691,765

NOTE 2 FUNDING FOR THE DELIVERY OF OUR SERVICES (Continued)**2.4 Funding from other levels of government (continued)****(c) Unspent grants received on condition that they be spent in a specific manner**

	2018	2017
	\$	\$
Balance at start of year	7,683,212	5,225,729
Received during the financial year and remained unspent at balance date	1,184,619	3,331,437
Received in prior years and spent during the financial year	(1,136,094)	(873,954)
Balance at year end	7,731,737	7,683,212

Grant income is recognised when Council obtains control of the contribution. Control is normally obtained upon receipt (or acquittal) or upon earlier notification that a grant has been secured.

2.5 Contributions

	2018	2017
	\$	\$
Contributions - operating - monetary	8,591	180,134
Contributions - operating - monetary - adjustment 2016/17 funds not received	(15,000)	-
Contributions - capital - monetary	48,184	40,000
Contributions - non-monetary	-	-
Total contributions	41,775	220,134

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

2.6 Reimbursements and subsidies

	2018	2017
	\$	\$
Main roads maintenance and construction	552,761	638,749
Insurance claims	86,997	5,276
Workcover	142,966	108,273
Fuel rebate	133,139	132,895
Community and recreational facilities	-	16,676
Emergency management	79,015	6,357
Heritage projects	-	27,390
Contracted staff	73,343	36,620
Other	4,000	5,000
Total reimbursements and subsidies	1,072,221	977,236

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

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

	2018	2017
	\$	\$
Proceeds from sale	650,979	107,726
Written down value of assets disposed	(719,407)	(138,138)
Total net gain / (loss) on disposal of property, infrastructure, plant and equipment	(68,428)	(30,412)

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

NOTE 2 FUNDING FOR THE DELIVERY OF OUR SERVICES (Continued)**2.8 Interest received**

	2018	2017
	\$	\$
Interest on investments	468,540	436,181
Rates interest	40,021	37,992
Total interest received	508,561	474,173

2.9 Other income

	2018	2017
	\$	\$
Reversal of impairment of assets	3,879	166
Total other income	3,879	166

NOTE 3 THE COST OF DELIVERING SERVICES

3.1 (a) Employee costs

	2018 \$	2017 \$
Salaries and wages	8,845,450	8,055,547
Annual leave and long service leave	874,919	887,007
Superannuation	922,396	855,063
Fringe benefits	90,291	115,720
Workcover	118,740	89,741
Total employee costs	10,851,796	10,003,078

(b) Superannuation

Council made contributions to the following funds:

	2018 \$	2017 \$
Defined benefit fund		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	77,829	87,757
Total defined benefit fund	77,829	87,757

Employer contributions payable at reporting date.

	2018 \$	2017 \$
Accumulation funds		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	533,619	459,216
Employer contributions - other funds	310,948	308,090
Total accumulated funds	844,567	767,306

Employer contributions payable at reporting date.

Refer to Note 8.3 for further information relating to Council's superannuation obligations.

3.2 Materials and services

	2018 \$	2017 \$
Plant operating costs	1,308,448	736,879
Utility costs	514,937	505,528
Corporate governance	349,464	607,695
Local road materials	317,867	247,194
Flood recovery works	4,167,930	1,006,150
Building maintenance	363,122	260,899
Aged care services	155,240	249,596
Training and subscriptions	258,956	206,223
Computer costs and computer programs	415,179	375,241
Office expenses	92,960	104,981
North Central Goldfields Regional Library Corporation	201,238	193,801
Community plan projects	57,002	49,442
Recreation projects	487,919	280,688
Insurances	455,108	405,223

NOTE 3 THE COST OF DELIVERING SERVICES (Continued)**3.2 Materials and services (continued)**

	2018	2017
	\$	\$
Pool maintenance and strategy	399,236	313,677
Loddon Discovery Tours	22,178	41,696
Main roads materials	45,078	46,438
Parks and gardens maintenance	62,304	45,884
Tips maintenance	330,160	98,274
Families and children	99,029	153,800
Caravan park operations	313,162	249,402
Economic development and tourism initiatives	70,135	163,503
Private works materials	50,924	33,360
Public facilities	184,106	206,465
Community grant projects	238,297	223,760
Community safety	55,655	105,795
Workshops and depots	132,547	130,594
Youth and transport services	61,526	66,551
Valuations	237,183	75,304
Regulatory services	114,150	199,226
Environment	181,346	114,034
Other materials, services and contracts	78,622	79,660
Gravel pit operations	363,642	2,429
Community facilities	149,474	1,038,090
Garbage collection	659,803	651,929
Water management projects	181,302	-
Cleaning	23,618	35,586
Other road projects	112,674	-
Total materials and services	13,311,521	9,304,997

3.3 Depreciation and amortisation

	2018	2017
	\$	\$
Roads	6,110,045	5,575,427
Buildings	1,348,607	1,369,892
Plant and equipment	805,452	881,073
Bridges	370,022	332,859
Urban drains	198,844	182,931
Furniture and equipment	103,772	80,024
Footpaths	149,040	129,100
Kerb and channel	94,119	85,753
Landfills	25,644	25,657
Street furniture	26,171	24,691
Quarries	1,462	2,084
Total depreciation	9,233,178	8,689,491

Refer to Note 4.2 (c) and 5.2 for a more details breakdown of depreciation and amortisation charges and accounting policy.

NOTE 3 THE COST OF DELIVERING SERVICES (Continued)**3.4 Bad and doubtful debts**

	2018	2017
	\$	\$
Rates debtors	-	31,171
Sundry debtors	21,086	3,151
Total bad debts expense	21,086	34,322

Movement in provisions for doubtful debts

	2018	2017
	\$	\$
Balance at beginning of the year	110,620	78,010
New provisions recognised during the year	21,086	34,322
Amounts already provided for and written off as uncollectible	(18,250)	(1,712)
Amounts provided for but recovered during the year	(507)	-
Balance at end of year	112,949	110,620

Provision for doubtful debt is recognised when there is objective evidence that an impairment loss has occurred. Bad debts are written off when identified.

3.5 Other expenses

	2018	2017
	\$	\$
Councillors' emoluments	225,716	206,385
Internal audit remuneration	36,519	39,458
External audit remuneration - VAGO - Audit of the financial statements, performance statement and grant acquittals	39,055	37,900
Impairment of interest free loans	1,658	3,879
Total other expenses	302,948	287,622

NOTE 4 OUR FINANCIAL POSITION

4.1 Financial assets

(a) Cash and cash equivalents

	2018 \$	2017 \$
Cash on hand	4,750	4,650
Cash at bank (CEO's advance account)	4,000	4,000
Cash at bank (general account)	2,455,902	2,663,588
Cash at bank (trust account)	197,543	194,837
Cash and cash equivalents	2,662,195	2,867,075

(b) Other financial assets

	2018 \$	2017 \$
Term deposits (current)	1,000,000	6,805,163
Term deposits (non-current)	-	-
Total other financial assets	1,000,000	6,805,163
Total financial assets	3,662,195	9,672,238

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:

	2018 \$	2017 \$
Restricted funds		
Trust funds (Note 4.3)	375,762	404,438
Total restricted funds	375,762	404,438
Total unrestricted cash and cash equivalents	3,286,433	9,267,800

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:

Intended allocations

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

	2018 \$	2017 \$
Unspent grants (refer to Note 8.1)	7,731,737	7,683,212
Long service leave (refer to Note 4.4)	1,793,538	1,709,316
Total restricted and intended allocation funds	9,525,275	9,392,528

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

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

NOTE 4 OUR FINANCIAL POSITION (Continued)**4.1 Financial assets (continued)****(c) Trade and other receivables**

	2018	2017
	\$	\$
Current		
<i>Statutory receivables</i>		
Rates debtors	307,246	352,528
LESS provision for doubtful debts	(87,287)	(105,537)
	219,959	246,991
<i>Non statutory receivables</i>		
Sundry debtors	290,426	610,802
Other debtors	100,319	101,663
LESS provision for doubtful debts	(25,663)	(5,084)
Net receivable GST	278,386	194,126
Loans and advances to community organisations	80,770	83,613
	724,238	985,120
Total current	944,197	1,232,111
Non-current		
<i>Non statutory receivables</i>		
Loans and advances to community organisations	3,372	79,921
Total non-current	3,372	79,921
Total trade and other receivables	947,569	1,312,032

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

(i) Ageing of receivables

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

	2018	2017
	\$	\$
Current (not yet due)	104,699	165,269
Past due by up to 30 days	119,918	319,774
Past due between 31 and 180 days	9,875	125,759
Past due between 181 and 365 days	55,934	-
Total trade and other receivables	290,426	610,802

NOTE 4 OUR FINANCIAL POSITION (Continued)

4.1 Financial assets (continued)

(c) Trade and other receivables (continued)

(ii) Ageing of individually impaired receivables

At balance date, other debtors representing financial assets with a nominal value of \$25,663 (2017: \$5,084) were impaired. The amount of the provision raised against these debtors was \$25,663 (2017: \$5,084). 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:

	2018 \$	2017 \$
Current (not yet due)	-	-
Past due by up to 30 days	-	-
Past due between 31 and 180 days	-	360
Past due between 181 and 365 days	25,663	4,720
Past due by more than 1 year	-	4
Total trade and other receivables	25,663	5,084

4.2 Non-financial assets

(a) Inventories

	2018 \$	2017 \$
Inventories held for distribution	43,490	53,966
Inventories held for sale	-	-
Total inventories	43,490	53,966

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

(b) Other assets

	2018 \$	2017 \$
Current		
Accrued income	3,185,122	1,131,879
Prepayments	220,045	240,252
Term deposits (original maturity of 90 days or greater)	17,791,312	12,404,153
Total current	21,196,479	13,776,284
Non-current		
Maps shares	100	100
Total non-current	100	100
Total other assets	21,196,579	13,776,384

NOTE 4 OUR FINANCIAL POSITION (Continued)**4.2 Non-financial assets (continued)****(c) Intangible assets**

	2018	2017
	\$	\$
Non-current		
Water rights	1,979,130	1,668,430
Total intangible assets	1,979,130	1,668,430

Reconciliation of movements in intangible assets for the reporting period

	2018	2017
	\$	\$
Water rights		
Gross carrying amount at beginning of period	1,668,430	1,654,362
Additional water rights obtained during the period	-	-
Water rights disposed of during the period	-	-
Revaluation increment (decrement)	310,700	14,068
Gross carrying amount at end of period	1,979,130	1,668,430

Intangible assets with finite lives are amortised as an expense on a systematic basis over the asset's useful life. Amortisation is generally calculated on a straight line basis, at a rate that allocates the asset value, less any estimated residual value over its estimated useful life. Estimates of the remaining useful lives and amortisation method are reviewed at least annually, and adjustments are made where appropriate.

Water rights are revalued at 30 June 2018 to the published water trade market rate applying at that date.

(d) Investments in associates and joint ventures

	2018	2017
	\$	\$
Equity in North Central Goldfields Regional Library Corporation	271,380	273,945
Total investment in associates and joint ventures	271,380	273,945

NOTE 4 OUR FINANCIAL POSITION (Continued)**4.3 Payables****(a) Trade and other payables**

	2018	2017
	\$	\$
Trade creditors	365,246	325,882
Accrued wages & salaries	175,161	143,565
Accrued expenses	261,386	172,917
Total trade and other payables	801,793	642,364

(b) Trust funds and deposits

	2018	2017
	\$	\$
Contract retentions	79,608	109,142
Fire services property levy	54,434	55,486
Building sureties	42,340	43,340
Unclaimed monies	361	157
Other refundable deposits:	-	
St Andrews church repair fund	1,476	1,476
Wedderburn pre school investment	197,543	194,837
Total trust funds and deposits	375,762	404,438

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

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

Council has a contractual right to retain certain amounts until a contractor has met certain requirements or a related warrant or defect period has elapsed. Subject to the satisfactory completion of contractual obligations, or the elapsing of time, these amounts will be paid to the relevant contractor in line with Council's contractual obligations.

Fire Services Property Levy

Council is the collection agent for fire services levy on behalf of the State Government. Council remits amounts received on a quarterly basis. Amounts disclosed here will be remitted to the State Government in line with that process.

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 4 OUR FINANCIAL POSITION (Continued)**4.4 Provisions****2018**

	Annual leave	Long service leave	RDOs	Landfill rehabilitation	Gravel pit rehabilitation	Total
Balance at beginning of the financial year	786,072	1,709,316	109,284	1,232,349	54,595	3,891,616
Additional provisions	777,064	172,219	578,101	-	5,028	1,532,412
Amounts used	(707,084)	(167,835)	(566,807)	(16,149)	-	(1,457,875)
Variation in the discounted amount arising because of time and the effect of any change in the discount rate	-	79,838	-	-	-	79,838
Balance at the end of the financial year	856,052	1,793,538	120,578	1,216,200	59,623	4,045,991

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	786,072	1,709,316	109,284	1,232,349	54,595	3,891,616

(a) Employee benefits

	2018 \$	2017 \$
Current provisions expected to be wholly settled within 12 months		
Annual leave	684,842	628,858
Long service leave	184,727	170,932
RDOs	120,578	109,284
Total	990,147	909,074
Current provisions expected to be wholly settled after 12 months		
Annual leave	171,210	157,214
Long service leave	1,236,247	1,126,382
Total	1,407,457	1,283,596
Total current employee provisions	2,397,604	2,192,670
Non-current		
Long service leave	372,564	412,002
Total non-current employee provisions	372,564	412,002
Total employee benefits	2,770,168	2,604,672

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

NOTE 4 OUR FINANCIAL POSITION (Continued)

4.4 Provisions (continued)

(a) Employee benefits (continued)

Wages and salaries and annual leave

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

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

Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits. LSL is measured at present value. Unconditional LSL is disclosed as a current liability. Conditional LSL that has been accrued, where an employee is yet to reach a qualifying term of employment, is disclosed as a non-current liability.

Key assumptions:

Weighted average increase in employee costs	3.38%	5.69%
Weighted average discount rates	3.26%	2.99%
Weighted average settlement period	21 months	21 months

(b) Landfill restoration

	2018 \$	2017 \$
Current	-	-
Non-current	1,216,200	1,232,349
Total landfill restoration	1,216,200	1,232,349

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

Key assumptions:

Weighted average increase in costs	2.40%	2.32%
Weighted average discount rates	1.96%	1.93%
Weighted average settlement period	18 years	19 years

NOTE 4 OUR FINANCIAL POSITION (Continued)**4.4 Provisions (continued)****(c) Gravel pit rehabilitation**

	2018	2017
	\$	\$
Current	-	-
Non-current	59,623	54,595
Total	59,623	54,595

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

Key assumptions:

Weighted average increase in costs	2.40%	2.32%
Weighted average discount rates	1.96%	1.93%
Weighted average settlement period	18 years	18 years

4.5 Financing arrangements

	2018	2017
	\$	\$
Bank overdraft	500,000	500,000
Credit card facilities	100,000	100,000
Total facilities	600,000	600,000
Used facilities	-	-
Unused facilities	600,000	600,000

NOTE 4 OUR FINANCIAL POSITION (Continued)

4.6 Commitments

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

2018

	Not later than 1 year \$	Later than 1 year and not later than 2 years \$	Later than 2 years and not later than 5 years \$	Later than 5 years \$	Total \$
Operating					
Flood repairs and other roadworks	1,120,359	-	-	-	-
Environment services	745,588	745,588	621,323	-	2,112,499
Insurance services	356,664	-	-	-	356,664
Caravan park operations	152,117	-	-	-	152,117
Library corporation	201,226	201,226	-	-	402,452
Swimming pool services	174,826	-	-	-	174,826
Cleaning services	159,446	159,446	-	-	318,892
Internal audit	27,950	-	-	-	27,950
Other minor orders committed	83,062	-	-	-	83,062
Operating commitments for expenditure	3,021,238	1,106,260	621,323	-	3,628,462
Capital					
Information technology items and telephone	82,829	-	-	-	82,829
Vehicle purchases	101,043	-	-	-	101,043
Planning and building system modules	18,000	-	-	-	18,000
Donaldson Park design works	35,000	-	-	-	35,000
Capital commitments for expenditure	236,872	-	-	-	236,872
Total commitments for expenditure	3,258,110	1,106,260	621,323	-	3,865,334

2017

	Not later than 1 year \$	Later than 1 year and not later than 2 years \$	Later than 2 years and not later than 5 years \$	Later than 5 years \$	Total \$
Operating					
Environment services	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
Operating commitments for expenditure	2,186,382	1,349,036	1,727,583	-	5,263,001
Capital					
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
Capital commitments for expenditure	2,067,300	-	-	-	2,067,300
Total commitments for expenditure	4,253,682	1,349,036	1,727,583	-	7,330,301

NOTE 4 OUR FINANCIAL POSITION (Continued)**4.7 Operating lease commitments**

At reporting date, Council had the following obligations under non-cancellable operating leases for the lease of equipment, land and buildings for use within Council's activities (these obligations are not recognised as liabilities or assets).

	2018 \$	2017 \$
Income from leases		
Not later than 1 year	97,901	33,035
Later than 1 year and not later than 2 years	98,453	97,461
Later than 2 years and not later than 5 years	298,213	295,272
Total leases	494,567	425,768

	2018 \$	2017 \$
Expenditure for leases		
Not later than 1 year	8,338	5,218
Later than 1 year and not later than 2 years	5,218	5,218
Later than 2 years and not later than 5 years	15,654	15,654
Total leases	29,210	26,090

NOTE 5 ASSETS WE MANAGE**5.1 Non current assets classified as held for sale**

	2018 \$	2017 \$
Non current		
Land at valuation	715,360	896,812
LESS selling costs	(25,038)	(31,388)
Total non current assets held for sale	690,322	865,424

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

NOTE 5 ASSETS WE MANAGE (Continued)**5.2 Property, infrastructure, plant and equipment****Summary of property, infrastructure, plant and equipment**

	At fair value 30 June 2017 \$	Acquisitions \$	Revaluation / transfers \$	Depreciation \$	Disposals \$	At fair value 30 June 2018 \$
Land	10,042,426	31,460	670,325	-	(423,285)	10,320,926
Buildings	48,001,163	635,862	(1,123,551)	(1,348,607)	-	46,164,867
Plant and equipment	6,357,848	1,062,081	-	(909,224)	(296,122)	6,214,583
Infrastructure	244,262,848	5,947,843	31,878,928	(6,975,347)	-	275,114,272
Work in progress	1,797,152	704,377	(1,517,560)	-	-	983,969
Total	310,461,437	8,381,623	29,908,142	(9,233,178)	(719,407)	338,798,617

Summary of work in progress

	Opening WIP \$	Additions \$	Transfers \$	Write-off \$	Closing WIP \$
Buildings	549,555	142,309	(269,963)	-	421,901
Infrastructure	1,247,597	562,068	(1,247,597)	-	562,068
Total	1,797,152	704,377	(1,517,560)	-	983,969

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 and leasehold improvements	10 - 30	1,000
Plant and equipment		
plant, machinery, minor plant and equipment	5 - 30	1,000
motor vehicles	9 - 10	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 and 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

NOTE 5 ASSETS WE MANAGE (Continued)**5.2 Property, infrastructure, plant and equipment (Continued)****(a) Property**

	Land	Buildings - specialised	Work in progress	Total land and buildings
Land and Buildings				
At fair value 1 July 2017	10,042,426	83,578,216	549,555	94,170,197
Acc depreciation at 1 July 2017	-	(35,577,053)	-	(35,577,053)
	10,042,426	48,001,163	549,555	58,593,144
Movements in fair value				
Acquisition of assets at fair value	31,460	635,862	142,309	809,631
Contributed assets	-	-	-	-
Revaluation increments / (decrements)	670,325	(1,838,805)	-	(1,168,480)
Fair value of assets disposed	(423,285)	-	-	(423,285)
Impairment losses recognised in operating result	-	-	-	-
Transfers between asset classes	-	147,599	(269,963)	(122,364)
	278,500	- 1,055,344	(127,654)	(904,498)
Movements in acc depreciation				
Depreciation and amortisation	-	(1,348,607)	-	(1,348,607)
Revaluation (increments) / decrements	-	567,655	-	567,655
Acc depreciation of disposals	-	-	-	-
Impairment losses recognised in operating result	-	-	-	-
	-	(780,952)	-	(780,952)
At fair value 30 June 2018	10,320,926	82,522,872	421,901	93,265,699
Accumulated depreciation at 30 June 2018	-	(36,358,005)	-	(36,358,005)
Total	10,320,926	46,164,867	421,901	56,907,694

NOTE 5 ASSETS WE MANAGE (Continued)**5.2 Property, infrastructure, plant and equipment (Continued)****(b) Plant and equipment**

Plant and equipment	Plant machinery and equipment	Fixtures fittings and furniture	Total plant and equipment
At fair value 1 July 2017	12,588,168	1,224,107	13,812,274
Acc depreciation at 1 July 2017	(6,542,602)	(911,824)	(7,454,426)
	6,045,566	312,283	6,357,848
Movements in fair value			
Acquisition of assets at fair value	889,602	172,479	1,062,081
Contributed assets	-	-	-
Revaluation increments / (decrements)	-	-	-
Fair value of assets disposed	(630,058)	-	(630,058)
Impairment losses recognised in operating result	-	-	-
Transfers between asset classes	-	-	-
	259,544	172,479	432,023
Movements in acc depreciation			
Depreciation and amortisation	(805,452)	(103,772)	(909,224)
Acc depreciation of disposals	333,936	-	333,936
Impairment losses recognised in operating result	-	-	-
	(471,516)	(103,772)	(575,288)
At fair value 30 June 2018	12,847,712	1,396,586	14,244,297
Accumulated depreciation at 30 June 2018	(7,014,118)	(1,015,596)	(8,029,714)
Total	5,833,594	380,990	6,214,583

NOTE 5 ASSETS WE MANAGE (Continued)**5.2 Property, infrastructure, plant and equipment (Continued)****(c) Infrastructure**

Infrastructure	Roads	Bridges	Footpaths and cycleways	Kerb and channel	Drainage
At fair value 1 July 2017	317,958,236	32,947,254	6,063,442	5,138,998	14,565,038
Acc depreciation at 1 July 2017	(105,345,535)	(16,884,639)	(1,987,317)	(2,021,880)	(7,207,639)
	212,612,701	16,062,615	4,076,125	3,117,118	7,357,399
Movements in fair value					
Acquisition of assets at fair value	3,823,677	51,980	1,853,257	-	218,929
Revaluation increments / (decrements)	28,221,819	3,558,316	127,796	501,427	1,198,811
Fair value of assets disposed	-	-	-	-	-
Impairment losses recognised in operating result	-	-	-	-	-
Transfers between asset classes	110,647	-	1,258,375	-	939
	32,156,143	3,610,296	3,239,428	501,427	1,418,679
Movements in acc depreciation					
Depreciation and amortisation	(6,110,045)	(370,022)	(149,040)	(94,119)	(198,844)
Revaluation (increments)/decrements	(1,723,511)	(1,198,597)	199,881	(20,801)	(428,575)
Acc depreciation of disposals	-	-	-	-	-
Impairment losses recognised in operating result	-	-	-	-	-
	(7,833,556)	(1,568,619)	50,841	(114,920)	(627,419)
At fair value 30 June 2018	350,114,379	36,557,550	9,302,870	5,640,425	15,983,717
Accumulated depreciation at 30 June 2018	(113,179,091)	(18,453,258)	(1,936,476)	(2,136,800)	(7,835,058)
	236,935,288	18,104,292	7,366,394	3,503,625	8,148,659

Infrastructure (continued)	Quarries	Street Furniture	Landfills	Work In Progress	Total Infrastructure
At fair value 1 July 2017	58,507	731,564	1,994,306	1,247,597	380,704,942
Acc depreciation at 1 July 2017	(22,956)	(162,393)	(1,562,138)	-	(135,194,497)
	35,551	569,171	432,168	1,247,597	245,510,445
Movements in fair value					
Acquisition of assets at fair value	-	-	-	562,068	6,509,911
Revaluation increments / (decrements)	-	63,779	-	-	33,671,948
Fair value of assets disposed	-	-	-	-	-
Impairment losses recognised in operating result	-	-	-	-	-
Transfers between asset classes	-	-	-	(1,247,597)	122,364
	-	63,779	-	(685,529)	40,304,223
Movements in acc depreciation					
Depreciation and amortisation	(1,462)	(26,171)	(25,644)	-	(6,975,347)
Revaluation (increments)/decrements	-	8,622	-	-	(3,162,981)
Acc depreciation of disposals	-	-	-	-	-
Impairment losses recognised in operating result	-	-	-	-	-
	(1,462)	(17,549)	(25,644)	-	(10,138,328)
At fair value 30 June 2018	58,507	795,343	1,994,306	562,068	421,009,165
Accumulated depreciation at 30 June 2018	(24,418)	(179,942)	(1,587,782)	-	(145,332,825)
	34,089	615,401	406,524	562,068	275,676,340

NOTE 5 ASSETS WE MANAGE (Continued)

Acquisition

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

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

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

Land under roads

Council recognises land under roads it controls at fair value.

Depreciation and amortisation

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

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

Road earthworks are not depreciated on the basis that they are assessed as not having a limited useful life. Straight line depreciation is charged based on the residual useful life as determined each year.

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

Finance leases

Leases of assets where substantially all the risks and rewards incidental to ownership of the asset are transferred to Council are classified as finance leases. Finance leases are capitalised, recording an asset and a liability at the lower of the fair value of the asset and the present value of the minimum lease payments, including any guaranteed residual value. Lease payments are allocated between the reduction of the lease liability and the interest expense. Leased assets are depreciated on a straight line basis over their estimated useful lives to the Council where it is likely that the Council will obtain ownership of the asset or over the term of the lease, whichever is the shorter. Council currently has no leased assets.

Repairs and maintenance

Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold, the cost is capitalised and depreciated. The carrying value of the replaced asset is expensed.

Leasehold improvements

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

NOTE 5 ASSETS WE MANAGE (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 englobe (undeveloped and / or unserved) characteristics, access rights and private interests of other parties and entitlements of infrastructure assets and services. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the Comprehensive Income Statement.

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

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

Details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2018 are as follows:

	Level 1	Level 2	Level 3	Date of valuation
Land	-	1,980,392	8,340,534	30/6/2018
Specialised land	-	-	-	30/6/2018
Buildings	-	-	-	30/6/2018
Specialised buildings	-	7,402,053	75,120,819	30/6/2018
TOTAL	-	9,382,445	83,461,353	

Valuation of infrastructure

A valuation of Council's, infrastructure assets was performed by Indivar Dhakal, Manager Technical Services of the Loddon Shire Council, as at 30 June 2018.

There were no changes in valuation techniques throughout the period to 30 June 2018.

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 5 ASSETS WE MANAGE (Continued)**Valuation of infrastructure (continued)**

Details of the Council's infrastructure and information about the fair value hierarchy as at 30 June 2018 are as follows:

	Level 1	Level 2	Level 3	Date of valuation
Unsealed roads formation	-	-	14,774,958	30/6/2018
Unsealed roads pavement	-	-	57,977,852	30/6/2018
Road seal	-	-	17,070,327	30/6/2018
Sealed roads pavement	-	-	236,126,386	30/6/2018
Sealed road formation	-	-	9,476,493	30/6/2018
Footpaths	-	-	7,026,801	30/6/2018
Culverts	-	-	14,688,362	30/6/2018
Bridges	-	-	36,557,550	30/6/2018
Kerb and channel	-	-	5,640,425	30/6/2018
Urban drains	-	-	14,976,218	30/6/2018
Street furniture	-	-	637,337	30/6/2018
Landfills	-	-	1,994,306	30/6/2018
Quarries	-	-	58,507	30/6/2018
TOTAL	-	-	417,005,522	

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

	2018	2017
	\$	\$
Land under roads	-	-
Parks and reserves	-	-
TOTAL	-	-

NOTE 5 ASSETS WE MANAGE (Continued)

5.3 Investments in associates, joint arrangements and subsidiaries

Investments in associates

North Central Goldfields Regional Library Corporation

The Council is a member of the North Central Goldfields Regional Library Corporation. At 30 June 2018 Council's equity was \$271,380. At 30 June 2017 Council's equity in the corporation was \$273,945.

The Council has a 5.12% 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 2017 the Shire's share of the net assets was 5.21%. Any adjustments required due to the reduction in the share of net assets from 2017 to 2018 is reflected as Variation Account - Change in Equity in the following schedules.

The value of the Council's equity is reflected in Note 4.2 (d) - Investment in Associates and Joint Ventures. The income or expense for the year is reflected in the Comprehensive Income Statement.

	2018 \$	2017 \$
Council's share of accumulated surplus/(deficit)		
Council's share of accumulated surplus/(deficit) at start of year	81,066	170,325
Share of reported surplus/(deficit) for year	2,264	(76,086)
Variation account - change in equity	(1,002)	(13,173)
Council's share of accumulated surplus/(deficit) at end of year	82,328	81,066
Council's share of reserves		
Council's share of reserves at start of year	192,880	191,800
Variation account - change in equity	(3,827)	1,080
Council's share of reserves at end of year	189,053	192,880
Movement in carrying value of share in library		
Carrying value of investment at start of year	273,945	362,125
Share of accumulated surplus/(deficit) for the year	2,264	(76,086)
Variation account - change in equity	(4,829)	(12,093)
Carrying value of share in library investment at end of year	271,380	273,945
Council's share of expenditure commitments		
Operating commitments	12,630	15,064
Capital commitments	14,804	4,736
	27,434	19,800

Adjustment to the carrying value of North Central Goldfields Regional Library

	2018 \$	2017 \$
Adjustment to the carrying value of North Central Goldfields Regional Library Corporation	(2,565)	(88,180)
Total adjustment to the carrying value of North Central Goldfields Regional Library Corporation	(2,565)	(88,180)

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.

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.

NOTE 5 ASSETS WE MANAGE (Continued)

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

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

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

Principles of consolidation

The consolidated financial statements of Council incorporate all entities controlled by Council as at 30 June 2018, and their income and expenses for that part of the reporting period in which control existed.

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

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

Council has no consolidated entities.

Committees of management

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

NOTE 6 PEOPLE AND RELATIONSHIPS

6.1 Council and key management remuneration

(a) Related parties

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

(b) Key management personnel

Details of persons holding the position of Councillor or other members of key management personnel at any time during the year were:

Councillors:	2018	2017
Cr Cheryl McKinnon (Councillor from July 17 to December 17) (Mayor from December 17 to June 18)	1	1
Cr Neil Beattie (Mayor from July 17 to December 17)	1	1
Cr Geoff Curnow (Councillor from July 17 to June 18)	1	1
Cr Gavan Holt (Councillor from July 17 to June 18)	1	1
Cr Colleen Condliffe (Councillor from July 17 to June 18)	1	1
Total number of Councillors	5	5

Chief Executive Officer and other Key Management Personnel:

Mr Phil Pinyon (CEO from July 17 to June 18)	1	1
Mrs Wendy Gladman (Director Community and Wellbeing July 17 to June 18)	1	1
Mrs Sharon Morrison (Director Corporate Services July 17 to June 18)	1	1
Mr Steven Phillips (Acting Director Operations July 17 to August 17) (Director	1	-
Mr Peter Cownley (Acting Director Operations August 17 to October 17)	1	-
Mrs Lynne Habner (Manager Executive and Commercial Services July 17 to June 18)	1	1
Mr Ian McLauchlan (Director Operations July 16 - April 17)	-	1
Mrs Judith Holt (Director Corporate Services July 16 - July 16)	-	1
Mrs Margaret Allan (Acting Chief Executive Officer July 16 - July 16)	-	1
Total Key Management Personnel	6	7

(c) Remuneration of key management personnel

Total remuneration of key management personnel was as follows:

	2018	2017
	\$	\$
Short-term benefits	1,067,841	994,789
Long-term benefits	-	-
Termination benefits	-	-
TOTAL	1,067,841	994,789

NOTE 6 PEOPLE AND RELATIONSHIPS (Continued)**(c) Remuneration of key management personnel (continued)**

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

Income range	2018 number	2017 number
\$10,000 - \$19,999	0	2
\$20,000 - \$29,999	3	4
\$30,000 - \$39,999	1	0
\$40,000 - \$49,999	1	0
\$60,000 - \$69,999	1	1
\$100,000 - \$109,999	0	1
\$110,000 - \$119,999	1	0
\$130,000 - \$139,999	0	1
\$150,000 - \$159,999	1	1
\$160,000 - \$169,999	2	0
\$180,000 - \$189,999	0	1
\$230,000 - \$239,999	0	1
\$240,000 - \$249,999	1	0
	11	12

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

6.2 Related party disclosure**(a) Transactions with related parties**

No transactions other than remuneration payments or the reimbursement of approved expenses were entered into by Council with responsible persons or related parties of such responsible persons during the reporting year (Nil in 2016/17).

(b) 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 2016/17).

(c) Loans to/from related parties

No loans have been made, guaranteed or secured by the Council to a responsible person of the Council during the reporting year (Nil in 2016/17).

(d) Commitments to/from related parties

No commitments have been made, guaranteed or secured by Council to a responsible person of the Council during the reporting year (Nil in 2016/17).

NOTE 7 MANAGING UNCERTAINTIES

7.1 Contingent assets and liabilities

(a) Contingent liabilities

Superannuation

Council has obligations under a defined benefit superannuation scheme that may result in the need to make additional contributions to the scheme, matters relating to this potential obligation are outlined below. As a result of the volatility in financial markets, the likelihood of making such contributions in future periods exists.

At this point in time, it is not known if additional contributions will be required, their timing or potential amount.

7.2 Change in accounting standards

The following new AAS's have been issued that are not mandatory for the 30 June 2018 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.

Financial Instruments - Disclosures (AASB 7) (applies 2018/19)

This Standard required entities to provide disclosures in their financial statements that enable users to evaluate: (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed.

Financial Instruments (AASB9) (applies 2018/19)

The key changes include simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognised impairment only when incurred.

Revenue from contracts with customers (AASB 15) (applies 2019/20 for LG sector)

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.

Amendments to Australia Accounting Standards - Deferral of AASB 15 Not-for-Profit Entities (AASB 2016-7) (applies 2019/20)

This Standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.

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.

Income for Not-For-Profit Entities (AASB 1058) (applies 2019/20)

This standard replaces AASB 1004 Contributions and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable to not-for-profit entity to further its objectives.

NOTE 7 MANAGING UNCERTAINTIES (Continued)

7.3 Financial instruments

(a) Objectives and policies

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

(b) Market risk

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

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Council's interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which exposes Council to fair value interest rate risk. Council repaid the balance of its loan borrowings in 2015/16, thereby reducing the risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Council has minimal exposure to cash flow interest rate risk through its levels of cash and deposits that are at a floating rate.

Investment of surplus funds is made with approved financial institutions under the *Local Government Act 1989*.

Council manages interest rate risk by adopting an investment policy that ensures:

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

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

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

(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.

NOTE 7 MANAGING UNCERTAINTIES (Continued)

7.3 Financial instruments (continued)

(c) Credit risk (continued)

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 2018.

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 4.4.

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

(e) Sensitivity disclosure analysis

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

- A parallel shift of + 1.5% and -1.5% in market interest rates (AUD) from year-end rates of 2.75%.

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 7 MANAGING UNCERTAINTIES (Continued)

7.4 Fair value measurement

Fair value hierarchy

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

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

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

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

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

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

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

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

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

Revaluation

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

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use on an asset result in changes to the permissible or practical highest and best use of the asset. In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 1 to 5 years. The valuation is performed either by experienced council officers or independent experts.

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

NOTE 7 MANAGING UNCERTAINTIES (Continued)

7.4 Fair value measurement (continued)

Impairment of assets

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

7.5 Events occurring after balance date

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

NOTE 8 OTHER MATTERS

8.1 Reserves

(a) Asset revaluation reserve

2018

	Balance at beginning of reporting period \$	Revaluation increment / (decrement) \$	Net movement for the reporting period \$	Balance at end of the reporting period \$
Property				
Land	7,937,337	670,326	670,326	8,607,663
Buildings	31,971,201	(1,271,150)	(1,271,150)	30,700,051
	39,908,538	(600,824)	(600,824)	39,307,714
Infrastructure assets				
Sealed roads	120,960,770	17,320,982	17,320,982	138,281,752
Unsealed roads	45,923,887	9,177,326	9,177,326	55,101,213
Footpaths	1,622,309	327,677	327,677	1,949,986
Street furniture	119,120	72,401	72,401	191,521
Kerbs	385,645	480,626	480,626	866,271
Bridges	7,000,103	2,359,719	2,359,719	9,359,822
Drains	516,769	770,236	770,236	1,287,005
Other infrastructure	176,528,603	30,508,967	30,508,967	207,037,570
Total tangible assets	216,437,141	29,908,143	29,908,143	246,345,284
Intangible assets				
Water rights	731,384	310,700	310,700	1,042,084
Total	217,168,525	30,218,843	30,218,843	247,387,367

2017

	Balance at beginning of reporting period \$	Revaluation increment / (decrement) \$	Net movement for the reporting period \$	Balance at end of the reporting period \$
Property				
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
Infrastructure assets				
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
Total tangible assets	207,958,411	8,478,730	8,478,730	216,437,141
Intangible assets				
Water rights	717,316	14,068	14,068	731,384
Total	208,675,727	8,492,798	8,492,798	217,168,524

NOTE 8 OTHER MATTERS (Continued)**8.1 Reserves (continued)****(b) General reserves****2018**

	Balance at beginning of reporting period	Transfer from accumulated surplus	Transfer to accumulated surplus	Balance at end of reporting period
	\$	\$	\$	\$
Land and buildings reserve	280,354	358,350	(5,758)	632,946
Capital expenditure reserve	3,141,720	2,160,830	(3,141,720)	2,160,830
Caravan park development reserve	264,967	31,964	(36,994)	259,937
Community planning reserve	901,067	1,003,063	(901,067)	1,003,063
Economic development reserve	120,035	134,545	(18,925)	235,655
Fleet replacement reserve	676,845	150,000	(365,108)	461,737
Gravel and sand pit (GSP) restoration reserve	773,703	87,329	(372,313)	488,719
Heritage loan scheme reserve	100,000	-	-	100,000
Information technology reserve	1,226,469	185,000	(278,071)	1,133,398
Little Lake Boort water reserve	20,303	14,222	-	34,525
Waste management reserve	283,147	34,370	-	317,517
Major projects reserve	99,796	80,000	-	179,796
Plant replacement reserve	1,769,860	850,000	(270,196)	2,349,664
Professional development reserve	(2,118)	4,000	(3,318)	(1,436)
Recreation facilities improvement reserve	100,000	-	-	100,000
Skidders Flat water reserve	12,908	2,657	-	15,565
Swimming pool major projects reserve	50,000	50,000	-	100,000
Unfunded superannuation liability reserve	1,000,000	-	(303,576)	696,424
Units reserve	77,129	17,836	-	94,965
Unlawfully premises enforcement provision reserve	100,000	-	-	100,000
Unspent contributions reserve	987	-	(987)	-
Unspent grants reserve	7,683,212	7,731,737	(7,683,212)	7,731,737
Urban drainage reserve	704,551	250,000	(261,685)	692,866
Valuations reserve	190,895	5,327	(153,555)	42,667
War memorial reserve	3,000	-	-	3,000
Total	19,578,830	13,151,230	(13,796,485)	18,933,575

NOTE 8 OTHER MATTERS (Continued)**8.1 Reserves (continued)****(b) General reserves (continued)****2017**

	Balance at beginning of reporting	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
Waste management 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
Unlawful 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
Total	15,024,183	14,271,936	(9,717,289)	19,578,830

NOTE 8 OTHER MATTERS (Continued)

8.1 Reserves (continued)

(b) General reserves (continued)

Purpose of general reserves

Land and buildings reserve

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

Capital expenditure reserve

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

Caravan park development reserve

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

Community planning reserve

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

Economic development reserve

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

Fleet replacement reserve

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

Gravel and sand pit (GSP) restoration reserve

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

Heritage loan scheme reserve

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

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 8 OTHER MATTERS (Continued)

8.1 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.

Waste management reserve

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

Major projects reserve

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

Plant replacement reserve

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

Professional development reserve

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

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 8 OTHER MATTERS (Continued)

8.1 Reserves (continued)

(b) General reserves (continued)

Purpose of general reserves (continued)

Unfunded superannuation liability reserve

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

Units reserve

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

Unightly premises enforcement provision reserve

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

Unspent contributions reserve

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

Unspent grants reserve

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

Urban drainage reserve

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

Valuations reserve

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

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 8 OTHER MATTERS (Continued)**8.2 Reconciliation of cash flows from operating activities to surplus/(deficit)**

	2018	2017
	\$	\$
Surplus / (deficit) for the period	(818,612)	4,361,511
Depreciation	9,233,178	8,689,491
(Profit) / loss on disposal of assets	68,428	30,412
Impairment of financial assets	1,658	3,879
Reversal of impairment of assets	(3,879)	(166)
Bad debts expense	21,086	34,322
Share of other comprehensive income of associates	-	76,086
Change in assets and liabilities		
(Increase) / decrease in receivables (net of advances)	364,463	16,859
(Increase) / decrease in accrued income	(2,053,243)	(887,003)
(Increase) / decrease in prepayments	20,207	150,077
(Increase) / decrease in other assets and liabilities	512,020	(122,503)
Increase / (decrease) in trust funds and deposits	28,676	127,344
(Increase) / decrease in inventories	10,476	11,848
Increase / (decrease) in payables	(159,429)	(48,559)
Increase / (decrease) in employee benefits	(165,496)	28,100
Increase / (decrease) in other provisions	(11,121)	(587,917)
(Increase) / decrease in library equity	2,565	88,180
Net cash provided by / used by operating activities	7,050,977	11,971,961

NOTE 8 OTHER MATTERS (Continued)

8.3 Superannuation

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

Accumulation

The Fund's accumulation categories, Vision MySuper / Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 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 2018, 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 103.1%. To determine the VBI, the fund Actuary used the following long-term assumptions:

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

Vision Super has advised that the actual VBI at 30 June 2018 was 106.0%. The VBI is used as the primary funding indicator. When the VBI is above 100%, the interim actuarial investigation determines the Defined Benefit category is in a satisfactory financial position and that no change is necessary to the Defined Benefits category's funding arrangements from prior years.

NOTE 8 OTHER MATTERS (Continued)

8.3 Superannuation (continued)

Employer contributions

Regular contributions

On the basis of the results of the 2017 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 2018, this rate was 9.5% of members' salaries (9.5% in 2016/17). 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.

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.

2017 Interim actuarial investigation surplus amounts

The Fund's latest actuarial investigation as at 30 June 2017 identified the following in the defined benefit category of which Loddon Shire Council is a contributing employer:

- A VBI surplus of \$69.8 million; and
- A total service liability surplus of \$193.5 million.
- A discounted accrued benefits surplus of \$228.8 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 2017.

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 2017 VBI during August 2017.

2018 interim actuarial investigation

A full actuarial investigation is being conducted for the Fund's position as at 30 June 2018. It is anticipated that this actuarial investigation will be completed in December 2018.



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