



# Financial statements

Year ending 30 June 2019

Boort RSL Memorial. Image Loddon Shire Council.

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## CERTIFICATION OF THE FINANCIAL STATEMENTS

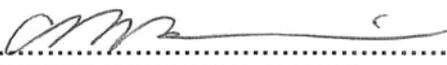
In my opinion the accompanying financial statements have been prepared in accordance with the **Local Government Act 1989**, the *Local Government (Planning and Reporting) Regulations 2014*, Australian Accounting Standards and other mandatory professional reporting requirements.

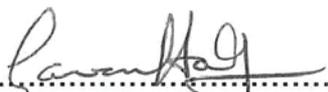
Signed:  Date: **13/09/2019**  
**SHARON ROSEMARIE MORRISON BA (POLITICS), LLB (HONS), GDLP, DIP BUS, CERT IV HR,**  
**PRINCIPAL ACCOUNTING OFFICER**  
*Serpentine, Victoria, 3517*

In our opinion the accompanying financial statements present fairly the financial transactions of the Loddon Shire Council for the year ended 30 June 2019 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: **13/09/2019**  
**CHERYL ANNETTE MCKINNON, MAYOR**  
*Serpentine, Victoria, 3517*

Signed:  Date: **13/09/2019**  
**GAVAN LINDSAY HOLT, COUNCILLOR**  
*Serpentine, Victoria, 3517*

Signed:  Date: **13/09/2019**  
**PHILIP LEONARD PINYON, CHIEF EXECUTIVE OFFICER**  
*Serpentine, Victoria, 3517*

## Independent Auditor's Report

### To the Councillors of Loddon Shire Council

<b>Opinion</b>	<p>I have audited the financial report of Loddon Shire Council (the council) which comprises the:</p> <ul style="list-style-type: none"> <li>• balance sheet as at 30 June 2019</li> <li>• comprehensive income statement for the year then ended</li> <li>• statement of changes in equity for the year then ended</li> <li>• statement of cash flows for the year then ended</li> <li>• statement of capital works for the year then ended</li> <li>• notes to the financial statements, including significant accounting policies</li> <li>• certification of the financial statements.</li> </ul> <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the council as at 30 June 2019 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 6 of the <i>Local Government Act 1989</i> and applicable Australian Accounting Standards.</p>
<b>Basis for Opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. 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>
<b>Councillors' responsibilities for the financial report</b>	<p>The Councillors of the council are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Local Government Act 1989</i>, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Councillors are responsible for assessing the council's ability to continue as a going concern, 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  
20 September 2019



Jonathan Kyvelidis  
*as delegate for the Auditor-General of Victoria*

**LODDON SHIRE COUNCIL  
COMPREHENSIVE INCOME STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2019 \$	2018 \$
<b>Income</b>			
Rates and charges	3.1	10,751,069	10,445,501
Statutory fees and fines	3.2	419,014	403,422
User fees	3.3	1,676,373	1,588,792
Grants - operating	3.4	26,115,760	14,846,183
Grants - capital	3.4	5,002,287	4,057,747
Contributions - monetary	3.5	93,475	41,775
Reimbursements and subsidies	3.6	971,794	1,072,221
Interest received	3.8	481,846	508,561
Share of net profits of associates and joint ventures	6.3	2,432	2,264
Other income	3.9	1,658	3,879
<b>Total income</b>		<b>45,515,708</b>	<b>32,970,345</b>
<b>Expenses</b>			
Employee costs	4.1	11,293,506	10,851,796
Materials and services	4.2	23,158,346	13,311,521
Depreciation and amortisation	4.3	9,473,510	9,233,178
Bad and doubtful debts	4.4	12,747	21,086
Other expenses	4.5	297,160	302,948
Net loss on disposal of property, infrastructure, plant and equipment	3.7	233,155	68,428
<b>Total expenses</b>		<b>44,468,424</b>	<b>33,788,957</b>
<b>Surplus/(deficit) for year</b>		<b>1,047,284</b>	<b>(818,612)</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to surplus or deficit in future periods</i>			
Net asset revaluation increment/(decrement)	9.1a	18,055,306	30,218,843
Share of other comprehensive income of associates and joint ventures accounted for by the equity method	6.3	(4,240)	(4,829)
<b>Total comprehensive result</b>		<b>19,098,350</b>	<b>29,395,402</b>

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

**LODDON SHIRE COUNCIL  
BALANCE SHEET  
AS AT 30 JUNE 2019**

	Note	2019 \$	2018 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5.1	2,182,697	2,662,195
Other financial assets	5.2	13,710,435	1,000,000
Trade and other receivables	5.1	2,498,935	944,197
Other assets	5.2	801,952	3,405,167
Inventories	5.2	40,278	43,489
Non-current assets classified as held for sale	6.1	556,092	690,322
<b>Total current assets</b>		<b>19,790,389</b>	<b>8,745,370</b>
<b>Non-current assets</b>			
Other financial assets	5.1	10,000,000	17,791,312
Other assets	5.2	100	100
Trade and other receivables	5.1	2,297	3,372
Investments in associates and joint ventures	6.3	269,572	271,380
Intangible assets	5.2	2,702,545	1,979,130
Property, infrastructure, plant and equipment	6.2	353,733,914	338,108,296
<b>Total non-current assets</b>		<b>366,708,428</b>	<b>358,153,590</b>
<b>Total assets</b>		<b>386,498,817</b>	<b>366,898,960</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	5.3	1,174,480	801,793
Trust funds and deposits	5.3	340,748	375,762
Provisions	5.4	2,412,407	2,397,604
<b>Total current liabilities</b>		<b>3,927,635</b>	<b>3,575,159</b>
<b>Non-current liabilities</b>			
Provisions	5.4	1,797,418	1,648,387
<b>Total non-current liabilities</b>		<b>1,797,418</b>	<b>1,648,387</b>
<b>Total liabilities</b>		<b>5,725,053</b>	<b>5,223,546</b>
<b>Net assets</b>		<b>380,773,764</b>	<b>361,675,414</b>
<b>Equity</b>			
Accumulated surplus		93,620,656	95,354,472
Reserves	9.1	287,153,108	266,320,942
<b>Total equity</b>		<b>380,773,764</b>	<b>361,675,414</b>

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

## LODDON SHIRE COUNCIL STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

**2019**

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

**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	9.1b	-	(13,151,230)	-	13,151,230
Transfer from reserves	9.1b	-	13,796,485	-	(13,796,485)
Share of other comprehensive income		(4,829)	(4,829)	-	-
<b>Balance at end of financial year</b>		<b>361,675,414</b>	<b>95,354,472</b>	<b>247,387,367</b>	<b>18,933,575</b>

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

**LODDON SHIRE COUNCIL  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2019 Inflows/ (outflows) \$	2018 Inflows/ (outflows) \$
<b>Cash flows from operating activities</b>			
Rates and charges		10,843,895	10,490,783
Statutory fees and fines		491,673	418,579
User fees		464,988	1,648,775
Grants - operating		29,150,748	12,844,409
Grants - capital		3,996,405	4,268,402
Contributions		93,475	41,775
Reimbursements and subsidies		943,282	1,045,938
Interest received		498,029	455,620
Net GST refund (payable)		978,331	1,683,479
Trust funds and deposits taken		(35,014)	(28,676)
Employee costs		(11,246,525)	(10,654,704)
Materials and services		(23,955,700)	(15,188,232)
Trust funds and deposits repaid		-	-
<b>Net cash provided by (used in) operating activities</b>		<b>12,223,587</b>	<b>7,026,148</b>
<b>Cash flows from investing activities</b>			
Payments for property, infrastructure, plant and equipment	6.2	(8,374,932)	(8,381,624)
Proceeds from sale of property, infrastructure, plant and equipment		508,770	650,979
Payment for intangible assets		-	-
Payment for investments		(4,919,123)	(6,387,159)
Loans and advances to community organisations		-	6,000
Repayment of loans and advances from community organisations		82,200	75,613
<b>Net cash provided by (used in) investing activities</b>		<b>(12,703,085)</b>	<b>(14,036,191)</b>
<b>Cash flows from financing activities</b>			
Repayment of interest bearing loans and borrowings		-	-
Borrowing costs		-	-
<b>Net cash provided by (used in) financing activities</b>		<b>-</b>	<b>-</b>
Net increase/(decrease) in cash and cash equivalents		(479,498)	(7,010,043)
Cash and cash equivalents at the beginning of the financial year		2,662,195	9,672,238
<b>Cash and cash equivalents at the end of the financial year</b>	5.1	<b>2,182,697</b>	<b>2,662,195</b>

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

**LODDON SHIRE COUNCIL  
STATEMENT OF CAPITAL WORKS  
FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2019 \$	2018 \$
<b>Land and buildings</b>			
Land		-	31,460
Buildings - specialised		452,106	635,862
Work in progress		887,334	142,309
<b>Total land and buildings</b>		<b>1,339,440</b>	<b>809,631</b>
<b>Plant and equipment</b>			
Plant, machinery and equipment		2,397,567	889,602
Office furniture and equipment		58,430	172,479
<b>Total plant and equipment</b>		<b>2,455,997</b>	<b>1,062,081</b>
<b>Infrastructure</b>			
Roads		2,477,860	3,823,677
Bridges		657,245	51,980
Footpaths and cycleways		295,395	1,853,257
Kerb and channel		-	-
Drainage		267,839	218,929
Street furniture		15,365	-
Work in progress		865,791	562,068
<b>Total infrastructure</b>		<b>4,579,495</b>	<b>6,509,911</b>
<b>Intangible assets</b>			
Water rights		-	-
<b>Total intangible assets</b>		-	-
<b>Total capital works expenditure</b>		<b>8,374,932</b>	<b>8,381,623</b>
<b>Represented by:</b>			
New asset expenditure		2,415,697	984,860
Asset renewal expenditure		1,881,432	3,321,999
Asset expansion expenditure		773,270	2,090,846
Asset upgrade expenditure		3,304,533	1,983,918
<b>Total capital works expenditure</b>		<b>8,374,932</b>	<b>8,381,623</b>

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 6.2)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.2)
- the determination of employee provisions (refer to Note 5.4)
- the determination of landfill provisions (refer to Note 5.4)
- 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 per cent 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 26 June 2018. 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 2019 \$	Actual 2019 \$	Variance 2019 \$	Variance 2019 %	Ref
<b>Income</b>					
Rates and charges	10,723,126	10,751,069	(27,943)	0.3%	
Statutory fees and fines	224,592	419,014	(194,422)	86.6%	1
User fees	1,509,947	1,676,373	(166,426)	11.0%	2
Grants - operating	6,230,312	26,115,760	(19,885,448)	319.2%	3
Grants - capital	5,150,945	5,002,287	148,658	-2.9%	
Contributions - monetary	310,000	93,475	216,525	-69.8%	4
Reimbursements and subsidies	867,865	971,794	(103,929)	12.0%	5
Interest received	375,000	481,846	(106,846)	28.5%	6
Share of net profits/(losses) of associates and joint ventures	-	-	-	0.0%	
Other income	-	1,658	(1,658)	100.0%	
<b>Total income</b>	<b>25,391,787</b>	<b>45,513,276</b>	<b>(20,121,489)</b>	<b>79.2%</b>	
<b>Expenses</b>					
Employee costs	11,809,431	11,293,506	515,925	-4.4%	
Materials and services	8,799,238	23,158,346	(14,359,108)	163.2%	7
Depreciation and amortisation	9,200,989	9,473,510	(272,521)	3.0%	
Borrowing costs	-	-	-	100.0%	
Bad and doubtful debts	-	12,747	(12,747)	100.0%	
Other expenses	306,172	297,160	9,012	-2.9%	
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	-	233,155	(233,155)	100.0%	8
<b>Total expenses</b>	<b>30,115,830</b>	<b>44,468,424</b>	<b>(14,352,594)</b>	<b>47.7%</b>	
<b>Surplus/(deficit) for the year</b>	<b>(4,724,043)</b>	<b>1,044,852</b>	<b>(5,768,895)</b>	<b>-122.1%</b>	

## 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 \$63K, with an increase in both the fee charged and activity. There was also an increase in local laws fines of \$34K.
- 2 The slight increase in user fees relates mainly to an increase in private works undertaken of \$79K along with patronage at the caravan parks of a combined \$58K.
- 3 Operating grant income is higher than expected mainly due to the receipt of flood recovery income of \$13.7M more than was in the original budget along with a 50 per cent upfront payment from the Victoria Grants Commission of \$5.0M, similar to 2016/17 and 2017/18.
- 4 The main variation to the contributions received relates to the Donaldson Park Pavilion project which has not yet commenced therefore the committee contribution of \$310K was not required during 2018/19.
- 5 The main variation for the year relates to additional income received for main roads works of \$62K, insurance claim reimbursements of \$50K and WorkCover reimbursements of \$34K, with an increase in activity for all these projects.
- 6 During the financial year, Council had higher than expected cash on hand and therefore was able to earn more interest from investments.
- 7 The main variation in materials and services is the flood restoration works which were completed during 2018/19 and had a total of \$13.8M.
- 8 Council does not budget for a net gain or loss on disposal of assets. Therefore there is a cost variance of \$233K.

## NOTE 1 PERFORMANCE AGAINST BUDGET (CONTINUED)

### 1.2 Capital works

	Budget 2019 \$	Actual 2019 \$	Variance 2019 \$	Variance 2019 %	Ref
<b>Property</b>					
Land	-	-	-	100.0%	
Land improvements	66,747	-	66,747	-100.0%	
<b>Total land</b>	<b>66,747</b>	<b>-</b>	<b>66,747</b>	<b>-100.0%</b>	
Buildings	500,000	111,672	388,328	-77.7%	9
Building improvements	290,000	291,196	(1,196)	0.4%	
<b>Total buildings</b>	<b>790,000</b>	<b>402,868</b>	<b>387,132</b>	<b>-49.0%</b>	
<b>Total property</b>	<b>856,747</b>	<b>402,868</b>	<b>453,879</b>	<b>-53.0%</b>	
<b>Plant and equipment</b>					
Plant, machinery and equipment	1,427,213	2,397,568	(970,355)	68.0%	10
Office furniture and equipment	777,780	58,430	719,350	-92.5%	11
<b>Total plant and equipment</b>	<b>2,204,993</b>	<b>2,455,998</b>	<b>(251,005)</b>	<b>11.4%</b>	
<b>Infrastructure</b>					
Roads	2,708,725	2,711,648	(2,923)	0.1%	
Bridges	950,700	1,030,234	(79,534)	8.4%	
Footpaths and cycleways	237,000	313,342	(76,342)	32.2%	
Drainage	350,000	500,711	(150,711)	43.1%	12
Recreation, leisure and community facilities	4,097,670	369,296	3,728,374	-91.0%	13
Parks, open space and streetscapes	350,000	590,835	(240,835)	68.8%	14
<b>Total infrastructure</b>	<b>8,694,095</b>	<b>5,516,066</b>	<b>3,178,029</b>	<b>63.4%</b>	
<b>Total capital works expenditure</b>	<b>11,755,835</b>	<b>8,374,932</b>	<b>3,380,903</b>	<b>-28.8%</b>	
<b>Represented by:</b>					
New asset expenditure	2,092,213	2,415,697	(323,484)	15.5%	
Asset renewal expenditure	3,570,952	1,881,432	1,689,520	-47.3%	
Asset expansion expenditure	2,864,670	773,270	2,091,400	-73.0%	
Asset upgrade expenditure	3,228,000	3,304,533	(76,533)	2.4%	
<b>Total capital works expenditure</b>	<b>11,755,835</b>	<b>8,374,932</b>	<b>3,380,903</b>	<b>-28.8%</b>	

## NOTE 1 PERFORMANCE AGAINST BUDGET (CONTINUED)

### 1.2 Capital works (continued)

#### (i) Explanation of material variations

- 9 The budget set for 2018/19 included an allocation of \$500K for the strategic fund but this remained unspent at 30 June 2019.
- 10 There has been a delay in delivery of some plant items within the 2018/19 program. These have been placed in the commitments for Council but were not delivered prior to 30 June 2019.
- 11 Work was expected to commence on the upgrade to the records management system during the year but the contract was not awarded until July 2019. The budget also included upgrades to the financial management system but Council had an opportunity arise for funding assistance which has delayed delivery of this project.
- 12 During 2018/19 there was \$345K of carried forward works completed, along with part of the scheduled program of works.
- 13 The Donaldson Park project had a budget of \$2.8M, this project was not able to proceed until funding had been secured and this did not occur until late in 2018/19. There was also several carried forward projects that have been progressed or completed during the year including the swimming pool solar works and Bridgewater foreshore works.
- 14 The main variance is the Inglewood swimming pool project of \$352K which was not included in the original budget as it was expected to be completed in 2017/18.

## NOTE 2 COUNCIL RESULTS BY PROGRAM

### 2.1 Analysis of Council results by program

Council delivers its functions and activities through the following programs.

#### 1 - Economic development and tourism

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

#### 2 - Leadership

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

#### 3 - Works and infrastructure

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

#### 4 - Good management

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

#### 5 - Environment

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

#### 6 - Community services and recreation

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

#### 2019

	Income \$	Expenses \$	Surplus / (Deficit) \$	Grants included in income \$	Total assets \$
Economic development and tourism	984,832	1,165,882	(181,050)	86,591	4,184,593
Leadership	14,142,608	15,923,583	(1,780,975)	14,040,305	-
Works and infrastructure	11,361,209	18,418,959	(7,057,750)	3,620,509	306,098,726
Good management	32,401,338	20,199,487	12,201,851	9,334,607	3,809,879
Environment	2,082,273	2,534,670	(452,397)	537,928	12,883,894
Community services and recreation	4,501,055	7,111,079	(2,610,024)	3,498,106	27,312,914
Carried forward balance	3,561,131	-	3,561,131	-	-
<b>Total</b>	<b>69,034,446</b>	<b>65,353,660</b>	<b>3,680,786</b>	<b>31,118,046</b>	<b>354,290,006</b>

#### 2018

	Income \$	Expenses \$	Surplus / (Deficit) \$	Grants included in income \$	Total assets \$
Economic development and tourism	1,111,795	1,242,948	(131,153)	-	4,941,316
Leadership	4,522,085	5,755,234	(1,233,149)	4,364,993	-
Works and infrastructure	10,917,410	17,131,983	(6,214,573)	3,735,561	280,976,603
Good management	32,300,350	18,472,611	13,827,739	8,560,566	4,586,572
Environment	1,724,028	1,531,173	192,855	234,573	14,042,068
Community services and recreation	2,906,368	7,933,880	(5,027,512)	2,007,337	32,252,058
Carried forward balance	2,146,924	-	2,146,924	-	-
<b>Total</b>	<b>55,628,960</b>	<b>52,067,829</b>	<b>3,561,131</b>	<b>18,903,030</b>	<b>336,798,617</b>

## NOTE 3 FUNDING FOR THE DELIVERY OF OUR SERVICES

### 3.1 Rates and charges

Council uses Capital Improved Value (CIV) 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 2018/19 was \$2,074,220,300. The valuation base used in 2017/18 was \$1,734,759,500.

	2019 \$	2018 \$
General rates	2,381,877	2,540,550
Rural production rates	5,765,928	5,420,427
Municipal charges	1,199,791	1,162,043
Kerbside recycling charges	359,186	338,141
Garbage charges	1,001,121	944,319
Interest on rates and charges	43,166	40,021
<b>Total rates and garbage charges</b>	<b>10,751,069</b>	<b>10,445,501</b>

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

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

### 3.2 Statutory fees and fines

	2019 \$	2018 \$
<b>Statutory fees and fines</b>		
Animal control	80,438	68,823
Building services fees	110,683	112,960
Election fines	451	2,616
Fire hazards	1,541	4,283
Health Act fees	45,757	51,324
Land information certificates	11,088	12,470
Local laws	35,637	7,748
Town planning fees	133,419	143,198
<b>Total statutory fees and fines</b>	<b>419,014</b>	<b>403,422</b>

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

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

### 3.3 User fees

	2019 \$	2018 \$
<b>User fees</b>		
Aged services fees	496,535	438,687
Caravan park fees	429,169	407,550
Emergency management	20,901	28,320
Gravel pit fees	98,216	87,329
Pre-schools	108,847	76,856
Private works charges	123,552	222,420
Road opening permits	13,022	23,310
Sale of tools and equipment	8,346	273
Staff training/educational fees	39,477	38,549
Standpipes and truck washes	99,301	63,980
Tip and recycling fees	49,078	58,613
Tourism	42,839	28,816
Other	35,410	12,380
<b>Rent received</b>		
Elderly persons units	65,264	62,089
Commercial properties	46,416	39,620
<b>Total user fees</b>	<b>1,676,373</b>	<b>1,588,792</b>

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

### 3.4 Funding from other levels of government

	2019 \$	2018 \$
Grants were received in respect of the following:		
<b>Summary of grants</b>		
Commonwealth funded grants	25,991,579	16,322,839
State funded grants	5,126,468	2,581,091
<b>Total grants received</b>	<b>31,118,047</b>	<b>18,903,930</b>

	2019 \$	2018 \$
<b>(a) Operating grants</b>		
<b>Recurrent - Commonwealth Government:</b>		
Victoria Grants Commission - general purpose grant	5,525,044	4,909,068
Victoria Grants Commission - local roads	3,711,629	3,589,883
<b>Non recurrent - Commonwealth Government:</b>		
Flood restoration	14,040,305	4,364,993
<b>Total operating Commonwealth Government grants</b>	<b>23,276,978</b>	<b>12,863,944</b>

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

### 3.4 Funding from other levels of government (continued)

	2019 \$	2018 \$
<b>Recurrent - State Government:</b>		
Aged services	872,355	872,443
Pre-schools	622,560	634,298
Families and children	211,693	143,790
Fire Services Property Levy	42,655	41,615
Youth development	53,000	59,500
Community safety	6,072	5,776
Tips and recycling	-	7,018
Environment	150,000	50,000
Planning services	-	5,455
<b>Non recurrent - State Government:</b>		
Culture	-	14,000
Tips and recycling	125,728	6,000
Community support	85,500	-
Water infrastructure	-	1,744
Community safety	434,331	20,000
Preschools	71,978	9,918
Recreation facilities	6,539	108,182
Tourism	52,591	-
Families and children	20,000	-
Environment	48,570	-
Other	35,210	2,500
<b>Total operating State Government grants</b>	<b>2,838,782</b>	<b>1,982,239</b>
<b>Total operating grants</b>	<b>26,115,760</b>	<b>14,846,183</b>
<b>(b) Capital grants</b>		
<b>Recurrent - Commonwealth Government:</b>		
Roads to Recovery	2,714,601	3,458,895
<b>Non recurrent - Commonwealth Government:</b>		
Nil	-	-
<b>Total capital Commonwealth Government grants</b>	<b>2,714,601</b>	<b>3,458,895</b>
<b>Recurrent - State Government:</b>		
Nil	-	-
<b>Non recurrent - State Government:</b>		
Recreation facilities	79,272	78,638
Community halls	20,000	-
Road infrastructure	905,908	276,666
Community support	80,306	-
Streetscapes	-	50,000
Water infrastructure	1,202,200	193,548
<b>Total capital State Government grants</b>	<b>2,287,686</b>	<b>598,852</b>
<b>Total capital grants</b>	<b>5,002,287</b>	<b>4,057,747</b>

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

### 3.4 Funding from other levels of government (continued)

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

	2019 \$	2018 \$
<b>Balance at start of year</b>	<b>7,731,738</b>	<b>7,683,212</b>
Received during the financial year and remained unspent at balance date	8,235,047	7,023,218
Received in prior years and spent during the financial year	(7,278,595)	(6,974,692)
<b>Balance at year end</b>	<b>8,688,190</b>	<b>7,731,738</b>

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.

### 3.5 Contributions

	2019 \$	2018 \$
Contributions - operating - monetary	93,475	8,591
Contributions - operating - monetary - adjustment 2016/17 funds not received	-	(15,000)
Contributions - capital - monetary	-	48,184
Contributions - non-monetary	-	-
<b>Total contributions</b>	<b>93,475</b>	<b>41,775</b>

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

### 3.6 Reimbursements and subsidies

	2019 \$	2018 \$
Main roads maintenance and construction	596,242	552,761
Insurance	55,263	86,997
Workcover	131,142	142,966
Fuel rebate	138,042	133,139
Emergency management	-	79,015
Contracted staff	51,105	73,343
Other	-	4,000
<b>Total reimbursements and subsidies</b>	<b>971,794</b>	<b>1,072,221</b>

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

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

	2019 \$	2018 \$
Proceeds from sale	508,770	650,979
Written down value of assets disposed	(741,925)	(719,407)
<b>Total net gain / (loss) on disposal of property, infrastructure, plant and equipment</b>	<b>(233,155)</b>	<b>(68,428)</b>

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

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

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Interest on investments	438,680	468,540
Rates interest	43,166	40,021
<b>Total interest received</b>	<b>481,846</b>	<b>508,561</b>

Interest is recognised as it is earned.

**3.9 Other income**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Reversal of impairment of assets	1,658	3,879
<b>Total other income</b>	<b>1,658</b>	<b>3,879</b>

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

## NOTE 4 THE COST OF DELIVERING SERVICES

### 4.1 (a) Employee costs

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Salaries and wages	9,054,751	8,845,450
Annual leave and long service leave	1,022,561	874,919
Superannuation	954,398	922,396
Fringe benefits	99,471	90,291
Workcover	162,325	118,740
<b>Total employee costs</b>	<b>11,293,506</b>	<b>10,851,796</b>

### (b) Superannuation

Council made contributions to the following funds:

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Defined benefit fund</b>		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	73,851	77,829
<b>Total defined benefit fund</b>	<b>73,851</b>	<b>77,829</b>
Employer contributions payable at reporting date.	-	-

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Accumulation funds</b>		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	553,084	533,619
Employer contributions - other funds	327,463	310,948
<b>Total accumulated funds</b>	<b>880,547</b>	<b>844,567</b>
Employer contributions payable at reporting date.	-	-

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

### 4.2 Materials and contracts

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Plant operating costs	1,442,680	1,308,448
Utility costs	606,953	514,937
Corporate governance	366,995	349,464
Local road materials	267,403	317,867
Flood recovery works	13,851,092	4,167,930
Building maintenance	261,798	363,122
Aged care services	161,382	155,240
Training and subscriptions	216,011	258,956
Computer costs and computer programs	555,409	415,179
Office expenses	107,570	92,960
North Central Goldfields Regional Library Corporation	205,745	201,238
Community plan projects	82,526	57,002
Recreation projects	437,199	487,919
Insurances	412,476	455,108

## NOTE 4 THE COST OF DELIVERING SERVICES (Continued)

### 4.2 Materials and services (continued)

	2019	2018
	\$	\$
Pool maintenance and strategy	404,408	399,236
Loddon Discovery Tours	15,148	22,178
Main roads materials	41,937	45,078
Parks and gardens maintenance	159,797	62,304
Tips maintenance	714,850	330,160
Families and children	191,277	99,029
Caravan park operations	243,861	313,162
Economic development and tourism initiatives	104,135	70,135
Private works materials	12,784	50,924
Public facilities	186,841	184,106
Community grant projects	183,416	238,297
Community safety	60,960	55,655
Workshops and depots	93,921	132,547
Youth and transport services	64,422	61,526
Valuations	78,934	237,183
Regulatory services	128,285	114,150
Environment	278,369	181,346
Other materials, services and contracts	133,750	78,622
Gravel pit operations	25,817	363,642
Community facilities	60,754	149,474
Garbage collection	789,973	659,803
Water management projects	145,229	181,302
Cleaning	29,242	23,618
Other road projects	34,997	112,674
<b>Total materials and services</b>	<b>23,158,346</b>	<b>13,311,521</b>

### 4.3 Depreciation and amortisation

	2019	2018
	\$	\$
Roads	6,484,510	6,110,045
Buildings	1,113,954	1,348,607
Plant and equipment	882,691	805,452
Bridges	393,759	370,022
Urban drains	206,919	198,844
Furniture and equipment	84,174	103,772
Footpaths	155,250	149,040
Kerb and channel	97,942	94,119
Landfills	25,654	25,644
Street furniture	27,279	26,171
Quarries	1,378	1,462
<b>Total depreciation and amortisation</b>	<b>9,473,510</b>	<b>9,233,178</b>

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

## NOTE 4 THE COST OF DELIVERING SERVICES (Continued)

### 4.4 Bad and doubtful debts

	2019 \$	2018 \$
Rates debtors	10,120	-
Sundry debtors	2,627	21,086
<b>Total bad and doubtful debts</b>	<b>12,747</b>	<b>21,086</b>

### Movement in provisions for doubtful debts

	2019 \$	2018 \$
Balance at beginning of the year	112,950	110,620
New provisions recognised during the year	22,077	21,087
Amounts already provided for and written off as uncollectible	(16,140)	(18,250)
Amounts provided for but recovered during the year	-	(507)
<b>Balance at end of year</b>	<b>118,887</b>	<b>112,950</b>

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

### 4.5 Other expenses

	2019 \$	2018 \$
Councillors' emoluments	213,850	225,716
Internal audit remuneration	43,407	36,519
External audit remuneration - VAGO - Audit of the financial statements, performance statement and grant acquittals	39,800	39,055
Impairment of interest free loans	103	1,658
<b>Total other expenses</b>	<b>297,160</b>	<b>302,948</b>

## NOTE 5 OUR FINANCIAL POSITION

### 5.1 Financial assets

#### (a) Cash and cash equivalents

	2019 \$	2018 \$
Cash on hand	4,750	4,750
Cash at bank (CEO's advance account)	4,000	4,000
Cash at bank (general account)	1,993,947	2,455,902
Cash at bank (trust account)	180,000	197,543
<b>Cash and cash equivalents</b>	<b>2,182,697</b>	<b>2,662,195</b>

#### (b) Other financial assets

	2019 \$	2018 \$
Term deposits (current)	13,710,435	1,000,000
Term deposits (non-current)	10,000,000	17,791,312
<b>Total other financial assets</b>	<b>23,710,435</b>	<b>18,791,312</b>

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

	2019 \$	2018 \$
<b>Restricted funds</b>		
Trust funds (Note 5.3)	340,748	375,762
<b>Total restricted funds</b>	<b>340,748</b>	<b>375,762</b>
<b>Total unrestricted cash and cash equivalents</b>	<b>25,552,384</b>	<b>21,077,745</b>

#### Intended allocations

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

	2019 \$	2018 \$
Unspent grants (refer to Note 9.1)	8,688,188	7,731,737
Long service leave (refer to Note 5.4)	1,796,636	1,793,538
<b>Total funds subject to intended allocations</b>	<b>10,484,824</b>	<b>9,525,275</b>

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

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

## NOTE 5 OUR FINANCIAL POSITION (Continued)

### 5.1 Financial assets (continued)

#### (c) Trade and other receivables

	2019 \$	2018 \$
<b>Current</b>		
<i>Statutory receivables</i>		
Rates debtors	214,420	307,246
LESS provision for doubtful debts	(17,462)	(87,287)
	<b>196,958</b>	<b>219,959</b>
<i>Non statutory receivables</i>		
Sundry debtors	2,094,620	290,426
Other debtors	112,621	100,319
LESS provision for doubtful debts	(101,425)	(25,663)
Net receivable GST	194,961	278,386
Loans and advances to community organisations	1,200	80,770
	<b>2,301,977</b>	<b>724,238</b>
<b>Total current</b>	<b>2,498,935</b>	<b>944,197</b>
<b>Non-current</b>		
<i>Non statutory receivables</i>		
Loans and advances to community organisations	2,297	3,372
<b>Total non-current</b>	<b>2,297</b>	<b>3,372</b>
<b>Total trade and other receivables</b>	<b>2,501,232</b>	<b>947,569</b>

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:

	2019 \$	2018 \$
Current (not yet due)	1,442,757	104,699
Past due by up to 30 days	486,768	119,918
Past due between 31 and 180 days	67,476	9,875
Past due between 181 and 365 days	97,619	55,934
<b>Total trade and other receivables</b>	<b>2,094,620</b>	<b>290,426</b>

## NOTE 5 OUR FINANCIAL POSITION (Continued)

### 5.1 Financial assets (continued)

#### (c) Trade and other receivables (continued)

##### (ii) Ageing of individually impaired receivables

At balance date, other debtors representing financial assets with a nominal value of \$101,425 (2018: \$25,663) were impaired. The amount of the provision raised against these debtors was \$101,425 (2018: \$25,663). 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:

	2019 \$	2018 \$
Current (not yet due)	-	-
Past due by up to 30 days	-	-
Past due between 31 and 180 days	-	-
Past due between 181 and 365 days	101,425	25,663
Past due by more than 1 year	-	-
<b>Total trade and other receivables</b>	<b>101,425</b>	<b>25,663</b>

### 5.2 Non-financial assets

#### (a) Inventories

	2019 \$	2018 \$
Inventories held for distribution	40,278	43,489
Inventories held for sale	-	-
<b>Total inventories</b>	<b>40,278</b>	<b>43,489</b>

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

	2019 \$	2018 \$
<b>Current</b>		
Accrued income	649,761	3,185,122
Prepayments	152,191	220,045
<b>Total current</b>	<b>801,952</b>	<b>3,405,167</b>
<b>Non-current</b>		
Maps shares	100	100
<b>Total non-current</b>	<b>100</b>	<b>100</b>
<b>Total other assets</b>	<b>802,052</b>	<b>3,405,267</b>

## NOTE 5 OUR FINANCIAL POSITION (Continued)

### 5.2 Non-financial assets (continued)

#### (c) Intangible assets

	2019 \$	2018 \$
<b>Non-current</b>		
Water rights	2,702,545	1,979,130
<b>Total intangible assets</b>	<b>2,702,545</b>	<b>1,979,130</b>

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

	2019 \$	2018 \$
<b>Water rights</b>		
Gross carrying amount at beginning of period	1,979,130	1,668,430
Additional water rights obtained during the period	-	-
Water rights disposed of during the period	-	-
Revaluation increment (decrement)	723,415	310,700
<b>Gross carrying amount at end of period</b>	<b>2,702,545</b>	<b>1,979,130</b>

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 2019 to the published water trade market rate applying at that date.

## NOTE 5 OUR FINANCIAL POSITION (Continued)

### 5.3 Payables

#### (a) Trade and other payables

	2019 \$	2018 \$
Trade creditors	662,794	365,246
Accrued wages and salaries	203,439	175,161
Accrued expenses	308,247	261,386
<b>Total trade and other payables</b>	<b>1,174,480</b>	<b>801,793</b>

#### (b) Trust funds and deposits

	2019 \$	2018 \$
Contract retentions	66,302	79,608
Fire services property levy	55,097	54,434
Building sureties	37,340	42,340
Unclaimed monies	533	361
Other refundable deposits:	-	-
St Andrews church repair fund	1,476	1,476
Wedderburn pre-school investment	180,000	197,543
<b>Total trust funds and deposits</b>	<b>340,748</b>	<b>375,762</b>

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 5 OUR FINANCIAL POSITION (Continued)

### 5.4 Provisions

#### 2019

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

#### 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
<b>Balance at the end of the financial year</b>	<b>856,052</b>	<b>1,793,538</b>	<b>120,578</b>	<b>1,216,200</b>	<b>59,623</b>	<b>4,045,991</b>

#### (a) Employee provisions

	2019 \$	2018 \$
<b>Current provisions expected to be wholly settled within 12 months</b>		
Annual leave	691,317	684,842
Long service leave	184,622	184,727
RDOs	128,088	120,578
<b>Total</b>	<b>1,004,027</b>	<b>990,147</b>
<b>Current provisions expected to be wholly settled after 12 months</b>		
Annual leave	172,829	171,210
Long service leave	1,235,551	1,236,247
<b>Total</b>	<b>1,408,380</b>	<b>1,407,457</b>
<b>Total current employee provisions</b>	<b>2,412,407</b>	<b>2,397,604</b>
<b>Non-current</b>		
Long service leave	376,463	372,564
<b>Total non-current employee provisions</b>	<b>376,463</b>	<b>372,564</b>
<b>Aggregate carrying amount of employee provisions:</b>		
Current	2,412,407	2,397,604
Non-current	376,463	372,564
<b>Total aggregate amount of employee provisions</b>	<b>2,788,870</b>	<b>2,770,168</b>

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

## NOTE 5 OUR FINANCIAL POSITION (Continued)

### 5.4 Provisions (continued)

#### (a) Employee provisions (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:

Index rate	3.62%	3.38%
Weighted average discount rates	2.08%	3.26%
Weighted average settlement period	21 months	21 months

#### (b) Landfill restoration

	2019 \$	2018 \$
Current	-	-
Non-current	1,347,842	1,216,200
<b>Total landfill restoration</b>	<b>1,347,842</b>	<b>1,216,200</b>

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:

Index rate	2.09%	2.40%
Weighted average discount rates	1.04%	1.96%
Weighted average settlement period	17 years	18 years

## NOTE 5 OUR FINANCIAL POSITION (Continued)

### 5.4 Provisions (continued)

#### (c) Gravel pit rehabilitation

	2019 \$	2018 \$
Current	-	-
Non-current	73,113	59,623
<b>Total</b>	<b>73,113</b>	<b>59,623</b>

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:

Index rate	2.09%	2.40%
Weighted average discount rates	1.04%	1.96%
Weighted average settlement period	18 years	18 years

### 5.5 Financing arrangements

	2019 \$	2018 \$
Bank overdraft - National Australia Bank	500,000	500,000
Bank overdraft - Westpac Banking Corporation	500,000	-
Credit card facilities	100,000	100,000
<b>Total facilities</b>	<b>1,100,000</b>	<b>600,000</b>
Used facilities	-	-
<b>Unused facilities</b>	<b>1,100,000</b>	<b>600,000</b>

## NOTE 5 OUR FINANCIAL POSITION (Continued)

### 5.6 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.

#### 2019

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

#### 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 \$
<b>Operating</b>					
Flood repairs and other roadworks	1,120,359	-	-	-	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
<b>Operating commitments for expenditure</b>	<b>3,021,238</b>	<b>1,106,260</b>	<b>621,323</b>	<b>-</b>	<b>4,748,821</b>
<b>Capital</b>					
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
<b>Capital commitments for expenditure</b>	<b>236,872</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>236,872</b>
<b>Total commitments for expenditure</b>	<b>3,258,110</b>	<b>1,106,260</b>	<b>621,323</b>	<b>-</b>	<b>4,985,693</b>

## NOTE 5 OUR FINANCIAL POSITION (Continued)

### 5.7 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).

	2019 \$	2018 \$
<b>Income from leases</b>		
Not later than 1 year	104,626	97,901
Later than 1 year and not later than 2 years	106,162	98,453
Later than 2 years and not later than 5 years	328,012	298,213
<b>Total leases</b>	<b>538,800</b>	<b>494,567</b>

	2019 \$	2018 \$
<b>Expenditure for leases</b>		
Not later than 1 year	5,218	8,338
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
<b>Total leases</b>	<b>26,090</b>	<b>29,210</b>

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

## NOTE 6 ASSETS WE MANAGE

### 6.1 Non current assets classified as held for sale

	2019 \$	2018 \$
<b>Non current</b>		
Land at valuation	576,260	715,360
LESS selling costs	(20,168)	(25,038)
<b>Total non current assets held for sale</b>	<b>556,092</b>	<b>690,322</b>

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

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

	At fair value 30 June 2018 \$	Acquisitions \$	Revaluation / transfers \$	Depreciation \$	Disposals \$	At fair value 30 June 2019 \$
Land	9,630,604	-	139,099	-	(208,702)	9,561,001
Buildings	46,164,867	452,106	13,191	(1,113,954)	-	45,516,210
Plant and equipment	6,214,584	2,455,997	-	(966,865)	(533,223)	7,170,493
Infrastructure	275,114,272	3,713,704	17,889,090	(7,392,691)	-	289,324,375
Work in progress	983,969	1,753,125	(575,259)	-	-	2,161,835
<b>Total</b>	<b>338,108,296</b>	<b>8,374,932</b>	<b>17,466,121</b>	<b>(9,473,510)</b>	<b>(741,925)</b>	<b>353,733,914</b>

**Summary of work in progress**

	Opening WIP \$	Additions \$	Transfers \$	Write-off \$	Closing WIP \$
Buildings	421,901	887,334	(13,191)	-	1,296,044
Infrastructure	562,068	865,791	(562,068)	-	865,791
<b>Total</b>	<b>983,969</b>	<b>1,753,125</b>	<b>(575,259)</b>	<b>-</b>	<b>2,161,835</b>

**(a) Property**

	Land	Buildings - specialised	Work in progress	Total land and buildings
At fair value 1 July 2018	9,630,604	82,522,872	421,901	92,575,377
Acc depreciation at 1 July 2018	-	(36,358,005)	-	(36,358,005)
	<b>9,630,604</b>	<b>46,164,867</b>	<b>421,901</b>	<b>56,217,372</b>
<b>Movements in fair value</b>				
Acquisition of assets at fair value	-	452,106	887,334	1,339,440
Contributed assets	-	-	-	-
Revaluation increments/ (decrements)	-	-	-	-
Fair value of assets disposed	(208,702)	-	-	(208,702)
Impairment losses recognised in operating result	-	-	-	-
Transfers between asset classes	-	13,191	(13,191)	-
	<b>(208,702)</b>	<b>465,297</b>	<b>874,143</b>	<b>1,130,738</b>
<b>Movements in acc depreciation</b>				
Depreciation and amortisation	-	(1,113,954)	-	(1,113,954)
Revaluation (increments)/ decrements	139,099	-	-	139,099
Acc depreciation of disposals	-	-	-	-
Impairment losses recognised in operating result	-	-	-	-
	<b>139,099</b>	<b>(1,113,954)</b>	<b>-</b>	<b>(974,855)</b>
At fair value 30 June 2019	9,421,902	82,988,169	1,296,044	93,706,115
Accumulated depreciation at 30 June 2019	139,099	(37,471,959)	-	(37,332,860)
<b>Total</b>	<b>9,561,001</b>	<b>45,516,210</b>	<b>1,296,044</b>	<b>56,373,255</b>

## NOTE 6 ASSETS WE MANAGE (Continued)

### 6.2 Property, infrastructure, plant and equipment (Continued)

#### (b) Plant and equipment

	Plant machinery and equipment	Fixtures fittings and furniture	Total plant and equipment
At fair value 1 July 2018	12,847,712	1,396,586	14,244,298
Acc depreciation at 1 July 2018	(7,014,118)	(1,015,596)	(8,029,714)
	<b>5,833,594</b>	<b>380,990</b>	<b>6,214,584</b>
<b>Movements in fair value</b>			
Acquisition of assets at fair value	2,397,567	58,430	2,455,997
Contributed assets	-	-	-
Revaluation (increments)/decrements	-	-	-
Fair value of assets disposed	(2,012,116)	(11,937)	(2,024,053)
Impairment losses recognised in operating result	-	-	-
Transfers between asset classes	-	-	-
	<b>385,451</b>	<b>46,493</b>	<b>431,944</b>
<b>Movements in acc depreciation</b>			
Depreciation and amortisation	(882,691)	(84,174)	(966,865)
Acc depreciation of disposals	1,480,304	10,526	1,490,830
Impairment losses recognised in operating result	-	-	-
	<b>597,613</b>	<b>(73,648)</b>	<b>523,965</b>
At fair value 30 June 2019	13,233,163	1,443,079	14,676,242
Accumulated depreciation at 30 June 2019	(6,416,505)	(1,089,244)	(7,505,749)
<b>Total</b>	<b>6,816,658</b>	<b>353,835</b>	<b>7,170,493</b>

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

	Roads	Bridges	Footpaths and cycleways	Kerb and channel	Drainage
At fair value 1 July 2018	350,114,379	36,557,550	9,302,870	5,640,425	15,983,717
Acc depreciation at 1 July 2018	(113,179,091)	(18,453,258)	(1,936,476)	(2,136,800)	(7,835,058)
	<b>236,935,288</b>	<b>18,104,292</b>	<b>7,366,394</b>	<b>3,503,625</b>	<b>8,148,659</b>
<b>Movements in fair value</b>					
Acquisition of assets at fair value	2,477,860	657,245	295,395	-	267,839
Revaluation increments/ (decrements)	18,569,350	1,689,483	(2,278,670)	229,120	(399,259)
Fair value of assets disposed	-	-	-	-	-
Impairment losses recognised in operating result	-	-	-	-	-
Transfers between asset classes	363,980	-	-	-	198,088
	<b>21,411,190</b>	<b>2,346,728</b>	<b>1,983,275</b>	<b>229,120</b>	<b>66,668</b>
<b>Movements in acc depreciation</b>					
Depreciation and amortisation	(6,484,510)	(393,759)	(155,250)	(97,942)	(206,919)
Revaluation (increments)/ decrements	506,134	(829,658)	72,431	5,525	(111,292)
Acc depreciation of disposals	-	-	-	-	-
Impairment losses recognised in operating result	-	-	-	-	-
	<b>(5,978,376)</b>	<b>(1,223,417)</b>	<b>(82,819)</b>	<b>(92,417)</b>	<b>(318,211)</b>
At fair value 30 June 2019	371,525,569	38,904,278	7,319,595	5,869,545	16,050,385
Accumulated depreciation at 30 June 2019	(119,157,467)	(19,676,675)	(2,019,295)	(2,229,217)	(8,153,269)
	<b>252,368,102</b>	<b>19,227,603</b>	<b>5,300,300</b>	<b>3,640,328</b>	<b>7,897,116</b>

	Quarries	Street Furniture	Landfills	Work In Progress	Total Infrastructure
At fair value 1 July 2018	58,507	795,343	1,994,306	562,068	421,009,165
Acc depreciation at 1 July 2018	(24,418)	(179,942)	(1,587,782)	-	(145,332,825)
	<b>34,089</b>	<b>615,401</b>	<b>406,524</b>	<b>562,068</b>	<b>275,676,340</b>
<b>Movements in fair value</b>					
Acquisition of assets at fair value	-	15,365	-	865,791	4,579,495
Revaluation increments/ (decrements)	-	(146,113)	-	-	17,663,911
Fair value of assets disposed	-	-	-	-	-
Impairment losses recognised in operating result	-	-	-	-	-
Transfers between asset classes	-	-	-	(562,068)	-
	-	<b>130,748</b>	-	<b>303,723</b>	<b>22,243,406</b>
<b>Movements in acc depreciation</b>					
Depreciation and amortisation	(1,378)	(27,279)	(25,654)	-	(7,392,691)
Revaluation (increments)/decrements	-	19,971	-	-	(336,889)
Acc depreciation of disposals	-	-	-	-	-
Impairment losses recognised in operating result	-	-	-	-	-
	<b>(1,378)</b>	<b>(7,308)</b>	<b>(25,654)</b>	<b>-</b>	<b>(7,729,580)</b>
At fair value 30 June 2019	58,507	664,595	1,994,306	865,791	443,252,571
Accumulated depreciation at 30 June 2019	(25,796)	(187,250)	(1,613,436)	-	(153,062,405)
	<b>32,711</b>	<b>477,345</b>	<b>380,870</b>	<b>865,791</b>	<b>290,190,166</b>

## NOTE 6 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.

### 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	2.5 - 15	1,000
motor vehicles	5 - 7.5	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	40 - 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 - 100	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

### Land under roads

Council recognises land under roads it controls at fair value.

## NOTE 6 ASSETS WE MANAGE (Continued)

### Depreciation and amortisation

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

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

Road earthworks are not depreciated on the basis that they are assessed as not having a limited useful life.

Straight line depreciation is charged based on the residual useful life as determined each year.

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

### 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.

### Valuation of land and buildings

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

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

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

## NOTE 6 ASSETS WE MANAGE (Continued)

### Valuation of land and buildings (continued)

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

Council revalues all land and building assets every two years. The next full revaluation is due on 30 June 2020. Details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2019 are as follows:

	Level 1	Level 2	Level 3	Date of valuation
Land	-	1,781,559	8,335,534	30/6/2019
Specialised land	-	-	-	30/6/2019
Buildings	-	7,402,053	-	30/6/2019
Specialised buildings	-	-	75,586,115	30/6/2019
<b>TOTAL</b>	-	<b>9,183,612</b>	<b>83,921,649</b>	

### Valuation of infrastructure

A valuation of Council's infrastructure assets was performed by David Southcombe, Acting Manager Technical Services of the Loddon Shire Council, as at 30 June 2019.

There were no changes in valuation techniques throughout the period to 30 June 2019.

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

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

Details of the Council's infrastructure and information about the fair value hierarchy as at 30 June 2019 are as follows:

	Level 1	Level 2	Level 3	Date of valuation
Unsealed roads formation	-	-	15,672,052	30/6/2019
Unsealed roads pavement	-	-	53,738,251	30/6/2019
Road seal	-	-	12,216,730	30/6/2019
Sealed roads pavement	-	-	149,828,730	30/6/2019
Sealed road formation	-	-	10,052,149	30/6/2019
Footpaths	-	-	5,300,301	30/6/2019
Culverts	-	-	10,860,180	30/6/2019
Bridges	-	-	19,227,603	30/6/2019
Kerb and channel	-	-	3,640,328	30/6/2019
Urban drains	-	-	7,897,116	30/6/2019
Street furniture	-	-	477,345	30/6/2019
Landfills	-	-	1,994,306	30/6/2019
Quarries	-	-	58,507	30/6/2019
<b>TOTAL</b>	-	-	<b>290,963,598</b>	

## NOTE 6 ASSETS WE MANAGE (Continued)

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

**Specialised land and land under roads** is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between five per cent and 95 per cent. 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 two 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

	2019	2018
	\$	\$
Land under roads	-	-
Parks and reserves	-	-
<b>TOTAL</b>	-	-

## NOTE 6 ASSETS WE MANAGE (Continued)

### 6.3 Investments in associates, joint arrangements and subsidiaries

#### Investments in associates

Investments in associates accounted for by the equity method are:

#### North Central Goldfields Regional Library Corporation

The Council is a member of the North Central Goldfields Regional Library Corporation. At 30 June 2019 Council's equity was \$269,572. At 30 June 2018 Council's equity in the corporation was \$271,380.

Loddon has a 5.04 per cent share of the net assets, and this is calculated on the same ratio as Council contributes to the operating costs of the service. At 30 June 2018 Council's share of the net assets was 5.12 per cent. Any adjustments required due to the reduction in the share of net assets from 2018 to 2019 is reflected as Variation Account - Change in Equity in the following schedules.

	2019 \$	2018 \$
<b>Council's share of accumulated surplus/(deficit)</b>		
Council's share of accumulated surplus/(deficit) at start of year	82,328	81,066
Share of reported surplus/(deficit) for year	2,432	2,264
Variation account - change in equity	(2,335)	(1,002)
Council's share of accumulated surplus/(deficit) at end of year	<b>82,425</b>	<b>82,328</b>
<b>Council's share of reserves</b>		
Council's share of reserves at start of year	189,053	192,880
Variation account - change in equity	(1,905)	(3,827)
Council's share of reserves at end of year	<b>187,148</b>	<b>189,053</b>
<b>Movement in carrying value of share in library</b>		
Carrying value of investment at start of year	271,380	273,946
Share of accumulated surplus/(deficit) for the year	2,432	2,264
Variation account - change in equity	(4,240)	(4,829)
Carrying value of share in library investment at end of year (equity)	<b>269,572</b>	<b>271,380</b>
<b>Council's share of expenditure commitments</b>		
Operating commitments	13,458	12,630
Capital commitments	4,506	14,804
Council's share or expenditure commitments	<b>17,964</b>	<b>27,434</b>
<b>Council's share of contingent liabilities and contingent assets</b>		
Nil	-	-
Council's share of contingent liabilities and contingent assets	-	-

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

	2019 \$	2018 \$
Adjustment to the carrying value of North Central Goldfields Regional Library Corporation	(1,808)	(2,565)
<b>Total adjustment to the carrying value of North Central Goldfields Regional Library Corporation</b>	<b>(1,808)</b>	<b>(2,565)</b>

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

## NOTE 6 ASSETS WE MANAGE (Continued)

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

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

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

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

#### Principles of consolidation

The consolidated financial statements of Council incorporate all entities controlled by Council as at 30 June 2019, and their income and expenses for that part of the reporting period in which control existed.

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

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

Council has no consolidated entities.

#### Committees of management

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

## NOTE 7 PEOPLE AND RELATIONSHIPS

### 7.1 Council and key management remuneration

#### (a) Related parties

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

#### (b) Key Management Personnel

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

	2019	2018
<b>Councillors:</b>		
Cr Cheryl McKinnon (Mayor from July 18 to June 19)	1	1
Cr Neil Beattie (Councillor from July 18 to June 19)	1	1
Cr Geoff Curnow (Councillor from July 18 to June 19)	1	1
Cr Gavan Holt (Councillor from July 18 to June 19)	1	1
Cr Colleen Condliffe (Councillor from July 18 to June 19)	1	1
<b>Total number of Councillors</b>	<b>5</b>	<b>5</b>
<b>Chief Executive Officer and other Key Management Personnel:</b>		
Mr Phil Pinyon (CEO from July 18 to June 19)	1	1
Mrs Wendy Gladman (Director Community and Wellbeing July 18 to June 19)	1	1
Mrs Sharon Morrison (Director Corporate Services July 18 to June 19)	1	1
Mr Steven Phillips (Director Operations July 18 to June 19)	1	1
Mr Peter Cownley (Acting Director Operations August 17 to October 17)	-	1
Ms Lynne Habner (Manager Executive and Commercial Services July 18 to June 19)	1	1
<b>Total Key Management Personnel</b>	<b>5</b>	<b>6</b>

#### (c) Remuneration of Key Management Personnel

Total remuneration of Key Management Personnel was as follows:

	2019	2018
	\$	\$
Short-term benefits	1,086,725	1,067,841
Post employment benefits	83,642	-
Long-term benefits	18,992	-
Termination benefits	-	-
<b>TOTAL</b>	<b>1,189,359</b>	<b>1,067,841</b>

## NOTE 7 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	2019 number	2018 number
\$20,000 - \$29,999	4	3
\$30,000 - \$39,999	-	1
\$40,000 - \$49,999	-	1
\$60,000 - \$69,999	1	1
\$110,000 - \$119,999	1	1
\$150,000 - \$159,999	1	1
\$160,000 - \$169,999	2	2
\$240,000 - \$249,999	-	1
\$250,000 - \$259,999	1	-
	<u>10</u>	<u>11</u>

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

### 7.2 Related party disclosure

#### (a) Transactions with related parties

No transactions other than remuneration payments or the reimbursement of approved expenses were entered into by Council with responsible persons or related parties of such responsible persons during the reporting year (Nil in 2017/18).

#### (b) Outstanding balances with related parties

There are no outstanding balances outstanding at the end of the reporting period in relation to transactions with related parties (Nil in 2017/18).

#### (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 2017/18).

#### (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 2017/18).

## NOTE 8 MANAGING UNCERTAINTIES

### 8.1 Contingent assets and liabilities

#### (a) Contingent assets

Council has no contingent assets.

#### (b) Contingent liabilities

##### Superannuation

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

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

##### Liability Mutual Insurance

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

### 8.2 Change in accounting standards

The following new Australian Accounting Standards (AAS's) have been issued that are not mandatory for the 30 June 2019 reporting period. Council has assessed these pending standards and has identified the following potential impacts will flow from the application of these standards in future reporting periods.

#### ***Revenue from contracts with customers (AASB 15) (applies 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.

## NOTE 8 MANAGING UNCERTAINTIES (Continued)

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

Council has elected to adopt the modified retrospective approach to the transition to the new lease standard. This will mean that only existing operating leases for non low value assets, with remaining terms of greater than 12 months, will be recognised on transition (1 July 2019). Based on our current lease commitments and an assumption of a continuation of the current leasing arrangements Council expects that the transition to the new standard will see no material initial recognition in lease related assets and an equivalent liability.

### **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.

## **8.3 Financial instruments**

### **(a) Objectives and policies**

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

### **(b) Market risk**

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

#### **Interest rate risk**

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

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

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

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

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

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

### **(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.

## NOTE 8 MANAGING UNCERTAINTIES (Continued)

### 8.3 Financial instruments (continued)

#### (c) Credit risk (continued)

To help manage this risk:

- Council may require bank guarantees or security deposits for contracts where appropriate
- Council will only invest surplus funds with financial institutions which have a recognised credit rating specified in Council's investment policy.

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

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

Council may also be subject to credit risk for transactions which are not included in the balance sheet, such as when we provide a guarantee for another party. Council has no such guarantees in place at 30 June 2019.

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

#### (d) Liquidity risk

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

To help reduce these risks Council:

- has historically minimised borrowings in the short to medium term
- reduced its reliance on borrowings with repayment of all borrowings occurring in 2015/16
- have readily accessible standby facilities and other funding arrangements in place
- ensures that surplus funds are invested within various bands of liquid investments
- monitor budget to actual performance on a regular basis; and
- set limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

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

With the exception of borrowings, all financial liabilities are expected to be settled within normal or agreed terms.

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

#### (e) Sensitivity disclosure analysis

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

- A parallel shift of + 1.0 per cent and -1.0 per cent in market interest rates (AUD) from year-end rates of 2.10% per

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

## NOTE 8 MANAGING UNCERTAINTIES (Continued)

### 8.4 Fair value measurement

#### Fair value hierarchy

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

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

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

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

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

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

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

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

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

#### Revaluation

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

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

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

## NOTE 8 MANAGING UNCERTAINTIES (Continued)

### 8.4 Fair value measurement (continued)

#### Impairment of assets

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

### 8.5 Events occurring after balance date

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

## NOTE 9 OTHER MATTERS

### 9.1 Reserves

#### (a) Asset revaluation reserve

2019

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

2018

	Balance at beginning of reporting period \$	Revaluation increment / (decrement) \$	Balance at end of the reporting period \$
<b>Property</b>			
Land	7,937,337	670,326	8,607,663
Buildings	31,971,201	(1,271,150)	30,700,051
	<b>39,908,538</b>	<b>(600,824)</b>	<b>39,307,714</b>
<b>Infrastructure assets</b>			
Sealed roads	120,960,770	17,320,982	138,281,752
Unsealed roads	45,923,887	9,177,326	55,101,213
Footpaths	1,622,309	327,677	1,949,986
Street furniture	119,120	72,401	191,521
Kerbs	385,645	480,626	866,271
Bridges	7,000,103	2,359,719	9,359,822
Drains	516,769	770,236	1,287,005
<b>Other infrastructure</b>	<b>176,528,603</b>	<b>30,508,967</b>	<b>207,037,570</b>
<b>Total tangible assets</b>	<b>216,437,141</b>	<b>29,908,143</b>	<b>246,345,284</b>
<b>Intangible assets</b>			
Water rights	731,384	310,700	1,042,084
<b>Total</b>	<b>217,168,525</b>	<b>30,218,843</b>	<b>247,387,368</b>

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

## NOTE 9 OTHER MATTERS (Continued)

### 9.1 Reserves (continued)

#### (b) General reserves

2019

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

## NOTE 9 OTHER MATTERS (Continued)

### 9.1 Reserves (continued)

#### (b) General reserves (continued)

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 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
Skinners 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
Unsightly 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
<b>Total</b>	<b>19,578,830</b>	<b>13,151,230</b>	<b>(13,796,485)</b>	<b>18,933,575</b>

## NOTE 9 OTHER MATTERS (Continued)

### 9.1 Reserves (continued)

#### (b) General reserves (continued)

##### Purpose of general reserves

###### ***Land and buildings reserve***

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

###### ***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 restoration reserve***

The gravel and sand pit 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 9 OTHER MATTERS (Continued)

### 9.1 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.

###### ***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 9 OTHER MATTERS (Continued)

### 9.1 Reserves (continued)

#### (b) General reserves (continued)

##### **Purpose of general reserves (continued)**

###### ***Unfunded superannuation liability reserve***

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

###### ***Units reserve***

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

###### ***Unightly premises enforcement provision reserve***

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

###### ***Unspent contributions reserve***

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

###### ***Unspent grants reserve***

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

###### ***Urban drainage reserve***

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

###### ***Valuations reserve***

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

###### ***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 9 OTHER MATTERS (Continued)

### 9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)

	2019 \$	2018 \$
Surplus/(deficit) for the period	1,047,284	(818,612)
Depreciation	9,473,510	9,233,178
(Profit)/loss on disposal of assets	233,155	68,428
Impairment of financial assets	103	1,658
Reversal of impairment of assets	(1,658)	(3,879)
Bad debts expense	12,747	21,086
Share of other comprehensive income of associates	(16,156)	(24,869)
<b>Change in assets and liabilities</b>		
(Increase)/decrease in receivables (net of advances)	(1,553,663)	364,463
(Increase)/decrease in accrued income	2,535,361	(2,053,243)
(Increase)/decrease in prepayments	67,854	20,207
(Increase)/decrease in other assets and liabilities	631,274	512,020
Increase/(decrease) in trust funds and deposits	35,014	28,676
(Increase)/decrease in inventories	3,211	10,516
Increase/(decrease) in payables	(372,687)	(159,429)
Increase/(decrease) in employee provisions	(18,702)	(165,496)
Increase/(decrease) in other provisions	145,132	(11,121)
(Increase)/decrease in library equity	1,808	2,565
<b>Net cash provided by/used by operating activities</b>	<b>12,223,587</b>	<b>7,026,148</b>

### 9.3 Superannuation

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

#### Accumulation

The Fund's accumulation categories, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2019, this was 9.5 per cent required under Superannuation Guarantee

#### Defined benefit

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

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

Therefore, the Fund Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB119.

## NOTE 9 OTHER MATTERS (Continued)

### Defined benefit (continued)

#### *Funding arrangements*

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

At 30 June 2018, an interim actual 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 106.1 per cent. The financial assumptions used to calculate the VBI's were:

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

Vision Super has advised that the estimated VBI at 31 March 2019 was 105.4 per cent.

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

#### **The 2018 interim actuarial investigation surplus amounts**

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

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

	<b>2018</b>	<b>2017</b>
	<b>\$M</b>	<b>\$M</b>
- A VBI surplus	\$131.90	\$69.80
- A total service liability surplus	\$218.30	\$193.50
- A discounted accrued benefits surplus	\$249.10	\$228.80

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2018.

A interim actuarial investigation will be being conducted for the Fund's position as at 30 June 2019. It is anticipated that this actuarial investigation will be completed in December 2019.



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