

# LODDON SHIRE COUNCIL

FINANCIAL STATEMENTS FOR THE  
YEAR ENDING 30 JUNE 2015



## INDEX

INDEX	2
COMPREHENSIVE INCOME STATEMENT	3
BALANCE SHEET	4
STATEMENT OF CHANGES IN EQUITY	5
STATEMENT OF CASH FLOWS	6
STATEMENT OF CAPITAL WORKS	7
<b>NOTES TO THE FINANCIAL STATEMENTS:</b>	
INTRODUCTION	8
NOTE 1 SIGNIFICANT ACCOUNTING POLICIES	9
NOTE 2 BUDGET COMPARISON	18
NOTE 3.1 RATES AND CHARGES	22
NOTE 3.2 STATUTORY FEES AND FINES AND USER FEES	22
NOTE 3.3 GRANTS	24
NOTE 3.3 GRANTS - OPERATING AND CAPITAL	24
NOTE 3.4 UNEXPENDED GRANTS	26
NOTE 3.5 CONTRIBUTIONS	28
NOTE 3.6 REIMBURSEMENTS AND SUBSIDIES	28
NOTE 3.7 INTEREST RECEIVED	28
NOTE 3.8 NET GAIN/(LOSS) ON DISPOSAL OF PROPERTY, INFRASTRUCTURE, PLANT AND EQUIPMENT	29
NOTE 3.9 INVESTMENT IN ASSOCIATES	30
NOTE 3.10 OTHER INCOME	31
NOTE 4.1 EMPLOYEE COSTS	32
NOTE 4.2 MATERIALS, SERVICES AND CONTRACTS	32
NOTE 4.3 DEPRECIATION	33
NOTE 4.4 BORROWING COSTS	34
NOTE 4.5 BAD DEBTS EXPENSE	34
NOTE 4.6 OTHER EXPENSES	34
NOTE 5 CASH AND CASH EQUIVALENTS	34
NOTE 6 TRADE AND OTHER RECEIVABLES	35
NOTE 7 FINANCIAL ASSETS	37
NOTE 8 NON CURRENT ASSETS CLASSIFIED AS HELD FOR SALE	37
NOTE 9 INVESTMENTS IN ASSOCIATES	38
NOTE 10 INTANGIBLE ASSETS	38
NOTE 11 PROPERTY, INFRASTRUCTURE PLANT AND EQUIPMENT	39
NOTE 12 TRADE AND OTHER PAYABLES	49
NOTE 13 TRUST FUNDS AND DEPOSITS	49
NOTE 14 PROVISIONS	50
NOTE 15 INTEREST BEARING LOANS AND BORROWINGS	53
NOTE 16 RESERVES	54
NOTE 17 COMMITMENTS FOR EXPENDITURE	61
NOTE 18 SUPERANNUATION	62
NOTE 19 CONTINGENT LIABILITIES	64
NOTE 20 RELATED PARTY TRANSACTIONS	66
NOTE 21 FINANCIAL INSTRUMENTS	68
NOTE 22 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO SURPLUS/(DEFICIT)	70
NOTE 23 RECONCILIATION OF CASH AND CASH EQUIVALENTS	70
NOTE 24 FINANCING ARRANGEMENTS	71
NOTE 25 OPERATING LEASES	71
NOTE 26 AUDITORS' REMUNERATION	71
NOTE 27 EVENTS OCCURRING AFTER BALANCE DATE	71
CERTIFICATION OF THE FINANCIAL STATEMENTS	72

**COMPREHENSIVE INCOME STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2015**

	Note	2015 \$	2014 \$
<b>INCOME</b>			
Rates and charges	3.1	9,172,250	8,651,565
Statutory fees and fines	3.2	329,578	213,789
User fees	3.2	2,160,758	1,351,030
Grants - operating	3.3	13,551,659	5,600,472
Grants - capital	3.3	4,544,481	4,656,814
Contributions - monetary	3.5	407,350	-
Contributions - non monetary	3.5	-	21,405
Reimbursements and subsidies	3.6	1,189,560	1,575,052
Interest earnings	3.7	468,375	504,627
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	3.8	(16,965)	(108,251)
Share of net profits of associates and joint ventures	3.9	8,706	(16,813)
Other income	3.10	1,873	3,002
<b>TOTAL INCOME</b>		<b>31,817,625</b>	<b>22,452,692</b>
<b>EXPENSES</b>			
Employee costs	4.1	9,988,638	9,850,534
Materials and services	4.2	7,733,030	8,153,206
Depreciation and amortisation	4.3	8,446,064	8,079,436
Finance costs	4.4	9,365	26,076
Bad debts expense	4.5	36,250	10,599
Other expenses	4.6	277,536	287,288
<b>TOTAL EXPENSES</b>		<b>26,490,883</b>	<b>26,407,139</b>
<b>Surplus / (deficit) for year</b>		<b>5,326,742</b>	<b>(3,954,447)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items that will not be reclassified to surplus or deficit</b>			
Net asset revaluation increment/(decrement)	16	12,117,698	21,642,380
Share of other comprehensive income of associates and joint ventures accounted for by the equity method	3.9	(5,754)	(7,370)
<b>TOTAL COMPREHENSIVE RESULT</b>		<b>17,438,686</b>	<b>17,680,563</b>

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

**BALANCE SHEET**  
**AS AT 30 JUNE 2015**

	Note	2015 \$	2014 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	11,327,614	11,630,762
Trade and other receivables	6	2,305,243	1,613,409
Financial assets	7	7,650,286	2,575,049
Inventories		108,128	217,025
Non-current assets classified as held for sale	8	63,210	33,775
<b>TOTAL CURRENT ASSETS</b>		<b>21,454,481</b>	<b>16,070,020</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	6	320,000	427,726
Financial assets	7	100	100
Investments in associates and joint ventures	9	353,980	351,028
Intangible assets	10	1,589,445	870,975
Property, infrastructure, plant and equipment	11	287,384,980	276,425,398
<b>TOTAL NON-CURRENT ASSETS</b>		<b>289,648,505</b>	<b>278,075,227</b>
<b>TOTAL ASSETS</b>		<b>311,102,986</b>	<b>294,145,247</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	824,405	857,103
Trust funds and deposits	13	326,369	599,427
Provisions	14	2,367,229	2,315,341
Interest bearing loans and borrowings	15	131,125	129,205
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,649,128</b>	<b>3,901,076</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	14	2,255,338	2,353,192
Interest bearing loans and borrowings	15	-	131,145
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>2,255,338</b>	<b>2,484,337</b>
<b>TOTAL LIABILITIES</b>		<b>5,904,466</b>	<b>6,385,413</b>
<b>NET ASSETS</b>		<b>305,198,520</b>	<b>287,759,834</b>
<b>EQUITY</b>			
Accumulated surplus		94,554,886	96,190,574
Reserves	16	210,643,634	191,569,260
<b>TOTAL EQUITY</b>		<b>305,198,520</b>	<b>287,759,834</b>

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

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2015**

**2015**

	Note	Total 2015 \$	Accumulated surplus 2015 \$	Revaluation reserve 2015 \$	Other reserves 2015 \$
Balance at beginning of the financial year		287,759,834	96,190,574	181,989,954	9,579,306
Surplus/(deficit) for the year		5,326,742	5,326,742	-	-
Net asset revaluation increment/(decrement)		12,117,698	-	12,117,698	-
Transfer to reserves	16	-	(13,475,670)	-	13,475,670
Transfer from reserves	16	-	6,518,994	-	(6,518,994)
Share of other comprehensive income		(5,754)	(5,754)	-	-
<b>BALANCE AT END OF THE FINANCIAL YEAR</b>		<b>305,198,520</b>	<b>94,554,886</b>	<b>194,107,652</b>	<b>16,535,982</b>

**2014**

	Note	Total 2014 \$	Accumulated surplus 2014 \$	Revaluation reserve 2014 \$	Other reserves 2014 \$
Balance at beginning of the financial year		270,079,265	95,117,920	160,347,574	14,613,771
Surplus/(deficit) for the year		(17,680,563)	(17,680,563)	-	-
Net asset revaluation increment/(decrement)		35,368,502	13,726,122	21,642,380	-
Transfer to reserves	16	-	(8,659,163)	-	8,659,163
Transfer from reserves	16	-	13,693,628	-	(13,693,628)
Share of other comprehensive income		(7,370)	(7,370)	-	-
<b>BALANCE AT END OF THE FINANCIAL YEAR</b>		<b>287,759,834</b>	<b>96,190,574</b>	<b>181,989,954</b>	<b>9,579,306</b>

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

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

	Note	2015 Inflows/ (outflows) \$	2014 Inflows/ (outflows) \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Rates and charges		6,623,209	7,679,767
Statutory fees and fines		329,578	213,789
User fees		2,474,560	1,614,702
Grants - operating		15,444,637	4,740,805
Grants - capital		4,278,995	9,045,806
Reimbursements and subsidies		1,825,039	1,819,367
Interest received		468,609	493,172
Net GST refund (payable)		(44,242)	504,315
Trust funds and deposits taken	13	1,170,268	1,459,180
Payments to employees		(9,447,080)	(9,677,368)
Payments to suppliers		(9,269,623)	(10,094,942)
Trust funds and deposits repaid	13	(1,443,326)	(1,277,380)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>23</b>	<b>12,410,624</b>	<b>6,521,213</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for property, infrastructure, plant and equipment	11	(7,966,414)	(10,125,521)
Proceeds from sale of property, infrastructure, plant and equipment	3.8	87,603	1,142,780
Payment for intangible assets		(174,000)	(330,362)
Payment for investments		(4,615,399)	(2,301,197)
Loans and advances to community organisations		-	(400,000)
Repayment of loans and advances from community organisations		98,800	20,800
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>		<b>(12,569,410)</b>	<b>(11,993,500)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of interest bearing loans and borrowings		(134,997)	(182,526)
Finance costs		(9,365)	(26,075)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>		<b>(144,362)</b>	<b>(208,601)</b>
Net increase/(decrease) in cash and cash equivalents		(303,148)	(5,680,888)
Cash and cash equivalents at the beginning of the financial year		11,630,762	17,311,650
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	<b>5</b>	<b>11,327,614</b>	<b>11,630,762</b>

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

**STATEMENT OF CAPITAL WORKS  
FOR THE YEAR ENDED 30 JUNE 2015**

	Note	2015 \$	2014 \$
<b>Property</b>			
Land - specialised		-	-
<b>Total land</b>		-	-
Buildings - specialised		2,153,851	4,792,366
Work in progress		1,333,934	-
<b>Total buildings</b>		<b>3,487,785</b>	<b>4,792,366</b>
<b>Total property</b>	11	<b>3,487,785</b>	<b>4,792,366</b>
Plant, machinery and equipment		519,130	827,280
Officer furniture and equipment		142,774	-
<b>Total plant and equipment</b>	11	<b>661,904</b>	<b>827,280</b>
<b>Infrastructure</b>			
Roads		3,005,897	3,985,660
Bridges		256,723	-
Footpaths and cycleways		56,575	-
Kerb and channel		263,025	-
Drainage		234,997	654,402
Street furniture		15,118	-
Work in progress		51,341	-
<b>Total infrastructure</b>	11	<b>3,883,676</b>	<b>4,640,062</b>
<b>Intangible assets</b>			
Water rights	10	174,000	-
<b>Total intangible assets</b>		<b>174,000</b>	-
<b>Total capital works expenditure</b>		<b>8,207,365</b>	<b>10,259,708</b>
<b>Represented by:</b>			
New asset expenditure		1,968,626	1,210,093
Asset renewal expenditure		3,586,903	3,959,829
Asset expansion expenditure		242,904	-
Asset upgrade expenditure		2,408,932	5,089,786
<b>Total capital works expenditure</b>		<b>8,207,365</b>	<b>10,259,708</b>

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

## INTRODUCTION

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

The purpose of the Council is to:

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

External Auditor

Victorian Auditor-General's Office

Internal Auditor

HLB Mann Judd (Vic) Pty Ltd

Solicitor

MCL Legal

Banker

National Australia Bank

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

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

## **NOTE 1 SIGNIFICANT ACCOUNTING POLICIES**

### **(a) Basis of accounting**

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

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

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

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

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

### **(b) Change in accounting policies**

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

### **(c) Principles of consolidation**

The consolidated financial statements of Council incorporate all entities controlled by Council as at 30 June 2015, 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 controls 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 the 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.

In the process of preparing consolidated financial statements all material transactions and balances between consolidated entities are eliminated.

As at the reporting date, Council had not no other subsidiaries incorporated into its financial accounts.

### **(d) 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 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **(e) Accounting for investments in associates and joint arrangements**

#### *Associates*

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

#### *Joint arrangements*

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

#### *(i) Joint operations*

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

#### *(ii) Joint ventures*

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. Council has no joint ventures at reporting date.

### **(f) Revenue recognition**

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

#### *Rates and charges*

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

#### *Statutory fees*

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

#### *User fees*

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

#### *Grants*

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

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

## NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Revenue recognition (continued)

#### *Contributions*

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

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

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

#### *Interest*

Interest is recognised as it is earned.

#### *Dividends*

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

#### *Other Income*

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

### **(g) Fair value measurement**

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

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

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

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

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

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

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

### **(h) Cash and cash equivalents**

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

## **NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **(i) Trade and other receivables**

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

### **(j) Other financial assets**

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

### **(k) Inventories**

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

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

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

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

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

#### *Acquisition*

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

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

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

## **NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### *Revaluation*

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

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use on an asset result in changes to the permissible or practical highest and best use of the asset. Further details regarding the fair value hierarchy are disclosed at Note 11, Property, infrastructure, plant and equipment.

In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 1 to 2 years. The valuation is performed either by experienced council officers or independent experts.

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

### *Land under roads*

Council recognises land under roads it controls at fair value.

## NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Major depreciation periods used are listed below and are consistent with the previous year. More asset categories have been included in 2015 due to changes in the model financial report.

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

A review of depreciation periods for each class of asset was undertaken during the year in accordance with Accounting Standards to ensure that depreciation periods and methods accurately portray consumption patterns.

### (o) Repairs and maintenance

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

## **NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **(p) Investment property**

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

### **(q) 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.

### **(r) Trust funds and deposits**

Amounts received as deposits and retention amounts controlled by Council are recognised as trust funds until they are returned, transferred in accordance with the purpose of the receipt, or forfeited (refer to Note 12).

### **(s) Borrowings**

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

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

#### *Borrowing costs*

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

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

### **(t) Employee costs and benefits**

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

#### *Wages and salaries and annual leave*

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

## NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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

The components of this current liability are measured at :

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

#### *Classification of employee benefits*

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

#### *Superannuation*

The amount charged to the Comprehensive Income Statement in respect of superannuation represents contributions made or due by Loddon Shire Council to the relevant superannuation plans in respect to the services of staff (both past and present). Superannuation contributions are made to the plans based on the relevant rules of each plan and any relevant compulsory superannuation requirements that Loddon Shire Council is required to comply with.

### (u) Landfill and quarry rehabilitation provision

#### *Landfills*

Council is obligated to restore eight tip sites to a standard set by the Environment Protection Authority (EPA). A calculation was undertaken based on the EPA's guidelines for rehabilitating tip sites when they are no longer required for use. A review of the provision was carried out at 30 June 2015. The forecast life of the sites is based on current estimates of remaining capacity and the forecast rate of infill. The provision for landfill restoration has been calculated based on the present value of the expected cost of works to be undertaken. The expected cost of works has been estimated based on current understanding of work required to reinstate the site to a suitable standard. Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs.

#### *Quarry*

At 30 June 2005, Council made provision for the remediation of quarry pits. Council extracts gravel from the pits for use in roadworks. A calculation was undertaken for remediating the pits when they are no longer required for use. A review of the provision was carried out at 30 June 2015.

Council has two reserves for the remediation of quarries and tip rehabilitation. At 30 June 2015 the combined balance of these reserves was \$845,886 (\$722,327 in 2013/14). Details of these reserves are included at Note 16b.

## **NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **(v) Leases**

#### *Finance leases*

Leases of assets, where substantially all the risks and rewards incidental to ownership of the asset are transferred to the 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.

#### *Operating leases*

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

### **(w) Goods and services tax**

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

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

### **(x) Financial guarantees**

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

As at 30 June 2015, no such guarantees have been issued by Loddon Shire Council.

### **(y) Contingent assets and contingent liabilities and commitments**

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

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

### **(z) Pending accounting standards**

Certain new AAS's have been issued that are not mandatory for the 30 June 2015 reporting period. Council has assessed these pending standards and has identified that no material impact will flow from the application of these standards in future reporting periods.

### **(aa) Rounding**

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

## NOTE 2 BUDGET COMPARISON

The budget comparison notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variances. Management has adopted a materiality threshold of 10 percent and \$50,000 where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures detailed below are those adopted by Council on 12 August 2014. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for revenue and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

### (a) Income and expenditure

	<b>Budget 2015 \$</b>	<b>Actual 2015 \$</b>	<b>Variance 2015 \$</b>	<b>Ref</b>
<b>Income</b>				
Rates and charges	9,145,729	9,172,250	(26,521)	
Statutory fees and fines	211,560	329,578	(118,018)	1
User fees	1,484,838	2,160,758	(675,920)	2
Grants - operating	10,535,993	13,551,659	(3,015,666)	3
Grants - capital	5,514,673	4,544,481	970,192	4
Contributions - monetary	253,500	407,350	(153,850)	5
Contributions - non monetary	-	-	-	
Reimbursements and subsidies	1,292,089	1,189,560	102,529	
Interest earnings	325,000	468,375	(143,375)	6
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	-	(16,965)	16,965	
Fair value adjustments for investment property	-	-	-	
Share of net profits/(losses) of associates and joint ventures	-	8,706	(8,706)	
Other income	-	1,873	(1,873)	
<b>Total income</b>	<b>28,763,382</b>	<b>31,817,625</b>	<b>(3,054,243)</b>	
<b>Expenses</b>				
Employee costs	9,769,946	9,988,638	(218,692)	
Materials and services	8,886,720	7,733,030	1,153,690	7
Bad and doubtful debts	-	36,250	(36,250)	
Depreciation and amortisation	8,335,645	8,446,064	(110,419)	
Borrowing costs	13,015	9,365	3,650	
Other expenses	277,440	277,536	(96)	
<b>Total expenses</b>	<b>27,282,766</b>	<b>26,490,883</b>	<b>791,883</b>	
<b>Surplus/(deficit) for the year</b>	<b>1,480,616</b>	<b>5,326,742</b>	<b>(3,846,126)</b>	

## NOTE 2 BUDGET COMPARISON (CONTINUED)

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

- 1 The increase in statutory fees and fines is a direct result of increased activity in the building (\$22K), planning (\$15K) and environmental health (\$18K) departments. There was also an increase in the local laws activity of \$52K as a direct result of fines and penalties imposed.
- 2 There is an increase in user fees which includes additional income from home and community care program packages of \$359K along with Council operated gravel pits and stockpiles of \$184K. There is also an increase in expected income from standpipes and truckwashes of \$69K along with higher occupancy in Council's caravan parks which resulted in additional income of \$44K.
- 3 Operating grants are higher than expected due to the 50% prepayment of Victoria Grants Commission monies of \$3.97M on 30 June 2015. Other variations include higher than expected income for the weed and pest program (\$50K), pre school funding (\$126K) and emergency management project (\$64K). Funding for the Serpentine pavilion project has a lower than expected income by \$224K as the project is yet to reach the next funding milestone.
- 4 Capital grants are lower than expected with a large number of projects not reaching the funding milestone required for the next financial claim. This includes Inglewood town hall (\$596K), Bridgewater foreshore (\$1.5M), pool solar project (\$100K) and Captain Melville trail project (\$100K). An additional grant that was approved during the year that was not budgeted includes the streetscape masterplan of \$108K. Other variations include carry over projects of \$127K for the Boort Caravan Park and Wedderburn Community Centre of \$239K, which had no budget.
- 5 Contributions are higher than expected with additional funds than expected received for the Boort Resource and Information Centre of \$94K and valuations of \$94K. A carry over project for the Wedderburn Community Centre also had a \$200K increase with the Serpentine pavilion project yet to commence and therefore a \$150K lower than expected actual.
- 6 During the financial year, Council had higher than expected cash balances on hand and therefore was able to earn more interest from investments.
- 7 Materials and services actuals were lower than the original budget mainly due to projects such as the Serpentine pavilion (\$553K) with the project only in the planning stage, centenary of ANZAC (\$152K) with the celebrations spread over a number of years, environmental strategy (\$110K) with the project yet to commence and flood mitigation and survey works of (\$113K). There are a number of areas where the expenditure exceeded the budget and these include plant operating of \$115K, caravan parks of \$140K (which is offset by higher fees income), information technology of \$98K and swimming pools of \$63K. Tips works are also under budget by \$265K due to provision adjustments.

## NOTE 2 BUDGET COMPARISON (CONTINUED)

### b) Capital Works

	<b>Budget 2015 \$</b>	<b>Actual 2015 \$</b>	<b>Variance 2015 \$</b>	<b>Ref</b>
<b>Property</b>				
Land	-	-	-	
<b>Total Land</b>	-	-	-	
Buildings	5,173,503	2,153,851	3,019,652	8
Buildings - Work in progress	-	1,333,934	(1,333,934)	
<b>Total Buildings</b>	<b>5,173,503</b>	<b>3,487,785</b>	<b>1,685,718</b>	
<b>Total Property</b>	<b>5,173,503</b>	<b>3,487,785</b>	<b>1,685,718</b>	
<b>Plant and equipment</b>				
Plant, machinery and equipment	2,074,878	519,130	1,555,748	9
Office furniture and equipment	197,500	142,774	54,726	10
<b>Total plant and equipment</b>	<b>2,272,378</b>	<b>661,904</b>	<b>1,610,474</b>	
<b>Infrastructure</b>				
Roads	3,261,285	3,005,897	255,388	
Bridges	258,000	256,723	1,277	
Footpaths and cycleways	139,150	56,575	82,575	11
Kerb and channel	-	263,025	(263,025)	12
Drainage	330,000	234,997	95,003	13
Street furniture	-	15,118	(15,118)	
Work in progress	-	51,341	(51,341)	
<b>Total Infrastructure</b>	<b>3,988,435</b>	<b>3,883,676</b>	<b>104,759</b>	
Intangible Assets				
Water rights	-	174,000	(174,000)	14
<b>Total intangible assets</b>	-	<b>174,000</b>	<b>(174,000)</b>	
<b>Total Capital Works Expenditure</b>	<b>11,434,316</b>	<b>8,033,365</b>	<b>3,400,951</b>	
<b>Represented by:</b>				
New asset expenditure	3,454,378	1,968,626	1,485,752	
Asset renewal expenditure	3,618,288	3,586,903	31,385	
Asset expansion expenditure	3,186,000	242,904	2,943,096	
Asset upgrade expenditure	1,175,650	2,408,932	(1,233,282)	
<b>Total Capital Works Expenditure</b>	<b>11,434,316</b>	<b>8,207,365</b>	<b>3,226,951</b>	

## **NOTE 2 BUDGET COMPARISON (CONTINUED)**

### **(ii) Explanation of material variations - capital works**

- 8** Buildings are lower than expected with major projects yet to commence in some areas which includes Pyramid Hill industrial estate (\$557K), swimming pools solar project (\$200K), Captain Melville trail project (\$200K), Inglewood Town Hall (\$639K) and Bridgewater foreshore (\$1.5M). There was also some carry over projects from 2013/14 which had expenditure that was not included in the budget. These projects were Inglewood industrial estate (\$232K), Bridgewater Caravan Park (\$557K) and the Wedderburn Community Centre (\$354K).
- 9** Council held off a large number of plant and equipment purchases for 2014/15 due to a restructure of the works and operational areas changing fleet requirements. These funds are expected to be spent in 2015/16.
- 10** There is a decrease in the cost for office furniture and equipment as most of the work required for the purchase and installation of computer equipment was carried out by internal staff rather than external consultants.
- 11** The footpath works for Railway Avenue Pyramid Hill of \$92K did not commence in 2015. This will now be completed during 2015/16.
- 12** There was several kerb and channel projects that were carried forward from the 2013/14 financial year and were completed during 2014/15, which included Ridge and Hospital Streets in Wedderburn.
- 13** There was several drainage projects that were completed under budget. The savings made on these projects are placed into reserve to be used for future drainage works.
- 14** This overspend reflects the carry forward of funds from 2013/14 for the purchase of water rights in Boort. This project is now complete.

### NOTE 3.1 RATES AND CHARGES

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
General rates	2,170,760	2,018,758
Rural production rates	4,981,523	4,747,294
Municipal charges	1,030,552	970,519
Kerbside recycling charges	256,022	236,959
Garbage charges	733,393	678,035
<b>TOTAL RATES AND GARBAGE CHARGES</b>	<b>9,172,250</b>	<b>8,651,565</b>

Council uses Capital Improved Value (C.I.V.) as the basis of valuation of all properties within the municipal district. The C.I.V. of a property includes the value of the land and all improvements on the land. The valuation base used to calculate general rates for 2014/15 was \$1,603,287,800. The valuation base used in 2013/14 was \$1,521,185,100.

Differential rates have been used since 2002/03. The Rural Production Rate in 2014/15 was 0.4300% of the C.I.V. (0.4283% in 2013/14), while all other rates were 0.4831% of the C.I.V. (0.4834% in 2013/14).

In 2014/15 Municipal Charges were \$188, Residential Garbage Charges were \$215, Commercial Garbage Charges were \$292, and Kerbside Recycling Charges were \$81. In 2013/14 Municipal Charges were \$178, Residential Garbage Charges were \$201, Commercial Garbage Charges were \$273 and Kerbside Recycling Charges were \$76.

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2014, and the valuation was first applied in the rating year commencing 1 July 2014.

### NOTE 3.2 STATUTORY FEES AND FINES AND USER FEES

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>Statutory fees and fines</b>		
Building services fees	116,955	80,220
Town planning fees	49,076	37,882
Animal control	50,807	44,454
Health Act fees	44,540	38,949
Land information certificates	7,280	6,593
Local laws	56,565	826
Fire hazards	3,774	3,829
Roadside collection	581	1,036
<b>TOTAL STATUTORY FEES AND FINES</b>	<b>329,578</b>	<b>213,789</b>

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

	2015 \$	2014 \$
<b>User fees</b>		
Aged services fees	954,190	543,861
Road occupancy charges	-	4,233
Gravel pit fees	292,348	215,235
Caravan park fees	270,169	172,614
Loddon discovery tours fees	85,982	55,873
Tip and recycling fees	104,037	59,579
Private works charges	51,666	88,698
Pre-schools	95,801	49,343
Water rights	-	6,795
Sale of tools and equipment	182	275
Standpipes and truck washes	88,224	41,203
Other	126,073	18,953
Rent received		
Elderly persons units	55,940	55,907
Commercial properties	33,026	26,661
Council residences	3,120	11,800
<b>TOTAL USER FEES</b>	<b>2,160,758</b>	<b>1,351,030</b>
<b>TOTAL STATUTORY FEES AND FINES AND USER FEES</b>	<b>2,490,336</b>	<b>1,564,819</b>

## NOTE 3.3 GRANTS

	2015 \$	2014 \$
Grants were received in respect of the following:		
Commonwealth funded grants	13,384,824	6,013,068
State funded grants	4,711,316	4,244,218
<b>TOTAL GRANTS</b>	<b>18,096,140</b>	<b>10,257,286</b>

	2015 \$	2014 \$
<b>Operating grants</b>		
Recurrent - Commonwealth Government		
Victoria Grants Commission - general purpose grant	6,487,850	2,181,595
Victoria Grants Commission - local roads	5,139,474	1,697,092
Non recurrent - Commonwealth Government		
ANZAC Commemoration	19,800	-
<b>Total operating Commonwealth Government grants</b>	<b>11,647,124</b>	<b>3,878,687</b>
Recurrent - State Government		
Aged services	845,369	863,219
Pre-schools	500,635	446,814
Families and children	119,500	116,349
Transport Connections	-	-
Fire Services Property Levy	38,134	61,078
Youth development	39,250	39,500
Community safety	95,648	30,482
Tips and recycling	7,453	6,102
Environment	50,000	-
Heritage and tourism	-	4,360
Economic development	10,000	-
Non recurrent State Government		
Community facilities	-	21,777
Occupational health and safety	4,545	-
Recreation facilities	194,001	132,104
<b>Total operating State Government grants</b>	<b>1,904,535</b>	<b>1,721,785</b>
<b>TOTAL OPERATING GRANTS</b>	<b>13,551,659</b>	<b>5,600,472</b>

### NOTE 3.3 GRANTS (Continued)

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>Capital grants</b>		
Recurrent - Commonwealth Government		
Roads to Recovery	1,737,700	1,954,402
Non recurrent - Commonwealth Government		
Flood recovery	-	179,979
<b>Total capital Commonwealth Government grants</b>	<b>1,737,700</b>	<b>2,134,381</b>
Recurrent State Government		
Country Roads and Bridges Program	1,000,000	1,000,000
Non recurrent - State Government		
Community facilities	50,939	1,127,995
Infrastructure	-	180,183
Recreation facilities	307,160	25,003
Playground facilities	30,000	-
Community Halls	442,694	-
Streetscapes	813,638	-
Economic development	127,350	84,085
Environment	10,000	55,000
Tourism	25,000	-
Flood recovery	-	30,652
Staff training	-	12,280
Caravan parks	-	4,653
Valuations	-	2,101
Pre-schools	-	274
Other	-	207
<b>Total capital State Government grants</b>	<b>2,806,781</b>	<b>2,522,433</b>
<b>TOTAL CAPITAL GRANTS</b>	<b>4,544,481</b>	<b>4,656,814</b>

## NOTE 3.4 UNEXPENDED GRANTS

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

	2015 \$	2014 \$
<b>Infrastructure works</b>		
Boort Eastern Entry stage 3	47,963	260,228
Roads to Recovery program	9,360	-
<b>Recreation and community facilities</b>		
Local Government Infrastructure Program (LGIP) Inglewood Town Hall	752,867	715,625
LGIP Serpentine pavilion	513,308	216,500
LGIP Wedderburn streetscape	1,024,903	628,030
LGIP Pyramid Hill streetscape	109,461	20,002
LGIP Boort Park Pavilion	189,702	-
Streetscape masterplans	108,000	-
Serpentine Memorial Hall	4,335	-
FR (flood recovery funding) Bridgewater garden	-	1,169
FR photographic exhibit	-	10,000
FR flood height markers	1,349	10,908
Inglewood historical trail	3,098	6,171
Bridgewater foreshore	20,041	124,000
Inglewood transfer station	10,000	-
Inglewood Town Hall hub project	200,000	-
Trails signage	15,610	-
Bridgewater Caravan Park	22,494	-
<b>Environment</b>		
Weed and pest program	124,580	50,000
Flood mitigation survey	16,513	29,750
<b>Other</b>		
Centenary of ANZAC	11,302	18,182
War memorial restoration	9,800	-
Improving liveability project	11,000	-
Immunisation initiative project	5,705	-
Flood recovery various	-	2,831
Vulnerable family funding	4,474	-
Social support volunteer	4,482	-
Maternal Child Health (MCH) enhanced program	-	4,474
MCH key age stages project	10,000	10,000
Transport Connections	-	684
Regional assessment officer	7,591	15
General revenue grant - Victorian Grants Commission (VGC)	2,157,943	-
Volunteer co-ordination	18,543	-
Local roads funding (VGC)	1,707,139	-
Home and community care service development	76,404	15,322
<b>TOTAL UNEXPENDED GRANTS</b>	<b>7,197,967</b>	<b>2,123,891</b>

## NOTE 3.4 UNEXPENDED GRANTS (CONTINUED)

Grants which were recognised as revenue and received in prior years and were expended during the current year in the manner specified by the grantor were:

	2015 \$	2014 \$
<b>Infrastructure works</b>		
Bus shelter works	-	18,013
Flood mitigation survey and design	13,237	-
Inglewood historic trail	3,073	-
<b>Recreation and community facilities</b>		
Inglewood Town Hall hub project	160,602	8,645
Serpentine Memorial Hall	2,395	13,270
Bridgewater Bowling Club	-	135,994
Bridgewater foreshore	172,522	-
Pyramid Hill netball courts	-	92,500
Pyramid Hill streetscape	10,000	-
Various Regional Development Victoria projects	16,419	35,902
Wedderburn Community Centre	-	386,590
Boort Caravan Park	28,461	92,842
Boort Park power	-	18,464
Loddon soccer strategy	-	16,610
Victorian Flood Program Bridgewater Caravan Park	411,973	2,408,126
Wedderburn streetscape	450,431	
Boort pavilion	9,220	-
Boort Eastern entry project	260,228	
<b>Environment</b>		
Waste water project	-	151,381
Weed and pest program	25,420	
<b>Other</b>		
General revenue grant - Victorian Grants Commission (VGC)	-	2,018,627
Local roads funding (VGC)	-	1,606,466
Freeza	2,247	6,121
Vulnerable persons register	-	13,105
Immunisation initiative project	8,584	25,211
Murray River Group of Councils	-	1,148
Sustainability plan	-	937
Flood recovery (various)	23,057	54,770
Innovation fund - Bline	5,225	18,293
Transport Connections	4,986	-
Flood community recovery activities	2,831	954
Volunteer coordination program	120	6,223
Centenary of ANZAC	16,880	-
Maternal and child health enhanced program	4,474	
HACC Services	86,562	-
Improving liveability project	-	26,952
<b>TOTAL</b>	<b>1,718,947</b>	<b>7,157,144</b>

### NOTE 3.5 CONTRIBUTIONS

	2015 \$	2014 \$
Contributions - recurrent - monetary	101,983	-
Contributions - capital - monetary	305,367	-
Contributions - non-monetary	-	21,405
<b>TOTAL CONTRIBUTIONS</b>	<b>407,350</b>	<b>21,405</b>

### NOTE 3.6 REIMBURSEMENTS AND SUBSIDIES

	2015 \$	2014 \$
Main roads maintenance and construction	800,015	1,211,568
Bridgewater Public Caravan Park contract retention	169,268	-
Insurance claims	25,261	5,187
Workcover	56,146	159,418
Fuel rebate	117,185	102,996
Main roads private and contracted works	13,240	33,977
Community and recreational facilities	4,445	55,182
Other	4,000	6,724
<b>TOTAL REIMURSEMENTS AND SUBSIDIES</b>	<b>1,189,560</b>	<b>1,575,052</b>

### NOTE 3.7 INTEREST RECEIVED

	2015 \$	2014 \$
Interest on investments	432,292	475,282
Rates interest	36,083	29,345
<b>TOTAL INTEREST RECEIVED</b>	<b>468,375</b>	<b>504,627</b>

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

	2015 \$	2014 \$
<b>Plant and equipment</b>		
Proceeds from sale of plant and equipment	52,203	939,780
LESS : written down value of assets disposed	(72,068)	(1,016,196)
Profit/(loss) on disposal of plant and equipment	(19,865)	(76,416)
<b>Furniture and equipment</b>		
Proceeds from sale of furniture and equipment	-	-
LESS : written down value of assets disposed	-	(3,532)
Profit/(loss) on disposal of furniture and equipment	-	(3,532)
<b>Assets held for sale</b>		
Proceeds from sale of non current assets held for resale	35,400	203,000
LESS : written down value of assets disposed	(32,500)	(231,303)
Profit/(loss) on disposal of assets held for sale	2,900	(28,303)
Total profit/(loss) on disposal of assets	(16,965)	(108,251)
<b>Summary</b>		
Proceeds from disposal of assets	87,603	1,142,780
LESS : written down value of assets disposed	(104,568)	(1,251,031)
<b>NET GAIN/(LOSS) ON PROPERTY, INFRASTRUCTURE, PLANT AND EQUIPMENT</b>	<b>(16,965)</b>	<b>(108,251)</b>

## NOTE 3.9 INVESTMENT IN ASSOCIATES

### North Central Goldfields Regional Library Corporation

The Council is a member of the North Central Goldfields Regional Library Corporation. At 30 June 2015 Council's equity in the corporation was \$353,980. At 30 June 2014 Council's equity was \$351,028.

The Council has a 5.40% share of the net assets, and this is calculated on the same ratio as the Shire contributes to the operating costs of the service. At 30 June 2014 the Shire's share of the net assets was 5.49%. Any adjustments required due to the reduction in the share of net assets from 2014 to 2015 is reflected as Variation Account - Change in Equity in the following schedules.

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

	2015 \$	2014 \$
<b>Council's share of accumulated surplus/(deficit)</b>		
Council's share of accumulated surplus/(deficit) at start of year	110,054	68,369
Share of reported surplus/(deficit) for year	8,706	(16,813)
Variation account - change in equity	46,376	58,498
Council's share of accumulated surplus/(deficit) at end of year	<b>165,136</b>	<b>110,054</b>
<b>Council's share of reserves</b>		
Council's share of reserves at start of year	240,974	306,842
Variation account - change in equity	(52,130)	(65,868)
Council's share of reserves at end of year	<b>188,844</b>	<b>240,974</b>
<b>Movement in carrying value of share in library</b>		
Carrying value of investment at start of year	351,028	375,211
Share of accumulated surplus/(deficit) for the year	8,706	(16,813)
Variation account - change in equity	(5,754)	(7,370)
Carrying value of share in library investment at end of year	<b>353,980</b>	<b>351,028</b>
<b>Council's share of expenditure commitments</b>		
Operating commitments	1,567	8,314
Capital commitments	-	-
	<b>1,567</b>	<b>8,314</b>

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

	2015 \$	2014 \$
Adjustment to the carrying value of North Central Goldfields Regional Library Corporation	2,952	(24,183)
Total adjustment to the carrying value of North Central Goldfields Regional Library Corporation	<b>2,952</b>	<b>(24,183)</b>

### NOTE 3.10 OTHER INCOME

	2015 \$	2014 \$
Reversal of impairment of assets	1,873	3,002
<b>TOTAL OTHER INCOME</b>	<b>1,873</b>	<b>3,002</b>

## NOTE 4.1 EMPLOYEE COSTS

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Salaries and wages	7,876,990	7,793,808
Annual leave and long service leave	932,601	885,987
Superannuation expense - Vision Super - defined benefits scheme	142,986	141,611
Superannuation expense - Vision Super - accumulation scheme	443,762	439,160
Superannuation expense -other funds - accumulation scheme	254,611	214,090
Fringe benefits tax and Workcover	337,688	375,878
<b>TOTAL EMPLOYEE COSTS</b>	<b>9,988,638</b>	<b>9,850,534</b>

## NOTE 4.2 MATERIALS, SERVICES AND CONTRACTS

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>Materials and services</b>		
Plant operating costs	1,129,164	1,131,055
Utility costs	450,748	480,990
Corporate governance	281,507	173,106
Local road materials	579,210	620,960
Flood recovery	18,381	53,034
Building maintenance	80,493	131,576
Aged care services	394,762	257,176
Training and subscriptions	192,596	190,665
Computer costs and computer programs	396,668	328,491
Office expenses	314,089	291,467
North Central Goldfields Regional Library Corporation	180,568	171,169
Gravel pit operations	134,247	348,689
Community plan projects	68,274	37,023
Recreation reserves allocations	167,208	114,034
Recreation projects	79,754	213,920
Insurances	192,761	391,378
Pool maintenance and strategy	158,126	261,640
Loddon Discovery Tours	66,254	45,552
Main roads materials	56,524	188,514
Parks and gardens maintenance	97,621	102,125
Tips maintenance	157,968	215,148
Families and children	180,905	97,737
Caravan park maintenance	127,978	85,994
Economic development and tourism initiatives	241,461	176,055
Private works materials	32,315	35,298
Community grant projects	209,038	211,967
Community safety	79,328	24,415
Scholarships and leadership programs	24,509	9,000
Workshops and depots	144,844	99,828
Election costs	-	1,440

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

	2015 \$	2014 \$
<b>Materials and services (continued)</b>		
Youth and transport services	64,002	59,927
Valuations	19,845	107,329
Volunteer services	-	4,400
Regulatory services	120,491	95,178
Water services	43,458	53,584
Other materials and services	67,182	-
<b>Total materials and services</b>	<b>6,552,279</b>	<b>6,809,864</b>
<b>Contractors</b>		
Flood mitigation design	11,750	-
Building maintenance planning	33,168	-
Economic development and tourism	3,198	7,968
Garbage collection	581,346	574,777
Pool management	218,550	198,284
Valuations	24,815	110,024
Caravan Parks	101,224	54,398
Cleaning	38,518	31,832
Public facilities	164,514	159,984
Recreation projects	-	195,015
Other contracts	3,668	11,060
<b>Total contracts</b>	<b>1,180,751</b>	<b>1,343,342</b>
<b>TOTAL MATERIALS, SERVICES AND CONTRACTS</b>	<b>7,733,030</b>	<b>8,153,206</b>

## NOTE 4.3 DEPRECIATION

	2015 \$	2014 \$
Depreciation expense was charged in respect of:		
Roads	5,372,181	5,117,465
Buildings	1,257,657	1,120,318
Plant and equipment	811,434	883,269
Bridges	334,088	331,592
Urban drains	183,406	182,399
Furniture and equipment	116,865	129,061
Footpaths	127,298	112,031
Kerb and channel	84,107	78,889
Landfills	132,886	99,677
Street furniture	24,051	22,483
Quarries	2,091	2,253
<b>TOTAL DEPRECIATION</b>	<b>8,446,064</b>	<b>8,079,436</b>

#### NOTE 4.4 BORROWING COSTS

	2015 \$	2014 \$
Interest - borrowings	9,365	26,076
<b>TOTAL BORROWING COSTS</b>	<b>9,365</b>	<b>26,076</b>

#### NOTE 4.5 BAD DEBTS EXPENSE

	2015 \$	2014 \$
Rates debtors	36,250	8,851
Sundry debtors	-	1,748
<b>TOTAL BAD DEBTS EXPENSE</b>	<b>36,250</b>	<b>10,599</b>

#### NOTE 4.6 OTHER EXPENSES

	2015 \$	2014 \$
Councillors' emoluments	207,510	209,380
Internal audit remuneration	37,556	45,335
External audit remuneration - VAGO - Audit of the financial statements, performance statement and grant acquittals	31,900	30,700
Impairment of interest free loans	570	1,873
<b>TOTAL OTHER EXPENSES</b>	<b>277,536</b>	<b>287,288</b>

#### NOTE 5 CASH AND CASH EQUIVALENTS

	2015 \$	2014 \$
<b>Financial</b>		
Cash on hand	4,700	4,300
Cash at bank (CEO's advance account)	4,000	4,000
Cash at bank (general account)	5,318,914	1,492,452
Cash at bank (trust account)	123,607	120,711
Term deposits (original maturity of less than 90 days)	5,876,393	10,009,299
<b>Cash at the end of the period as shown in the statement of cash flows</b>	<b>11,327,614</b>	<b>11,630,762</b>
Comprising:		
Unrestricted cash assets	1,959,901	5,845,106
Cash assets subject to external restrictions	9,367,713	5,785,656
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>11,327,614</b>	<b>11,630,762</b>

## NOTE 5 CASH AND CASH EQUIVALENTS (CONTINUED)

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

These include:

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Unspent grants (refer to Note 16)	7,197,967	3,440,369
Long service leave (refer to Note 14)	1,843,377	1,745,860
Trust funds (refer Note 13)	326,369	599,427
<b>Restricted funds</b>	<b>9,367,713</b>	<b>5,785,656</b>

## NOTE 6 TRADE AND OTHER RECEIVABLES

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Rates debtors	253,076	289,121
LESS provision for doubtful debts	(50,082)	(15,982)
	202,994	273,139
Sundry debtors	1,695,903	1,050,371
Other debtors	71,192	6,257
LESS provision for doubtful debts	(9,217)	(6,257)
Net receivable GST	324,141	279,899
Loans and advances to community organisations	20,230	10,000
	2,102,249	1,340,270
<b>Total current</b>	<b>2,305,243</b>	<b>1,613,409</b>
<b>Non-current</b>		
Loans and advances to community organisations	320,000	427,726
<b>Total non-current</b>	<b>320,000</b>	<b>427,726</b>
<b>TOTAL TRADE AND OTHER RECEIVABLES</b>	<b>2,625,243</b>	<b>2,041,135</b>

## NOTE 6 TRADE AND OTHER RECEIVABLES (CONTINUED)

### (a) Ageing of receivables

At balance date sundry debtors representing financial assets were past due but not impaired. These amounts relate to a number of independent customers for whom there is no recent history of default.

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

	2015 \$	2014 \$
Current (not yet due)	494,713	706,899
Past due by up to 30 days	109,166	142,347
Past due between 31 and 180 days	136,765	198,569
Past due between 181 and 365 days	955,259	2,556
<b>TOTAL TRADE AND OTHER RECEIVABLES</b>	<b>1,695,903</b>	<b>1,050,371</b>

### (b) Movement in provisions for doubtful debts

	2015 \$	2014 \$
Balance at the beginning of the year	(22,239)	(13,388)
New Provisions recognised during the year	(35,400)	(8,851)
Amounts already provided for and written off as uncollectible	(1,660)	-
<b>BALANCE AT END OF YEAR</b>	<b>(59,299)</b>	<b>(22,239)</b>

### (c) Ageing of individually impaired receivables

At balance date, other debtors representing financial assets with a nominal value of \$9,218 (2014: \$6,257) were impaired. The amount of the provision raised against these debtors was \$9,218 (2014: \$6,257).

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:

	2015 \$	2014 \$
Current (not yet due)	-	
Past due by up to 30 days	648	
Past due between 31 and 180 days	2,188	
Past due between 181 and 365 days	6,382	
Past due by more than 1 year	-	6,257
<b>TOTAL TRADE AND OTHER RECEIVABLES</b>	<b>9,218</b>	<b>6,257</b>

## NOTE 7 FINANCIAL ASSETS

	2015 \$	2014 \$
<b>Current</b>		
Accrued income	472,668	98,643
Prepayments	261,022	175,209
Term Deposits (original maturity of 90 days or greater)	6,916,596	2,301,197
<b>Total current</b>	<b>7,650,286</b>	<b>2,575,049</b>
<b>Non-current</b>		
Maps shares	100	100
<b>Total non-current</b>	<b>100</b>	<b>100</b>
<b>TOTAL FINANCIAL ASSETS</b>	<b>7,650,386</b>	<b>2,575,149</b>

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

	2015 \$	2014 \$
<b>Current</b>		
Land at valuation	65,500	35,000
LESS selling costs	(2,290)	(1,225)
<b>TOTAL NON CURRENT ASSETS HELD FOR SALE</b>	<b>63,210</b>	<b>33,775</b>

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

	Fair value measurement at the end of the period using (1)		
	Level 1	Level 2	Level 3
<b>Carrying value at 30 June 2015</b>			
Land	-	63,210	-

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

## NOTE 9 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	2015 \$	2014 \$
Equity in North Central Goldfields Regional Library Corporation	353,980	351,028
<b>TOTAL INVESTMENTS IN ASSOCIATES AND JOINT VENTURES</b>	<b>353,980</b>	<b>351,028</b>

## NOTE 10 INTANGIBLE ASSETS

	2015 \$	2014 \$
<b>Non-current</b>		
Water rights	1,589,445	870,975
<b>TOTAL INTANGIBLE ASSETS</b>	<b>1,589,445</b>	<b>870,975</b>

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

	2015 \$	2014 \$
<b>Water rights</b>		
Gross carrying amount at beginning of period	870,975	440,378
Additional water rights obtained during the period	174,000	351,767
Water rights disposed of during the period	-	-
Revaluation increment (decrement)	544,470	78,830
<b>Gross carrying amount at end of period</b>	<b>1,589,445</b>	<b>870,975</b>

Water rights are revalued at 30 June 2015 to the published water trade market rate applying at that date.

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

### *Valuation of land and buildings*

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

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

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

Details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2015 are as follows:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Land			
Specialised land	-	1,318,735	7,594,281
Buildings			
Specialised buildings	-	4,485,749	68,436,390
<b>TOTAL</b>	-	<b>5,804,484</b>	<b>76,030,671</b>

### *Land and buildings - Level 2*

Non-specialised land and non-specialised buildings are valued using the market based direct comparison method. Under this valuation method, the assets are compared to recent comparable sales or sales of comparable assets which are considered to have nominal or no added improvement value.

For non-specialised land and non-specialised buildings, an independent valuation was performed by LG Valuation Services to determine the fair value using the market based direct comparison method. Valuation of the assets was determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the asset being valued. From the sales analysed, an appropriate rate per square metre has been applied to the subject asset. The effective date of the valuation is 31 May 2014.

To the extent that non-specialised land and non-specialised buildings do not contain significant, unobservable adjustments, these assets are classified as Level 2 under the market based direct comparison approach.

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

### Land and buildings - Level 3

Specialised land and land under roads is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 5% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$1 and \$120 per square metre.

Specialised buildings are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement cost is calculated on a square metre basis and ranges from \$1 to \$420 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 33 years to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

An independent valuation of Council's specialised land and specialised buildings was performed by LG Valuations Services. The valuation was performed using either the market based direct comparison method or depreciated replacement cost, adjusted for restrictions in use. The effective date of the valuation is 31 May 2014.

### Valuation of infrastructure - Level 3

A valuation of Council's, infrastructure assets was performed by Terrence Watson, Dip CE, Manager Policy Development of the Loddon Shire Council, as at 30 June 2015.

There were no changes in valuation techniques throughout the period to 30 June 2015.

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

Details of the Council's infrastructure and information about the fair value hierarchy as at 30 June 2015 are as follows:

	Level 1	Level 2	Level 3
Unsealed roads formation	-	-	12,754,158
Unsealed roads pavement	-	-	49,228,064
Road seal	-	-	17,538,982
Sealed roads pavement	-	-	199,765,816
Sealed road formation	-	-	8,691,457
Footpaths	-	-	6,000,507
Culverts	-	-	13,427,220
Bridges	-	-	33,032,731
Kerb and channel	-	-	5,040,255
Urban drains	-	-	14,376,738
Street furniture	-	-	634,989
Landfills	-	-	1,994,306
Quarries	-	-	58,507
<b>TOTAL</b>	-	-	<b>362,543,730</b>

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

### Infrastructure

Infrastructure assets are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 2 years to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

Infrastructure assets contain significant unobservable adjustments, therefore these assets are classified as Level 3.

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

Asset class	Valuation technique	Significant unobservable inputs	Sensitivity	2015 Unit Rates	2014 Unit Rates
Specialised land and land improvements	Market based direct comparison approach (refer above)	Extent and impact of restriction of use	Increase or decrease in the extent of restriction would result in a significantly higher or lower fair value.	\$1 - \$120/m2 (\$33)	\$1 - \$120/m2 (\$33)
Specialised buildings	Depreciated replacement cost	Direct cost per square metre	Increase or decrease in the direct cost per square metre adjustment would result in a significantly higher or lower fair value.	\$1 - \$420/m2 (\$34)	\$1 - \$420/m2 (\$34)
		Useful life of specialised buildings	Increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower fair value.	40 years	40 years

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

### Description of significant unobservable inputs into level 3 valuations (continued)

Asset class	Valuation technique	Significant unobservable inputs	Sensitivity	2015 Unit Rates	2014 Unit Rates
Unsealed roads formation	Depreciated replacement cost	Cost per unit	Increase or decrease in the cost per unit would result in a significantly higher or lower fair value.	\$0.26 - \$3.18 (0.47)	\$0.26 - \$3.17 (\$0.47)
		Useful life of infrastructure	Increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower fair value.	100 years	100 years
Unsealed roads pavement	Depreciated replacement cost	Cost per unit	Increase or decrease in the cost per unit would result in a significantly higher or lower fair value.	\$2.57 - \$5.14 (\$4.30)	\$2.40 - \$4.75 (\$3.89)
		Useful life of infrastructure	Increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower fair value.	30 years	30 years
Roads seal	Depreciated replacement cost	Cost per unit	Increase or decrease in the cost per unit would result in a significantly higher or lower fair value.	\$1.61 - \$34.43 (\$3.85)	\$1.66 - \$35.45 \$(4.08)
		Useful life of infrastructure	Increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower fair value.	13 - 26 years	13 - 26 years
Sealed roads pavement	Depreciated replacement cost	Cost per unit	Increase or decrease in the cost per unit would result in a significantly higher or lower fair value.	\$37.50 (\$37.50)	\$35.50 (\$35.50)
		Useful life of infrastructure	Increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower fair value.	80 years	80 years

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

### Description of significant unobservable inputs into level 3 valuations (continued)

Asset class	Valuation technique	Significant unobservable inputs	Sensitivity	2015 Unit Rates	2014 Unit Rates
Sealed roads formation	Depreciated replacement cost	Cost per unit	Increase or decrease in the cost per unit would result in a significantly higher or lower fair value.	\$0.26 - \$4.24 (\$1.07)	\$0.26 - \$4.22 (\$1.14)
		Useful life of infrastructure	Increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower fair value.	100 years	100 years
Footpaths	Depreciated replacement cost	Cost per unit	Increase or decrease in the cost per unit would result in a significantly higher or lower fair value.	\$16 - \$112 (\$93.35)	\$15 - \$103 (\$90)
		Useful life of infrastructure	Increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower fair value.	15 - 50 years	15 - 50 years
Culverts	Depreciated replacement cost	Cost per unit	Increase or decrease in the cost per unit would result in a significantly higher or lower fair value.	\$199 - \$1,228 (347.57)	\$238 - \$946 (\$322)
		Useful life of infrastructure	Increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower fair value.	80 years	80 years
Bridges	Depreciated replacement cost	Cost per unit	Increase or decrease in the cost per unit would result in a significantly higher or lower fair value.	\$40 - \$3,410 (1,354.83)	\$40 - \$4,357 (\$1,562)
		Useful life of infrastructure	Increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower fair value.	80 - 100 years	80 - 100 years

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

### Description of significant unobservable inputs into level 3 valuations (continued)

Asset class	Valuation technique	Significant unobservable inputs	Sensitivity	2015 Unit Rates	2014 Unit Rates
Kerbs	Depreciated replacement cost	Cost per unit	Increase or decrease in the cost per unit would result in a significantly higher or lower fair value.	\$47.35 - 243.67 (\$108.61)	\$47 - \$243 (\$108)
		Useful life of infrastructure	Increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower fair value.	40 - 60 years	40 - 60 years
Street furniture	Depreciated replacement cost	Cost per unit	Increase or decrease in the cost per unit would result in a significantly higher or lower fair value.	\$107 - \$38,000 (\$943)	\$104 - \$38,000 (\$2,036)
		Useful life of infrastructure	Increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower fair value.	10 - 80 years	10 - 80 years
Urban drains	Depreciated replacement cost	Cost per unit	Increase or decrease in the cost per unit would result in a significantly higher or lower fair value.	\$5 - \$45,761 (\$446.05)	\$360 - \$45,633 (\$1,086)
		Useful life of infrastructure	Increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower fair value.	50 - 80 years	50 - 80 years
Landfills	Depreciated replacement cost	Cost per unit	Increase or decrease in the cost per unit would result in a significantly higher or lower fair value.	\$24.29 (\$24.29)	\$23.98 (\$23.98)
		Useful life of infrastructure	Increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower fair value.	2 - 23 years	5 - 24 years

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

### Description of significant unobservable inputs into level 3 valuations (continued)

Asset class	Valuation technique	Significant unobservable inputs	Sensitivity	2015 Unit Rates	2014 Unit Rates
Quarries	Depreciated replacement cost	Cost per unit	Increase or decrease in the cost per unit would result in a significantly higher or lower fair value.	\$58,507 (\$58,507)	\$58,507 (\$58,507)
		Useful life of infrastructure	Increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower fair value.	5 - 35 years	26 years

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

<b>Land and Buildings</b>	<b>Note</b>	Land - specialised	Buildings - specialised	Work in progress	<b>Total land and buildings</b>
At fair value 1 July 2014		9,008,726	66,453,431	4,677,622	80,139,779
Accumulated depreciation at 1 July 2014		-	(32,822,523)	-	(32,822,523)
		9,008,726	33,630,908	4,677,622	47,317,256
Movements in fair value					
Acquisition of assets at fair value	2	-	2,153,851	1,333,934	3,487,785
Revaluation increments/(decrements)		-	-	-	-
Fair value of assets disposed	3.8	(32,500)	-	-	(32,500)
Impairment losses recognised in operating result		-	-	-	-
Transfers between asset classes		-	4,314,858	(4,370,061)	(55,203)
		(32,500)	6,468,709	(3,036,127)	3,400,082
Movements in accumulated depreciation					
Depreciation and amortisation	4.3	-	(1,257,657)	-	(1,257,657)
Revaluation (increments)/decrements		-	-	-	-
Accumulated depreciation of disposals		-	-	-	-
Impairment losses recognised in operating result		-	-	-	-
		-	(1,257,657)	-	(1,257,657)
At fair value 30 June 2015		8,976,226	72,922,140	1,641,495	83,539,861
Accumulated depreciation at 30 June 2015		-	(34,080,180)	-	(34,080,180)
		<b>8,976,226</b>	<b>38,841,960</b>	<b>1,641,495</b>	<b>49,459,681</b>

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

Plant and equipment	Note	Plant machinery and equipment	Fixtures fittings and furniture	Total plant and equipment
At fair value 1 July 2014		11,468,311	1,020,258	<b>12,488,569</b>
Accumulated depreciation at 1 July 2014		(5,311,963)	(742,320)	<b>(6,054,283)</b>
		6,156,348	277,938	6,434,286
Movements in fair value				
Acquisition of assets at fair value	2	519,130	142,774	661,904
Revaluation increments/(decrements)		-	-	-
Fair value of assets disposed	3.8	(161,996)	(47,853)	(209,849)
Impairment losses recognised in operating result		-	-	-
Transfers between asset classes		-	-	-
		357,134	94,921	452,055
Movements in accumulated depreciation				
Depreciation and amortisation	4.3	(811,434)	(116,865)	(928,299)
Accumulated depreciation of disposals		89,927	47,852	137,779
Impairment losses recognised in operating result		-	-	-
		(721,507)	(69,013)	(790,520)
At fair value 30 June 2015		11,825,445	1,115,179	12,940,624
Accumulated depreciation at 30 June 2015		(6,033,470)	(811,333)	(6,844,803)
		<b>5,791,975</b>	<b>303,846</b>	<b>6,095,821</b>

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

<b>Infrastructure</b>	<b>Note</b>	Roads	Bridges	Footpaths and cycleways	Kerb and channel	Drainage
At fair value 1 July 2014		291,327,533	32,731,519	5,370,200	5,007,492	13,734,866
Accumulated depreciation at 1 July 2014		(99,486,313)	(17,084,448)	(1,613,815)	(2,060,937)	(7,012,593)
		191,841,220	15,647,071	3,756,385	2,946,555	6,722,273
Movements in fair value						
Acquisition of assets at fair value	2	3,005,897	256,723	56,575	263,025	234,997
Revaluation increments/(decrements)		7,035,698	44,489	573,732	(382,281)	78,284
Fair value of assets disposed	3.8	-	-	-	-	-
Impairment losses recognised in operating result		-	-	-	-	-
Transfers between asset classes		36,570	-	-	152,019	328,591
		10,078,165	301,212	630,307	32,763	641,872
Movements in accumulated depreciation						
Depreciation and amortisation	4.3	(5,372,181)	(334,088)	(127,298)	(84,107)	(183,406)
Revaluation (increments)/decrements		3,684,223	453,918	(23,449)	92,754	(30,339)
Accumulated depreciation of disposals		-	-	-	-	-
Impairment losses recognised in operating result		-	-	-	-	-
		(1,687,958)	119,830	(150,747)	8,647	(213,745)
At fair value 30 June 2015		301,405,698	33,032,731	6,000,507	5,040,255	14,376,738
Accumulated depreciation at 30 June 2015		(101,174,271)	(16,964,618)	(1,764,562)	(2,052,290)	(7,226,338)
		<b>200,231,427</b>	<b>16,068,113</b>	<b>4,235,945</b>	<b>2,987,965</b>	<b>7,150,400</b>

<b>Infrastructure (Continued)</b>	<b>Note</b>	Quarries	Street Furniture	Landfills	Work In Progress	Total Infrastructure
At fair value 1 July 2014		58,507	526,946	1,994,306	600,219	351,351,588
Accumulated depreciation at 1 July 2014		(16,691)	(152,078)	(1,217,081)	-	(128,643,956)
		41,816	374,868	777,225	600,219	222,707,632
Movements in fair value						
Acquisition of assets at fair value		-	15,118	-	51,341	3,883,676
Revaluation increments/(decrements)		-	21,627	-	-	7,371,549
Fair value of assets disposed		-	-	-	-	-
Impairment losses recognised in operating result		-	-	-	-	-
Transfers between asset classes		-	71,298	-	(600,219)	(11,741)
		-	108,043	-	(548,878)	11,243,484
Movements in accumulated depreciation						
Depreciation and amortisation		(2,091)	(24,051)	(132,886)	-	(6,260,108)
Revaluation (increments)/decrements		-	24,573	-	-	4,201,680
Accumulated depreciation of disposals		-	-	-	-	-
Impairment losses recognised in operating result		-	-	-	-	-
		(2,091)	522	(132,886)	-	(2,058,428)
At fair value 30 June 2015		58,507	634,989	1,994,306	51,341	362,595,072
Accumulated depreciation at 30 June 2015		(18,782)	(151,556)	(1,349,967)	-	(130,702,384)
		<b>39,725</b>	<b>483,433</b>	<b>644,339</b>	<b>51,341</b>	<b>231,892,688</b>

## NOTE 12 TRADE AND OTHER PAYABLES

	2015 \$	2014 \$
<b>Current</b>		
Trade creditors	141,590	265,899
Accrued wages & salaries	472,761	-
Accrued expenses	210,054	591,204
<b>TOTAL TRADE AND OTHER PAYABLES</b>	<b>824,405</b>	<b>857,103</b>

## NOTE 13 TRUST FUNDS AND DEPOSITS

	2015 \$	2014 \$
<b>Current</b>		
Contract retentions	111,634	331,286
Fire services property levy	37,515	96,971
Payment in advance	-	5,000
Building sureties	49,990	39,990
Unclaimed monies	147	34
Other refundable deposits:		
St Andrews church repair fund	1,476	1,539
Wedderburn pre school investment	125,607	120,711
Boort Park Trust	-	3,896
<b>TOTAL CURRENT TRUST FUNDS AND DEPOSITS</b>	<b>326,369</b>	<b>599,427</b>

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

### Contract retentions

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

### Fire Services Property Levy

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

### Payment in advance

Council has previously received up front funds as a sign of good faith for a project that is not expected to commence within the next 12 months.

### Building sureties

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

### St Andrews church repair fund

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

### Wedderburn pre-school investment

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

## NOTE 14 PROVISIONS

### 2015

	Annual leave	Long service leave	RDOs	Landfill rehabilitation	Gravel pit rehabilitation	Total
Balance at beginning of the financial year	810,400	1,745,860	100,765	1,953,001	58,507	4,668,533
Additional provisions	680,142	295,324	492,001	-	-	1,467,467
Amounts used	(662,426)	(211,909)	(486,548)	(162,505)	(4,147)	(1,527,535)
Variation in the discounted amount arising because of time and the effect of any change in the discount rate	-	14,102	-	-	-	14,102
<b>Balance at the end of the financial year</b>	<b>828,116</b>	<b>1,843,377</b>	<b>106,218</b>	<b>1,790,496</b>	<b>54,360</b>	<b>4,622,567</b>

### 2014

	Annual leave	Long service leave	RDOs	Landfill rehabilitation	Gravel pit rehabilitation	Total
Balance at beginning of the financial year	822,769	1,674,556	112,051	1,758,754	56,583	4,424,713
Additional provisions	656,976	290,826	482,320	194,247	1,924	1,626,293
Amounts used	(669,345)	(216,642)	(493,606)	-	-	(1,379,593)
Variation in the discounted amount arising because of time and the effect of any change in the discount rate		(2,880)				(2,880)
<b>Balance at the end of the financial year</b>	<b>810,400</b>	<b>1,745,860</b>	<b>100,765</b>	<b>1,953,001</b>	<b>58,507</b>	<b>4,668,533</b>

## NOTE 14 PROVISIONS (CONTINUED)

### (a) Employee benefits

	2015 \$	2014 \$
<b>Current</b>		
Annual leave	828,116	810,400
Long service leave	1,432,895	1,404,176
RDOs	106,218	100,765
<b>Total current</b>	<b>2,367,229</b>	<b>2,315,341</b>
<b>Non-current</b>		
Long service leave	410,482	341,684
<b>Total non-current</b>	<b>410,482</b>	<b>341,684</b>
Aggregate carrying amount of employee benefits		
Current	2,367,229	2,315,341
Non-current	410,482	341,684
<b>TOTAL EMPLOYEE BENEFITS</b>	<b>2,777,711</b>	<b>2,657,025</b>
The following assumptions were adopted in measuring the present value of long service leave:		
Weighted average increase in employee costs	4.44%	4.44%
Weighted average discount rates	3.03%	3.57%
Weighted average settlement period	21 months	20 months

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

	2015 \$	2014 \$
<b>Within 12 months:</b>		
Annual leave	704,171	692,831
Long service leave	100,000	220,000
RDOs	106,218	100,765
<b>Total within 12 months</b>	<b>910,389</b>	<b>1,013,596</b>
<b>After 12 months:</b>		
Annual leave	123,945	117,569
Long service leave	1,743,377	1,525,860
Total after 12 months	<b>1,867,322</b>	<b>1,643,429</b>
<b>TOTAL EMPLOYEE BENEFITS</b>	<b>2,777,711</b>	<b>2,657,025</b>

## NOTE 14 PROVISIONS (CONTINUED)

### (b) Tip rehabilitation

Council is obligated to restore landfill sites to a particular standard. Current engineering projections indicate that the eight landfill sites across the Shire will have all ceased operation by 2035 and restoration work is expected to commence shortly thereafter. The forecast life of the sites are based on current estimates of remaining capacity and the forecast rate of infill. The provision for landfill restoration has been calculated based on the present value of the expected costs of works to be undertaken. The expected cost of works have been estimated based on the current understanding of work required to reinstate the site to a suitable standard and budgeted costs for that work. Accordingly, the estimation of a provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs.

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

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Non-current	1,790,496	1,953,001
<b>TOTAL</b>	<b>1,790,496</b>	<b>1,953,001</b>

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

Weighted average increase in costs	2.77%	-
weighted average discount rates	3.03%	-
weighted average settlement period	21 years	-

### (c) Gravel pit rehabilitation

Council is obligated to restore gravel pit sites to a particular standard. Current engineering projections indicate that the Neivandt's quarry site will have ceased operation by 2040 and restoration work is expected to commence shortly thereafter. The forecast life of the site is based on current estimates of remaining capacity and the forecast rate of infill. The provision for gravel pit restoration has been calculated based on the present value of the expected cost of works to be undertaken. The expected cost of works has been estimated based on current understanding of work required to reinstate the site to a suitable standard and budgeted costs for that work. Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs.

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

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Non-current	54,360	58,507
<b>TOTAL</b>	<b>54,360</b>	<b>58,507</b>

## NOTE 14 PROVISIONS (CONTINUED)

(c) Gravel pit rehabilitation (Continued)

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

Weighted average increase in costs	2.77%	-
weighted average discount rates	3.03%	-
weighted average settlement period	35 years	-

## NOTE 15 INTEREST BEARING LOANS AND BORROWINGS

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Borrowings - secured	131,125	129,205
<b>Total current</b>	<b>131,125</b>	<b>129,205</b>
<b>Non-current</b>		
Borrowings - secured	-	131,145
Total non-current	-	131,145
<b>TOTAL INTEREST BEARING LOANS AND BORROWINGS</b>	<b>131,125</b>	<b>260,350</b>
The maturity profile for Council's borrowings is:		
Not later than one year	131,125	129,205
Later than one year and not later than five years	-	131,145
Later than five years	-	-
<b>TOTAL INTEREST BEARING LOANS AND BORROWINGS</b>	<b>131,125</b>	<b>260,350</b>

There has been a Deed of Charge issued under seal which provides the general rates of Council as security for the loans.

## NOTE 16 RESERVES

### (a) Asset revaluation reserve

#### 2015

	Balance at beginning of reporting period \$	Revaluation Increment/ (decrement) \$	Impairment Increment / (decrement) \$	Net movement for the reporting period \$	Balance at end of the reporting period \$
<b>Property</b>					
Land	6,910,050	-	-	-	6,910,050
Buildings	25,752,083	-	-	-	25,752,083
	32,662,133	-	-	-	32,662,133
<b>Infrastructure assets</b>					
Sealed roads	105,919,108	6,925,748	-	6,925,748	112,844,856
Unsealed roads	35,027,682	3,794,173	-	3,794,173	38,821,855
Footpaths	1,409,176	550,283	-	550,283	1,959,459
Street furniture	10,031	46,200	-	46,200	56,231
Kerbs	517,321	(289,528)	-	(289,528)	227,793
Bridges	6,217,796	498,407	-	498,407	6,716,203
Drains	118,779	47,945	-	47,945	166,724
Other Infrastructure	149,219,893	11,573,228	-	11,573,228	160,793,121
<b>Total tangible assets</b>	181,882,026	11,573,228	-	11,573,228	193,455,254
<b>Intangible assets</b>					
Water rights	107,929	544,470	-	544,470	652,399
<b>TOTAL</b>	<b>181,989,955</b>	<b>12,117,698</b>	<b>-</b>	<b>12,117,698</b>	<b>194,107,653</b>

#### 2014

	Balance at beginning of reporting period \$	Revaluation Increment/ (decrement) \$	Impairment Increment / (decrement) \$	Net movement for the reporting period \$	Balance at end of the reporting period \$
<b>Property</b>					
Land	6,938,909	(28,859)	-	(28,859)	6,910,050
Buildings	21,872,222	3,495,617	384,244	3,879,861	25,752,083
	28,811,131	3,466,758	384,244	3,851,002	32,662,133
<b>Infrastructure assets</b>					
Sealed roads	89,299,864	16,619,244	-	16,619,244	105,919,108
Unsealed roads	28,798,074	6,229,608	-	6,229,608	35,027,682
Footpaths	2,323,705	(914,529)	-	(914,529)	1,409,176
Street furniture	49,105	(39,074)	-	(39,074)	10,031
Kerbs	830,622	(313,301)	-	(313,301)	517,321
Bridges	9,445,692	(3,227,896)	-	(3,227,896)	6,217,796
Drains	760,282	(641,503)	-	(641,503)	118,779
Other Infrastructure	131,507,344	17,712,549	-	17,712,549	149,219,893
<b>Total tangible assets</b>	160,318,475	21,179,307	384,244	21,563,551	181,882,026
<b>Intangible assets</b>					
Water rights	29,099	78,830	-	78,830	107,929
<b>TOTAL</b>	<b>160,347,574</b>	<b>21,258,136</b>	<b>384,244</b>	<b>21,642,381</b>	<b>181,989,955</b>

## NOTE 16 RESERVES (CONTINUED)

### (b) General reserves

2015

	Balance at beginning of reporting period \$	Transfer from accumulated surplus \$	Transfer to accumulated surplus \$	Balance at end of reporting period \$
Land and buildings reserve	3,000	210,400	-	213,400
Capital expenditure reserve	960,518	1,881,189	960,518	1,881,189
Caravan park development reserve	30,332	11,728	31,856	10,204
Community planning reserve	558,174	328,302	558,174	328,302
Economic development reserve	488,197	245,000	296,453	436,744
Fleet replacement reserve	102,449	236,000	53,220	285,229
Gravel and sand pit (GSP) restoration reserve	523,380	134,925	42,756	615,549
Heritage loan scheme reserve	-	100,000	27,390	72,610
Information technology reserve	477,016	285,000	276,319	485,697
Lake Boort water reserve	23,857	-	4,363	19,494
Landfill rehabilitation reserve	198,947	31,390	-	230,337
Major projects reserve	520,152	80,000	-	600,152
Plant replacement reserve	1,197,821	1,164,000	404,852	1,956,969
Professional development reserve	39,946	12,000	-	51,946
Rates reserve	473,678	14,210	136,419	351,469
Recreation facilities improvement reserve	100,000	-	-	100,000
Skidders Flat water reserve	18,503	-	-	18,503
Unfunded superannuation liability reserve	-	1,000,000	-	1,000,000
Units reserve	20,377	30,183	-	50,560
Unspent contributions reserve	1,511	-	1,511	-
Unspent grants reserve	3,440,369	7,197,967	3,440,369	7,197,967
Urban drainage reserve	311,987	350,000	232,460	429,527
Valuations reserve	58,573	163,376	24,815	197,134
War memorial reserve	3,000	-	-	3,000
Water unbundling reserve	27,519	-	27,519	-
<b>TOTAL</b>	<b>9,579,306</b>	<b>13,475,670</b>	<b>6,518,994</b>	<b>16,535,982</b>

## NOTE 16 RESERVES (CONTINUED)

### (b) General reserves (continued)

2014

	Balance at beginning of reporting period \$	Transfer from accumulated surplus \$	Transfer to accumulated surplus \$	Balance at end of reporting period \$
Land and buildings reserve	-	3,000	-	3,000
Capital expenditure reserve	844,620	960,518	844,620	960,518
Caravan park development reserve	183,990	-	153,658	30,332
Community planning reserve	1,277,098	558,174	1,277,098	558,174
Councillors' initiatives reserve	441,152	-	441,152	-
Economic development reserve	430,237	120,000	62,040	488,197
Fleet replacement reserve	156,015	100,000	153,566	102,449
Gravel and sand pit (GSP) restoration reserve	704,332	136,548	317,500	523,380
Information technology reserve	292,438	385,000	200,422	477,016
Lake Boort water reserve	5,781	18,076	-	23,857
Landfill rehabilitation reserve	18,937	180,010	-	198,947
Major projects reserve	-	520,152	-	520,152
Plant replacement reserve	784,287	650,000	236,466	1,197,821
Professional development reserve	31,719	10,000	1,773	39,946
Rates reserve	22,877	450,801	-	473,678
Recreation facilities improvement reserve	100,000	-	-	100,000
Skidders Flat water reserve	13,782	4,721	-	18,503
Unfunded superannuation liability reserve	-	500,000	500,000	-
Units reserve	-	25,000	4,623	20,377
Unspent contributions reserve	94,567	1,512	94,568	1,511
Unspent grants reserve	8,473,622	3,440,369	8,473,622	3,440,369
Urban drainage reserve	623,659	317,250	628,922	311,987
Valuations reserve	92,096	77,101	110,624	58,573
War memorial reserve	3,000	-	-	3,000
Water unbundling reserve	19,562	200,931	192,974	27,519
<b>TOTAL</b>	<b>14,613,771</b>	<b>8,659,163</b>	<b>13,693,628</b>	<b>9,579,306</b>

## **NOTE 16 RESERVES (CONTINUED)**

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

#### **Purpose of general reserves**

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

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

##### **Capital expenditure reserve**

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

##### **Caravan park development reserve**

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

##### **Community planning reserve**

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

##### **Councillors' initiatives reserve**

The Councillors' initiatives reserve is used to set aside unspent funds from the Councillors' Initiatives Fund budget on an annual basis for use in future years. Council transfers to the reserve cumulative unspent funds, and transfers from the reserve the amount placed into reserve at the end of the previous financial year. This reserve will be removed in 2014/15 as per Council Resolution to migrate to a Major Projects Reserve.

##### **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 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.

## **NOTE 16 RESERVES (CONTINUED)**

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

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

##### **Gravel and sand pit (GSP) restoration reserve**

The gravel and sand pit (GSP) restoration reserve is used to fund the restoration of gravel and sand pits used by Council for the extraction of road building materials. Council transfers from the reserve the annual cost of quarry rehabilitation, and transfers to the reserve profit made from gravel pits.

##### **Heritage loan scheme reserve**

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

##### **Information technology reserve**

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

##### **Lake Boort water**

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

##### **Landfill rehabilitation reserve**

The landfill rehabilitation reserve has been established to assist with the cost of rehabilitating Council's landfills. Council transfers to the reserve annually \$10 per kerbside collection levy (or a pro-rated amount for a pro-rated collection). Council transfers from the reserve the cost of landfill rehabilitation.

##### **Major projects reserve**

The major projects reserve is used to assist with the funding of major projects identified by Council. An annual allocation in the budget to be 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.

## **NOTE 16 RESERVES (CONTINUED)**

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

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

##### **Professional development reserve**

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

##### **Rates reserve**

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

##### **Recreation facilities improvement reserve**

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

##### **Skidders Flat water reserve**

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

##### **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.

##### **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.

## **NOTE 16 RESERVES (CONTINUED)**

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

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

##### **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 cost of 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 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.

##### **Water unbundling reserve**

The Water unbundling reserve is used to offset the effects of unbundling of water rights from Council valuations from 1 July 2007, and the subsequent effect this will have on Council's ability to raise rates on the affected properties in 2008/09 and future rating periods. Movements are made in accordance with Council's rating strategy. This reserve will be fully utilised by 30 June 2015.

## NOTE 17 COMMITMENTS FOR EXPENDITURE

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

### 2015

	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	198,047	-	-	-	198,047
Insurance services	216,492	-	-	-	216,492
Information technology services	42,324	-	-	-	42,324
Pool management services	186,018	-	-	-	186,018
Library corporation	191,077	191,077	573,231	-	955,385
Cleaning services	57,584	11,862	-	-	69,446
Internal audit	26,000	29,250	55,900	-	111,150
<b>OPERATING COMMITMENTS FOR EXPENDITURE</b>	<b>917,542</b>	<b>232,189</b>	<b>629,131</b>	<b>-</b>	<b>1,778,862</b>
<b>Capital</b>					
Caravan park fire services	166,750	-	-	-	166,750
Inglewood Industrial Estate	140,044	-	-	-	140,044
Inglewood Town Hall design	24,600	-	-	-	24,600
Boort Eastern Entrance project	78,210	-	-	-	78,210
Serpentine Hall upgrade	38,566	-	-	-	38,566
Wedderburn streetscape project	335,399	-	-	-	335,399
Nankervis Bridge	16,040	-	-	-	16,040
Humes BC Crowns	22,463	-	-	-	22,463
Pyramid Hall restumping	21,276	-	-	-	21,276
<b>CAPITAL COMMITMENTS FOR EXPENDITURE</b>	<b>843,348</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>843,348</b>
<b>TOTAL COMMITMENTS FOR EXPENDITURE</b>	<b>1,760,890</b>	<b>232,189</b>	<b>629,131</b>	<b>-</b>	<b>2,622,210</b>

### 2014

	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	703,030	404,893	44,483	-	1,152,406
Pool management services	220,000	220,000	-	-	440,000
Library corporation	180,560	-	-	-	180,560
Internal audit	32,000	-	-	-	32,000
<b>OPERATING COMMITMENTS FOR EXPENDITURE</b>	<b>1,135,590</b>	<b>624,893</b>	<b>44,483</b>	<b>-</b>	<b>1,804,966</b>
<b>Capital</b>					
Infrastructure	856,034	143,386	-	-	999,420
<b>CAPITAL COMMITMENTS FOR EXPENDITURE</b>	<b>856,034</b>	<b>143,386</b>	<b>-</b>	<b>-</b>	<b>999,420</b>
<b>TOTAL COMMITMENTS FOR EXPENDITURE</b>	<b>1,991,624</b>	<b>768,279</b>	<b>44,483</b>	<b>-</b>	<b>2,804,386</b>

## NOTE 18 SUPERANNUATION

Loddon Shire 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 2015, this was 9.5% required under Superannuation Guarantee Legislation (for 2013/14, this was 9.25%)).

### **Defined Benefit**

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

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

## NOTE 18 SUPERANNUATION (CONTINUED)

### Superannuation contributions

Contributions paid by Loddon Shire Council (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2015 are detailed below:

	2015 \$	2014 \$
<b>Defined Benefit Fund</b>		
Employer contributions to Local Authorities Superannuation Fund (Vision)	<b>142,986</b>	<b>141,611</b>
<b>Accumulation Funds</b>		
Employer contributions to Local Authorities Superannuation Fund (Vision)	<b>443,762</b>	<b>439,160</b>
<b>Superannuation Fund</b>		
AMP Flexible Lifetime Super	5,582	4,299
Australian Super	25,901	23,371
BT Lifetime Super	9,280	9,203
C Bus	18,389	15,290
Colonial First State Super	22,470	12,957
First State Super	12,294	2,453
Health Super Fund	5,691	7,346
Hesta Super	16,112	13,665
IOOF Portfolio Super Fund	8,578	7,713
Local Government Super	7,333	6,929
Media Super	6,407	4,877
MLC Personal Super	142	574
MTAA Superannuation	5,640	4,878
Plum Superannuation Fund	5,218	4,327
Prime Super	16,878	11,620
Pursuit Select Superannuation	3,143	-
Quadrant Superannuation	7,122	6,722
REST Super	10,715	6,520
Telstra Super	4,583	3,681
UniSuper Super	3,770	10,674
Vision Super	48,232	47,811
Other self managed funds	5,466	8,430
Other minor funds	5,665	750
<b>Total - Other Superannuation funds</b>	<b>254,611</b>	<b>214,090</b>

Loddon Shire Council has paid unfunded liability payments to Vision Super totalling \$0 during 2014/15 (2013/14 \$0).

There were no contributions outstanding to the above schemes as at 30 June 2015.

The expected contributions to be paid to the defined benefit category of Vision Super for the year ending 30 June 2016 is \$133,288.

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

## NOTE 19 CONTINGENT LIABILITIES

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

(a) On 10 November 2011, there was an incident in which a person suffered spinal damage as a result of riding a pedal bicycle into a fence in Tarnagulla. The fence divides a Loddon Shire Council property from a Department of Primary Industries property. There is a court case pending in this matter, as the person has residual health issues as a result of his injuries. Council is protected by an insurance policy against any liability adjudicated by the Court.

As this matter is yet to be finalised, and the financial outcome is unable to be reliably estimated, no allowance for this contingency has been made in the financial report.

(b) Council has obligations under a defined benefit superannuation scheme that may result in the need to make additional contributions to the scheme to ensure that the liabilities of the fund are covered by the assets of the fund. 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.

### *Funding arrangements*

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

The Fund's latest actuarial investigation was held on 30 June 2014 and it was determined that the vested benefit index (VBI) of the defined benefit category of which Loddon Shire Council is a contributing employer was 103.4%. To determine the VBI, the fund Actuary used the following long-term assumptions:

Net investment return	7.50% p.a.
Salary information	4.25% p.a.
Price inflation (CFPI)	2.75% p.a.

Vision Super has advised that the estimated VBI at 31 March 2015 was 108.5%.

The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the actuarial investigation determined the defined benefit category was in a satisfactory financial position and that no change was necessary to the defined benefits category's funding arrangements from prior years.

### ***Employer Contributions***

#### *Regular contributions*

On the basis of the results of the most recent full actuarial investigation conducted by the Fund's Actuary as at 30 June 2014, Loddon Shire makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2015, this rate was 9.5% of members' salaries. This rate will increase in line with any increase to the Superannuation Guarantee (SG) contribution rate.

## NOTE 19 CONTINGENT LIABILITIES (CONTINUED)

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

### *Funding Calls*

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

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

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

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

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

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

### **Latest actuarial investigation surplus amounts**

The Fund's latest actuarial investigation as at 30 June 2014 identified the following in the defined benefit category of which Loddon Shire Council is a contributing employer:

- A VBI surplus of \$77.1 million; and
- A total service liability surplus of \$236 million.

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2014.

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

Loddon Shire Council was notified of the results of the actuarial investigation during January 2015.

## NOTE 20 RELATED PARTY TRANSACTIONS

### (a) Responsible persons

Names of persons holding the position of a responsible person at the Loddon Shire Council at any time during the year were:

#### Councillors:

Cr Neil Beattie (Councillor from July 2014 to June 2015)  
Cr Geoff Curnow (Councillor from July 2014 to June 2015)  
Cr Gavan Holt (Mayor from July 2014 to June 2015)  
Cr Colleen Condliffe (Councillor from July 2014 to June 2015)  
Cr Cheryl McKinnon (Councillor from July 2014 to June 2015)

#### Chief Executive Officer (CEO):

Mr John McLinden (From July 2014 to June 2015)

### (b) Remuneration of responsible persons

The number of responsible officers, whose total remuneration from Council and any related entities fall within the following bands:

<b>Income range</b>	<b>2014/15 number</b>	<b>2013/2014 number</b>
\$10,000 - \$19,999	0	3
\$20,000 - \$29,999	4	0
\$30,000 - \$39,999	0	1
\$40,000 - \$49,999	0	1
\$60,000 - \$69,999	1	0
\$210,000 - \$219,999	0	1
\$230,000 - \$239,999	1	0
	<hr/> <hr/>	<hr/> <hr/>
	6	6

Total remuneration for the reporting year for responsible persons included above amounted to \$381,048 in 2014/15 (\$355,093 in 2013/14).

## NOTE 20 RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Remuneration of responsible persons (continued)

The Director Corporate Services acted in the role of Chief Executive Officer from 12 January 2015 to 30 January 2015. (One person in 2013/14).

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

### (c) Transactions with responsible persons

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 2013/14).

No retirement benefits have been made by the Council to a responsible person.

No loans have been made, guaranteed or secured by the Council to a responsible person of the Council during the reporting year (Nil in 2013/14).

### (d) Senior officers' remuneration

A senior officer includes an officer of Council who has management responsibilities and reports directly to the Chief Executive Officer, or whose total annual remuneration exceeds \$136,000.

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

<b>Income range</b>	<b>2014/15 number</b>	<b>2013/14 number</b>
Under \$136,000	1	2
\$133,001 - \$139,999	0	1
\$140,000 - \$149,999	1	1
\$150,000 - \$159,999	2	0
	<hr/> <hr/>	<hr/> <hr/>
	4	4

Total remuneration for the reporting period of senior officers included above amounted to \$592,974 in 2014/15 (\$527,957 in 2013/14).

## NOTE 21 FINANCIAL INSTRUMENTS

### (a) Objectives and policies

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

### (b) Market risk

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

#### *Interest rate risk*

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

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

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

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

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

### (c) Credit risk

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

To help manage this risk:

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

## NOTE 21 FINANCIAL INSTRUMENTS (CONTINUED)

### (c) credit risk (continued)

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 2015. Details of contingent liabilities are disclosed in note 19.

### (d) Liquidity risk

Liquidity risk includes the risk that, as a result of our operational liquidity requirements or Council not having sufficient funds to settle a transaction when required, Council 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 to occur 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.

The Council's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

With the exception of borrowings, all financial liabilities are expected to be settled within normal or agreed terms. Details of the maturity profile for borrowings are disclosed at note 15.

### (e) Fair value

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

#### *Fair value hierarchy*

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

### (f) Sensitivity disclosure analysis

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

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

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

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

	2015 \$	2014 \$
Profit/(loss) for the period	5,326,742	(3,954,447)
Depreciation	8,446,064	8,079,436
(Profit)/loss on disposal of assets	16,965	108,251
Impairment of financial assets	570	5,285
Reversal of impairment of assets	(1,873)	(3,002)
Bad debts expense	36,250	12,472
Share of other comprehensive income of associates	(8,706)	16,813
<b>Change in assets and liabilities:</b>		
(Increase)/decrease in receivables (net of advances)	(681,605)	2,588,256
(Increase)/decrease in accrued income	(374,025)	263,944
(Increase)/decrease in prepayments	(85,813)	20,012
(Increase)/decrease in other assets and liabilities	(26,868)	(18,586)
Increase/(decrease) in trust funds and deposits	(273,059)	181,800
(Increase)/decrease in inventories	108,892	34,014
Increase/(decrease) in payables	(32,698)	(1,064,225)
Increase/(decrease) in employee benefits	120,686	47,649
Increase/(decrease) in other provisions	(166,652)	196,171
(Increase)/decrease in library equity	5,754	7,370
<b>NET CASH PROVIDED BY/USED BY OPERATING ACTIVITIES</b>	<b>12,410,624</b>	<b>6,521,213</b>

## NOTE 23 RECONCILIATION OF CASH AND CASH EQUIVALENTS

	2015 \$	2014 \$
Cash and cash equivalents (see note 5)	11,327,614	11,630,762
Less bank overdraft used	-	-
	<b>11,327,614</b>	<b>11,630,762</b>

## NOTE 24 FINANCING ARRANGEMENTS

	2015 \$	2014 \$
Bank overdraft	500,000	500,000
Used facilities	-	-
<b>UNUSED FACILITIES</b>	<b>500,000</b>	<b>500,000</b>

## NOTE 25 OPERATING LEASES

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

	2015 \$	2014 \$
Not later than 1 year	20,051	19,581
Later than 1 year and not later than 2 years	17,494	37,544
Later than 2 years and not later than 5 years	46,745	48,210
	<b>84,290</b>	<b>105,335</b>

## NOTE 26 AUDITORS' REMUNERATION

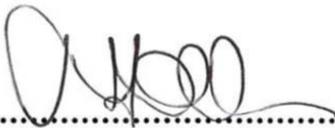
	2015 \$	2014 \$
Audit fee to conduct external audit - VAGO	31,900	30,700
Internal audit fees	37,556	45,335
	<b>69,456</b>	<b>76,035</b>

## NOTE 27 EVENTS OCCURRING AFTER BALANCE DATE

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

## CERTIFICATION OF FINANCIAL STATEMENTS

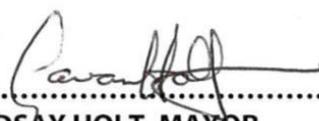
In my opinion the accompanying financial statements have been prepared in accordance with the **Local Government Act 1989**, the *Local Government (Planning and Reporting) Regulations 2014*, Australian Accounting Standards and other mandatory professional reporting requirements.

Signed:  ..... Date: 25/8/15  
JUDITH PATRICIA HOLT B Bus (Acct), GAICD, AGIA, PRINCIPAL ACCOUNTING OFFICER

In our opinion the accompanying financial statements present fairly the financial transactions of the Loddon Shire Council for the year ended 30 June 2015 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: 25/8/2015  
GAVAN LINDSAY HOLT, MAYOR

Signed:  ..... Date: 25/8/2015  
COLLEEN MARY CONDLIFFE, COUNCILLOR

Signed:  ..... Date: 25/8/2015  
JOHN BRIAN McLINDEN, CHIEF EXECUTIVE OFFICER

## INDEPENDENT AUDITOR'S REPORT

### To the Councillors, Loddon Shire Council

#### *The Financial Report*

The accompanying financial report for the year ended 30 June 2015 of the Loddon Shire Council which comprises the comprehensive income statement, balance sheet, statement of changes in equity, statement of cash flows, statement of capital works, notes comprising a summary of the significant accounting policies and other explanatory information, and the certification of the financial statements has been audited.

#### *The Councillors' Responsibility for the Financial Report*

The Councillors of the Loddon Shire Council are responsible for the preparation and the fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Local Government Act 1989*.

The Councillors are responsible for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

As required by the *Audit Act 1994* and the *Local Government Act 1989*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control.

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Councillors, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## Independent Auditor's Report (continued)

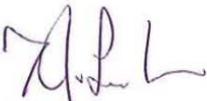
### *Independence*

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

### *Opinion*

In my opinion the financial report presents fairly, in all material respects, the financial position of the Loddon Shire Council as at 30 June 2015 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Local Government Act 1989*.

MELBOURNE  
31 August 2015



John Doyle  
Auditor-General