

LODDON SHIRE COUNCIL
FINANCIAL STATEMENTS YEAR ENDING 30 JUNE 2016



LODDON
SHIRE

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**COMPREHENSIVE INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2016**

	Note	2016 \$	2015 \$
Income			
Rates and charges	3.1	9,742,761	9,172,250
Statutory fees and fines	3.2	341,541	329,578
User fees	3.2	1,688,762	2,160,758
Grants - operating	3.3	6,051,916	13,551,659
Grants - capital	3.3	6,963,416	4,544,481
Contributions - monetary	3.5	69,869	407,350
Contributions - non monetary	3.5	-	-
Reimbursements and subsidies	3.6	931,590	1,189,560
Interest earnings	3.7	507,306	468,375
Share of net profits of associates and joint ventures	3.9	8,800	8,706
Other income	3.10	570	1,873
Total income		26,306,531	31,834,590
Expenses			
Employee costs	4.1	9,846,785	9,988,638
Materials and services	4.2	8,038,650	7,733,030
Depreciation and amortisation	4.3	8,335,880	8,446,064
Borrowing costs	4.4	4,271	9,365
Bad debts expense	4.5	22,107	36,250
Other expenses	4.6	284,299	277,536
Net loss on disposal of property, infrastructure, plant and equipment	3.8	102,681	16,965
Total expenses		26,634,673	26,507,848
Surplus / (deficit) for year		(328,142)	5,326,742
Other comprehensive income			
<i>Items that will not be reclassified to surplus or deficit</i>			
Net asset revaluation increment/(decrement)	16a	14,568,074	12,117,698
Share of other comprehensive income of associates and joint ventures accounted for by the equity method	3.9	(655)	(5,754)
Total comprehensive result		14,239,277	17,438,686

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

**BALANCE SHEET
AS AT 30 JUNE 2016**

	Note	2016 \$	2015 \$
Assets			
Current assets			
Cash and cash equivalents	5	15,950,711	11,327,614
Trade and other receivables	6	1,250,191	2,305,243
Financial assets	7	2,385,205	7,650,286
Inventories		65,814	108,128
Non-current assets classified as held for sale	8	190,356	63,210
Total current assets		19,842,277	21,454,481
Non-current assets			
Trade and other receivables	6	162,000	320,000
Financial assets	7	100	100
Investments in associates and joint ventures	9	362,125	353,980
Intangible assets	10	1,654,362	1,589,445
Property, infrastructure, plant and equipment	11	302,836,382	287,384,980
Total non-current assets		305,014,969	289,648,505
Total assets		324,857,246	311,102,986
Liabilities			
Current liabilities			
Trade and other payables	12	690,923	824,405
Trust funds and deposits	13	277,094	326,369
Provisions	14	2,127,212	2,367,229
Interest bearing loans and borrowings	15	-	131,125
Total current liabilities		3,095,229	3,649,128
Non-current liabilities			
Provisions	14	2,324,221	2,255,338
Total non-current liabilities		2,324,221	2,255,338
Total liabilities		5,419,450	5,904,466
Net assets		319,437,796	305,198,520
Equity			
Accumulated surplus		56,801,328	81,516,898
Reserves	16	262,636,468	223,681,622
Total equity		319,437,796	305,198,520

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

2016

	Note	Total 2016 \$	Accumulated surplus 2016 \$	Revaluation reserve 2016 \$	Other reserves 2016 \$
Balance at beginning of the financial year		305,198,520	81,516,898	194,107,652	29,573,970
Surplus/(deficit) for the year		(328,142)	(328,142)	-	-
Net asset revaluation increment/(decrement)		14,568,074	-	14,568,074	-
Transfer to reserves	16	-	(11,437,487)	-	11,437,487
Transfer from reserves	16	-	(12,949,286)	-	12,949,286
Share of other comprehensive income		(655)	(655)	-	-
Balance at end of financial year		319,437,796	56,801,328	208,675,726	53,960,742

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)	-	-
Balance at end of financial year		305,198,520	81,516,898	194,107,652	29,573,970

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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016**

	Note	2016 Inflows/ (outflows) \$	2015 Inflows/ (outflows) \$
Cash flows from operating activities			
Rates and charges		9,731,730	9,222,073
Statutory fees and fines		212,190	277,652
User fees		1,843,684	2,947,802
Grants - operating		6,396,942	13,573,865
Grants - capital		8,453,664	3,015,044
Reimbursements and subsidies		1,041,544	1,506,737
Interest received		494,761	468,813
Net GST refund (payable)		(1,513,735)	(975,827)
Trust funds and deposits taken		-	-
Payments to employees		(10,386,442)	(9,395,191)
Payments to suppliers		(7,210,844)	(7,957,278)
Trust funds and deposits repaid		(49,275)	(273,058)
Net cash provided by (used in) operating activities	23	9,014,219	12,410,632
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment		(9,845,444)	(7,966,421)
Proceeds from sale of property, infrastructure, plant and equipment		331,490	87,603
Payment for intangible assets		-	(174,000)
Payment for investments		5,166,596	(4,615,399)
Loans and advances to community organisations		-	-
Repayment of loans and advances from community organisations		93,800	98,799
Net cash provided by (used in) investing activities		(4,253,558)	(12,569,418)
Cash flows from financing activities			
Repayment of interest bearing loans and borrowings		(133,293)	(134,997)
Borrowing costs		(4,271)	(9,365)
Net cash provided by (used in) financing activities		(137,564)	(144,362)
Net increase/(decrease) in cash and cash equivalents		4,623,097	(303,148)
Cash and cash equivalents at the beginning of the financial year		11,327,614	11,630,762
Cash and cash equivalents at the end of the financial year	5	15,950,711	11,327,614

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

**STATEMENT OF CAPITAL WORKS
FOR THE YEAR ENDED 30 JUNE 2016**

	Note	2016 \$	2015 \$
Buildings			
Buildings - specialised		1,334,056	2,153,851
Work in progress		2,708,058	1,333,934
Total buildings		4,042,114	3,487,785
Plant, machinery and equipment		2,043,041	519,130
Office furniture and equipment		58,427	142,774
Total plant and equipment	11	2,101,468	661,904
Infrastructure			
Roads		3,057,054	3,005,897
Bridges		76,968	256,723
Footpaths and cycleways		88,361	56,575
Kerb and channel		141,506	263,025
Drainage		-	234,997
Street furniture		-	15,118
Work in progress		337,971	51,341
Total infrastructure	11	3,701,860	3,883,676
Intangible assets			
Water rights	10	-	174,000
Total intangible assets		-	174,000
Total capital works expenditure		9,845,442	8,207,365
Represented by:			
New asset expenditure		2,739,774	1,968,626
Asset renewal expenditure		2,010,885	3,586,903
Asset expansion expenditure		2,820,750	242,904
Asset upgrade expenditure		2,274,033	2,408,932
Total capital works expenditure		9,845,442	8,207,365

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

INTRODUCTION

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

The purpose of the Council is to:

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

External Auditor

Internal Auditor

Solicitor

Banker

Victorian Auditor-General's Office

HLB Mann Judd (Vic) Pty Ltd

MCL Legal

National Australia Bank

Further information about Council can be found at: www.loddon.vic.gov.au

Statement of compliance

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

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

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

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

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

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

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

(b) Change in accounting policies

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

(c) Committees of management

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

(d) Accounting for investments in associates and joint arrangements

Associates

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

Joint arrangements

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

(i) Joint operations

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

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Revenue recognition

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

Rates and charges

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

Statutory fines and fees

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

User fees

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

Grants

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

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

Contributions

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

Sale of property, infrastructure, plant and equipment

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

Interest

Interest is recognised as it is earned.

Dividends

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

Other Income

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

(f) Fair value measurement

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

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

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fair value measurement (continued)

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

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

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

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

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

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

(g) Cash and cash equivalents

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

(h) Trade and other receivables

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.

(i) Other financial assets

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

(j) Inventories

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

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

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

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Acquisition

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

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

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

Revaluation

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

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

In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 1 to 5 years. The valuation is performed either by experienced council officers or independent experts.

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

Land under roads

Council recognises land under roads it controls at fair value.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

Asset recognition thresholds and depreciation periods

	Depreciation Period Years	Threshold Limit \$
Property		
land	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		
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 cycle ways	15 - 50	1,000
drainage	50 - 80	1,000
recreational, leisure and community facilities	50 - 80	1,000
waste management assets	20	1,000
parks, open space and streetscapes	15 - 50	1,000
off street car parks	80	1,000
aerodromes	30 - 80	1,000
Intangible assets - water rights	N/A	1,000

(n) Repairs and maintenance

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

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Investment property

Investment property, 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.

(p) Impairment of assets

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

(q) Trust funds and deposits

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

(r) Borrowings

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

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

Borrowing costs

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

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

(s) Employee costs and benefits

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

Wages and salaries and annual leave

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

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

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Employee costs and benefits (continued)

Long service leave

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

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

The components of this current liability are measured at:

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

Classification of employee benefits

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

(t) Landfill and quarry rehabilitation provision

Landfills

Council is obligated to restore eight tip sites to a standard set by the Environment Protection Authority (EPA). A calculation was undertaken based on the EPA's guidelines for rehabilitating tip sites when they are no longer required for use. A review of the provision was carried out at 30 June 2016. 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 2016.

Council has two reserves for the remediation of quarries and tip rehabilitation. At 30 June 2016 the combined balance of these reserves was \$983,265 (\$845,886 in 2014/15). Details of these reserves are included at Note 16b.

(u) Goods and services tax (GST)

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

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

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Financial guarantees

Financial guarantee contracts are not recognised as a liability in the balance sheet unless the lender has exercised their right to call on the guarantee or Council has other reasons to believe that it is probably 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 2016, no such guarantees have been issued by Council.

(w) Contingent assets and contingent liabilities and commitments

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

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

(x) Pending accounting standards

Certain new AAS's have been issued that are not mandatory for the 30 June 2016 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.

(y) Rounding

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

NOTE 2 BUDGET COMPARISON

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

The budget figures detailed below are those adopted by Council on 23 June 2015. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for revenue and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

(a) Income and expenditure

	Budget 2016 \$	Actual 2016 \$	Variance 2016 \$	Ref
Income				
Rates and charges	9,701,598	9,742,761	(41,163)	
Statutory fees and fines	210,344	341,541	(131,197)	1
User fees	1,945,481	1,688,762	256,719	2
Grants - operating	9,241,910	6,051,916	3,189,994	3
Grants - capital	4,086,181	6,963,416	(2,877,235)	4
Contributions - monetary	-	69,869	(69,869)	5
Reimbursements and subsidies	1,026,185	931,590	94,595	
Interest earnings	425,000	507,306	(82,306)	6
Share of net profits/(losses) of associates and joint ventures	-	8,800	(8,800)	
Other income	-	570	(570)	
Total income	26,636,699	26,306,531	330,168	
Expenses				
Employee costs	10,084,110	9,846,785	237,325	
Materials and services	8,400,059	8,038,650	361,409	
Depreciation and amortisation	8,544,033	8,335,880	208,153	
Borrowing costs	7,259	4,271	2,988	
Bad and doubtful debts	-	22,107	(22,107)	
Other expenses	286,284	284,299	1,985	
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	-	102,681	(102,681)	7
Total expenses	27,321,745	26,634,673	687,072	
Surplus/(deficit) for the year	(685,046)	(328,142)	(356,904)	

NOTE 2 BUDGET COMPARISON (CONTINUED)

(i) Explanation of material variations - income and expenditure

- 1 The increase in statutory fees and fines relates to additional income across multiple activities. Local laws prosecutions throughout the year has resulted in an additional \$94K of income and there has been an increase in income for building certificates (\$8K), planning applications (\$15K) and health licences (\$9K).
- 2 The decrease in user fees is a direct result of lower income for the pre-schools of \$149K, home and community care packaged care program of \$214K and gravel pits of \$90K due to a decrease in demand for these services. This has been partially offset with an increase in expected income for the caravan parks of \$186K.
- 3 Operating grant income is lower than budgeted, primarily due to an early payment of \$3.74M by the Victoria Grants Commission being brought into account in 2014/15. Other major variances are additional income which relate to new grants for drought recovery programs of \$49K and \$30K, along with emergency funding of \$45K and further funding for the weed and pest program of \$125K.
- 4 Capital grant income is higher than expected due to final grant payments for the Local Government Infrastructure Program of \$1.41M which was expected to be received during 2014/15. Additional income was received for the Roads to Recovery program of \$1.44M and new projects on Bridgewater foreshore of \$180K and \$194K. The Pyramid Hill industrial estate has not commenced therefore no claim has been made for the expected income of \$401K which has been carried over to the 2016/17 financial year.
- 5 Contributions received for the year have resulted in an increase of \$70K mainly due to contributions for works done at the Boort netball courts of \$21K, Inglewood netball courts of \$16K and the Wedderburn netball courts of \$9K. These all had partial grant funding to offset the total cost of the project.
- 6 During the financial year, Council has higher than expected cash balance on hand and therefore was able to earn more interest from investments.
- 7 Council does not budget for a profit or loss from sale of assets, therefore there is a variance of \$103K. The main area of loss is from the disposal of plant and equipment of \$126K with current market trade in prices quite low.

NOTE 2 BUDGET COMPARISON (CONTINUED)

b) Capital works

	Budget 2016 \$	Actual 2016 \$	Variance 2016 \$	Ref
Property				
Land	707,000	-	707,000	8
Total land	707,000	-	707,000	
Buildings	1,074,200	2,444,245	(1,370,045)	9
Building improvements	30,000	23,713	6,287	
Total buildings	1,104,200	2,467,958	(1,363,758)	
Total property	1,811,200	2,467,958	(656,758)	
Plant and equipment				
Plant, machinery and equipment	1,057,394	2,097,008	(1,039,614)	10
Office furniture and equipment	572,500	58,427	514,073	11
Total plant and equipment	1,629,894	2,155,435	(525,541)	
Infrastructure				
Roads	3,446,073	3,490,400	(44,327)	
Bridges	422,100	76,968	345,132	12
Footpaths and cycleways	319,022	94,959	224,063	13
Drainage	427,900	939	426,961	14
Recreation, leisure and community facilities	251,650	442,293	(190,643)	15
Parks, open space and streetscapes	115,000	1,116,490	(1,001,490)	16
Total infrastructure	4,981,745	5,222,049	(240,304)	
Total capital works expenditure	8,422,839	9,845,442	(1,422,603)	
Represented by:				
New asset expenditure	1,781,550	2,739,774	(958,224)	
Asset renewal expenditure	6,014,372	2,010,885	4,003,487	
Asset expansion expenditure	-	2,820,750	(2,820,750)	
Asset upgrade expenditure	626,917	2,274,033	(1,647,116)	
Total capital works expenditure	8,422,839	9,845,442	(1,422,603)	

NOTE 2 BUDGET COMPARISON (CONTINUED)

(ii) Explanation of material variations - capital works

- 8 The budget set for 2015/16 included a project costing \$557K to develop the Pyramid Hill industrial estate which has not yet commenced. There was also allowance for some depot works which also have not commenced due to the delay around the workshop and office extension works.
- 9 There were two major projects for the Inglewood transfer station (\$300K) and the allocation to the community planning strategic fund (\$500K) that were not expended throughout the year. There were some projects that had carried forward funding from 2014/15 that were undertaken throughout the year including Inglewood industrial estate of \$208K, Inglewood Town Hall works of \$1.81M and Serpentine public toilet replacement of \$246K.
- 10 The main variation for plant, machinery and equipment relates to the additional purchase of heavy plant which was delayed from 2014/15. This was an increase of \$1.1M and was funded through the plant replacement reserve.
- 11 The main variation for office equipment relates to the purchase of a new corporate IT system (\$500K) which is currently in the planning phase therefore no expenditure has been spent to date. This is expected to occur during 2016/17.
- 12 The reduction in expenditure against budget relates to projects that have not yet commenced during 2015/16 and will be carried forward to 2016/17. This includes works at Janevale Bridge (\$198K), Conners Road (\$20K), Woodvale Road (\$24K), Baileys Road (\$37K) and Ottreys Bridge Road (\$18K).
- 13 The main variation for footpaths relates to a project located in Albert Street (\$196K) that has been delayed due to the design consultation required with the rail authority before construction can commence.
- 14 The drainage capital works program has three major projects that have commenced design works but construction has not yet started. These projects are Houston Street South (\$215K), Sugar Gum Drive (\$118K) and Chapel Street West (\$94K).
- 15 There has been additional projects added to the capital works program from grants received during the year which has resulted in additional expenditure. These projects are major towns streetscape plans of \$83K and the Bridgewater boat ramp project of \$95K.
- 16 There is a significant variation in this area which relates to funds that have been unspent at the end of the 2014/15 financial year and were carried forward into the 2015/16 year. This includes various Local Government Infrastructure Program projects of \$795K, various community planning projects of \$94K and Boort eastern entry project of \$86K.

NOTE 3.1 RATES AND CHARGES

	2016 \$	2015 \$
General rates	2,435,590	2,170,760
Rural production rates	5,140,947	4,981,523
Municipal charges	1,094,711	1,030,552
Kerbside recycling charges	280,029	256,022
Garbage charges	791,484	733,393
Total rates and garbage charges	9,742,761	9,172,250

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 2015/16 was \$1,614,506,700. The valuation base used in 2014/15 was \$1,603,287,800.

Differential rates have been used since 2002/03. The rural production rate in 2015/16 was 0.4512% of the C.I.V. (0.4300% in 2014/15), while all other rates were 0.5069% of the C.I.V. (0.4831% in 2014/15).

In 2015/16 municipal charges were \$198, residential garbage charges were \$230, commercial garbage charges were \$312 and kerbside recycling charges were \$87. In 2014/15 municipal charges were \$188, residential garbage charges were \$215, commercial garbage charges were \$292, and kerbside recycling charges were \$81.

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

NOTE 3.2 STATUTORY FEES AND FINES AND USER FEES

	2016 \$	2015 \$
Statutory fees and fines		
Animal control	45,907	50,807
Building services fees	93,398	116,955
Fire hazards	3,744	3,774
Health Act fees	44,173	44,540
Land information certificates	7,746	7,280
Local laws	96,737	56,565
Roadside collection	-	581
Town planning fees	49,836	49,076
Total statutory fees and fines	341,541	329,578

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

	2016 \$	2015 \$
User fees		
Aged services fees	649,439	954,190
Caravan park fees	394,273	270,169
Emergency management	45,634	-
Gravel pit fees	136,989	292,348
Pre-schools	34,924	95,801
Private works charges	50,302	51,666
Road opening permits	18,863	-
Sale of tools and equipment	9,076	182
Standpipes and truck washes	82,236	88,224
Tip and recycling fees	73,197	104,037
Tourism	42,223	85,982
Other	45,589	126,073
Rent received		
Elderly persons units	64,824	55,940
Commercial properties	28,548	33,026
Council residences	12,645	3,120
Total user fees	1,688,762	2,160,758
Total statutory fees, fines and user fees	2,030,303	2,490,336

NOTE 3.3 GRANTS

	2016 \$	2015 \$
Grants were received in respect of the following:		
Summary of grants		
Commonwealth funded grants	8,815,960	13,384,824
State funded grants	4,199,372	4,711,316
Total grants received	13,015,332	18,096,140

	2016 \$	2015 \$
Operating grants		
Recurrent - Commonwealth Government:		
Victoria Grants Commission - general purpose grant	1,762,116	6,487,850
Victoria Grants Commission - local roads	2,264,736	5,139,474
Non recurrent - Commonwealth Government:		
ANZAC Commemoration	-	19,800
Total operating Commonwealth Government grants	4,026,852	11,647,124

NOTE 3.3 GRANTS (Continued)

	2016	2015
	\$	\$
Recurrent - State Government:		
Aged services	869,817	845,369
Pre-schools	539,030	500,635
Families and children	122,450	119,500
Fire Services Property Levy	39,261	38,134
Youth development	62,184	39,250
Community safety	65,189	95,648
Tips and recycling	5,837	7,453
Environment	125,000	50,000
Economic development	-	10,000
Non recurrent - State Government:		
Occupational health and safety	-	4,545
Economic development	4,500	-
Environment	78,745	-
Community facilities	37,148	-
Preschools	39,500	-
Recreation facilities	28,362	194,001
Tourism	8,041	-
Total operating State Government grants	2,025,064	1,904,535
Total operating grants	6,051,916	13,551,659
Capital grants		
Recurrent - Commonwealth Government:		
Roads to Recovery	4,789,108	1,737,700
Total capital Commonwealth Government grants	4,789,108	1,737,700
Recurrent - State Government;		
Country Roads and Bridges Program	-	1,000,000
Non recurrent - State Government:		
Community facilities	1,348	50,939
Recreation facilities	1,042,074	307,160
Playground facilities	71,821	30,000
Community Halls	816,084	442,694
Streetscapes	153,235	813,638
Economic development	20,500	127,350
Environment	69,246	10,000
Tourism	-	25,000
Total capital State Government grants	2,174,308	2,806,781
Total capital grants	6,963,416	4,544,481

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:

	2016 \$	2015 \$
Infrastructure works		
Boort eastern entry stage 3	-	47,963
Roads to Recovery program	1,367,761	9,360
Houston South Road drainage	214,500	-
ALCAM rail signage	34,291	-
Recreation and community facilities		
Local Government Infrastructure Program (LGIP) Inglewood Town Hall	88,536	752,867
LGIP Serpentine pavilion	872,255	513,308
LGIP Wedderburn streetscape	727,372	1,024,903
LGIP Pyramid Hill streetscape	110,000	109,461
LGIP Boort Park Pavilion	-	189,702
Streetscape masterplans	-	108,000
Serpentine Memorial Hall	-	4,335
Flood recovery program flood height markers	575	1,349
Inglewood historical trail	2,575	3,098
Bridgewater foreshore	178,395	20,041
Inglewood transfer station	-	10,000
Inglewood Town Hall hub project	-	200,000
Trails signage	9,582	15,610
Bridgewater Caravan Park	-	22,494
Inglewood swimming pool upgrade	217,524	-
Canoe trail	48,559	-
Wedderburn Community Centre	118,538	-
Bridgewater Memorial Hall	7,148	-
Bridgewater boat ramp	147,455	-
Kelly Street playground	48,488	-
Environment		
Weed and pest program	208,638	124,580
Flood mitigation survey	-	16,513
Environmental sustainability strategy	76,000	-

NOTE 3.4 UNEXPENDED GRANTS (Continued)

	2016 \$	2015 \$
Other		
Centenary of ANZAC	42,754	11,302
War memorial restoration	-	9,800
Improving liveability project	11,000	11,000
Immunisation initiative project	-	5,705
Vulnerable family funding	4,474	4,474
Social support volunteer	-	4,482
Universal access project	3,979	-
MCH key age stages project	-	10,000
Walk to school program	10,000	-
Occasional care program	12,197	-
Regional assessment officer	11,116	7,591
General revenue grant - Victorian Grants Commission (VGC)	-	2,157,943
Volunteer co-ordination	16,543	18,543
Local roads funding - Victorian Grants Commission (VGC)	-	1,707,139
Home and community care service development	112,694	76,404
Swan Hill packages funding	302,694	-
ANZAC sculptures	179,470	-
Stronger regional communities and drought program	27,832	-
Murray River Group of Councils conference trust	8,784	-
KCM initiative	1,000	-
Pyramid Hill fiesta	3,000	-
Total unexpended grants	5,225,729	7,197,967

NOTE 3.5 CONTRIBUTIONS

	2016 \$	2015 \$
Contributions - operating - monetary	7,904	101,983
Contributions - capital - monetary	61,965	305,367
Contributions - non-monetary	-	-
Total contributions	69,869	407,350

NOTE 3.6 REIMBURSEMENTS AND SUBSIDIES

	2016 \$	2015 \$
Main roads maintenance and construction	629,581	800,015
Bridgewater Public Caravan Park contract retention	-	169,268
Insurance claims	3,003	25,261
Workcover	40,778	56,146
Fuel rebate	130,931	117,185
Main roads private and contracted works	-	13,240
Community and recreational facilities	-	4,445
Industrial estates	26,696	-
Emergency management	50,648	-
Contracted staff	47,453	-
Other	2,500	4,000
Total reimbursements and subsidies	931,590	1,189,560

NOTE 3.7 INTEREST RECEIVED

	2016 \$	2015 \$
Interest on investments	476,498	432,292
Rates interest	30,808	36,083
Total interest received	507,306	468,375

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

	2016 \$	2015 \$
Plant and equipment		
Proceeds from sale of plant and equipment	179,895	52,203
LESS : written down value of assets disposed	(305,609)	(72,068)
Profit/(loss) on disposal of plant and equipment	(125,714)	(19,865)
Furniture and equipment		
Proceeds from sale of furniture and equipment	1,595	-
LESS : written down value of assets disposed	(2,621)	-
Profit / (loss) on disposal of furniture and equipment	(1,026)	-
Land and Buildings		
Proceeds from sale of land and buildings	150,000	-
LESS : Written down value of assets disposed	(125,941)	-
Profit / (loss) on disposal of land and buildings	24,059	-
Assets held for sale		
Proceeds from sale of non current assets held for resale	-	35,400
LESS : written down value of assets disposed	-	(32,500)
Profit / (loss) on disposal of assets held for sale	-	2,900
Total profit / (loss) on disposal of assets	(102,681)	(16,965)
Summary		
Proceeds from disposal of assets	331,490	87,603
LESS : written down value of assets disposed	(434,171)	(104,568)
Net gain / (loss) on property, infrastructure, plant and equipment	(102,681)	(16,965)

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 2016 Council's equity was \$362,125. At 30 June 2015 Council's equity in the corporation was \$353,980.

The Council has a 5.39% 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 2015 the Shire's share of the net assets was 5.40%. Any adjustments required due to the reduction in the share of net assets from 2015 to 2016 is reflected as Variation Account - Change in Equity in the following schedules.

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

	2016 \$	2015 \$
Council's share of accumulated surplus/(deficit)		
Council's share of accumulated surplus/(deficit) at start of year	165,136	110,054
Share of reported surplus/(deficit) for year	8,800	8,706
Variation account - change in equity	(3,611)	46,376
Council's share of accumulated surplus/(deficit) at end of year	170,325	165,136
Council's share of reserves		
Council's share of reserves at start of year	188,844	240,974
Variation account - change in equity	2,956	(52,130)
Council's share of reserves at end of year	191,800	188,844
Movement in carrying value of share in library		
Carrying value of investment at start of year	353,980	351,028
Share of accumulated surplus/(deficit) for the year	8,800	8,706
Variation account - change in equity	(655)	(5,754)
Carrying value of share in library investment at end of year	362,125	353,980
Council's share of expenditure commitments		
Operating commitments	17,873	1,567
Capital commitments	-	-
	17,873	1,567

Adjustment to the carrying value of North Central Goldfields Regional Library

	2016 \$	2015 \$
Adjustment to the carrying value of North Central Goldfields Regional Library Corporation	8,145	2,952
Total adjustment to the carrying value of North Central Goldfields Regional Library Corporation	8,145	2,952

NOTE 3.10 OTHER INCOME

	2016 \$	2015 \$
Reversal of impairment of assets	570	1,873
Total other income	570	1,873

NOTE 4.1 EMPLOYEE COSTS

	2016 \$	2015 \$
Salaries and wages	7,868,749	7,876,990
Annual leave and long service leave	906,058	932,601
Superannuation expense - Vision Super - defined benefits scheme	143,636	142,986
Superannuation expense - Vision Super - accumulation scheme	425,265	443,762
Superannuation expense - other funds - accumulation scheme	265,727	254,611
Fringe benefits tax and Workcover	237,350	337,688
Total employee costs	9,846,785	9,988,638

NOTE 4.2 MATERIALS, SERVICES AND CONTRACTS

	2016 \$	2015 \$
Materials and services		
Plant operating costs	1,040,044	1,129,164
Utility costs	515,679	450,748
Corporate governance	305,253	281,507
Local road materials	455,283	579,210
Flood recovery	52,155	18,381
Building maintenance	194,301	80,493
Aged care services	414,245	394,762
Training and subscriptions	258,688	192,596
Computer costs and computer programs	402,331	396,668
Office expenses	117,326	314,089
North Central Goldfields Regional Library Corporation	191,077	180,568
Gravel pit operations	7,508	134,247
Community plan projects	17,776	68,274
Recreation reserves allocations	125,169	167,208
Recreation projects	98,252	79,754
Insurances	413,754	192,761
Pool maintenance and strategy	64,982	158,126
Loddon Discovery Tours	18,587	66,254
Main roads materials	40,213	56,524
Parks and gardens maintenance	97,801	97,621
Tips maintenance	450,162	157,968
Families and children	142,029	180,905
Caravan park maintenance	129,126	127,978
Economic development and tourism initiatives	213,358	241,461
Private works materials	25,079	32,315
Community grant projects	241,086	209,038
Community safety	135,562	79,328
Scholarships and leadership programs	15,624	24,509
Workshops and depots	68,402	144,844

NOTE 4.2 MATERIALS, SERVICES AND CONTRACTS (CONTINUED)

	2016 \$	2015 \$
Materials and services (continued)		
Youth and transport services	55,205	64,002
Valuations	17,723	19,845
Volunteer services	2,000	-
Regulatory services	109,698	120,491
Water services	112,090	43,458
Environment	40,943	-
Other materials and services	50,315	67,182
Total materials and services	6,638,826	6,552,279
Contracts		
Flood mitigation design	7,700	11,750
Building maintenance planning	-	33,168
Economic development and tourism	3,771	3,198
Garbage collection	601,336	581,346
Pool management	225,268	218,550
Valuations	153,816	24,815
Caravan Parks	129,274	101,224
Cleaning	35,586	38,518
Public facilities	183,442	164,514
Families and children	3,500	-
Other contracts	56,131	3,668
Total contracts	1,399,824	1,180,751
Total materials, services and contracts	8,038,650	7,733,030

NOTE 4.3 DEPRECIATION

	2016 \$	2015 \$
Depreciation expense was charged in respect of:		
Roads	5,230,401	5,372,181
Buildings	1,257,319	1,257,657
Plant and equipment	794,740	811,434
Bridges	335,457	334,088
Urban drains	184,158	183,406
Furniture and equipment	108,880	116,865
Footpaths	127,819	127,298
Kerb and channel	84,452	84,107
Landfills	186,514	132,886
Street furniture	24,050	24,051
Quarries	2,090	2,091
Total depreciation	8,335,880	8,446,064

NOTE 4.4 BORROWING COSTS

	2016 \$	2015 \$
Interest - borrowings	4,271	9,365
Total borrowing costs	4,271	9,365

NOTE 4.5 BAD DEBTS EXPENSE

	2016 \$	2015 \$
Rates debtors	19,192	36,250
Sundry debtors	2,915	-
Total bad debts expense	22,107	36,250

NOTE 4.6 OTHER EXPENSES

	2016 \$	2015 \$
Councillors' emoluments	219,013	207,510
Internal audit remuneration	33,120	37,556
External audit remuneration - VAGO - Audit of the financial statements, performance statement and grant acquittals	32,000	31,900
Impairment of interest free loans	166	570
Total other expenses	284,299	277,536

NOTE 5 CASH AND CASH EQUIVALENTS

	2016 \$	2015 \$
Financial		
Cash on hand	4,650	4,700
Cash at bank (CEO's advance account)	4,000	4,000
Cash at bank (general account)	3,552,523	5,318,914
Cash at bank (trust account)	160,332	123,607
Term deposits (original maturity of less than 90 days)	12,229,206	5,876,393
Cash at the end of the period as shown in the statement of cash flows	15,950,711	11,327,614
Comprising:		
Unrestricted cash assets	8,716,165	1,959,901
Cash assets subject to external restrictions	7,234,546	9,367,713
Total cash and cash equivalents	15,950,711	11,327,614

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:

	2016 \$	2015 \$
Restricted funds		
Trust funds (refer Note 13)	277,094	326,369
Intended allocations		
Unspent grants (refer to Note 3.4)	5,225,729	7,197,967
Long service leave (refer to Note 14)	1,731,723	1,843,377
Total restricted and intended allocation funds	7,234,546	9,367,713

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

NOTE 6 TRADE AND OTHER RECEIVABLES

	2016 \$	2015 \$
Current		
Rates debtors	276,945	253,076
LESS provision for doubtful debts	(74,366)	(50,082)
	202,579	202,994
Sundry debtors	745,005	1,695,903
Other debtors	104,543	71,192
LESS provision for doubtful debts	(4,190)	(9,217)
Net receivable GST	117,420	324,141
Loans and advances to community organisations	84,834	20,230
	1,047,612	2,102,249
Total current	1,250,191	2,305,243
Non-current		
Loans and advances to community organisations	162,000	320,000
Total non-current	162,000	320,000
Total trade and other receivables	1,412,191	2,625,243

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:

	2016 \$	2015 \$
Current (not yet due)	323,965	494,713
Past due by up to 30 days	122,207	109,166
Past due between 31 and 180 days	298,833	136,765
Past due between 181 and 365 days	-	955,259
Total trade and other receivables	745,005	1,695,903

(b) Movement in provisions for doubtful debts

	2016 \$	2015 \$
Balance at the beginning of the year	(57,639)	(22,239)
New provisions recognised during the year	(20,107)	(33,740)
Amounts already provided for and written off as uncollectible	(264)	(1,660)
Balance at end of year	(78,010)	(57,639)

(c) Ageing of individually impaired receivables

At balance date, other debtors representing financial assets with a nominal value of \$4,190 (2015: \$9,217) were impaired. The amount of the provision raised against these debtors was \$4,190 (2015: \$9,217).

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:

	2016 \$	2015 \$
Current (not yet due)	-	-
Past due by up to 30 days	-	648
Past due between 31 and 180 days	1,405	2,188
Past due between 181 and 365 days	2,634	6,381
Past due by more than 1 year	151	-
Total trade and other receivables	4,190	9,217

NOTE 7 FINANCIAL ASSETS

	2016 \$	2015 \$
Current		
Accrued income	244,876	472,668
Prepayments	390,329	261,022
Term deposits (original maturity of 90 days or greater)	1,750,000	6,916,596
Total current	2,385,205	7,650,286
Non-current		
Maps shares	100	100
Total non-current	100	100
Total financial assets	2,385,305	7,650,386

NOTE 8 NON CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	2016 \$	2015 \$
Non current		
Land at valuation	197,260	65,500
LESS selling costs	(6,904)	(2,290)
Total non current assets held for sale	190,356	63,210

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

Carrying value at 30 June 2016	Fair value measurement at the end of the period using (1)		
	Level 1	Level 2	Level 2
Land	-	190,356	-

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

NOTE 9 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	2016 \$	2015 \$
Equity in North Central Goldfields Regional Library Corporation	362,125	353,980
Total investment in associates and joint ventures	362,125	353,980

NOTE 10 INTANGIBLE ASSETS

	2016 \$	2015 \$
Non-current		
Water rights	1,654,362	1,589,445
Total intangible assets	1,654,362	1,589,445

Reconciliation of movements in intangible assets for the reporting period

	2016 \$	2015 \$
Water rights		
Gross carrying amount at beginning of period	1,589,445	870,975
Additional water rights obtained during the period	-	174,000
Water rights disposed of during the period	-	-
Revaluation increment (decrement)	64,917	544,470
Gross carrying amount at end of period	1,654,362	1,589,445

Water rights are revalued at 30 June 2016 to the published water trade market rate applying at that date.

NOTE 11 PROPERTY, INFRASTRUCTURE PLANT AND EQUIPMENT

Summary of property, infrastructure, plant and equipment

	At fair value 30 June 2016	Accumulated depreciation	WDV 30 June 2016
Land	10,041,918	-	10,041,918
Buildings	80,205,098	(34,453,669)	45,751,429
Plant and equipment	13,749,120	(6,763,682)	6,985,438
Infrastructure	366,103,829	(129,914,187)	236,189,642
Work in progress	4,058,311	-	4,058,311
Total	474,158,276	(171,131,538)	303,026,738

	At fair value 30 June 2015	Accumulated depreciation	WDV 30 June 2015
Land	8,976,226	-	8,976,226
Buildings	72,922,140	(34,080,180)	38,841,960
Plant and equipment	12,940,624	(6,844,803)	6,095,821
Infrastructure	362,543,731	(130,702,384)	231,841,347
Work in progress	1,692,836	-	1,692,836
Total	459,075,557	(171,627,367)	287,448,190

Summary of work in progress

	Opening WIP	Additions	Transfers Write Offs	Closing WIP
Buildings	1,641,495	2,708,058	(680,554)	3,668,999
Infrastructure	51,341	337,971	-	389,312
Total	1,692,836	3,046,029	(680,554)	4,058,311

	Note	Land	Buildings - specialised	Work in progress	Total land and buildings
Land and Buildings					
At fair value 1 July 2015		8,976,226	72,922,140	1,641,495	83,539,861
Acc depreciation at 1 July 2015		-	(34,080,180)	-	(34,080,180)
		8,976,226	38,841,960	1,641,495	49,459,681
Movements in fair value					
Acquisition of assets at fair value	2	-	1,334,057	2,708,058	4,042,115
Revaluation increments / (decrements)		1,124,692	5,552,054	-	6,676,746
Fair value of assets disposed	3.8	(59,000)	(283,707)	-	(342,707)
Impairment losses recognised in operating result		-	-	-	-
Transfers between asset classes		-	680,554	(680,554)	-
		1,065,692	7,282,958	2,027,504	10,376,154
Movements in acc depreciation					
Depreciation and amortisation	4.3	-	(1,257,319)	-	(1,257,319)
Revaluation (increments) / decrements		-	667,064	-	667,064
Acc depreciation of disposals		-	216,766	-	216,766
Impairment losses recognised in operating result		-	-	-	-
		-	(373,489)	-	(373,489)
At fair value 30 June 2016		10,041,918	80,205,098	3,668,999	93,916,015
Accumulated depreciation at 30 June 2016		-	(34,453,669)	-	(34,453,669)
Total		10,041,918	45,751,429	3,668,999	59,462,346

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 2015		11,825,445	1,115,179	12,940,624
Acc depreciation at 1 July 2015		(6,033,470)	(811,333)	(6,844,803)
		5,791,975	303,846	6,095,821
Movements in fair value				
Acquisition of assets at fair value	2	2,043,042	58,427	2,101,468
Revaluation increments / (decrements)		-	-	-
Fair value of assets disposed	3.8	(1,232,544)	(60,428)	(1,292,972)
Impairment losses recognised in operating result		-	-	-
Transfers between asset classes		-	-	-
		810,498	(2,001)	808,496
Movements in acc depreciation				
Depreciation and amortisation	4.3	(794,740)	(108,880)	(903,620)
Acc depreciation of disposals		926,935	57,806	984,741
Impairment losses recognised in operating result		-	-	-
		132,195	(51,074)	81,121
At fair value 30 June 2016		12,635,943	1,113,178	13,749,120
Accumulated depreciation at 30 June 2016		(5,901,275)	(862,407)	(6,763,682)
Total		6,734,668	250,771	6,985,438

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

Infrastructure	Note	Roads	Bridges	Footpaths and cycleways	Kerb and channel	Drainage
At fair value 1 July 2015		301,405,698	33,032,731	6,000,507	5,040,255	14,376,738
Acc depreciation at 1 July 2015		(101,174,271)	(16,964,618)	(1,764,562)	(2,052,290)	(7,226,338)
		200,231,427	16,068,113	4,235,945	2,987,965	7,150,400
Movements in fair value						
Acquisition of assets at fair value	2	3,057,054	76,968	88,361	141,506	-
Revaluation increments / (decrements)		253,853	58,466	(63,759)	(120,841)	56,634
Fair value of assets disposed	3.8	-	-	-	-	-
Impairment losses recognised in operating result		-	-	-	-	-
Transfers between asset classes		-	-	-	-	-
		3,310,907	135,434	24,602	20,665	56,634
Movements in acc depreciation						
Depreciation and amortisation	4.3	(5,230,401)	(335,457)	(127,819)	(84,452)	(184,158)
Revaluation (increments)/decrements		6,296,908	265,902	114,822	113,426	154,530
Acc depreciation of disposals		-	-	-	-	-
Impairment losses recognised in operating result		-	-	-	-	-
		1,066,507	(69,555)	(12,997)	28,974	(29,628)
At fair value 30 June 2016		304,716,605	33,168,165	6,025,109	5,060,920	14,433,372
Accumulated depreciation at 30 June 2016		(100,107,764)	(17,034,173)	(1,777,559)	(2,023,316)	(7,255,966)
		204,608,841	16,133,992	4,247,550	3,037,604	7,177,406

Infrastructure (continued)	Note	Quarries	Street Furniture	Landfills	Work In Progress	Total Infrastructure
At fair value 1 July 2015		58,507	634,989	1,994,306	51,341	362,595,072
Acc depreciation at 1 July 2015		(18,782)	(151,556)	(1,349,967)	-	(130,702,384)
		39,725	483,433	644,339	51,341	231,892,688
Movements in fair value						
Acquisition of assets at fair value	2	-	-	-	337,971	3,701,860
Revaluation increments / (decrements)		-	11,856	-	-	196,209
Fair value of assets disposed	3.8	-	-	-	-	-
Impairment losses recognised in operating result		-	-	-	-	-
Transfers between asset classes		-	-	-	-	-
		-	11,856	-	337,971	3,898,069
Movements in acc depreciation						
Depreciation and amortisation	4.3	(2,090)	(24,050)	(186,514)	-	(6,174,941)
Revaluation (increments)/decrements		-	17,550	-	-	6,963,138
Acc depreciation of disposals		-	-	-	-	-
Impairment losses recognised in operating result		-	-	-	-	-
		(2,090)	(6,500)	(186,514)	-	788,197
At fair value 30 June 2016		58,507	646,845	1,994,306	389,312	366,493,141
Accumulated depreciation at 30 June 2016		(20,872)	(158,056)	(1,536,481)	-	(129,914,187)
		37,635	488,789	457,825	389,312	236,578,954

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 2016 are as follows:

	Level 1	Level 2	Level 3
Land	-	2,052,510	7,989,408
Specialised land	-	-	-
Buildings	-	-	-
Specialised buildings	-	4,230,516	75,974,582
TOTAL	-	6,283,026	83,963,990

Valuation of infrastructure

A valuation of Council's, infrastructure assets was performed by Indivar Dhakal, Asset Engineer of the Loddon Shire Council, as at 30 June 2016.

There were no changes in valuation techniques throughout the period to 30 June 2016.

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 2016 are as follows:

	Level 1	Level 2	Level 3
Unsealed roads formation	-	-	12,797,524
Unsealed roads pavement	-	-	50,840,216
Road seal	-	-	12,932,712
Sealed roads pavement	-	-	205,926,595
Sealed road formation	-	-	8,737,283
Footpaths	-	-	6,025,109
Culverts	-	-	13,482,274
Bridges	-	-	33,168,165
Kerb and channel	-	-	5,060,920
Urban drains	-	-	14,433,372
Street furniture	-	-	646,845
Landfills	-	-	1,994,306
Quarries	-	-	58,507
TOTAL	-	-	366,103,828

NOTE 11 PROPERTY, INFRASTRUCTURE PLANT AND EQUIPMENT (CONTINUED)

Description of significant unobservable inputs into level 3 valuations

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

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

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

Reconciliation of specialised land

	2016	2015
	\$	\$
Land under roads	-	-
Parks and reserves	-	-
	-	-

NOTE 12 TRADE AND OTHER PAYABLES

	2016 \$	2015 \$
Current		
Trade creditors	61,963	141,590
Accrued wages & salaries	134,243	472,761
Accrued expenses	494,717	210,054
TOTAL TRADE AND OTHER PAYABLES	690,923	824,405

NOTE 13 TRUST FUNDS AND DEPOSITS

	2016 \$	2015 \$
Current		
Contract retentions	26,907	111,634
Fire services property levy	48,232	37,515
Payment in advance	-	-
Building sureties	39,990	49,990
Unclaimed monies	157	147
Other refundable deposits:		
St Andrews church repair fund	1,476	1,476
Wedderburn pre school investment	160,332	125,607
TOTAL CURRENT TRUST FUNDS AND DEPOSITS	277,094	326,369

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

2016

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

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
Balance at the end of the financial year	828,116	1,843,377	106,218	1,790,496	54,360	4,622,567

NOTE 14 PROVISIONS (CONTINUED)

(a) Employee benefits

	2016 \$	2015 \$
Current		
Annual leave	732,554	828,116
Long service leave	1,282,363	1,432,895
RDOs	112,295	106,218
Total current	2,127,212	2,367,229
Non-current		
Long service leave	449,360	410,482
Total non-current	449,360	410,482
Aggregate carrying amount of employee benefits		
Current	2,127,212	2,367,229
Non-current	449,360	410,482
Total employee benefits	2,576,572	2,777,711
The following assumptions were adopted in measuring the present value of long service leave:		
Weighted average increase in employee costs	7.02%	6.82%
Weighted average discount rates	3.33%	3.30%
Weighted average settlement period	21 months	21 months

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

	2016 \$	2015 \$
Within 12 months:		
Annual leave	595,058	704,171
Long service leave	170,000	100,000
RDOs	112,295	106,218
Total within 12 months	877,353	910,389
After 12 months:		
Annual leave	137,496	123,945
Long service leave	1,561,723	1,743,377
Total after 12 months	1,699,219	1,867,322
Total employee benefits	2,576,572	2,777,711

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.

	2016	2015
	\$	\$
Non-current	1,825,773	1,790,496
Total	1,825,773	1,790,496

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

Weighted average increase in costs	1.73%	2.77%
Weighted average discount rates	1.93%	3.03%
Weighted average settlement period	15 years	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.

	2016	2015
	\$	\$
Non-current	49,088	54,360
Total	49,088	54,360

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

Weighted average increase in costs	1.73%	2.77%
Weighted average discount rates	1.93%	3.03%
Weighted average settlement period	19 years	35 years

NOTE 15 INTEREST BEARING LOANS AND BORROWINGS

	2016 \$	2015 \$
Current		
Borrowings - secured	-	131,125
Total current	-	131,125
Non-current		
Borrowings - secured	-	-
Total non-current	-	-
Total interest bearing loans and borrowings	-	131,125
The maturity profile for Council's borrowings is:		
Not later than one year	-	131,125
Later than one year and not later than five years	-	-
Later than five years	-	-
Total interest bearing loans and borrowings	-	131,125

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

2016

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

2015

	Balance at beginning of reporting period \$	Revaluation increment / (decrement) \$	Net movement for the reporting period \$	Balance at end of the reporting period \$
Property				
Land	6,910,050	-	-	6,910,050
Buildings	25,752,083	-	-	25,752,083
	32,662,133	-	-	32,662,133
Infrastructure assets				
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
Total tangible assets	181,882,026	11,573,228	11,573,228	193,455,254
Intangible assets				
Water rights	107,929	544,470	544,470	652,399
Total	181,989,955	12,117,698	12,117,698	194,107,653

NOTE 16 RESERVES (CONTINUED)

(b) General reserves

2016

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

NOTE 16 RESERVES (CONTINUED)

(b) General reserves (continued)

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)	-
Total	9,579,306	13,475,670	(6,518,994)	16,535,982

NOTE 16 RESERVES (CONTINUED)

(b) General reserves (continued)

Purpose of general reserves

Land and buildings reserve

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

Capital expenditure reserve

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

Caravan park development reserve

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

Community planning reserve

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

Economic development reserve

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

Fleet replacement reserve

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

Gravel and sand pit (GSP) restoration reserve

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

Heritage loan scheme reserve

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

Information technology reserve

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

NOTE 16 RESERVES (CONTINUED)

(b) General reserves (continued)

Purpose of general reserves (continued)

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.

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.

NOTE 16 RESERVES (CONTINUED)

(b) General reserves (continued)

Purpose of general reserves (continued)

Unspent contributions reserve

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

Unspent grants reserve

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

Urban drainage reserve

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

Valuations reserve

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

War memorial 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:

2016

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

2015

	Not later than 1 year \$	Later than 1 year and not later than 2 \$	Later than 2 years and not later than 5 \$	Later than 5 years \$	Total \$
Operating					
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
Operating commitments for expenditure	917,542	232,189	629,131	-	1,778,862
Capital					
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
Capital commitments for expenditure	843,348	-	-	-	843,348
Total commitments for expenditure	1,760,890	232,189	629,131	-	2,622,210

NOTE 18 SUPERANNUATION

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

Accumulation

The Fund's accumulation categories, Vision MySuper / Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2016, this was 9.5% required under Superannuation Guarantee Legislation).

Defined Benefit

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

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

Funding arrangements

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

At 30 June 2015, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 105.8%. To determine the VBI, the fund Actuary used the following long-term assumptions:

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

Vision Super has reported that the VBI at 30 June 2016 was 102%. The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 2015 interim actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefits category's funding arrangements from prior years.

Employer contributions

Regular contributions

On the basis of the results of the 2015 interim actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2016, this rate was 9.5% of members' salaries (9.5% in 2014/15). This rate will increase in line with any increase to the Superannuation Guarantee (SG) contribution rate.

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

NOTE 18 SUPERANNUATION (CONTINUED)

Employer contributions (continued)

Funding calls

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

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

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

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

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

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

2015 interim 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 \$130.8 million; and
- A total service liability surplus of \$239 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 2015.

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

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

Future superannuation contributions

The expected contributions to be paid to the Defined benefit category of Vision Super for the year ending 30 June 2017 is \$145,000.

NOTE 18 SUPERANNUATION (CONTINUED)

Superannuation contributions

Contributions paid by Loddon Shire Council (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2016 are detailed below:

	2016 \$	2015 \$
Defined Benefit Fund		
Employer contributions to Local Authorities Superannuation Fund (Vision)	143,636	142,986
Accumulation Funds		
Employer contributions to Local Authorities Superannuation Fund (Vision)	425,265	443,762
Superannuation Fund		
AMP Flexible Lifetime Super	5,972	5,582
Australian Super	26,653	25,901
BT Lifetime Super	5,491	9,280
Cbus	19,531	18,389
Colonial First State FCWO Super	14,636	22,470
First State Super	14,656	12,294
Health Super Fund	440	5,691
Hesta Super	14,764	16,112
IOOF Portfolio Super Fund	8,961	8,578
Local Government Super	10,111	7,333
Media Super	5,972	6,407
MLC Personal Super	2,450	142
MTAA Superannuation	6,173	5,640
Plum Superannuation Fund	10,798	5,218
Prime Super	14,272	16,878
Pursuit Select Superannuation	10,941	3,143
Quadrant Superannuation	7,619	7,122
REST Super	11,880	10,715
Telstra Super	5,470	4,583
UniSuper Super	5,438	3,770
VicSuper	50,236	48,232
Other minor funds	13,263	11,131
Total - Other superannuation funds	265,727	254,611

Council has paid unfunded liability payments to Vision Super totalling \$0 during 2015/16 (2014/15 \$0).

There were no contributions outstanding to the above schemes as at 30 June 2016.

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, matters relating to this potential obligation are outlined in Note 18. As a result of the volatility in financial markets, the likelihood of making such contributions in future periods exists. At this point in time, it is not known if additional contributions will be required, their timing or potential amount.

NOTE 20 RELATED PARTY 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 2015 to December 2015)

Cr Neil Beattie (Mayor from December 2015 to June 2016)

Cr Geoff Curnow (Councillor from July 2015 to June 2016)

Cr Gavan Holt (Mayor from July 2015 to December 2015)

Cr Gavan Holt (Councillor from December 2015 to June 2016)

Cr Colleen Condliffe (Councillor from July 2015 to June 2016)

Cr Cheryl McKinnon (Councillor from July 2015 to June 2016)

Chief Executive Officer (CEO):

Mr John McLinden (From July 2015 to March 2016)

Mrs Marg Allan (From March 2016 to June 2016)

(b) Remuneration of responsible persons

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

Income range	2015/16 number	2014/15 number
\$20,000 - \$29,999	3	4
\$30,000 - \$39,999	1	0
\$40,000 - \$49,999	1	0
\$60,000 - \$69,999	1	1
\$180,000 - \$189,999	1	0
\$230,000 - \$239,999	0	1
	<u>7</u>	<u>6</u>

Total remuneration for the reporting year for responsible persons included above amounted to \$400,598 in 2015/16 (\$381,048 in 2014/15).

NOTE 20 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Remuneration of responsible persons (continued)

The following officers acted in the role of Chief Executive Officer in 2015/16 (One person in 2014/15):

Mrs Wendy Gladman (29 September 2015 to 9 October 2015)

Mr Ian McLauchlan (8 February 2016 to 19 February 2016)

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

(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 2014/15).

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 2014/15).

(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 \$139,000 (\$136,000 in 2014/15).

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

Income range	2015/16 number	2014/15 number
Under \$130,000	0	1
\$140,000 - \$149,999	1	1
\$150,000 - \$159,999	3	2
	<u>4</u>	<u>4</u>

Total remuneration for the reporting period of senior officers included above amounted to \$610,725 in 2015/16 (\$592,974 in 2014/15).

NOTE 21 FINANCIAL INSTRUMENTS

(a) Objectives and policies

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

(b) Market risk

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

Interest rate risk

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

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

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

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

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

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

(c) Credit risk

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

To help manage this risk:

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

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

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

Council may also be subject to credit risk for transactions which are not included in the balance sheet, such as when we provide a guarantee for another party. Council has no such guarantees in place at 30 June 2016. Details of contingent liabilities are disclosed in Note 19.

NOTE 21 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Liquidity risk

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

To help reduce these risks Council:

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

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

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

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

(e) Fair value

Fair value hierarchy

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

(f) Sensitivity disclosure analysis

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

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

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

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

	2016 \$	2015 \$
Surplus / (deficit) for the period	(328,142)	5,326,742
Depreciation	8,335,880	8,446,064
(Profit) / loss on disposal of assets	102,681	16,965
Impairment of financial assets	166	570
Reversal of impairment of assets	(570)	(1,873)
Bad debts expense	22,107	36,250
Share of other comprehensive income of associates	(8,800)	(8,706)
Change in assets and liabilities		
(Increase) / decrease in receivables (net of advances)	1,119,656	(681,597)
(Increase) / decrease in accrued income	227,792	(374,025)
(Increase) / decrease in prepayments	(129,307)	(85,813)
(Increase) / decrease in other assets and liabilities	(7,522)	(26,868)
Increase / (decrease) in trust funds and deposits	(49,275)	(273,059)
(Increase) / decrease in inventories	42,314	108,892
Increase / (decrease) in payables	(133,482)	(32,698)
Increase / (decrease) in employee benefits	(201,139)	120,686
Increase / (decrease) in other provisions	30,005	(166,652)
(Increase) / decrease in library equity	(8,145)	5,754
Net cash provided by / used by operating activities	9,014,219	12,410,632

NOTE 23 RECONCILIATION OF CASH AND CASH EQUIVALENTS

	2016 \$	2015 \$
Cash and cash equivalents (see Note 5)	15,950,711	11,327,614
Less bank overdraft used	-	-
Net cash and cash equivalents	15,950,711	11,327,614

NOTE 24 FINANCING ARRANGEMENTS

	2016 \$	2015 \$
Bank overdraft	500,000	500,000
Used facilities	-	-
Unused facilities	500,000	500,000

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.

	2016 \$	2015 \$
Not later than 1 year	26,817	20,051
Later than 1 year and not later than 2 years	21,461	17,494
Later than 2 years and not later than 5 years	67,272	46,745
Total leases	115,550	84,290

NOTE 26 AUDITORS' REMUNERATION

	2016 \$	2015 \$
Audit fee to conduct external audit - VAGO	32,000	31,900
Internal audit fees	33,120	37,556
Total	65,120	69,456

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: 23, 8, 16.
SHARON ROSEMARIE MORRISON BA (POLITICS), LLB (HONS), GDLP, DIP BUS, CERT IV HR,
PRINCIPAL ACCOUNTING OFFICER

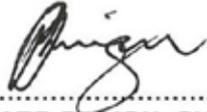
In our opinion the accompanying financial statements present fairly the financial transactions of the Loddon Shire Council for the year ended 30 June 2016 and the financial position of the Council as at that date.

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: 23, 8, 2016
NEIL EDWARD BEATTIE, MAYOR

Signed:  Date: 23 8 16
GAVAN LINDSAY HOLT, COUNCILLOR

Signed:  Date: 23 8 16
PHILIP LEONARD PINYON, CHIEF EXECUTIVE OFFICER

VAGO

Victorian Auditor-General's Office

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Melbourne VIC 3000

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INDEPENDENT AUDITOR'S REPORT

To the Councillors, Loddon Shire Council

The Financial Report

I have audited the accompanying financial report for the year ended 30 June 2016 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 financial statements.

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)

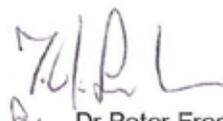
Independence

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, I and my staff and delegates complied with the applicable independence requirements of the Australian Auditing Standards and relevant ethical pronouncements.

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 2016 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
2 September 2016



Dr Peter Frost
Acting Auditor-General