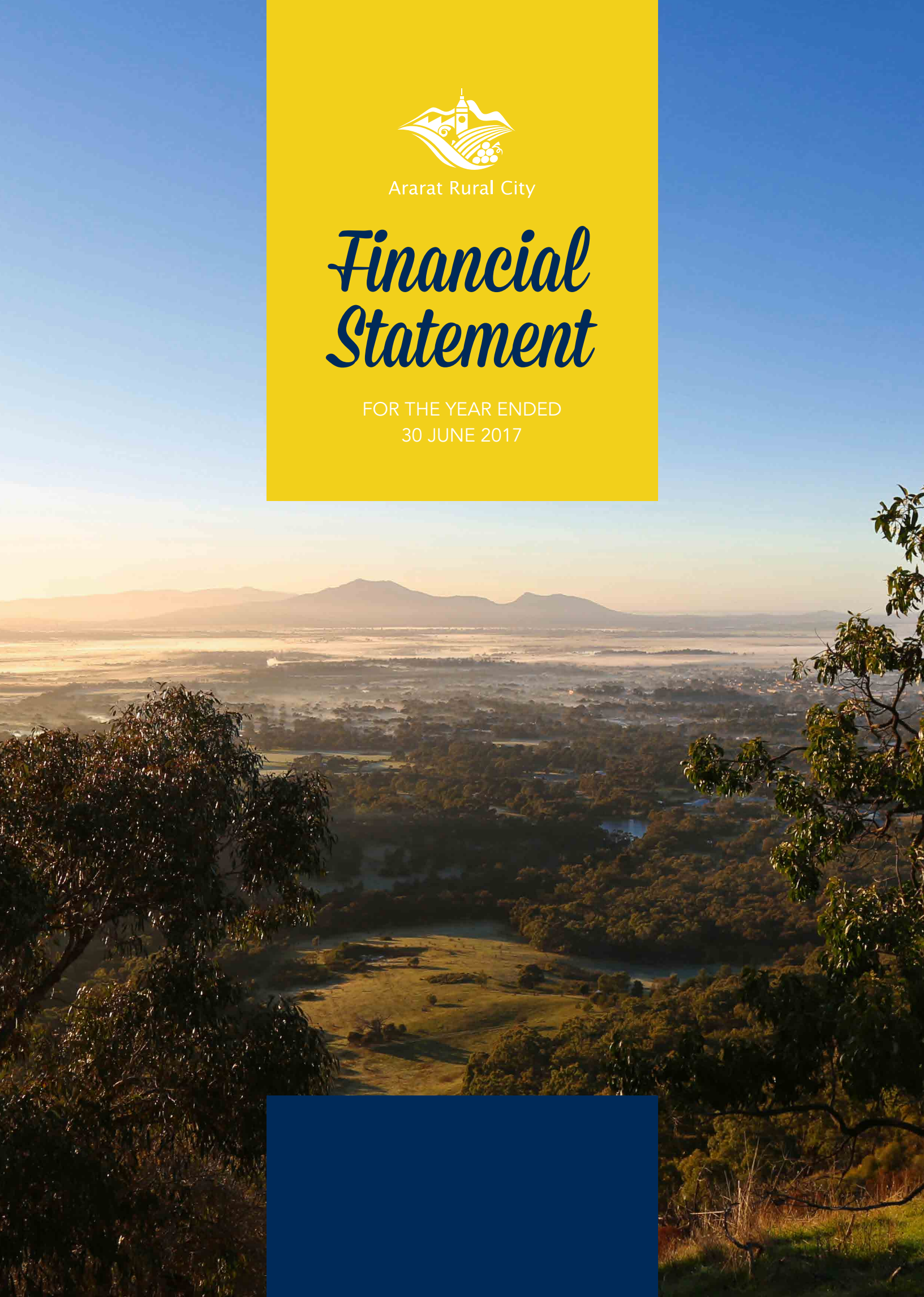




Ararat Rural City

Financial Statement

FOR THE YEAR ENDED
30 JUNE 2017



**Ararat Rural City Council
Financial Report
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Comprehensive Income Statement For the Year Ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Income			
Rates and charges	3	16,001	15,340
Statutory fees and fines	4	224	197
User fees	5	1,611	1,481
Grants - operating	6	9,979	4,639
Grants - capital	6	4,463	3,966
Contributions - monetary	7	178	272
Contributions - non monetary	7	72	-
Net gain (or loss) on disposal of property, infrastructure, plant and equipment	8	36	5
Fair value adjustments for investment property	22	-	11
Other income	9	397	448
Total income		<u>32,961</u>	<u>26,359</u>
Expenses			
Employee costs	10	(10,826)	(10,885)
Materials and services	11	(9,738)	(7,938)
Bad and doubtful debts	12	(3)	-
Depreciation	13	(7,267)	(7,240)
Borrowing costs	14	(93)	(94)
Impairment of non-current assets as held for sale	19	-	(26)
Other expenses	15	(278)	(285)
Total expenses		<u>(28,205)</u>	<u>(26,468)</u>
Surplus/(deficit) for the year		<u>4,756</u>	<u>(109)</u>
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment/(decrement)	21	-	3,655
Total comprehensive result		<u>4,756</u>	<u>3,546</u>

The above comprehensive income statement should be read in conjunction with the accompanying notes.

Balance Sheet
As at 30 June 2017

	Note	2017 \$'000	2016 \$'000
Assets			
Current assets			
Cash and cash equivalents	16	17,963	12,740
Trade and other receivables	17	2,637	2,348
Inventories	18	103	105
Non-current assets classified as held for sale	19	-	856
Other assets	20	54	9
Total current assets		<u>20,757</u>	<u>16,058</u>
Non-current assets			
Property, infrastructure, plant and equipment	21	167,764	166,961
Investment property	22	1,258	1,258
Total non-current assets		<u>169,022</u>	<u>168,219</u>
Total assets		<u>189,779</u>	<u>184,277</u>
Liabilities			
Current liabilities			
Trade and other payables	23	1,708	1,039
Trust funds and deposits	24	331	373
Provisions	25	2,885	2,774
Total current liabilities		<u>4,924</u>	<u>4,186</u>
Non-current liabilities			
Provisions	25	195	187
Interest-bearing loans and borrowings	26	2,000	2,000
Total non-current liabilities		<u>2,195</u>	<u>2,187</u>
Total liabilities		<u>7,119</u>	<u>6,373</u>
Net assets		<u>182,660</u>	<u>177,904</u>
Equity			
Accumulated surplus		70,452	71,377
Reserves	27	112,208	106,527
Total Equity		<u>182,660</u>	<u>177,904</u>

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity For the Year Ended 30 June 2017

	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2017					
Balance at beginning of the financial year		177,904	71,377	96,298	10,229
Surplus/(deficit) for the year		4,756	4,756	-	-
Transfers to other reserves	27(b)	-	(8,813)	-	8,813
Transfers from other reserves	27(b)	-	3,132	-	(3,132)
Balance at end of the financial year		182,660	70,452	96,298	15,910
2016					
Balance at beginning of the financial year		174,358	70,915	92,643	10,800
Surplus/(deficit) for the year		(109)	(109)	-	-
Net asset revaluation increment/(decrement)	27(a)	3,655	-	3,655	-
Transfers to other reserves	27(b)	-	(5,968)	-	5,968
Transfers from other reserves	27(b)	-	6,539	-	(6,539)
Balance at end of the financial year		177,904	71,377	96,298	10,229

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows For the Year Ended 30 June 2017

	Note	2017 Inflows/ (Outflows) \$'000	2016 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rates and charges		15,781	15,175
Statutory fees and fines		225	197
User fees		1,659	1,593
Grants - operating		9,979	4,639
Grants - capital		4,463	4,024
Contributions - monetary		196	299
Interest received		281	403
Trust funds and deposits taken		174	1,874
Other receipts		127	130
Net GST refund/payment		1,492	1,282
Employee costs		(11,066)	(10,565)
Materials and services		(10,381)	(10,206)
Trust funds and deposits repaid		(216)	(2,025)
Other payments		(292)	(292)
Net cash provided by/(used in) operating activities	28	<u>12,422</u>	<u>6,528</u>
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment	21	(7,362)	(7,735)
Proceeds from sale of property, infrastructure, plant and equipment		256	581
Proceeds from investments		-	1,750
Net cash provided by/(used in) investing activities		<u>(7,106)</u>	<u>(5,404)</u>
Cash flows from financing activities			
Finance costs		(93)	(94)
Repayment of borrowings		-	(61)
Net cash provided by/(used in) financing activities		<u>(93)</u>	<u>(155)</u>
Net increase (decrease) in cash and cash equivalents		5,223	969
Cash and cash equivalents at the beginning of the financial year		12,740	11,771
Cash and cash equivalents at the end of the financial year	16	<u>17,963</u>	<u>12,740</u>
Restrictions on cash assets	16		

The above statement of cash flows should be read in conjunction with the accompanying notes.

Statement of Capital Works For the Year Ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Property			
Land		147	-
Total land		147	-
Buildings		1,848	2,307
Total buildings		1,848	2,307
Total property		1,995	2,307
Plant and equipment			
Plant, machinery and equipment		454	272
Fixtures, fittings and furniture		70	60
Library books		39	40
Total plant and equipment		563	372
Infrastructure			
Roads		3,422	4,252
Bridges		752	428
Footpaths and cycleways		121	193
Drainage		509	183
Total infrastructure		4,804	5,056
Total capital works expenditure		7,362	7,735
Represented by:			
New asset expenditure		1,827	1,980
Asset renewal expenditure		3,727	4,872
Asset upgrade expenditure		1,808	883
Total capital works expenditure		7,362	7,735

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

Introduction

The Ararat Rural City Council was established by an Order of the Governor in Council on 22 September 1994 and is a body corporate.

The Council's main office is located at 59 Vincent Street, Ararat.

Statement of compliance

These financial statements are a general purpose financial report that consists 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 the 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 (k))
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 1 (l))
- the determination of employee provisions (refer to Note 1 (r))

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) Changes in accounting policies

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

(c) Committees of management

There are no entities controlled by Council that have material revenues, expenses, assets or liabilities, such as committees of management, to include in this financial report.

Note 1 Significant accounting policies (cont.)

(d) Revenue recognition

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

Rates and Charges

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

Statutory fees and fines

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 6. 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.

Note 1 Significant accounting policies (cont.)

(e) Fair value measurement

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

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

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

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

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

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

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

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

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with original maturities of 3 months or less, net of outstanding bank overdrafts.

(g) 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.

(h) 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.

(i) 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.

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

Note 1 Significant accounting policies (cont.)

(k) Recognition and measurement of property, infrastructure, plant and equipment and intangibles (cont.)

Acquisition

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

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

In accordance with Council's policy, the threshold limits detailed in Note 1 (l) 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, 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 of 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 21.

In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 2 to 3 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

Land under roads acquired after 30 June 2008 are brought to account using the fair value basis. Council does not recognise land under roads that it controlled prior to that period in its financial report.

(l) Depreciation of property, infrastructure, plant and equipment

Buildings, 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 residual values are made on a regular basis with major asset classes reassessed annually. Depreciation rates and methods are reviewed annually.

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

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

Artworks are not depreciated.

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.

Note 1 Significant accounting policies (cont.)

(l) Depreciation of property, infrastructure, plant and equipment (cont.)

Asset recognition thresholds and depreciation periods

	Depreciation Period	Threshold Limit \$
Property		
land	-	10,000
land under roads	-	10,000
Buildings		
buildings	20-193 years	10,000
Plant and Equipment		
plant, machinery and equipment	5-25 years	3,000
fixtures, fittings and furniture	10 years	3,000
computers and telecommunications	10 years	3,000
library books	3-10 years	1
Infrastructure		
road pavements and seals	10-20 years	10,000
road substructure	30-75 years	10,000
road kerb, channel and minor culverts	30-100 years	10,000
bridges	50-120 years	10,000
footpaths and cycleways	10-80 years	10,000
drainage	50-100 years	10,000

(m) 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.

(n) Investment property

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

(o) 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 asset's fair value less costs of disposal and value in use, is compared to the assets carrying value. Any excess of the assets 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.

Note 1 Significant accounting policies (cont.)

(p) 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 24).

(q) 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 and interest on borrowings.

(r) Employee costs and benefits

The calculation of employee costs and 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, annual leave and accumulated sick leave expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employee services up to the reporting date, classified as current liabilities and measured at their nominal values.

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

Long service leave

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

Current liability - unconditional LSL 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 wholly settled within 12 months.
- nominal value - component that is expected to be wholly settled within 12 months.

Classification of employee costs

Non-current liability - conditional LSL that has been accrued, where an employee is yet to reach a qualifying term of employment, is disclosed as a non-current liability. 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.

Note 1 Significant accounting policies (cont.)

(s) Leases

Operating leases

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

(t) 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 Tax 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. Receivables and 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.

(u) 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 presented inclusive of the GST payable.

(v) Pending accounting standards

The following new AAS's have been issued that are not mandatory for the 30 June 2017 reporting period. Council has assessed these pending standards and has identified the following potential impacts will flow from the application of these standards in future reporting periods.

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

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

Leases (AASB 16) (applies 2019/20)

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

(w) Rounding

Unless otherwise stated, amounts in the financial report have been rounded to the nearest thousand dollars. 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. Council has adopted a materiality threshold of \$250,000 where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures detailed below are those adopted by Council on 28 June 2016. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for income and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

(a) Income and Expenditure

	Budget 2017 \$'000	Actual 2017 \$'000	Variance 2017 \$'000	Ref
Income				
Rates and charges	15,746	16,001	255	1
Statutory fees and fines	190	224	34	
User fees	1,508	1,611	103	
Grants - operating	6,802	9,979	3,177	2
Grants - capital	8,810	4,463	(4,347)	3
Contributions - monetary	130	178	48	
Contributions - non monetary	-	72	72	
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	46	36	(10)	
Other income	385	397	12	
Total income	33,617	32,961	(656)	
Expenses				
Employee costs	(11,162)	(10,826)	(336)	4
Materials and services	(7,828)	(9,738)	1,910	5
Bad and doubtful debts	-	(3)	3	
Depreciation	(7,548)	(7,267)	(281)	6
Borrowing costs	(140)	(93)	(47)	
Other expenses	(246)	(278)	32	
Total expenses	(26,924)	(28,205)	1,281	
Surplus/(deficit) for the year	6,693	4,756	(1,937)	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Rates and charges	Ararat Wind Farm was fully commissioned during the year, resulting in an additional \$0.167 million revenue in lieu of rates.
2	Grants - operating	An advance payment of \$2.888 million was received in 2016/17 from the Victorian Grants Commission relating to 2017/18.
3	Grants - capital	The amount received for the Ararat Arts Precinct Upgrade was \$3.645m less than budget. Roads to Recovery grant was also \$1.044 million less than budget and \$0.230 million was received for Ritchie's Bridge which was not included in budget.
4	Employee costs	There has been a delay in replacing some staff and vacancies that have not been filled at year end. The enterprise bargaining agreement (EBA) expired in October 2016 and a new EBA did not come into effect until 11 April 2017
5	Materials and services	Flood recovery works of \$1.314 million were not included in the budget. Grading works exceeded budget by \$0.413 million which were partly offset by savings in Capital resheeting works. Reseal preparation exceed budget by \$0.228 million and payments to Ararat Fitness Centre exceeded budget by \$0.100 million.
6	Depreciation	Depreciation was less than budget primarily due to the budgeted capital works program not being completed.

Note 2 Budget comparison (cont.)

(b) Capital Works

	Budget 2017 \$'000	Actual 2017 \$'000	Variance 2017 \$'000	Ref
Property				
Land	-	147	147	
Total Land	-	147	147	
Buildings	8,171	1,848	(6,323)	1
Total Buildings	8,171	1,848	(6,323)	
Total Property	8,171	1,995	(6,176)	
Plant and Equipment				
Plant, machinery and equipment	920	454	(466)	2
Fixtures, fittings and furniture	35	70	35	
Library books	58	39	(19)	
Total Plant and Equipment	1,013	563	(450)	
Infrastructure				
Roads	4,896	3,422	(1,474)	3
Bridges	800	752	(48)	
Footpaths and cycleways	247	121	(126)	
Drainage	176	509	333	4
Total Infrastructure	6,119	4,804	(1,315)	
Total Capital Works Expenditure	15,303	7,362	(7,941)	
Represented by:				
New asset expenditure	1,023	1,827	804	5
Asset renewal expenditure	4,924	3,727	(1,197)	6
Asset upgrade expenditure	9,356	1,808	(7,548)	7
Total Capital Works Expenditure	15,303	7,362	(7,941)	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Buildings	The budget included \$6.235 million for the Ararat Arts Precinct, \$0.750 million for Alexandra Oval Stage 2 and \$0.480 million for Moyston Community Hall. As at 30 June 2017 \$1.077 million has been spent on the Arts Precinct and \$0.446 million spent on the Moyston Hall. No government funding was available for Alexandra Oval Stage 2 so the project did not proceed.
2	Plant, machinery and equipment	Fewer vehicles were traded in resulting in \$0.208 million less expenditure, and the plant replacement program was delayed resulting in \$0.267 million less expenditure.
3	Roads	Roads to Recovery grant funds not drawn/completed \$1.118 million. Grading roads exceeded budget so resheeting roads was \$0.330 million under budget.
4	Drainage	Major culvert renewal of \$0.268 million was included in the budget as bridge works.
5	New asset expenditure	New asset expenditure exceeded budget by \$0.804 million. The budget included \$0.750 million for Alexandra Oval Stage 2 and \$0.165 million for the Ararat Men's Shed which did not proceed. The actual results included \$0.312 million for Moyston Hall, \$0.206 million for Pomonal Hall, \$0.538 million for the Ararat Arts Precinct, \$0.307 million for Dean Street roadworks, \$0.176 million for Selwood Drive and \$0.130 million for Moore Street.
6	Asset renewal expenditure	The budget included total road jobs renewal of \$2.748 million but only \$1.997 million was spent. This is largely attributed to not spending the full Roads to Recovery allocation.
7	Asset upgrade expenditure	The budget included \$6.235 million for the Ararat Arts Precinct and \$0.250 million for Willaura Hall upgrade. The Arts Precinct is works in progress and the Willaura Hall did not commence. The total road jobs upgrade budget was \$2.115 million but only \$1.127 million was affected by carry forward works and roads to recovery funds underspent.

	2017	2016
	\$'000	\$'000
Note 3 Rates and charges		
<p>Council uses the Capital Improved Valuation as the basis of valuation of all properties within the municipal district. The Capital Improved Valuation of a property is its approximate market value at a given date of 1 January 2016.</p> <p>The valuation base used to calculate general rates for 2016/17 was \$2.354 billion (2015/16 \$2.212 billion). The 2016/17 rate in the Capital Improved Valuation dollar was General 0.7185, Farm 0.3952, Commercial 1.1496, and Industrial 0.9341 (2015/16, General 0.7401, Farm 0.4071, Commercial 1.1842, and Industrial 0.9622).</p>		
General Rates	6,685	6,553
Commercial	1,201	1,165
Industrial	206	182
Farm	5,136	4,931
Municipal charge	576	561
Council pensioner rebate	(126)	(124)
Garbage charge	1,568	1,519
Recycling charge	380	366
Interest on rates and charges	93	73
Revenue in lieu of rates	282	114
Total rates and charges	16,001	15,340

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 4 Statutory fees and fines

Infringements and costs	27	29
Town planning fees	81	57
Land information certificates	13	15
Permits	103	96
Total statutory fees and fines	224	197

Note 5 User fees

Aged and health services	301	285
Child care/children's programs	8	6
Parking	64	109
Registration and other permits	150	130
Building services	99	101
Waste management services	515	453
Gum San Museum/Great Hall charges	59	60
Performing Arts Centre charges	69	92
Valuation fees	67	2
Private works	35	3
Other fees and charges	244	240
Total user fees	1,611	1,481

	2017 \$'000	2016 \$'000
Note 6 Grants		
Grants were received in respect of the following :		
Summary of grants		
Commonwealth funded grants	11,589	6,354
State funded grants	2,853	2,251
Total grants received	<u>14,442</u>	<u>8,605</u>
Operating Grants		
<i>Recurrent - Commonwealth Government</i>		
Victoria Grants Commission	8,469	2,793
General home care	447	52
<i>Recurrent - State Government</i>		
Aged care	190	588
School crossing supervisors	9	9
Libraries	128	127
Maternal and child health	167	157
Community safety	-	13
Environment	20	13
Culture	140	140
Total recurrent operating grants	<u>9,570</u>	<u>3,892</u>
<i>Non-recurrent - Commonwealth Government</i>		
Natural disaster	10	499
<i>Non-recurrent - State Government</i>		
Family and children	3	-
Community development	39	49
Environment	69	66
Employment	7	-
Planning and development	146	10
Community safety	-	14
Culture	10	11
Natural disaster	60	60
Administration	39	38
Recreation	26	-
Total non-recurrent operating grants	<u>409</u>	<u>747</u>
Total operating grants	<u>9,979</u>	<u>4,639</u>
Capital Grants		
<i>Recurrent - Commonwealth Government</i>		
Roads to recovery	1,054	1,054
Total recurrent capital grants	<u>1,054</u>	<u>1,054</u>
<i>Non-recurrent - Commonwealth Government</i>		
Transport	230	-
Roads to recovery	1,379	1,956
<i>Non-recurrent - State Government</i>		
Buildings	1,300	436
Recreation	500	520
Total non-recurrent capital grants	<u>3,409</u>	<u>2,912</u>
Total capital grants	<u>4,463</u>	<u>3,966</u>
Unspent grants received on condition that they be spent in a specific manner		
Balance at start of year	640	817
Received during the financial year and remained unspent at balance date	494	508
Received in prior years and spent during the financial year	(439)	(685)
Balance at year end	<u>695</u>	<u>640</u>

	2017 \$'000	2016 \$'000
Note 7 Contributions		
Monetary	178	272
Non-monetary	72	-
Total contributions	<u>250</u>	<u>272</u>
<i>Contributions of non monetary assets were received in relation to the following asset classes.</i>		
Land	72	-
Total non-monetary contributions	<u>72</u>	<u>-</u>
Note 8 Net gain/(loss) on disposal of property, infrastructure, plant and equipment		
Proceeds of sale	256	581
Written down value of assets disposed	(220)	(576)
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	<u>36</u>	<u>5</u>
Note 9 Other income		
Interest	281	330
Investment property rental	116	118
Total other income	<u>397</u>	<u>448</u>
Note 10 (a) Employee costs		
Wages and salaries	9,653	9,719
WorkCover	177	135
Superannuation	874	895
Fringe benefits tax	122	136
Total employee costs	<u>10,826</u>	<u>10,885</u>
(b) Superannuation		
Council made contributions to the following funds:		
Defined benefit fund		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	125	132
	<u>125</u>	<u>132</u>
Employer contributions payable at reporting date.	-	-
Accumulation funds		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	725	739
Employer contributions - other funds	24	24
	<u>749</u>	<u>763</u>
Employer contributions payable at reporting date.	-	-
Refer to note 31 for further information relating to Council's superannuation obligations.		

	2017	2016
	\$'000	\$'000
Note 11 Materials and services		
Materials and services	6,311	5,055
Contract payments	1,849	1,449
Plant and equipment maintenance	976	952
Utilities	320	309
Consultants	282	173
Total materials and services	9,738	7,938
Note 12 Bad and doubtful debts		
Other debtors	3	-
Total bad and doubtful debts	3	-
Note 13 Depreciation		
Property	1,252	1,199
Plant and equipment	778	864
Infrastructure	5,237	5,177
Total depreciation	7,267	7,240
<i>Refer to note 21 for a more detailed breakdown of depreciation charges</i>		
Note 14 Borrowing costs		
Interest - borrowings	93	94
Total borrowing costs	93	94
Note 15 Other expenses		
Auditors' remuneration - External (Victorian Auditor-General)	46	39
Auditors' remuneration - Internal	44	48
Councillors' allowances	188	198
Total other expenses	278	285

	2017	2016
	\$'000	\$'000
Note 16 Cash and cash equivalents		
Cash on hand	3	3
Cash at bank	1,655	390
Term deposits	16,305	12,347
	<u>17,963</u>	<u>12,740</u>
Councils cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:		
- Trust funds and deposits (Note 24)	331	373
- Recreational lands reserve funds (Note 27)	159	163
Total restricted funds	<u>490</u>	<u>536</u>
Total unrestricted cash and cash equivalents	<u>17,473</u>	<u>12,204</u>
Intended allocations		
Although not externally restricted the following amounts have been allocated for specific future purposes by Council:		
- Cash held to fund carried forward capital works	6,932	2,208
- Other reserve funds allocated for specific future purposes (Note 27)	8,817	7,858
Total funds subject to intended allocations	<u>15,749</u>	<u>10,066</u>
Note 17 Trade and other receivables		
Current		
<i>Statutory receivables</i>		
Rates debtors	1,255	1,070
<i>Non statutory receivables</i>		
Other debtors	1,382	1,278
Total trade and other receivables	<u>2,637</u>	<u>2,348</u>
(a) Ageing of Receivables		
At balance date other debtors representing financial assets were past due but not impaired. The ageing of the Council's trade & other receivables (excluding statutory receivables) was:		
Current (not yet due)	1,325	1,147
Past due by up to 30 days	19	18
Past due between 31 and 180 days	18	73
Past due between 181 and 365 days	20	40
Total trade & other receivables	<u>1,382</u>	<u>1,278</u>
Note 18 Inventories		
Inventories held for distribution	75	79
Inventories held for sale	28	26
Total inventories	<u>103</u>	<u>105</u>
Note 19 Non current assets classified as held for sale		
Cost of acquisition	856	964
Transfer to property, infrastructure, plant and equipment (Note 21)	(856)	-
Impairment of non-current assets held for sale	-	(26)
Disposals	-	(82)
Total non current assets classified as held for sale	<u>-</u>	<u>856</u>
Note 20 Other assets		
Prepayments	54	9
Total other assets	<u>54</u>	<u>9</u>

Note 21 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	At Fair Value 30 June 2016	Acquisitions	Contributions	Disposal	Transfers	Depreciation	At Fair Value 30 June 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	11,521	147	72	(122)	856	-	12,474
Buildings	34,718	325	-	-	1,763	(1,252)	35,554
Plant and Equipment	6,656	563	-	(343)	-	(533)	6,343
Infrastructure	112,098	4,246	-	-	110	(5,237)	111,217
Work in progress	1,968	2,081	-	-	(1,873)	-	2,176
	<u>166,961</u>	<u>7,362</u>	<u>72</u>	<u>(465)</u>	<u>856</u>	<u>(7,022)</u>	<u>167,764</u>

Summary of Work in Progress

	Opening WIP	Additions	Transfers	Closing WIP
	\$'000	\$'000	\$'000	\$'000
Buildings	1,858	1,523	(1,763)	1,618
Infrastructure	110	558	(110)	558
Total	<u>1,968</u>	<u>2,081</u>	<u>(1,873)</u>	<u>2,176</u>

Note 21 Property, infrastructure, plant and equipment (cont.)

Land and Buildings	Note	Freehold land \$'000	Controlled land* \$'000	Land under roads \$'000	Total Land \$'000	Buildings on freehold land \$'000	Buildings on controlled land* \$'000	Total Buildings \$'000	Work In Progress \$'000	Total Property \$'000
At fair value 1 July 2016		5,202	6,109	210	11,521	49,571	40,112	89,683	1,858	103,062
Accumulated depreciation at 1 July 2016		-	-	-	-	(30,222)	(24,743)	(54,965)	-	(54,965)
		<u>5,202</u>	<u>6,109</u>	<u>210</u>	<u>11,521</u>	<u>19,349</u>	<u>15,369</u>	<u>34,718</u>	<u>1,858</u>	<u>48,097</u>
Movements in fair value										
Acquisition of assets at fair value		147	-	-	147	206	119	325	1,523	1,995
Contributed assets		-	72	-	72	-	-	-	-	72
Fair value of assets disposed		(122)	-	-	(122)	-	-	-	-	(122)
Transfers		856	-	-	856	940	823	1,763	(1,763)	856
		<u>881</u>	<u>72</u>	<u>-</u>	<u>953</u>	<u>1,146</u>	<u>942</u>	<u>2,088</u>	<u>(240)</u>	<u>2,801</u>
Movements in accumulated depreciation										
Depreciation	12	-	-	-	-	(786)	(466)	(1,252)	-	(1,252)
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(786)</u>	<u>(466)</u>	<u>(1,252)</u>	<u>-</u>	<u>(1,252)</u>
At fair value 30 June 2017		6,083	6,181	210	12,474	50,717	41,054	91,771	1,618	105,863
Accumulated depreciation at 30 June 2017		-	-	-	-	(31,008)	(25,209)	(56,217)	-	(56,217)
		<u>6,083</u>	<u>6,181</u>	<u>210</u>	<u>12,474</u>	<u>19,709</u>	<u>15,845</u>	<u>35,554</u>	<u>1,618</u>	<u>49,646</u>

*Controlled land is Crown land for which Council is Committee of Management

Note 21 Property, infrastructure, plant and equipment (cont.)

Plant and Equipment	Note	Plant machinery and equipment	Fixtures fittings and furniture	Library books	Artworks	Total plant and equipment
		\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2016		8,060	1,043	1,074	1,195	11,372
Accumulated depreciation at 1 July 2016		(3,528)	(427)	(761)	-	(4,716)
		<u>4,532</u>	<u>616</u>	<u>313</u>	<u>1,195</u>	<u>6,656</u>
Movements in fair value						
Acquisition of assets at fair value		454	70	39	-	563
Fair value of assets disposed		(318)	(25)	-	-	(343)
		<u>136</u>	<u>45</u>	<u>39</u>	<u>-</u>	<u>220</u>
Movements in accumulated depreciation						
Depreciation	12	(643)	(100)	(35)	-	(778)
Accumulated depreciation of disposals		220	25	-	-	245
		<u>(423)</u>	<u>(75)</u>	<u>(35)</u>	<u>-</u>	<u>(533)</u>
At fair value 30 June 2017		8,196	1,088	1,113	1,195	11,592
Accumulated depreciation at 30 June 2017		(3,951)	(502)	(796)	-	(5,249)
		<u>4,245</u>	<u>586</u>	<u>317</u>	<u>1,195</u>	<u>6,343</u>

Note 21 Property, infrastructure, plant and equipment (cont.)

Infrastructure	Note	Roads \$'000	Bridges \$'000	Footpaths and cycleways \$'000	Drainage \$'000	Work In Progress \$'000	Total Infrastructure \$'000
At fair value 1 July 2016		153,585	43,028	11,332	11,614	110	219,669
Accumulated depreciation at 1 July 2016		(78,515)	(17,949)	(5,648)	(5,349)	-	(107,461)
		<u>75,070</u>	<u>25,079</u>	<u>5,684</u>	<u>6,265</u>	<u>110</u>	<u>112,208</u>
Movements in fair value							
Acquisition of assets at fair value		2,864	752	121	509	558	4,804
Transfers		65	45	-	-	(110)	-
		<u>2,929</u>	<u>797</u>	<u>121</u>	<u>509</u>	<u>448</u>	<u>4,804</u>
Movements in accumulated depreciation							
Depreciation	12	(4,515)	(415)	(161)	(146)	-	(5,237)
		<u>(4,515)</u>	<u>(415)</u>	<u>(161)</u>	<u>(146)</u>	<u>-</u>	<u>(5,237)</u>
At fair value 30 June 2017		156,514	43,825	11,453	12,123	558	224,473
Accumulated depreciation at 30 June 2017		(83,030)	(18,364)	(5,809)	(5,495)	-	(112,698)
		<u>73,484</u>	<u>25,461</u>	<u>5,644</u>	<u>6,628</u>	<u>558</u>	<u>111,775</u>

Note 21 Property, infrastructure, plant and equipment (cont.)

Valuation of land and buildings

Valuation of land and buildings were undertaken by a qualified independent valuer PW Newman Pty Ltd, as at 1 January 2016. The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

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

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

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

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

	<u>Level 1</u> \$'000	<u>Level 2</u> \$'000	<u>Level 3</u> \$'000	<u>DoV</u>
Land	-	5,102	-	1/2016
Specialised land	-	-	7,372	1/2016
Buildings	-	1,098	34,456	1/2016
Total	-	6,200	41,828	

Valuation of infrastructure

Valuation of infrastructure assets has been determined in accordance with a valuation undertaken by Council's Manager Assets, Tim Day, M.Ed, M.URP, B Ed, Grad Dip OE & OL, Dip T, as at 30 June 2014.

The valuation is at fair value based on replacement cost less accumulated depreciation as at the date of valuation - 30 June 2014.

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

	<u>Level 1</u> \$'000	<u>Level 2</u> \$'000	<u>Level 3</u> \$'000	<u>DoV</u>
Roads	-	-	73,484	6/2014
Bridges	-	-	25,461	6/2014
Footpaths and cycleways	-	-	5,644	6/2014
Drainage	-	-	6,628	6/2014
Total	-	-	111,217	

Note 21 Property, infrastructure, plant and equipment (cont.)

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 15% and 80%. The market value of land varies significantly depending on the location of the land and the current market conditions.

Specialised buildings are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 20 years to 193 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 10 years to 120 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.

	2017 \$'000	2016 \$'000
Reconciliation of specialised land		
Land under roads	210	210
Parks and reserves	7,162	6,943
Total specialised land	<u>7,372</u>	<u>7,153</u>

	2017	2016
	\$'000	\$'000
Note 22 Investment property		
Balance at beginning of financial year	1,258	1,679
Disposals	-	(432)
Fair value adjustments	-	11
Balance at end of financial year	<u>1,258</u>	<u>1,258</u>

Valuation of investment property

Valuation of investment property has been determined in accordance with an independent valuation by PW Newman Pty Ltd who has recent experience in the location and category of the property being valued. The valuation is at fair value, based on the current market value for the property.

Note 23 Trade and other payables

Trade payables	1,275	624
Accrued expenses	433	415
Total trade and other payables	<u>1,708</u>	<u>1,039</u>

Note 24 Trust funds and deposits

Refundable deposits	122	130
Fire services levy	5	6
Retention amounts	39	131
Other refundable deposits	165	106
Total trust funds and deposits	<u>331</u>	<u>373</u>

Purpose and nature of items

Refundable deposits - Deposits are taken by council as a form of surety in a number of circumstances, including in relation to building works, tender deposits, contract deposits and the use of civic facilities.

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

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

	2017	2016
	\$'000	\$'000
Note 25 Provisions		
Employee provisions		
Current provisions expected to be wholly settled within 12 months		
Annual leave	769	760
Other Leave	85	71
	<u>854</u>	<u>831</u>
Current provisions expected to be wholly settled after 12 months		
Annual leave	274	276
Long service leave	1,757	1,667
	<u>2,031</u>	<u>1,943</u>
Total current employee provisions	<u>2,885</u>	<u>2,774</u>
Non-current		
Long service leave	195	187
Total non-current employee provisions	<u>195</u>	<u>187</u>
Aggregate carrying amount of employee provisions:		
Current	2,885	2,774
Non-current	195	187
Total aggregate carrying amount of employee provisions	<u>3,080</u>	<u>2,961</u>
Note 26 Interest-bearing loans and borrowings		
Non-current		
Borrowings - secured (1)	2,000	2,000
Total	<u>2,000</u>	<u>2,000</u>
(1) Borrowings are secured over Council's general rates		
(a) The maturity profile for Council's borrowings is:		
Later than one year and not later than five years	2,000	-
Later than five years	-	2,000
	<u>2,000</u>	<u>2,000</u>

Note 27 Reserves

	Balance at beginning of reporting period \$'000	Increment (decrement) \$'000	Balance at end of reporting period \$'000
(a) Asset revaluation reserves			
2017			
Artworks			
Artworks	344	-	344
	<u>344</u>	<u>-</u>	<u>344</u>
Property			
Land	8,691	-	8,691
Buildings	25,106	-	25,106
	<u>33,797</u>	<u>-</u>	<u>33,797</u>
Infrastructure			
Roads	34,208	-	34,208
Bridges	21,542	-	21,542
Footpaths and cycleways	4,922	-	4,922
Drainage	1,485	-	1,485
	<u>62,157</u>	<u>-</u>	<u>62,157</u>
Total asset revaluation reserves	<u>96,298</u>	<u>-</u>	<u>96,298</u>
2016			
Artworks			
Artworks	344	-	344
	<u>344</u>	<u>-</u>	<u>344</u>
Property			
Land	8,144	547	8,691
Buildings	21,998	3,108	25,106
	<u>30,142</u>	<u>3,655</u>	<u>33,797</u>
Infrastructure			
Roads	34,208	-	34,208
Bridges	21,542	-	21,542
Footpaths and cycleways	4,922	-	4,922
Drainage	1,485	-	1,485
	<u>62,157</u>	<u>-</u>	<u>62,157</u>
Total asset revaluation reserves	<u>92,643</u>	<u>3,655</u>	<u>96,298</u>

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

Note 27 Reserves (cont.)

	Balance at beginning of reporting period	Transfer from accumulated surplus	Transfer to accumulated surplus	Balance at end of reporting period
(b) Other reserves	\$'000	\$'000	\$'000	\$'000
2017				
Plant replacement	1,503	268	-	1,771
Vehicle replacement	316	214	-	530
Election costs	80	-	(50)	30
Aerial imaging	88	-	(27)	61
Library	235	-	-	235
Defined benefits	361	-	-	361
Essential services	220	20	-	240
Recreational land	163	-	(4)	159
Gravel pit restoration	250	-	(165)	85
Capital works	2,208	6,932	(2,208)	6,932
Building capital	2,788	733	(608)	2,913
Environmental projects	194	-	-	194
Waste management	802	360	-	1,162
Asset management	381	-	(70)	311
Information technology	117	-	-	117
Loan repayment	477	286	-	763
Aerodrome	46	-	-	46
Total Other reserves	10,229	8,813	(3,132)	15,910
2016				
Plant replacement	791	712	-	1,503
Vehicle replacement	192	124	-	316
Election costs	40	40	-	80
Aerial imaging	69	19	-	88
Library	235	-	-	235
Defined benefits	361	-	-	361
Essential services	193	27	-	220
Recreational land	160	3	-	163
Gravel pit restoration	332	-	(82)	250
Capital works	6,057	2,208	(6,057)	2,208
Building capital	1,022	2,166	(400)	2,788
Environmental projects	100	94	-	194
Waste management	592	210	-	802
Asset management	346	35	-	381
Information technology	72	45	-	117
Loan repayment	192	285	-	477
Aerodrome	46	-	-	46
Total Other reserves	10,800	5,968	(6,539)	10,229

Note 27 Reserves (cont.)

(b) Other reserves (cont.)

Description of the nature and purpose of each reserve:

- Plant Replacement – specific purpose reserve used to replace major items of plant and equipment.
- Vehicle Replacement – specific purpose reserve used to replace vehicles.
- Election Costs – specific purpose reserve used to fund election.
- Aerial Imaging – specific purpose reserve used to fund aerial imaging costs.
- Library – specific purpose reserve used to fund library upgrade works.
- Defined Benefits – specific purpose reserve used to fund defined benefit superannuation calls.
- Essential Services – specific purpose reserve used to fund essential services reports and works.
- Recreational Land – specific purpose reserve used to fund public open space works.
- Gravel Pit Restoration – specific purpose reserve used to fund works required to reinstate gravel pits.
- Capital Works – specific purpose reserve used to fund major capital works projects.
- Building Capital – specific purpose reserve used to fund major building capital works.
- Environmental Projects – specific purpose reserve used to fund innovative environmental projects.
- Waste Management – specific purpose reserve used to fund works at waste management facilities.
- Asset Management – specific purpose reserve used to fund asset management works.
- Information Technology – specific purpose reserve used to fund information technology works.
- Loan Repayment – specific purpose reserve used to provide for repayment of loans.
- Aerodrome – specific purpose reserve used to fund works required at the Ararat Aerodrome.

	2017 \$'000	2016 \$'000
Note 28 Reconciliation of cash flows from operating activities to surplus/(deficit)		
Surplus/(deficit) for the year	4,756	(109)
Depreciation/amortisation	7,267	7,240
Profit on disposal of property, infrastructure, plant and equipment	(36)	(5)
Impairment losses	-	26
Fair value adjustments for investment property	-	(11)
Contributions - non-monetary assets	(72)	-
Borrowing costs	93	94
Change in assets and liabilities:		
Increase in trade and other receivables	(289)	(128)
Increase in prepayments	(45)	(4)
Increase/(decrease) in trade and other payables	669	(739)
Decrease in trust funds and deposits	(42)	(152)
(Increase)/decrease in inventories	2	(18)
Increase/(Decrease) in provisions	119	334
Net cash provided by/(used in) operating activities	<u>12,422</u>	<u>6,528</u>

Note 29 Commitments

The Council has entered into the following commitments

2017	Not later than 1	Later than 1 year	Later than 2 years	Later than 5	Total
	year	and not later than 2 years	and not later than 5 years	years	
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating					
Recycling	167	-	-	-	167
Garbage collection	425	-	-	-	425
Consultancies	10	-	-	-	10
Information technology	118	6	-	-	124
Road maintenance	152	152	-	-	304
Recreation facilities management	634	634	-	-	1,268
Cleaning contracts for council buildings	92	-	-	-	92
Meals for delivery	87	87	-	-	174
Total	1,685	879	-	-	2,564
Capital					
Buildings	7,016	-	-	-	7,016
Plant and equipment	359	-	-	-	359
Roads	87	-	-	-	87
Total	7,462	-	-	-	7,462

2016	Not later than 1	Later than 1 year	Later than 2 years	Later than 5	Total
	year	and not later than 2 years	and not later than 5 years	years	
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating					
Recycling	135	137	424	-	696
Garbage collection	438	445	1,374	-	2,257
Consultancies	9	-	-	-	9
Election costs	97	-	-	-	97
Road maintenance	1,303	-	-	-	1,303
Roadside weed management	68	-	-	-	68
Recreation facilities management	650	650	1,299	-	2,599
Cleaning contracts for council buildings	175	178	550	189	1,092
Meals for delivery	89	90	92	-	271
Total	2,964	1,500	3,739	189	8,392
Capital					
Buildings	743	221	-	-	964
Roads	790	1,307	3,950	-	6,047
Total	1,533	1,528	3,950	-	7,011

	2017	2016
	\$'000	\$'000
Note 30 Operating leases		
Operating lease receivables		
The Council has entered into commercial property leases on its investment property, consisting of surplus freehold office complexes, and surplus land. These properties held under operating leases have remaining non-cancellable lease terms of between 1 and 10 years. All leases include a CPI based revision of the rental charge annually.		
Future minimum rentals receivable under non-cancellable operating leases are as follows:		
Not later than one year	58	25
Later than one year and not later than five years	25	25
Later than five years	21	28
	104	78

Note 31 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, receive both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2017, this was 9.5% as 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 Council in the Fund cannot be measured as a percentage compared with other participating employers. Therefore, the Fund Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

Funding arrangements

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

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

Net investment returns 7.0% pa

Salary information 4.25% pa

Price inflation (CPI) 2.5% pa.

Vision Super has advised that the estimated VBI at June 2017 was 103.1%.

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

Note 31 Superannuation (cont.)

Employer contributions

Regular contributions

On the basis of the results of the 2016 interim actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2017, this rate was 9.5% of members' salaries (9.5% in 2015/2016). This rate will increase in line with any increase to the contribution rate. In addition, Council reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

Funding calls

If the Defined Benefit category is in an unsatisfactory financial position at an actuarial investigation or the Defined Benefit category's VBI is below its shortfall limit at any time other than the date of the actuarial investigation, the Defined Benefit category has a shortfall for the purposes of SPS 160 and the Fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%. In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Council) are required to make an employer contribution to cover the shortfall. Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's Defined Benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated. Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up. If there is a surplus in the Fund, the surplus cannot be returned to the participating employers. In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

2016 Interim actuarial investigation surplus amounts

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

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

The VBI surplus means that the market value of the Fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2016. The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses. Council was notified of the 30 June 2016 VBI during August 2016.

2017 Full triennial actuarial investigation

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

Future superannuation contributions

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2018 are \$111,000.

Note 32 Contingent liabilities

- (a) The Council is presently involved in several confidential legal matters, which are being conducted through Council's solicitors. As these matters are yet to be finalised, and the financial outcomes are unable to be reliably estimated, no allowance for these contingencies has been made in the financial report.
- (b) Council operates a number of gravel pits. Council will have to carry out site rehabilitation works in the future. At balance date Council is unable to accurately assess the financial implications of such works.
- (c) 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 31. 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 33 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 Council financial instruments will fluctuate because of changes in market prices. The Council's exposure 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 does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate 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 cash and deposits that are at floating rates.

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;
- monitoring of return on investment; and
- 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 have exposure to credit risk on some financial assets included in the balance sheet. To help manage this risk:

- council have a policy for establishing credit limits for the entities Council deal with;
- council may require collateral where appropriate; and
- council 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 Council provide a guarantee for another party. Details of Council's contingent liabilities are disclosed in Note 32.

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

Note 33 Financial instruments (cont.)

(d) Liquidity risk

Liquidity risk includes the risk that, as a result of council's 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:

- have a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- have readily accessible standby facilities and other funding arrangements in place;
- have a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments;
- monitor budget to actual performance on a regular basis; and
- set limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

The Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed on the face of the balance sheet and is deemed insignificant based on prior periods' data and current assessment of risk.

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 terms of trade. Details of the maturity profile for borrowings are disclosed at Note 26.

Unless otherwise stated, the carrying amounts 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% and -1% in market interest rates (AUD) from year-end rates of 2%.

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.

	2017	2016
	No.	No.
Note 34 Related party disclosures		
(i) Related Parties		
<i>Parent entity</i>		
Ararat Rural City Council is the parent entity.		
(ii) Key Management Personnel		
Details of persons holding the position of Councillor or other members of key management personnel at any time during the year are:		
Councillors		
Councillor Paul Hooper (Mayor)		
Councillor Glenda McLean		
Councillor Gwenda Allgood		
Councillor Jo Armstrong (from 22/10/16)		
Councillor Peter Beales (from 22/10/16)		
Councillor Darren Ford (from 22/10/16)		
Councillor David Pettman (from 22/10/16)		
Councillor Colin McKenzie (to 21/10/16)		
Councillor Fay Hull (to 21/10/16)		
Councillor Gary Hull (to 21/10/16)		
Councillor Frank Deutsch (to 21/10/16)		
Andrew Evans		
Colleen White		
Don Cole		
Neil Manning		
Tim Day		
Angela Hunt		
Total Number of Councillors	11	7
Chief Executive Officer and other Key Management Personnel	6	4
Total Key Management Personnel	<u>17</u>	<u>11</u>
(iii) Remuneration of Key Management Personnel	2017	2016
Total remuneration of key management personnel was as follows:	\$,000	\$,000
Short-term benefits	1,206	945
Total	<u>1,206</u>	<u>945</u>
The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:		
	2017	2016
	No.	No.
\$1 - \$9,999	4	-
\$10,000 - \$19,999	4	-
\$20,000 - \$29,999	2	6
\$60,000 - \$69,999	1	1
\$130,000 - \$139,999	1	-
\$140,000 - \$149,999	1	-
\$170,000 - \$179,999	2	2
\$180,000 - \$189,999	1	1
\$210,000 - \$219,999	1	1
	<u>17</u>	<u>11</u>

		2017	
		\$	Ref
Note 34	Related party disclosures (cont.)		
(iv)	Transactions with related parties		
	During the period Council entered into the following transactions with related parties within normal customer relationships on terms and conditions no more favourable than those available in similar arm's length dealings.		
	Councillor Darren Ford has had dealings with Council through his private business as a land surveyor involving a number of planning applications on behalf of his clients.		
	Council is Committee of Management for Green Hill Lake. The Green Hill Lake Development Board undertake mowing, minor maintenance and oversee the reserve. A memorandum of understanding is being developed to formally define roles and responsibilities. Councillor Gwenda Allgood and a close family member are members of the Development Board.		
	Grants provided to related party entity	14,797	1
	Purchase of materials and services from related parties	133,560	2
	Interest on investments received from related party	73,507	3
		221,864	
Ref			
1	Councillor Gwenda Allgood and several close family members are officers of the Ararat State Emergency Service. This service received a grant of \$14,797 in accordance with an understanding with the Victoria State Emergency Service for councils to match State funding.		
2	Council purchased the following materials and services from entities that are controlled by key management personnel or close family members of key management personnel. All purchases were at arm's length and were in the normal course of council operations.		
	Preparation of delivered meals		
	Catering		
	Worksafe claim		
	Home maintenance services		
	Plumbing & air-conditioning installation services		
	Locksmith, engraving & site camera installation services		
	Included in the above are contract payments totalling \$98,776 for the preparation of delivered meals from East Grampians Health Services. Council's Director Assets, Finance & Corporate Services, Don Cole serves as a Director on their Board.		
3	At 30 June 2017 Council held investments of \$3,059,321 with the Bendigo Bank through the Willaura/ Lake Bolac Financial Services Ltd. Council earned \$73,507.22 in interest from these investments in 2016/2017. Council's Director Corporate Strategy, Risk & Governance, Colleen White serves as a Director on their Board.		
(v)	Outstanding balances with related parties		
	The following balances are outstanding at the end of the reporting period in relation to transactions with related parties		
	<i>Nil</i>		

Note 34 Related party disclosures (cont.)

(vi) Loans to/from related parties

The aggregate amount of loans in existence at balance date that have been made, guaranteed or secured by the council to a related party as follows:

Nil

(vii) Commitments to/from related parties

The aggregate amount of commitments in existence at balance date that have been made, guaranteed or secured by the council to a related party are as follows:

Nil

Note 35 Senior Officer Remuneration

A Senior Officer is an officer of Council, other than Key Management Personnel, who:

- a) has management responsibilities and reports directly to the Chief Executive; or
- b) whose total annual remuneration exceeds \$142,000

The number of Senior Officers are shown below in their relevant income bands:

Income Range:	2017 No.	2016 No.
\$140,000 - \$149,999	1	1
\$160,000 - \$169,999	1	1
	<u>2</u>	<u>2</u>
	\$,000	\$,000
Total Remuneration for the reporting year for Senior Officers included above, amounted to	317	307

Note 36 Events occurring after balance date

On 7 July 2017, Council's Chief Executive Office retired and Council approved a termination pay of \$271,044, which included \$171,000 in respect of payment in lieu of service for the remainder of the CEO's contract. The Council also received the findings from a Ministerial Commission of Inquiry dated 1 August 2017 which noted that the Council was not obligated to provide the payment in lieu of service. This report resulted in the appointment of a Monitor on 23 August 2017.

Certification of the Financial Statements

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

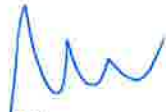


Donald Cole, MBA, B-Eng
Principal Accounting Officer
Date : 25 September, 2017
Ararat

In our opinion the accompanying financial statements present fairly the financial transactions of Ararat Rural City Council for the year ended 30 June 2017 and the financial position of the Council as at that date.

As at the date of signing, we are not aware of any circumstances which 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.



Paul Hooper
Mayor
Date : 25 September 2017
Ararat



Glenda McLean
Councillor
Date : 25 September 2017
Ararat



Colleen White
Interim Chief Executive Officer
Date : 25 September 2017
Ararat

Independent Auditor's Report

To the Councillors of Ararat Rural City Council

Opinion	<p>I have audited the financial report of Ararat Rural City Council (the council) which comprises the:</p> <ul style="list-style-type: none">• balance sheet as at 30 June 2017• comprehensive income statement for the year then ended• statement of changes in equity for the year then ended• statement of cash flows for the year then ended• statement of capital works for the year then ended• notes to the financial statements, including a summary of significant accounting policies• certification of the financial statements.
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In my opinion the financial report presents fairly, in all material respects, the financial position of the council as at 30 June 2017 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 6 of the *Local Government Act 1989* and applicable Australian Accounting Standards.

Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. My responsibilities under the Act are further described in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Australia. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
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Councillors' responsibilities for the financial report	<p>The Councillors of the council are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Local Government Act 1989</i>, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Councillors are responsible for assessing the council's ability to continue as a going concern, and using the going concern basis of accounting unless it is inappropriate to do so.</p>
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Auditor's responsibilities for the audit of the financial report

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

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

I communicate with the Councillors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



MELBOURNE
27 September 2017

Tim Loughnan
as delegate for the Auditor-General of Victoria