

ONE COMMUNITY CHURCH INC.

ABN 36 662 538 731

**FINANCIAL STATEMENTS
FOR 2018**

ONE COMMUNITY CHURCH INC.

ABN 36 662 538 731

**AUDITORS INDEPENDENCE DECLARATION UNDER SECTION 60.40 OF THE
AUSTRALIAN CHARITIES AND NOT-FOR-PROFITS COMMISSION ACT 2012 TO THE
COUNCILLORS OF ONE COMMUNITY CHURCH**

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2018, there have been:

- (i) no contravention of the auditor's independence requirements as set out in Section 60.40 of the Australian Charities and Not-for-profits Commission Act 2012 in relation to the audit
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

*Saward Dawson***Saward Dawson***Peter Shields*

Peter Shields
Partner

Blackburn, VIC

Dated: 13 May 2019

ONE COMMUNITY CHURCH INC.
ABN 36 662 538 731

**STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER, 2018**

	<u>Note</u>	<u>2018</u> \$	<u>2017</u> \$
INCOME			
Operating Income			
One Community Care		150	54,678
Christian Education and Training		2,782	1,709
Community Outreach		4,099	3,967
Ministry Activities		60,580	47,939
Miscellaneous Income		8,049	39,538
Offering		1,037,975	1,127,236
Property Income		119,139	99,854
Reimbursement of Expenses		112,732	6,063
Special Events Income		8,003	13,729
Special Project Income and Donations	5	12,048	117,516
Special Purpose Offerings (Missions)		76,850	85,509
Special Mission Income (Philippines Land)		2,397	2,376
Passive Income			
Interest		15,964	14,707
Total Income		<u>1,460,768</u>	<u>1,614,821</u>
EXPENDITURE			
Classification of Expenses by Function			
Administration Expenses		269,940	255,835
One Community Care Expenses		18,648	59,532
Childrens Ministry Expenses		128,875	96,747
Christian Education and Training		4,469	2,253
Community Outreach Expenses		2,684	3,552
Finance Costs		82,507	85,350
Giving to Others (Missions)		129,221	116,929
K Team, Intergration and Small Group Ministry Expenses		1,918	585
Ministry Executive Directors		358,637	281,874
Prayer Ministry Expenses		39,004	34,068
Property Occupancy, Management and Maintenance Expenses		409,811	433,103
Seniors and Other Ministries		22,804	27,774
Special Events		12,960	13,481
Worship Leading Ministry Expenses		82,004	64,692
Young Adults Ministry and Multi Media Expenses		103,742	94,752
Youth Ministry Expenses		112,399	98,308
Total Expenditure		<u>1,779,623</u>	<u>1,668,835</u>
OPERATING DEFICIENCY		<u>318,855</u>	<u>54,014</u>
NON-OPERATING EXPENSE			
Net Loss on Disposal of Chattels (Furniture and Equipment)		3,847	9,253
NET COMPREHENSIVE DEFICIENCY FOR YEAR	3	<u>\$322,702</u>	<u>\$63,267</u>

The accompanying notes form part of this financial report.

ONE COMMUNITY CHURCH INC.
 ABN 36 662 538 731
STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER, 2018

	<u>Note</u>	<u>2018</u> \$	<u>2017</u> \$
CURRENT ASSETS			
Cash and Cash Equivalents - Bank Accounts		44,458	82,287
- Deposits with Properties Corp		564,576	669,576
Other Deposits		680	1,430
Trade and Other Receivables		33,266	9,457
Other Current Assets		9,124	7,934
Total Current Assets		652,104	770,684
NON-CURRENT ASSETS			
Property, Plant and Equipment - Furniture and Equipment, at deemed cost	2	1,144,746	1,158,448
Less Accumulated Depreciation		815,543	755,605
		329,203	402,843
Land and Buildings, at valuation	2	14,280,000	14,280,000
Less Accumulated Depreciation		326,822	163,411
		13,953,178	14,116,589
Total Non-Current Assets		14,282,381	14,519,432
TOTAL ASSETS		14,934,485	15,290,116
CURRENT LIABILITIES			
Trade and Other Payables		93,498	63,613
Deposits and Income Received in Advance		2,722	5,356
Provision for Employee Benefits		59,497	71,264
		155,717	140,233
Short Term Financial Liabilities			
Chattel Mortgage		6,122	6,122
Less Chattel Mortgage Charges		255	599
		5,867	5,523
Loan - Properties Corporation	4	31,055	28,805
		36,922	34,328
Total Current Liabilities		192,639	174,561
NON-CURRENT LIABILITIES			
Long Term Financial Liabilities			
Chattel Mortgage		1,530	7,652
Less Chattel Mortgage Charges		16	271
		1,514	7,381
Elsie Freeman Trust		500	500
Loans - Properties Corporation	4	1,423,173	1,468,313
Loans - Members		3,000	3,000
Total Non-Current Liabilities		1,428,187	1,479,194
TOTAL LIABILITIES		1,620,826	1,653,755
NET ASSETS		\$13,313,659	\$13,636,361
MEMBER'S FUNDS AND RESERVES			
Accumulated Funds		5,869,976	6,192,678
Asset Revaluation Reserve		7,443,683	7,443,683
TOTAL MEMBER'S FUNDS AND RESERVES		\$13,313,659	\$13,636,361

The accompanying notes form part of this financial report.

ONE COMMUNITY CHURCH INC.

ABN 36 662 538 731

STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED 31ST DECEMBER, 2018

	<u>Note</u>	<u>2018</u>	<u>2017</u>
		\$	\$
Accumulated Funds			
Balance at 1st January, 2018		6,192,678	6,255,945
Less:			
Net Deficiency for Year	3	322,702	63,267
Balance at 31st December, 2018		<u>\$5,869,976</u>	<u>\$6,192,678</u>
		=====	=====
Asset Revaluation Reserve			
Balance at 1st January, 2018		7,443,683	7,443,683
Movement in Accounts		0	0
Balance at 31st December, 2018		<u>\$7,443,683</u>	<u>\$7,443,683</u>
		=====	=====

The accompanying notes form part of this financial report.

ONE COMMUNITY CHURCH INC.
 ABN 36 662 538 731
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER, 2018

	Note	<u>2018</u>	<u>2017</u>
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Total Offerings and Other Giving		1,117,422	1,215,081
Income from One Community Care		150	54,678
Income from Community Outreach Programmes		4,099	3,967
Christian Education and Training		2,782	1,709
Rental and Donations for use of Property		117,150	97,046
Receipts from activities conducted by Church groups		58,989	49,530
Special Project Gifts		12,048	117,516
Interest Received		15,964	14,707
Receipts from Special Events		5,397	15,200
Reimbursement of Expenses and Miscellaneous Income		100,664	41,804
Payment to employees, suppliers, and other Outreach and Operating Expenses		-1,420,358	-1,299,164
Giving to Mission ventures and the relief of suffering		-105,276	-113,235
GST Collected		18,101	15,961
GST Paid		-50,204	-45,145
GST Refunded		30,924	30,130
Net cash provided by operating activities	3	<u>-92,148</u>	<u>199,785</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net Deposits and Payments for Others		3,572	-1,097
Capital expenditure for year		-5,241	-29,792
Net cash invested in activities		<u>-1,669</u>	<u>-30,889</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Drawdown/Repayment (-) of Loans			
Properties Corporation		-42,890	-40,986
Chattel Mortgage			
Proceeds of Chattel Mortgage		0	20,048
Chattel Mortgage payments		-6,122	-6,961
		<u>-6,122</u>	<u>13,087</u>
Net cash used in financing activities		<u>-49,012</u>	<u>-27,899</u>
Net increase/ (- decrease) in cash held		-142,829	140,997
Cash at the beginning of the year		751,863	610,866
Cash at end of the year		<u>\$609,034</u>	<u>\$751,863</u>
Summary of Cash Holdings -			
Bank Accounts		44,458	82,287
Deposit with Properties Corporation		564,576	669,576
		<u>\$609,034</u>	<u>\$751,863</u>

The accompanying notes form part of this financial report.

ONE COMMUNITY CHURCH INC.

ABN 36 662 538 731

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2018**

NOTE 1 : STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report is a special purpose financial report that is prepared in order to satisfy the financial reporting requirements of the Associations Incorporation Reform Act 2012 Victoria, the Australian Charities and Not-for-profit Commission Act 2012 and Australian Charities and Not-for-profit Commission Regulations 2013.

This financial report has been prepared on a standalone basis for One Community Church Inc. This report does not include the income or distributions of One Community Church Tax Deductible Fund.

The Council of Elders has determined that One Community Church Inc. is not a reporting entity.

Basis of Preparation

The Council of Elders has elected to present the Statement of Profit and Loss and Other Comprehensive Income by function rather than by nature, consistent with the previous year. Accordingly the expenses are generally grouped in ministry areas of responsibility. Such groupings include the expenses associated with the ministry area concerned including, where applicable, staff remuneration, superannuation and leave provisions and the direct operating costs of the ministry.

Internal charges to One Community Care (OCC) for use of staff and facilities have been eliminated from the income and expenses shown in the Statement of Profit and Loss and Other Comprehensive Income.

Reporting Basis and Conventions

The financial report has been prepared on an accrual basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

The following significant accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this financial report.

(a) Property, Furniture and Equipment

Property

Freehold land and buildings are carried at fair value less subsequent depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the Statement of Profit and Loss and Other Comprehensive Income.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Furniture and Equipment

Furniture and equipment are measured at deemed cost less, where applicable, any accumulated depreciation. The carrying amount of furniture and equipment is reviewed annually by the Council to ensure it is not in excess of the recoverable amount from these assets.

ONE COMMUNITY CHURCH INC.

ABN 36 662 538 731

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER, 2018**

Depreciation

The depreciable amount of all fixed assets, excluding freehold land, are depreciated on a straight line basis over the useful lives of the assets to the Church commencing from the date of valuation or from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable asset are:

Class of Fixed Asset	Depreciation Rate
Buildings	2.5%
Computer and Associated Equipment	20.0%
Furniture and Equipment	10.0%

The carrying amount of fixed assets is reviewed annually by the Council to ensure it is not in excess of the recoverable amount of those assets.

The recoverable amount is assessed on the basis of expected cash flows which will be received from the assets' employed and subsequent disposal or the depreciated replacement value.

Gains or losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the Statement of Profit and Loss and Other Comprehensive Income. When revalued assets are sold, amounts included in the revaluation relating to that asset are transferred to retained earnings.

(b) Impairment of Assets

At each reporting date, the Church assesses whether there is any indication that assets may have been impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of that asset, being the higher of the asset's fair value less costs to sell and its value-in-use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is immediately recognised in the Statement of Profit and Loss and Other Comprehensive Income, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease.

(c) Employee Entitlements

Provision has been made for the Church's liability for employees entitlements arising from services rendered by employees to balance date comprising annual leave and long service leave (when they have legal entitlement for their long service leave).

Until the end of 2017 long service leave contributions were made for eligible employees each year to the Members' and Employees' Benefits Scheme (MEBS) and were charged as expenses when incurred. Due to the closure of MEBS (refer note 6 (b)), long service leave contributions for 2018 have been accrued in the accounts and funds set aside for that liability.

Contributions are made by the Church to employee superannuation funds and are charged as expenses when incurred.

ONE COMMUNITY CHURCH INC.

ABN 36 662 538 731

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER, 2018

(d) Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

(e) Income Tax

As the Church is a religious non-trading non-profit organisation it is not subject to income tax on its income and therefore there are no tax implications relevant to the accounts. It is expected that the Church will continue to meet the definition of a non-profit entity and will therefore be eligible to take advantage of the applicable reporting exemptions.

(f) 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.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with Trade and Other Receivables or Trade and Other Payables in the Statement of Financial Position.

(g) Revenue

Tithes, offerings and other gifts are recognised as revenue when they are received. Other revenue is recognised when the right to receive the revenue has been established. Revenue from the One Community Tax Deductible Fund is recognised in the general fund when the purposes for which the funds are given have been satisfied.

(h) New accounting standards for application in future periods

The Church does not anticipate any change in accounting policy in the future year that will have any material effect on the Church's financial statements.

<u>Note</u>	<u>2018</u>	<u>2017</u>
	\$	\$

NOTE 2 : PROPERTY, PLANT AND EQUIPMENT

LAND AND BUILDINGS

Freehold Land at 182-188 Surrey Road, Blackburn

- Independent Valuation in 2016	6,930,000	6,930,000
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Freehold Land at 190 Surrey Road, Blackburn

- Independent Valuation in 2016	6(a) <u>813,568</u>	<u>813,568</u>
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Totals carried forward

	7,743,568	7,743,568
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ONE COMMUNITY CHURCH INC.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER, 2018

	<u>Note</u>	<u>2018</u>	<u>2017</u>
		\$	\$
<i>Totals brought forward</i>		7,743,568	7,743,568
Buildings at 182-188 Surrey Road, Blackburn			
- Independent Valuation at 2016		6,520,000	6,520,000
Buildings at 190 Surrey Road, Blackburn at Cost			
- Independent Valuation at 2016	6(a)	16,432	16,432
Total Land and Buildings at 31 st December 2018		<u>\$14,280,000</u>	<u>\$14,280,000</u>

Independent valuations of freehold land and buildings at Blackburn were initiated as at 20 October 2016 after the completion of the most recent building work. These values were adopted in the accounts at that date replacing the previous values. As described in note one to the accounts the increase in land and building value has now been added to the Asset Revaluation Reserve.

FURNITURE AND EQUIPMENT

Asset at deemed cost at 1 st January, 2018	1,158,448	1,171,307
Additions for Year	<u>5,241</u>	<u>29,792</u>
	1,163,689	1,201,099
Less -		
Value of chattels disposed during the year	<u>18,943</u>	<u>42,651</u>
Asset at cost at 31 st December, 2018	<u>\$1,144,746</u>	<u>\$1,158,448</u>

The original independent valuation of furniture and equipment was made as at the end of 1999 to establish the current market value of those assets.

ONE COMMUNITY CHURCH INC.

ABN 36 662 538 731

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER, 2018**

	<u>2018</u>	<u>2017</u>
	\$	\$
NOTE 3 : CASH FLOW INFORMATION		
Reconciliation of Cash Flow from Operations with Operating Deficiency for Year.		
Operating Surplus (Deficiency)	(322,702)	(63,267)
Non-cash flows in operating surplus –		
Depreciation	238,444	274,577
Loss on Disposal of Property and Chattels	3,847	9,253
Changes in relevant assets and liabilities –		
Increase in Creditors and Accruals	29,190	11,005
Decrease in Deposits and Income Received in Advance	(2,633)	1,294
Decrease in Provision for Employee Benefits	(11,767)	(26,162)
Decrease in Provision for Welfare Relief	0	(3,797)
Increase in Prepaid Expenses	(1,190)	1,647
Increase in Sundry Debtors	(25,936)	(3,903)
Decrease in Chattel Mortgage Charges	<u>599</u>	<u>(862)</u>
Cash Flow from Operations	<u>(\$92,148)</u>	<u>\$199,785</u>

NOTE 4 : LOAN FUNDS

At 31st December the following loans from Properties Corporation of the Churches of Christ were in existence -

(i) 15 year loan to fund The Next Step building programme.

Facility originally established for \$1.3m but increased to \$1.5m in February 2016.

Balance at 31 st December 2018	\$1,189,011	\$1,187,745
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This borrowing is reflected in the Accounts at 31st December as a Long Term Financial Liability – The commencement date of principal repayments has been extended until January 2020.

(ii) 20 year loan (increased from 15 years in 2011) to fund the building extensions in 2006/2007 for Building the Vision

Balance of principal sum - \$265,217 (2018), \$309,373 (2017)

This loan is reflected in the Accounts at 31st December as follows -

For the principal repayments due in the next 12 months:

Short Term Financial Liabilities	\$31,055	\$28,805
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For the principal repayments due after 12 months:

Long Term Financial Liabilities	\$234,162	\$280,568
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Total loans – Short Term Financial Liabilities	\$31,055	\$28,805
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Total loans – Long Term Liabilities	\$1,423,173	\$1,468,313
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The above loans are secured over the property at 182 – 188 Surrey Road, Blackburn.

ONE COMMUNITY CHURCH INC.

ABN 36 662 538 731

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER, 2018

	<u>2018</u>	<u>2017</u>
	\$	\$
NOTE 5 : SPECIAL PURPOSE INCOME AND DONATIONS		
Gifts to The Next Step (non tax deductible)	\$12,048	\$117,516

NOTE 6 : EVENTS SUBSEQUENT TO BALANCE SHEET

(a) Sale of property at 190 Surrey Road, Blackburn

It was resolved by the Council of Elders on the 8th October 2018 that the property at 190 Surrey Road, Blackburn be placed on the market and sold, with the proceeds principally to be used to repay debt. A contract of sale was signed on 21st December 2018 for an amount of \$930,000 but was conditional until the 21st January 2019 on finance being obtained. An extension of this date was subsequently granted and the contract became unconditional on the 29th January, 2019 with settlement due on 21st February 2019. An extension of the settlement date was then requested and granted, subject to penalty interest, with the sale finally being settled on 4th March 2019.

The sale of the property will be reflected in the Accounts for 2019 being the year in which the contract became unconditional. The valuation of the property included in the accounts is \$829,178.

(b) Ministers and Employees Benefit Scheme (MEBS)

MEBS was a Church of Christ initiative to facilitate the funding of long service leave (LSL) for church employees, especially ministers as they move employment from church to church.

Churches each year would contribute to the scheme on behalf of employees. When LSL was taken by an employee, funds for this would be withdrawn from that person's account held with MEBS.

It was decided by Churches of Christ in Australia early in 2018 that the scheme would be closed down by 31st May, 2019 with the funds being returned to churches to be held on account of the designated employees until the liability for LSL arose in the course of employment or on the cessation thereof.

One Community Church received the appropriate funds for its current employees in February, 2019. The accrual for LSL at 31st December, 2019 will reflect this change with the full liability being included in the Church accounts at that date. The sum transmitted by MEBS will be included in the Church deposit funds at 31st December, 2019.

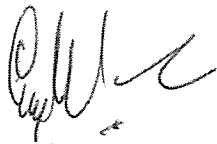
ONE COMMUNITY CHURCH INC.
ABN 36 662 538 731

RESPONSIBLE ENTITIES' DECLARATION

The Council of Elders "the Council" of the Church declare that:

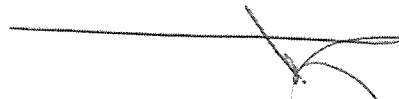
1. The financial report and notes as set out on the preceding pages, are in accordance with the Australian Charities and Not-for-profits Commission Act 2012; and
2. As the date of this statement, there are reasonable grounds to believe that the One Community Church Inc. will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the Council and is signed for and on behalf of the Council by:



Greg Warmbrunn
Chairman of Elders

Date 13/5/19



Roger Bentley
Administrator

ONE COMMUNITY CHURCH INC.

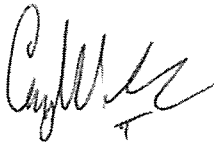
ABN 36 662 538 731

TRUE AND FAIR CERTIFICATION

The Council of Elders "the Council" of the Church declare that:

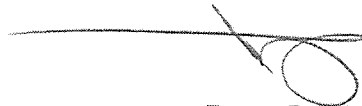
The financial statements and notes, as set out on the preceding pages, give a true and fair view of the financial position of One Community Church Inc as at 31 December 2018 and its performance for the year ended on that date.

This statement is made in accordance with a resolution of the Council and is signed for and on behalf of the Council by:



Greg Warmbrunn
Chairman of Elders

Date 15/5/19



Roger Bentley
Administrator

13/3/2019

ONE COMMUNITY CHURCH INC.
ABN 36 662 538 731

INDEPENDENT AUDIT REPORT

Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report, being a special purpose financial report of One Community Church Inc, which comprises the statement of financial position as at 31 December 2018, the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the responsible entities' declaration.

In our opinion, the accompanying financial report of One Community Church Inc is in accordance with Division 60 of the Australian Charities and Not-for-profits Commission Act 2012 and the Associations Incorporation Reform Act 2012 (VIC), including:

- (i) giving a true and fair view of the entity's financial position as at 31 December 2018 and of its financial performance for the year ended; and
- (ii) complying with Australian Accounting Standards to the extent described in Note and Division 60 of the Australian Charities and Not-for-profits Commission Act 2012 and the Associations Incorporation Reform Act 2012 (VIC).

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the entity in accordance with the auditor independence requirements of the Australian Charities and Not-for-profits Commission Act 2012 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Basis of Accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the council of Elders' financial reporting responsibilities under the Australian Charities and Not-for-profits



ONE COMMUNITY CHURCH INC.
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INDEPENDENT AUDIT REPORT

Commission Act 2012 and the Associations Incorporation Reform Act 2012 (VIC). As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Council of Elders' responsibility for the Financial Report

The council of Elders of One Community Church Inc are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the Australian Charities and Not-for-profits Commission Act 2012 and the Associations Incorporation Reform Act 2012 (VIC) and is appropriate to meet the needs of the council. The council of Elders' responsibility also includes such internal control as the council determines necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the council of Elders are responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the council either intends to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 the financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We 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 our 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

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INDEPENDENT AUDIT REPORT

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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the entity.
- Conclude on the appropriateness of the entity's 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 entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity 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.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Saward Dawson

Saward Dawson

Peter Shields

Peter Shields
Partner

Blackburn, VIC

Dated: 13 May 2019