

10 June 2016

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Dear Dave

DINNER PLAIN SPECIAL RATE AND OPERATIONS REVIEW

We have completed our audit of the Operating Statement of the Dinner Plain income and expense accounts for the period 2004 to 2015 as per the agreed upon scope of works for this engagement.

The critical components are the following:

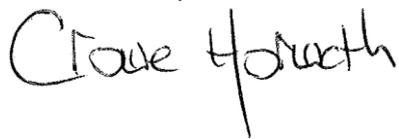
- The balance of the Dinner Plain Reserve per the audited statutory financial statements of Council is overstated by \$227,257 based on the work performed in our engagement which included all income and expenditure relating to Dinner Plain being taken into account as was the intention in the declarations by Council. We understand that members of the community believe that there are alternative methodologies to re-calculate the reserve which could be used. As outlined in Appendix 2 of the report an alternative method to calculate the reserve is to use the special rate revenue and special rate operating expenditure and the new capital projects spend which results in the Reserve being overstated by \$5,187,730. A third methodology that could be used to calculate the Reserve is capturing special rate revenue and special rate operating expenditure only. This results in the reserve balance being overstated by \$641,241. The first method (overstatement of \$227,257) is the method consistent with the legal advice sought by Council and the Council declarations made;
- The interest owed to Dinner Plain ratepayers by Council shows that non Dinner Plain ratepayers of Council have funded the equivalent to \$121,257 over the 11 year period for the special rate. If you include the general rate, and associated expenditure, this amount of \$121,257 would be reduced by \$17,642 over the 11 year period. Council includes budgeted interest income within the Dinner Plain net administrative charge calculation. As outlined in the Dinner Plain Special Rate legal advice, Council has complied with its obligations under the *Local Government Act 1989* and there is no interest owing to ratepayers.
- The administration charge is understated in the order of \$232,577 based on analysis performed. This variance would be increased if the administration charge was calculated on the basis of Dinner Plain rates as a percentage of total rates of the Shire. The Council's calculation of the administration charge does factor in grants and interest income into this calculation to ensure consistency across its operations.

This engagement was conducted in accordance with applicable Australian Auditing Standards.

We would like to acknowledge our appreciation for the assistance we have been provided during this review by various stakeholders.

Please do not hesitate to contact us if you have any enquiries.

Yours sincerely



CROWE HORWATH ALBURY



BRADLEY D BOHUN
Partner