



**ANNUAL  
FINANCIAL  
REPORT  
2014/15**





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## understanding the financial statements

The Financial Statements compare the current 2014/15 financial year to the previous 2013/14 financial year. They comprise two main sections namely the main statements and the notes.

**There are five main statements:**

1. Comprehensive Income Statement
2. Balance Sheet
3. Statement of Changes in Equity
4. Statement of Cash Flows
5. Performance Statement

## 1. Comprehensive Income Statement

The Comprehensive Income Statement is designed to show if Council's operations were in surplus or deficit during the financial year.

The surplus/(deficit) amount is calculated as total revenue less total expenses. A surplus means that revenue was greater than expenses.

The Comprehensive Income Statement contains:

- Revenue - the sources of Council's revenue under various income headings.
- Expenses - the expenditure incurred in running the Council during the year. This expenditure relates to the 'operations' and does not include the capital costs associated with the purchase or the creation of fixed assets. While asset purchase costs are not included in the expenses they are included within 'depreciation and amortisation'. This amount is the value of the assets 'used up' during the year.
- Other comprehensive income - this section includes items such as net asset revaluation increments and impairment of expenses. Impairment occurs when the value of Council's assets are reduced or impaired usually due to damage or obsolescence.

The comprehensive result is arrived at by adjusting the net surplus/(deficit) by the other comprehensive income items. The comprehensive result is also equal to the movement in Council's net assets (total equity) from the prior year.

## 2. Balance Sheet

The Balance Sheet shows what Council owns as assets and what it owes as liabilities. It presents a one page summary, which is a snapshot of the financial position as at 30 June.

The bottom line of this statement is called 'net assets' which is the net worth of Council which has been built up over many years.

Net assets = total assets - total liabilities = total equity

Assets and liabilities are separated into current and non-current. Generally, current means those assets or liabilities which will fall due in the next 12 months.

## 3. Statement of Changes in Equity

During the course of the year the value of total equity as set out in the Balance Sheet changes. The Statement of Changes in Equity shows the values of these changes that may include:

- The 'profit or loss' from operations, described in the statement as 'surplus/(deficit) for the year'.
- The use of monies from Council's reserves and transfers to Council's reserves.
- The revaluation of fixed assets.
- The share of revaluations of investments in joint venture assets.
- The recognition of an asset for the first time.

## 4. Statement of Cash Flows

The Statement of Cash Flows provides a summary of Council's cash receipts and cash payments during the year. The bottom line is the cash balance at the end of the financial year.

This statement shows the movements in the bank balance during the course of the year and is dissected into the following three sections:

- Cash flows from operating activities - all receipts to and payments from Council's bank account for normal operations. Receipts include monies from rates, grants and from amounts owing to Council. Payments mainly include monies paid to suppliers and employees.
- Cash flow from investing activities - this section mainly comprises payments for the creation or purchase of fixed assets (capital items) as well as the proceeds from asset sales.
- Cash flow from financing activities - this section includes the proceeds from loan borrowing as well as loan interest and the repayment of outstanding loans.

## 5. Performance Statement

The Performance Statement provides the results of the sustainable capacity, service performance and financial performance indicators and measures required under the *Local Government Act 1989* and *Local Government (Planning and Reporting) Regulations 2014*.

The 2014/15 financial year is the first year that councils have been required to report against these indicators, so there is currently no basis for comparison to previous year's results. Future Annual Reports will include current and previous year results.

# Comprehensive Income Statement

	Note	2015 \$'000	2014 Restated \$'000
<b>Income</b>			
Rates and charges	3	47,058	44,312
Statutory fees and fines	4	1,187	1,085
User fees	5	3,337	4,072
Grants - Operating	6	18,660	13,719
Grants - Capital	6	6,610	5,957
Contributions - monetary	7	983	712
Contributions - non monetary	7	8,985	3,578
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	8	(3,414)	(4,559)
Share of net profits/(losses) of associates and joint ventures	15	(51)	232
Other income	9	1,507	1,273
<b>Total income</b>		<u>84,862</u>	<u>70,381</u>
<b>Expenses</b>			
Employee costs	10	(24,464)	(23,348)
Materials and services	11	(23,282)	(22,595)
Depreciation and amortisation	12	(11,671)	(11,009)
Borrowing costs	13	(491)	(505)
Other expenses	14	(4,691)	(5,564)
<b>Total expenses</b>		<u>(64,599)</u>	<u>(63,021)</u>
<b>Surplus/(deficit) for the year</b>		<u>20,263</u>	<u>7,360</u>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to surplus or deficit in future periods</b>			
Net asset revaluation increment/(decrement)	27(a)	(8,682)	98,769
Reversal of impairment losses on revalued assets	8	-	2,708
<b>Total comprehensive result</b>		<u>11,581</u>	<u>108,837</u>

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

# Balance Sheet

	Note	2015	2014	2013
		\$'000	Restated \$'000	Restated \$'000
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	16	14,987	18,396	20,727
Trade and other receivables	17	6,684	4,719	5,510
Other financial assets	18	13,002	-	-
Non-current assets classified as held for sale	19	251	519	-
Other assets	20	458	406	169
<b>Total current assets</b>		<u>35,382</u>	<u>24,040</u>	<u>26,406</u>
<b>Non-current assets</b>				
Investments in regional library corporation	15	989	1,040	808
Property, infrastructure, plant and equipment	21	602,819	602,050	495,831
Intangible assets	22	2,231	1	1
<b>Total non-current assets</b>		<u>606,039</u>	<u>603,091</u>	<u>496,640</u>
<b>Total assets</b>		<u>641,421</u>	<u>627,131</u>	<u>523,046</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	23	7,634	4,955	6,457
Trust funds and deposits	24	1,526	3,145	1,568
Provisions	25	6,557	7,846	8,392
Interest-bearing loans and borrowings	26	1,455	1,398	2,038
<b>Total current liabilities</b>		<u>17,172</u>	<u>17,344</u>	<u>18,455</u>
<b>Non-current liabilities</b>				
Provisions	25	4,084	4,163	6,408
Interest-bearing loans and borrowings	26	8,001	5,041	6,438
<b>Total non-current liabilities</b>		<u>12,085</u>	<u>9,204</u>	<u>12,846</u>
<b>Total liabilities</b>		<u>29,257</u>	<u>26,548</u>	<u>31,301</u>
<b>Net assets</b>		<u>612,164</u>	<u>600,583</u>	<u>491,745</u>
<b>Equity</b>				
Accumulated surplus		305,268	286,233	279,524
Reserves	27	306,896	314,350	212,221
<b>Total Equity</b>		<u>612,164</u>	<u>600,583</u>	<u>491,745</u>

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

## Statement of Changes in Equity

	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
<b>2015</b>					
Balance at beginning of the financial year		600,583	286,233	310,015	4,335
Surplus/(deficit) for the year		20,263	20,263	-	-
Net asset revaluation increment/(decrement)	27(a)	(8,682)	-	(8,682)	-
Transfers to other reserves	27(b)	-	(1,606)	-	1,606
Transfers from other reserves	27(b)	-	378	-	(378)
<b>Balance at end of the financial year</b>		<b>612,164</b>	<b>305,268</b>	<b>301,333</b>	<b>5,563</b>

		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
<b>2014 Restated</b>					
Balance at beginning of the financial year (as reported)		506,217	293,995	208,538	3,684
Landfill provision	28	(4,696)	(4,696)	-	-
Net found and derecognised assets	28	(9,775)	(9,775)	-	-
Restated opening balance		491,746	279,524	208,538	3,684
Surplus/(deficit) for the year as previously reported		6,319	6,319	-	-
Surplus/(deficit) material and services adjustment	28	971	971	-	-
Surplus/(deficit) depreciation adjustment	28	70	70	-	-
Net asset revaluation increment/(decrement)	27(a)	98,769	-	98,769	-
Impairment losses on revalued assets	27(a)	2,708	-	2,708	-
Transfers to other reserves	27(b)	-	(651)	-	651
<b>Balance at end of the financial year</b>		<b>600,583</b>	<b>286,233</b>	<b>310,015</b>	<b>4,335</b>

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



# Statement of Cash Flows

	Note	2015 Inflows/ (Outflows) \$'000	2014 Inflows/ (Outflows) \$'000
<b>Cash flows from operating activities</b>			
Rates and charges		46,378	44,245
Statutory fees and fines		1,188	1,085
User fees		4,435	4,072
Grants - operating		18,660	14,782
Grants - capital		4,689	6,841
Contributions - monetary		983	712
Interest received		1,049	654
Trust funds and deposits taken		7,166	6,864
Other receipts		451	535
Net GST refund/payment		(213)	281
Employee costs		(25,189)	(23,158)
Materials and services		(20,949)	(24,810)
Trust funds and deposits repaid		(8,785)	(5,653)
Other payments		(4,690)	(4,861)
<b>Net cash provided by/(used in) operating activities</b>	<b>29</b>	<u>25,173</u>	<u>21,589</u>
<b>Cash flows from investing activities</b>			
Payments for property, infrastructure, plant and equipment		(19,072)	(21,593)
Proceeds from sale of property, infrastructure, plant and equipment	<b>8</b>	939	203
Payments for investments		(13,002)	-
<b>Net cash provided by/(used in) investing activities</b>		<u>(31,135)</u>	<u>(21,390)</u>
<b>Cash flows from financing activities</b>			
Finance costs		(464)	(493)
Proceeds from borrowings		4,436	-
Repayment of borrowings		(1,419)	(2,037)
<b>Net cash provided by/(used in) financing activities</b>		<u>2,553</u>	<u>(2,530)</u>
Net increase (decrease) in cash and cash equivalents		(3,409)	(2,331)
Cash and cash equivalents at the beginning of the financial year		18,396	20,727
<b>Cash and cash equivalents at the end of the financial year</b>	<b>29</b>	<u>14,987</u>	<u>18,396</u>
Financing arrangements	<b>30</b>	1,500	1,500
Restrictions on cash assets	<b>16</b>	7,089	7,480

The above statement of cash flow should be read with the accompanying notes.

## Statement of Capital Works

	Note	2015 \$'000	2014 \$'000
<b>Property</b>			
Land		49	367
<b>Total land</b>		49	367
Buildings		6,385	1,361
<b>Total buildings</b>		6,385	1,361
<b>Total property</b>		6,434	1,728
<b>Plant and equipment</b>			
Plant, machinery and equipment		618	623
Fixtures, fittings and furniture		-	217
Computers and telecommunications		1,125	1,737
<b>Total plant and equipment</b>		1,743	2,577
<b>Infrastructure</b>			
Roads		8,945	12,637
Bridges		396	278
Footpaths and cycleways		372	197
Drainage		1,943	1,796
Waste management		1,721	2,465
Open space and Recreational facilities		1,458	593
Other infrastructure		141	415
<b>Total infrastructure</b>		14,976	18,381
<b>Total capital works expenditure</b>		23,153	22,686
<b>Represented by:</b>			
New asset expenditure		4,247	2,149
Asset renewal expenditure		12,869	13,928
Asset expansion expenditure		-	771
Asset upgrade expenditure		6,037	5,838
<b>Total capital works expenditure</b>		23,153	22,686
Less Waste		(1,692)	(2,465)
Less Natural Disaster expenditure		(532)	(2,039)
Less Current year capital transferred to operations		(1,515)	(341)
<b>Capital expenditure acquisitions</b>		19,414	17,841

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

# Notes to the Financial Report

## Introduction

The Baw Baw Shire Council was established by an Order of the Governor in Council on 2 December 1994 and is a body corporate. The Council's main office is located at Warragul.

## 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 Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1989, and the Local Government (Planning and Reporting) Regulations 2014.

## Note 1 Significant accounting policies

### (a) Basis of accounting

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

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

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

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

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

### (b) Changes in accounting policies

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

### (c) Principles of consolidation

There is no Council incorporate all entities controlled by Council as at 30 June 2015.

Subsidiaries are all entities over which Council has control. Council controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Council. They are deconsolidated from the date that control ceases.

Where dissimilar accounting policies are adopted by entities and their effect is considered material, adjustments are made to ensure consistent policies are adopted in these financial statements.

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

### (d) Committees of management

All entities controlled by Council that have material revenues, expenses, assets or liabilities, such as committees of management, have been included in this financial report. Any transactions between these entities and Council have been eliminated in full. Details of entities not included in this financial report based on their materiality are detailed in **Note 37**.

# Notes to the Financial Report

## Note 1 Significant accounting policies (cont.)

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

#### Associates

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

#### Joint arrangements

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

##### (i) Joint operations

Council recognises its direct right to the, and its share of jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate headings.

##### (ii) Joint ventures

Interests in joint ventures are accounted for using the equity method. Under this method, the interests are initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise Council's share of the post-acquisition profits or losses and movements in other comprehensive income in profit or loss and other comprehensive income respectively.

### (f) Revenue recognition

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

#### *Rates and Charges*

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

#### *Statutory fees 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.

#### *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.

# Notes to the Financial Report

## Note 1 Significant accounting policies (cont.)

### (g) Fair value measurement

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

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

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

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

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

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

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

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

### (h) Cash and cash equivalents

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

### (i) Trade and other receivables

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

### (j) Other financial assets

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

### (k) Inventories

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

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

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

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

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

#### Acquisition

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

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

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

# Notes to the Financial Report

## Note 1 Significant accounting policies (cont.)

### (m) Recognition and measurement of property, plant and equipment, infrastructure, intangibles (cont'd)

#### *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 amount for which the assets could be exchanged between 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 on an asset result in changes to the permissible or practical highest and best use of the asset. Further details regarding the fair value hierarchy are disclosed at **Note 21**. Property, infrastructure, plant and equipment, and infrastructure.

Council completed a revaluation of its Land and Building assets as at 31 March 2015. This ensured fair value of Council's land and buildings under current economic situation was reflected in Council's annual reports.

Council completed a revaluation of its Bridges and Major Culverts as at 31 March 2015. Pedestrian bridges were recognised as a separate subclass during this revaluation and updated replacement cost rates were applied. Condition rating of Road Bridges and Major Culverts were also updated in this revaluation.

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.

#### *Prior year adjustment*

Measurements of Footpaths were re-assessed as at 30/06/2014 and were adjusted to correct the overstatement of Footpath infrastructure assets area. Change of ownership was completed to recognise Footpath assets identified as subject to control by a third party.

#### *Found assets*

Found assets have been brought to account using the fair value basis. Found assets have been identified in the process of land and building revaluation as at 31 March 2015.

#### *Land under roads*

Council recognises land under roads it controls at fair value.

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

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

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.

# Notes to the Financial Report

## Note 1 Significant accounting policies (cont.)

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

<i>Asset recognition thresholds and depreciation periods</i>	<b>Depreciation Period</b>	<b>Threshold Limit</b>
		<b>\$'000</b>
Property		
land	-	All
Buildings		
Buildings- new construction	50 years	All
Buildings- extensions	50 years	5
Buildings-renovations	50 years	25
Plant and Equipment		
plant, machinery and equipment-construction plant	1-5 years	All
plant, machinery and equipment-vehicles	1-5 years	All
plant, machinery and equipment-minor	1-5 years	1
fixtures, fittings and furniture	1-20 years	1
computers and telecommunications	3 years	2
Infrastructure		
road pavements and seals	75 years	10
road formation and earthworks	100 years	10
road kerb, channel and minor culverts	80 years	10
bridges- new construction	60-100 years	10
bridges alterations or major works	60-100 years	50
footpaths and cycleways	10-80 years	10
drainage	100 years	10
waste management	10 years	10
Open space and recreational facilities	10-100 years	5
Off street car parks	14-100 years	10
Intangible assets	2-10 years	100

### (o) Repairs and maintenance

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

### (p) Investment property

Investment property, comprising freehold office complexes, is held to generate long-term rental yields. Investment property is measured initially at cost, including transaction costs. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefit in excess of the originally assessed performance of the asset will flow to the Council. Subsequent to initial recognition at cost, investment property is carried at fair value, determined annually by independent valuers. Changes to fair value are recorded in the comprehensive income statement in the period that they arise. Rental income from the leasing of investment properties is recognised in the comprehensive income statement on a straight line basis over the lease term. Council didn't have any investment properties during 2014/15 financial year.

### (q) Impairment of assets

At each reporting date, the Council reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell 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.

# Notes to the Financial Report

## Note 1 Significant accounting policies (cont.)

### (r) Trust funds and deposits

Amounts received as deposits and retention amounts controlled by Council are recognised as trust funds until they are returned, transferred in accordance with the purpose of the receipt, or forfeited (refer to **Note 24**).

### (s) Borrowings

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

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

#### *Borrowing costs*

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

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

### (t) Employee costs and benefits

The calculation of employee 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 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 representing less than 7 years service 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.

### (u) Landfill rehabilitation provision

Council is obligated to restore Trafalgar site to a particular standard. The forecast life of the site is based on current estimates of remaining capacity and the forecast rate of infill. The provision for landfill restoration has been calculated based on the present value of the expected cost of works to be undertaken. The expected cost of works has been estimated based on current understanding of work required to reinstate the site to a suitable standard. Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs.



# Notes to the Financial Report

## Note 1 Significant accounting policies (cont.)

### (v) Leases

#### *Finance leases*

There are no finance leases at 30/06/2015. (2014 nil)

#### *Operating leases*

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

### (w) Goods and Services Tax (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.

### (x) Financial guarantees

Financial guarantee contracts are not recognised as a liability in the balance sheet unless the lender has exercised their right to call on the guarantee or Council has other reasons to believe that it is probable that that right will be exercised. Details of guarantees that Council has provided, that are not recognised in the balance sheet are disclosed at **Note 33** Contingent Liabilities and Contingent Assets.

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

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

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

### (z) Pending accounting standards

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

### (aa) Rounding

Unless otherwise stated, amounts in the financial report have been rounded to the nearest thousand dollars. Figures in the financial statement may not equate due to rounding.

# Notes to the Financial Report

## 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 \$500,000 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 25/06/2014. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for revenue and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

### a) Income and Expenditure

	Budget 2015 \$'000	Actual 2015 \$'000	Variance 2015 \$'000	Variance %	Ref
<b>Income</b>					
Rates and charges	46,532	47,058	526	1.1%	1
Statutory fees and fines	1,261	1,187	(74)	-5.9%	
User fees	4,834	3,337	(1,497)	-31.0%	2
Grants - operating	12,736	18,660	5,924	46.5%	3
Grants - capital	8,021	6,610	(1,411)	-17.6%	4
Contributions - monetary	-	983	983	N/A	5
Contributions - non monetary	10,500	8,985	(1,515)	-14.4%	6
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	(918)	(3,414)	(2,496)	271.9%	7
Share of net profits/(losses) of associates and joint ventures	-	(51)	(51)	N/A	
Other income	1,083	1,507	424	39.2%	
<b>Total income</b>	<b>84,049</b>	<b>84,862</b>	<b>813</b>	<b>1.0%</b>	
<b>Expenses</b>					
Employee costs	23,975	24,464	(489)	-2.0%	
Materials and services	25,483	23,282	2,201	8.6%	8
Depreciation and amortisation	11,626	11,671	(45)	-0.4%	
Borrowing costs	451	491	(40)	-8.8%	
Other expenses	-	4,691	(4,691)	N/A	8
<b>Total expenses</b>	<b>61,535</b>	<b>64,599</b>	<b>(3,064)</b>	<b>-5.0%</b>	
<b>Surplus/(deficit) for the year</b>	<b>22,514</b>	<b>20,263</b>	<b>(2,251)</b>	<b>-10.0%</b>	

### (i) Explanation of material variations

Variance Ref	Item	Explanation
1	Rates and charges	Additional supplementary rates and charges not identified at the time of adoption of the 2014/15 budget.
2	User fees	Developer Contributions of \$1.206M included in the adopted budget for User fees, however the actual is included in Contributions-monetary.
3	Grants-operating	Income from the Victorian Grants Commission has exceeded budget by \$4.2M due to the income prepayment in June 2015. In addition Natural Disaster income has been transferred to Operational grants income, but budgeted in Capital Grants.
4	Grants- capital	Income was lower than budget for the Warragul Leisure Centre (\$2.0M) which reflects a timing difference. The project is ongoing in 2015/16.
5	Contributions- monetary	Contributions -monetary assets reflects Developer Contributions which were budgeted under "User Fees".
6	Contributions-non monetary	Contributions non-monetary assets is lower than budget due to a lower level of economic activity than anticipated, and the timing of completion of subdivisions.
7	Net gain (loss) on disposal of property, infrastructure, plant and equipment	Write off of buildings of \$1.5M following building demolition, which was unbudgeted. In addition, there has been a greater write off for Roads -Sealed Surfaces of \$503k than budgeted.
8	Materials and Services	All materials and services budgeted together, however further classified within the model accounts template. Combined there is an over expenditure on Road Maintenance of \$1.8M combined with expenditure on street lighting of \$1.1M that was included to the capital budget. In addition, Council identified unbudgeted operational expenditure of \$927k due to unspent grants received in the prior year.

# Notes to the Financial Report

## Note 2 Budget comparison (cont.)

### b) Capital Works

	Budget 2015 \$'000	Actual 2015 \$'000	Variance 2015 \$'000	Variance %	Ref
<b>Property</b>					
Land	413	49	(364)	-88.1%	
<b>Total Land</b>	<b>413</b>	<b>49</b>	<b>(364)</b>	<b>-88.1%</b>	
Buildings *	11,920	6,385	(5,535)	-46.4%	1
<b>Total Buildings</b>	<b>11,920</b>	<b>6,385</b>	<b>(5,535)</b>	<b>-46.4%</b>	
<b>Total Property</b>	<b>12,333</b>	<b>6,434</b>	<b>(5,899)</b>	<b>-47.8%</b>	
<b>Plant and Equipment</b>					
Plant, machinery and equipment	652	618	(34)	-5.3%	
Computers and telecommunications	1,619	1,125	(494)	-30.5%	
<b>Total Plant and Equipment</b>	<b>2,271</b>	<b>1,743</b>	<b>(528)</b>	<b>-23.2%</b>	
<b>Infrastructure</b>					
Roads *	9,289	8,945	(344)	-3.7%	
Bridges	1,138	396	(742)	-65.2%	2
Footpaths and cycleways *	387	372	(15)	-3.8%	
Drainage*	3,197	1,943	(1,254)	-39.2%	3
Open space and Recreational facilities *	1,709	1,458	(251)	-14.7%	
Waste management *	2,806	1,721	(1,085)	-38.7%	4
Other infrastructure	1,194	141	(1,053)	-88.2%	5
<b>Total Infrastructure</b>	<b>19,720</b>	<b>14,976</b>	<b>(4,744)</b>	<b>-24.1%</b>	
<b>Total Capital Works Expenditure</b>	<b>34,324</b>	<b>23,153</b>	<b>(11,171)</b>	<b>-32.5%</b>	
<b>Represented by:</b>					
New asset expenditure	5,976	4,247	(1,729)	-28.9%	
Asset renewal expenditure	17,296	12,869	(4,427)	-25.6%	
Asset upgrade expenditure	11,052	6,037	(5,015)	-45.4%	
<b>Total Capital Works Expenditure</b>	<b>34,324</b>	<b>23,153</b>	<b>(11,171)</b>	<b>-32.5%</b>	

### (i) Explanation of material variations

Variance Ref	Item	Explanation
1	Buildings	Two building projects are responsible for the majority of the variance on buildings, being the Warragul Leisure Centre (\$5.2M) and the West Gippsland Arts Centre (\$255k). This represents delay with expenditure carried over and expected to incur in 2015/16 financial year.
2	Bridges	Bridge works are ongoing into 2015/16, with planned carryovers on Bona Vista Rd Bridge (\$166k) and Lang Lang Park Road Bridge (\$690k).
3	Drainage	Copeland's Road and Waterford Rise Wetland project works completed under budget, with recognised savings.
4	Waste management	Trafalgar landfill rehabilitation is an ongoing project due to be completed in 2016/17.
5	Other infrastructure	Primarily due to timing variances on the Asset Management System Implementation (\$132k) and Warragul Leisure Centre Development Upgrade (\$968k). Both projects will continue implementation in 2015/16.

\* Capital works expenditure items that are not included to Capital expenditure acquisitions (refer Statement of Capital Works) comprise Waste \$1,692k, Natural Disaster expenditure \$532k and Current year capital transferred to operations \$1,515k. These items are included to Capital Works for budget purposes but excluded from Note 21 Property, Infrastructure, Plant and Equipment as they do not satisfy the criteria for recognition and measurement of Property, Infrastructure, Plant and Equipment (refer Note 1(m)). Waste \$1,692k is recognised as a reduction to the Landfill restoration provision (Note 25) and the remaining two items, Natural Disaster expenditure \$532k and Current year capital transferred to operations \$1,515k, are recognised as operating expenses within the Comprehensive Income Statement.

# Notes to the Financial Report

## Note 3 Rates and charges

Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The CIV of a property is its market value of land and improvements as of January 2014.

The valuation base used to calculate general rates for 2014/15 was \$9,041 million (2013/14 \$8,813million).

Category	Rate in the CIV dollar 2014/15	Rate in the CIV dollar 2013/14
Residential Land	0.004280	0.004142
Commercial and Industrial Land	0.005564	0.005384
Rural Farm Land	0.003852	0.003727
Urban Farm Land	0.003852	0.003727
Vacant Land	0.007705	0.008283

	2015 \$'000	2014 \$'000
Residential	24,476	22,728
Commercial and Industrial	3,706	3,519
Rural Farm Land	9,001	8,886
Urban Farm Land	73	70
Vacant land	2,321	2,469
Waste management charge	6,810	6,469
Supplementary rates, waste and adjustments	632	131
Cultural and recreational	39	40
<b>Total rates and charges</b>	<b>47,058</b>	<b>44,312</b>

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

## Note 4 Statutory fees and fines

Infringements and costs	195	153
Town planning fees	299	320
Certificates	111	104
Permits	482	273
Other fees	100	235
<b>Total statutory fees and fines</b>	<b>1,187</b>	<b>1,085</b>

## Note 5 User fees

Home Care	1,282	1,480
Arts Centre	1,006	1,361
Registration and other permits	509	498
Waste management services	187	221
Leases and rentals	128	260
Other fees and charges	225	252
<b>Total user fees</b>	<b>3,337</b>	<b>4,072</b>

# Notes to the Financial Report

	2015 \$'000	2014 \$'000
<b>Note 6 Grants</b>		
Grants were received in respect of the following :		
<b>Summary of grants</b>		
Commonwealth funded grants	16,202	7,898
State funded grants	9,069	11,779
<b>Total</b>	<u>25,270</u>	<u>19,676</u>
<b>Operating Grants</b>		
<b>Recurrent - Commonwealth Government</b>		
Victoria Grants Commission	12,436	4,156
Family day care	522	471
General home care	1,079	1,101
Aged care	340	337
<b>Recurrent - State Government</b>		
General home care	1,079	1,101
Aged care	340	337
School crossing supervisors	97	92
Maternal and child health	512	433
Community and cultural development	5	233
Community safety	125	124
Arts Centre	135	120
Preschool and early years	59	57
Environmental health and management/Landcare	170	168
Rural access inclusive communities	138	107
Disability	200	65
Other	190	10
<b>Total recurrent operating grants</b>	<u>17,427</u>	<u>8,912</u>
<b>Non-recurrent - Commonwealth Government</b>		
Other	53	11
<b>Non-recurrent - State Government</b>		
Community compliance	-	54
Economic development	175	292
Natural disaster	927	4,311
Other	78	139
<b>Total non-recurrent operating grants</b>	<u>1,233</u>	<u>4,807</u>
<b>Total operating grants</b>	<u>18,660</u>	<u>13,719</u>
<b>Capital Grants</b>		
<b>Recurrent - Commonwealth Government</b>		
Roads to recovery	1,342	1,772
<b>Recurrent - State Government</b>	-	-
<b>Total recurrent capital grants</b>	<u>1,342</u>	<u>1,772</u>
<b>Non-recurrent - Commonwealth Government</b>		
Public lighting	430	50
<b>Non-recurrent - State Government</b>		
Local and collector roads	1,136	733
Waste	43	-
Recreation	888	402
Bridges	547	337
Drainage	292	1,033
Footpaths and cycleways	30	37
Land	-	90
Buildings	1,887	1,503
Plant, fleet and machinery	15	-
<b>Total non-recurrent capital grants</b>	<u>5,268</u>	<u>4,185</u>
<b>Total capital grants</b>	<u>6,610</u>	<u>5,957</u>
<b>Conditions on grants</b>		
Grants recognised as revenue during the year that were obtained on condition that they be expended in a specified manner that had not occurred at balance date were:	2,161	3,023
Grants which were recognised as revenue in prior years and were expended during the current year in the manner specified by the grantor were:	2,614	3,159
Net increase/(decrease) in restricted assets resulting from grant revenues for the year:	<u>(453)</u>	<u>(136)</u>

# Notes to the Financial Report

	2015 \$'000	2014 \$'000
<b>Note 7 Contributions</b>		
(a)Monetary		
Open space	165	73
Other	18	60
Contribution to Developer Contribution Projects	800	579
	<u>983</u>	<u>712</u>
(b)Non-monetary		
Building	67	-
Drainage assets	2,518	555
Roads and footpath	5,138	1,608
Kerb and Channels	1,024	-
Land under roads	62	187
Land	176	1,228
	<u>8,985</u>	<u>3,578</u>
Total contributions	<u>9,968</u>	<u>4,290</u>
<i>Contributions of non monetary assets were received in relation to the following asset classes.</i>		
Land	238	1,415
Buildings	67	-
Infrastructure	8,680	2,163
<b>Note 8 Net gain/(loss) on disposal of property, infrastructure, plant and equipment</b>		
Proceeds of sale	939	203
Write down value of assets disposed and replaced	(4,353)	(4,762)
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	<u>(3,414)</u>	<u>(4,559)</u>
Reversal of impairment losses on revalued asset	-	2,708
Impairment losses on revalued asset	-	2,708
<b>Note 9 Other income</b>		
Interest	1,056	738
Other rent	147	123
Other	304	412
<b>Total other income</b>	<u>1,507</u>	<u>1,273</u>
<b>Note 10 (a) Employee costs</b>		
Wages and salaries	21,223	19,896
WorkCover	289	300
Casual staff	705	702
Superannuation	1,857	1,445
Fringe benefits tax	209	238
Other	181	802
<b>Employee costs</b>	<u>24,464</u>	<u>23,383</u>
Reclassified as Natural Disaster	-	(35)
<b>Total Employee Costs</b>	<u>24,464</u>	<u>23,348</u>
<b>Note 10 (b) Superannuation</b>		
Council made contributions to the following funds:		
<b>Defined benefit fund</b>		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	47	75
	<u>47</u>	<u>75</u>
<b>Accumulation funds</b>		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	1,810	1,370
Employer contributions - other funds	-	-
	<u>1,810</u>	<u>1,370</u>
Employer contributions payable at reporting date.	207	165

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

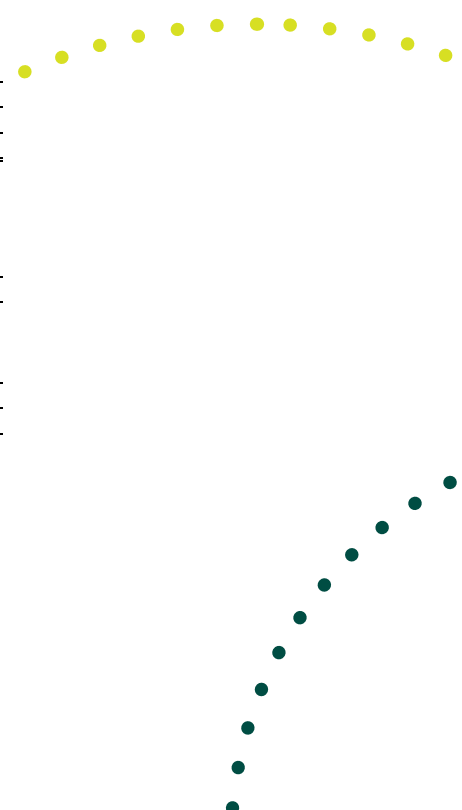
#### Accumulation

The Fund's accumulation categories, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2015, this was 9.5% required under Superannuation Guarantee legislation (for 2013/14, this was 9.25%)).

#### Defined Benefit

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

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



# Notes to the Financial Report

<b>Note 11 Materials and services</b>	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Materials and services	5,812	5,965
Contract payments	12,502	11,403
Building maintenance	731	676
General maintenance	681	488
Utilities	650	817
Office administration	938	383
Information technology	557	1,445
Insurance	533	650
Consultants	878	768
<b>Total materials and services</b>	<b>23,282</b>	<b>22,595</b>

<b>Note 12 Depreciation and amortisation</b>		
Property	1,825	1,936
Plant and equipment	846	969
Infrastructure	8,973	8,078
Landfill	26	26
Intangible assets	1	-
<b>Total depreciation and amortisation</b>	<b>11,671</b>	<b>11,009</b>

Refer to **Note 21** for a more detailed breakdown of depreciation and amortisation charges

<b>Note 13 Borrowing costs</b>		
Interest - Borrowings	491	505
<b>Total borrowing costs</b>	<b>491</b>	<b>505</b>

<b>Note 14 Other expenses</b>		
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	32	37
Auditors' remuneration - Internal	29	39
Councillors' allowances	289	271
Operating lease rentals	834	356
Bank charges	173	140
Contribution-WGRLC and Logan Park	1,631	1,606
Council grants	601	647
Natural disaster	532	2,039
Other	570	429
<b>Total other expenses</b>	<b>4,691</b>	<b>5,564</b>

# Notes to the Financial Report

	2015 \$'000	2014 \$'000
<b>Note 15 Investment in regional library corporation</b>		
<b>a) Investments in associates</b>		
Investments in associates accounted for by the equity method are:		
- West Gippsland Regional Library Corporation	989	1,040
<b>West Gippsland Regional Library Corporation</b>		
<i>Background</i>		
The West Gippsland Regional Library Corporation was established by an Order of the Governor in Council on the 11th December 1995 and is a body corporate. The Corporation's main office is located at 64 Victoria Street Warragul. Council holds a 41% interest in the West Gippsland Regional Library Corporation.		
<b>Fair value of Council's investment in West Gippsland Regional Library Corporation</b>	989	1,040
<b>Council's share of accumulated surplus/(deficit)</b>		
Council's share of accumulated surplus(deficit) at start of year	941	709
Reported surplus(deficit) for year	(51)	232
Transfers (to) from reserves	-	-
Distributions for the year	-	-
Council's share of accumulated surplus(deficit) at end of year	890	941
<b>Council's share of reserves</b>		
Council's share of reserves at start of year	99	99
Transfers (to) from reserves	-	-
Council's share of reserves at end of year	99	99
<b>Movement in carrying value of specific investment</b>		
Carrying value of investment at start of year	1,040	808
Share of surplus(deficit) for year	(51)	232
Share of asset revaluation	-	-
Distributions received	-	-
Carrying value of investment at end of year	989	1,040



# Notes to the Financial Report

	2015 \$'000	2014 \$'000
<b>Note 16 Cash and cash equivalents</b>		
Cash on hand	14	7
Cash at bank	5,503	10,389
At call account	5,509	2,000
Term deposits	3,961	6,000
	<u>14,987</u>	<u>18,396</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)	1,526	3,145
- Reserve funds allocated for specific purposes (Note 27)	5,563	4,335
Total restricted funds	<u>7,089</u>	<u>7,480</u>
<b>Total unrestricted cash and cash equivalents</b>	<u>7,898</u>	<u>10,916</u>
<b>Intended allocations</b>		
Although not externally restricted the following amounts have been allocated for specific future purposes by Council:		
- Cash held to fund carried forward capital works	5,641	3,940
<b>Total funds subject to intended allocations</b>	<u>5,641</u>	<u>3,940</u>
<b>Total unrestricted cash and cash equivalents adjusted for intended allocations</b>	<u>* 2,257</u>	<u>6,976</u>
* Total unrestricted cash excludes term deposits of \$13,002,000 that is disclosed at Note 18 Other financial assets		
<b>Note 17 Trade and other receivables</b>		
<b>Current</b>		
Rates debtors	3,287	2,357
Other debtors	2,067	278
Sundry debtors	613	1,580
Net GST receivable	717	504
Total current trade and other receivables	<u>6,684</u>	<u>4,719</u>
<b>Total trade and other receivables</b>	<u>6,684</u>	<u>4,719</u>
<b>a) Ageing of Receivables</b>		
At balance date sundry debtors representing financial assets were past due but not impaired. These amounts relate to a number of independent customers for whom there is no recent history of default. The ageing of the Council's trade & other receivables (excluding statutory receivables) was:		
Current (not yet due)	846	1,699
Past due by up to 30 days	1,612	56
Past due between 31 and 180 days	165	6
Past due between 181 and 365 days	25	97
Past due by more than 1 year	32	-
Total trade & other receivables	<u>2,680</u>	<u>1,858</u>
<b>Note 18 Other financial assets</b>		
Term deposits	13,002	-
<b>Total other financial assets</b>	<u>13,002</u>	<u>-</u>
<b>Note 19 Non current assets classified as held for sale</b>		
Cost of acquisition	251	519
<b>Total non current assets classified as held for resale</b>	<u>251</u>	<u>519</u>
<b>Note 20 Other assets</b>		
Prepayments	312	267
Accrued income	146	139
<b>Total other assets</b>	<u>458</u>	<u>406</u>

# Notes to the Financial Report

## Note 21 Property, infrastructure plant and equipment

Land and Buildings	Land - specialised	Land - non specialised	Landfill sites	Total Land	Buildings - specialised	Total Buildings	Work In Progress	Total Property
At fair value 1 July 2014	63,903	31,749	311	95,963	116,770	116,770	2,312	215,045
Accumulated depreciation at fair value 1 July 2014	-	-	(52)	(52)	(39,441)	(39,441)	-	(39,493)
	63,903	31,749	259	95,911	77,329	77,329	2,312	175,552
<b>Prior period adjustment as at 30/06/2014</b>								
Found asset at valuation *	1,116	1,177	-	2,293	2,503	2,503	-	4,796
Found asset accumulated depreciation at valuation	-	-	-	-	(1,308)	(1,308)	-	(1,308)
	65,019	32,926	259	98,204	78,524	78,524	2,312	179,040
<b>Restated Opening Balance</b>								
At fair value 1 July 2014 restated	65,019	32,926	311	98,256	119,273	119,273	2,312	219,841
Accumulated depreciation at fair value 1 July 2014 restated	-	-	(52)	(52)	(40,749)	(40,749)	-	(40,801)
	65,019	32,926	259	98,204	78,524	78,524	2,312	179,040
<b>Movements in fair value</b>								
Acquisition of assets at fair value	62	176	-	238	634	634	6,448	7,320
Revaluation increments/decrements	(4,637)	(8,464)	-	(13,101)	14,003	14,003	-	902
Fair value of assets disposed	-	(210)	-	(210)	(3,264)	(3,264)	-	(3,474)
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-
Transfers	67	38	-	105	(9,032)	(9,032)	(1,907)	(10,834)
	(4,508)	(8,460)	-	(12,968)	2,341	2,341	4,541	(6,086)
<b>Movements in accumulated depreciation at fair value</b>								
Depreciation and amortisation at fair value	-	-	(26)	(26)	(1,825)	(1,825)	-	(1,851)
Revaluation increments/decrements	-	-	-	-	(5,363)	(5,363)	-	(5,363)
Accumulated depreciation of disposals at fair value	-	-	-	-	1,463	1,463	-	1,463
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-
Transfers at value	-	-	-	-	1,863	1,863	-	1,863
	-	-	(26)	(26)	(3,862)	(3,862)	-	(3,888)
At fair value 30 June 2015	60,511	24,466	311	85,288	121,614	121,614	6,853	213,755
Accumulated depreciation at value 30 June 2015	-	-	(78)	(78)	(44,611)	(44,611)	-	(44,689)
	60,511	24,466	233	85,210	77,003	77,003	6,853	169,066

\* Found asset at valuation - Land \$4,085,000 found assets less \$1,792,000 removal not owned by Baw Baw Shire Council.

# Notes to the Financial Report

## Note 21 Property, infrastructure plant and equipment (cont'd)

	Plant machinery and equipment	Fixtures fittings and furniture	Work In Progress	Total plant and equipment
<b>Plant and Equipment</b>				
At cost 1 July 2014	6,293	4,208	3,349	<b>13,850</b>
Accumulated depreciation at 1 July 2014	(2,649)	(3,569)	-	<b>(6,218)</b>
	<u>3,644</u>	<u>639</u>	<u>3,349</u>	<u><b>7,632</b></u>
<b>Movements in cost</b>				
Acquisition of assets at cost	50	-	618	<b>668</b>
cost of assets disposed	(940)	-	-	<b>(940)</b>
Impairment losses recognised in operating result	-	-	-	-
Transfers	-	-	(1,763)	<b>(1,763)</b>
	<u>(890)</u>	<u>-</u>	<u>(1,145)</u>	<u><b>(2,035)</b></u>
<b>Movements in accumulated depreciation</b>				
Depreciation and amortisation	(621)	(168)	-	<b>(789)</b>
Accumulated depreciation of disposals	527	-	-	<b>527</b>
Impairment losses recognised in operating result	-	-	-	-
Transfers	-	-	-	-
	<u>(94)</u>	<u>(168)</u>	<u>-</u>	<u><b>(262)</b></u>
At cost 30 June 2015	5,403	4,208	2,204	<b>11,815</b>
Accumulated depreciation at 30 June 2015	(2,743)	(3,737)	-	<b>(6,480)</b>
	<u><b>2,660</b></u>	<u><b>471</b></u>	<u><b>2,204</b></u>	<u><b>5,335</b></u>

# Notes to the Financial Report

## Note 21 Property, infrastructure, plant and equipment (cont'd)

	Roads	Bridges and Major Culverts	Footpaths and cycleways	Drainage	Off street car parks	Open spaces and Recreational facilities	Work In Progress	Total Infrastructure
<b>Infrastructure</b>								
At fair value 30 June 2014	366,626	25,455	44,245	56,381	6,740	-	5,340	504,787
Accumulated depreciation at 30 June 2014	(52,535)	(7,804)	(4,499)	(9,260)	(2,118)	-	-	(76,216)
	314,091	17,651	39,746	47,121	4,622	-	5,340	428,571
<b>Prior period adjustment as at 30/06/2014</b>								
Found asset at valuation	-	-	(14,675)	-	-	-	-	(14,675)
Found asset accumulated depreciation at valuation	-	-	1,411	-	-	-	-	1,411
Accumulated depreciation at valuation adjustment	-	-	70	-	-	-	-	70
	314,091	17,651	26,552	47,121	4,622	-	5,340	415,377
<b>Restated Opening Balance</b>								
At fair value 1 July 2014 restated	366,626	25,455	29,570	56,381	6,740	-	5,340	490,112
Accumulated depreciation at 1 July 2014 restated	(52,535)	(7,804)	(3,018)	(9,260)	(2,118)	-	-	(74,735)
	314,091	17,651	26,552	47,121	4,622	-	5,340	415,377
<b>Movements in fair value</b>								
Acquisition of assets at fair value	11,102	601	1,753	6,135	33	2,840	16,086	38,550
Revaluation increments/decrements	-	(2,767)	-	-	-	-	-	(2,767)
Fair value of assets disposed	(2,749)	(373)	(9)	(86)	(38)	-	-	(3,255)
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	9,032	(17,659)	(8,627)
	8,353	(2,539)	1,744	6,049	(5)	11,872	(1,573)	23,901
<b>Movements in accumulated depreciation</b>								
Depreciation and amortisation	(7,464)	(290)	(467)	(563)	(154)	(36)	-	(8,974)
Revaluation increments/decrements	-	(1,454)	-	-	-	-	-	(1,454)
Accumulated depreciation of disposals	1,117	288	1	12	12	-	-	1,430
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	(1,862)	-	(1,862)
	(6,347)	(1,456)	(466)	(551)	(142)	(1,898)	-	(10,860)
At fair value 30 June 2015	374,979	22,916	31,314	62,430	6,735	11,872	3,767	514,013
Accumulated depreciation at 30 June 2015	(58,882)	(9,260)	(3,484)	(9,811)	(2,260)	(1,898)	-	(85,595)
	316,097	13,656	27,830	52,619	4,475	9,974	3,767	428,418

### Total property, infrastructure, plant and equipment

	Land and Buildings	Plant and Equipment	Infrastructure	Total
Fair value as at 30 June 2015	213,755	11,815	514,013	739,583
Accumulated depreciation as at 30 June 2015	(44,689)	(6,480)	(85,595)	(136,764)
	169,066	5,335	428,418	602,819

# Notes to the Financial Report

## Note 21 Property, infrastructure, plant and equipment cont'd

### Valuation of land and buildings

Valuation of land and buildings were undertaken by a qualified independent valuer Herron Todd White (Craig McMillan AAPI, registration no.62705 and Ben Walpole, AAPI). 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.

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.

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

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

	Level 1	Level 2	Level 3
Non Specialised Land	-	24,466	-
Specialised land	-	-	60,511
Landfill	-	-	233
Specialised Buildings	-	-	77,003
<b>Total</b>	-	<b>24,466</b>	<b>137,747</b>

### Valuation of infrastructure

Valuation of infrastructure assets has been determined in accordance with a Council's valuation undertaken by Teck Ting (Civil) MIE Aust, CP Eng.

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

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

	Level 1	Level 2	Level 3
Roads	-	-	316,097
Bridges	-	-	13,656
Footpaths and cycleways	-	-	27,830
Drainage	-	-	52,619
Open space and Recreational facilities	-	-	9,974
Other infrastructure	-	-	4,475
<b>Total</b>	-	-	<b>424,651</b>

# Notes to the Financial Report

Note 21 Property, infrastructure, plant and equipment cont'd	2015 \$'000	2014 \$'000
<i>Description of significant unobservable inputs into level 3 valuations</i>		
<p><b>Specialised land and land under roads</b> is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 5% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently specialised land is valued from \$0.46 to \$380 per square meter.</p>	60,511	65,019
<p><b>Specialised buildings</b> are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs is calculated on a square metre basis and ranges from \$169.00 to \$3,350.00 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 25 years to 50 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.</p>	77,003	78,524
<p><b>Infrastructure assets</b> 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 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.</p>	424,651	410,037
<b>Reconciliation of specialised land</b>		
Land under roads	17,911	17,849
Parks, Gardens & Reserves	23,793	26,364
Other	18,807	20,806
<b>Total specialised land</b>	<b>60,511</b>	<b>65,019</b>

## Notes to the Financial Report

	2015 \$'000	2014 \$'000
<b>Note 22 Intangible assets</b>		
Software	2,231	1
Total intangible assets	<u>2,231</u>	<u>1</u>
	<b>Software</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Gross carrying amount</b>		
Balance at 1 July 2013	882	882
Additions from internal developments	-	-
Other	-	-
Balance at 1 July 2014	<u>882</u>	<u>882</u>
Additions from internal developments	-	-
Other	2,231	-
Balance at 30 June 2015	<u>3,113</u>	<u>882</u>
<b>Accumulated amortisation and impairment</b>		
Balance at 1 July 2013	881	881
Amortisation expense	-	-
Balance at 1 July 2014	<u>881</u>	<u>881</u>
Amortisation expense	1	-
Balance at 30 June 2015	<u>882</u>	<u>881</u>
Net book value at 30 June 2014	-	1
Net book value at 30 June 2015	<u>2,231</u>	<u>1</u>
<b>Note 23 Trade and other payables</b>		
Trade and other payables	6,768	3,964
Accrued expenses	866	991
<b>Total trade and other payables</b>	<u>7,634</u>	<u>4,955</u>

# Notes to the Financial Report

	2015 \$'000	2014 \$'000
<b>Note 24 Trust funds and deposits</b>		
Refundable deposits	166	295
Refundable bonds	1,182	1,371
Fire services levy	42	1,393
Other refundable deposits	136	86
<b>Total trust funds and deposits</b>	<u>1,526</u>	<u>3,145</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.

**Note 25 Provisions**

	Landfill restoration \$ '000	Total \$ '000
<b>2015</b>		
Balance at beginning of the financial year	6,389	6,389
Additional provisions	578	578
Amounts used	(1,921)	(1,921)
Balance at the end of the financial year	<u>5,046</u>	<u>5,046</u>
<b>2014</b>		
Balance at beginning of the financial year	9,825	9,825
Additional provisions	-	-
Amounts used	(3,436)	(3,436)
Increase in the discounted amount arising because of time and the effect of any change in the discount rate	-	-
Balance at the end of the financial year	<u>6,389</u>	<u>6,389</u>

	2015 \$'000	2014 \$'000
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**(a) Employee provisions**

**Current provisions expected to be wholly settled within 12 months**

Annual leave	1,295	1,261
Long service leave	183	225
Other leave	167	-
	<u>1,645</u>	<u>1,486</u>

**Current provisions expected to be wholly settled after 12 months**

Annual leave	568	552
Long service leave	2,369	2,915
	<u>2,937</u>	<u>3,467</u>
Total current provisions	<u>4,582</u>	<u>4,953</u>

**Non-current**

Long service leave	1,013	667
Total non-current provisions	<u>1,013</u>	<u>667</u>

Aggregate carrying amount of employee provisions:

Current	4,582	4,953
Non-current	1,013	667
Total aggregate carrying amount of employee provisions	<u>5,595</u>	<u>5,620</u>

The following assumptions were adopted in measuring the present value of employee benefits:

Weighted average increase in employee costs	4.44%	4.00%
Weighted average discount rates	2.53%	3.13%
Weighted average settlement period	12 yrs.	12 yrs.



# Notes to the Financial Report

	2015 \$'000	2014 \$'000
<b>Note 25 Provisions (cont'd)</b>		
<b>(b) Land fill restoration</b>		
Current	1,975	2,893
Non-current	3,071	3,496
	<u>5,046</u>	<u>6,389</u>
<b>Total current provision</b>	6,557	7,846
<b>Total non-current provision</b>	4,084	4,163
<b>Note 26 Interest-bearing loans and borrowings</b>		
<b>Current</b>		
Borrowings - secured*	1,455	1,398
	<u>1,455</u>	<u>1,398</u>
<b>Non-current</b>		
Borrowings - secured*	8,001	5,041
	<u>8,001</u>	<u>5,041</u>
<b>Total</b>	<u>9,456</u>	<u>6,439</u>
a) The maturity profile for Council's borrowings is:		
Not later than one year	1,455	1,398
Later than one year and not later than five years	833	1,327
Later than five years	7,168	3,714
	<u>9,456</u>	<u>6,439</u>
c) Aggregate carrying amount of interest-bearing loans and borrowings:		
Current	1,455	1,398
Non-current	8,001	5,041
	<u>9,456</u>	<u>6,439</u>

\* Borrowings are secured by registered charge over general rates revenue of Council

# Notes to the Financial Report

## Note 27 Reserves

	Balance at beginning of reporting period	Increment (decrement)	Impairment	Balance at end of reporting period
	\$'000	\$'000	\$'000	\$'000
<b>(a) Asset revaluation reserves</b>				
<b>2015</b>				
<b>Property</b>				
Land	47,285	(13,101)	-	34,184
Buildings	47,924	8,640	-	56,564
	95,209	(4,461)	-	90,748
<b>Infrastructure</b>				
Roads, bridges and major culverts, footpaths and drainage	214,707	(4,221)	-	210,486
	214,707	(4,221)	-	210,486
<b>Other revaluation assets</b>				
West Gippsland Regional Library	99	-	-	99
	99	-	-	99
<b>Total asset revaluation reserves</b>	<b>310,015</b>	<b>(8,682)</b>	<b>-</b>	<b>301,333</b>
<b>2014</b>				
<b>Property</b>				
Land	47,285	-	-	47,285
Buildings	47,924	-	-	47,924
	95,209	-	-	95,209
<b>Infrastructure</b>				
Roads, bridges and major culverts, footpaths and drainage	113,230	98,769	2,708	214,707
	113,230	98,769	2,708	214,707
<b>Other revaluation assets</b>				
West Gippsland Regional Library	99	-	-	99
	99	-	-	99
<b>Total asset revaluation reserves</b>	<b>208,538</b>	<b>98,769</b>	<b>2,708</b>	<b>310,015</b>

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

	Balance at beginning of reporting period	Transfer from accumulated surplus	Transfer to accumulated surplus	Balance at end of reporting period
	\$'000	\$'000	\$'000	\$'000
<b>(b) Other reserves</b>				
<b>2015</b>				
Open space	566	165	-	731
Car parking	5	-	-	5
Development contribution levy	3,764	800	378	4,186
Land sales	-	491	-	491
Native Vegetation Offset Scheme	-	150	-	150
<b>Total Other reserves</b>	<b>4,335</b>	<b>1,606</b>	<b>378</b>	<b>5,563</b>
<b>2014</b>				
Open space	494	72	-	566
Car parking	5	-	-	5
Development contribution levy	3,185	579	-	3,764
<b>Total Other reserves</b>	<b>3,684</b>	<b>651</b>	<b>-</b>	<b>4,335</b>

# Notes to the Financial Report

## Note 28 Prior year adjustment

### REASONS FOR ADJUSTMENT:

1. Measurements of Footpaths were adjusted as at 30/06/2014 to correct an overstatement of Footpath infrastructure assets area. The adjustment includes some minor corrections to segmentation of assets.
2. Change of ownership was completed to recognise Footpath assets identified as controlled by third parties.
3. Council completed a control and ownership test on land, buildings and footpath and cycleways assets. This review resulted in the inclusion and exclusion of some asset items.
4. Council has completed an assessment on landfill provision. This review identified that the provision had not previously taken account of landfill aftercare and monitoring costs.
5. Movement of Net gain/(loss) on disposal of property, infrastructure, plant and equipment from Expenses to Income

### Restatement of Financial Statements as a Prior year adjustment

Financial Statement Line Item / Balance Affected	Note	Opening bal.		Restated	
		Actual 2014 \$'000	Adj.2014 \$'000	Adj.2014 \$'000	actual 2014 \$'000
<b>Comprehensive Income Statement (extract)</b>					
Total Income		74,940	-	(4,559)	70,381
Net gain/(loss) on disposal of property, infrastructure, plant and equip		(4,559)	-	4,559	-
Depreciation and amortisation	12	(11,079)	-	70	(11,009)
Material and services	11	(23,566)	-	971	(22,595)
Total expenses		(68,620)	-	5,600	(63,021)
Surplus/(deficit) for the year		6,319	-	1,041	7,360

### Balance Sheet (extract)

<b>Non-current assets</b>					
Property, infrastructure, plant and equipment	21	611,755	(9,775)	70	602,050
Total non-current assets		612,796	(9,775)	70	603,091
Total assets		636,837	(9,775)	70	627,131
<b>Current liability-Provision</b>					
Current liability-Provision		7,903	971	(1,028)	7,846
<b>Non-current liability-Provision</b>					
Non-current liability-Provision		381	3,725	57	4,163
Total liability		22,823	4,696	(971)	26,548
<b>Equity</b>					
Accumulated surplus		299,663	(14,471)	1,041	286,233
Reserves		314,350	-	-	314,350
Total Equity		614,013	(14,471)	1,041	600,583

### Statement of Changes in Equity

Accumulated Surplus		299,663	(14,471)	1,041	286,233
Balance at opening of the financial year		614,013	(14,471)	1,041	600,583

	2015	2014
	\$'000	\$'000
<b>Found and derecognised assets</b>		
Land	-	2,293
Buildings	-	1,196
Footpaths and cycleways	-	(13,264)
<b>Net found and derecognised assets</b>	-	(9,775)

### Details of found and derecognised assets

	Current Cost	Accumulated Depreciation	Written Down Value
Land	2,293	-	2,293
Buildings	2,503	(1,308)	1,196
Footpaths and cycleways	(14,675)	1,411	(13,264)
<b>Total found and derecognised assets</b>	(9,878)	103	(9,775)

## Note 29 Reconciliation of cash flows from operating activities to surplus/(deficit)

	2015	2014
Surplus/(deficit) for the year	20,263	7,360
Depreciation/amortisation	11,671	11,009
Finance cost	491	505
Profit/(loss) on disposal of property, infrastructure, plant and equipment	3,414	4,559
Contributions - Non-monetary assets	(8,985)	(3,578)
Share of net profits (losses) of associates accounted for by the equity method	51	(232)
<b>Change in assets and liabilities:</b>		
(Increase)/decrease in trade and other receivables	(1,965)	733
(Increase)/decrease in prepayments	(45)	(99)
(Increase)/decrease in accrued income	(7)	(84)
Increase/(decrease) in trade and other payables	3,272	2,629
Increase/(decrease) in provisions	(1,369)	(2,790)
Increase/(decrease) in Trust funds and deposits (including FSPL)	(1,619)	1,577
Net cash provided by/(used in) operating activities	<b>25,172</b>	<b>21,589</b>

## Notes to the Financial Report

	2015 \$'000	2014 \$'000
<b>Note 30 Financing arrangements</b>		
Bank overdraft	1,500	1,500
Used facilities	-	-
Unused facilities	<u>1,500</u>	<u>1,500</u>
Borrowings*		
Current	1,455	1,398
Non-current	<u>8,001</u>	<u>5,041</u>
Total borrowings	<u>9,456</u>	<u>6,439</u>

\* Borrowings are secured by registered charge over general rates revenue of Council.

### Note 31 Commitments

The Council has entered into the following commitments

2015	Not later than 1 year \$'000	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total \$'000
		\$'000	\$'000	\$'000	
<b>Operating</b>					
Recycling	1,285	1,285	1,285	-	3,855
Garbage collection	3,871	3,871	5,341	-	13,083
Consultancies	5	-	-	-	5
Cleaning contracts for council buildings	47	-	-	-	47
Meals for delivery	165	-	-	-	165
Other	670	571	979	244	2,464
Roads	4,355	4,355	13,065	-	21,775
Total	<u>10,398</u>	<u>10,082</u>	<u>20,670</u>	<u>244</u>	<u>41,394</u>
<b>Capital</b>					
Buildings	11,976	-	-	-	11,976
Landfill	867	-	-	-	867
Total	<u>12,843</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,843</u>

2014 (restated)	Not later than 1 year \$'000	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total \$'000
		\$'000	\$'000	\$'000	
<b>Operating</b>					
Recycling	668	668	2,003	-	3,339
Garbage collection	2,687	2,003	6,010	-	10,700
Consultancies (restated)	182	-	-	-	182
Meals for delivery	220	220	-	-	440
Other	1,575	727	2,334	-	4,636
Roads	4,412	-	-	-	4,412
Total	<u>9,744</u>	<u>3,618</u>	<u>10,347</u>	<u>-</u>	<u>23,709</u>
<b>Capital</b>					
Buildings	3	-	-	-	3
Landfill	950	-	-	-	950
Total	<u>953</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>953</u>

# Notes to the Financial Report

	2015	2014
	\$'000	\$'000
<b>Note 32 Operating leases</b>		
<b>(a) Operating lease commitments</b>		
At the reporting date, the Council had the following obligations under non-cancellable operating leases for the lease of equipment and land and buildings for use within Council's activities (these obligations are not recognised as liabilities):		
Not later than one year	506	247
Later than one year and not later than five years	1,385	107
Later than five years	244	-
	2,135	354

## Note 33 Contingent liabilities and contingent assets

### Contingent liabilities

#### 1. Defined benefit liabilities

Council has obligations under a defined benefit superannuation scheme that may result in the need to make additional contributions to the scheme to ensure that the liabilities of the fund are covered by the assets of the fund. As a result of the volatility in financial markets the likelihood of making such contributions in future periods exists. At this point in time it is not known if additional contributions will be required, their timing or potential amount.

#### Funding arrangements

Baw Baw Shire Council makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund's Actuary.

The Fund's latest actuarial investigation was held as at 30 June 2015 and it was determined that the vested benefit index (VBI) of the defined benefit category of which Baw Baw Shire Council is a contributing employer was 105.8%. To determine the VBI, the fund Actuary used the following long-term assumptions:

Net investment returns 7.0% pa

Salary information 4.25% pa

Price inflation (CPI) 2.75% pa.

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

#### Employer contributions

##### Regular contribution

On the basis of the results of the most recent full actuarial investigation conducted by the Fund's Actuary as at 30 June 2014, Baw Baw Shire 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 2015, this rate was 9.5% of members' salaries. This rate will increase in line with any increase to the Superannuation Guarantee (SG) contribution rate

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

#### Funding calls

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

The Fund's latest actuarial investigation was held as at 30 June 2015 and it was determined that the vested benefit index (VBI) of the defined benefit category of which Baw Baw Shire Council is a contributing employer was 105.8%.

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

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

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

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

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

# Notes to the Financial Report

## Note 33 Contingent liabilities and contingent assets (cont'd)

### Latest actuarial investigation surplus amounts

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

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

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

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

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

### Note 10(b) Superannuation contributions

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

Scheme	Type of scheme	Rate	2015 \$'000	2014 \$'000
Vision Super	Defined benefits	9.50%	47	75
Vision Super	Accumulation	9.50%	1,810	1,370

There were \$207,000 contributions outstanding and no loans issued from or to the above schemes as at 30 June 2015.

The expected contributions to be paid to the defined benefit category of Vision Super for the year ending 30 June 2016 is \$118,000.

### 2. Landfill rehabilitation liabilities

Council previously operated a landfill at Trafalgar. Operations ceased at the landfill in November 2011. Council is continuing to carry out site rehabilitation works. At balance date, Council has a landfill provision with a balance of \$5.046 million.

### 3. Bank Guarantees

Council was the Contractor for 3 State Government contracts and took 3 bank guarantees as detailed below. After a review of these bank guarantees, Council has served its obligation and is going to request Bank to discharge these 3 bank guarantees in 15/16 financial year. Council also took a bank guarantee for landfill rehabilitation obligation. This bank guarantee is still active and will be fully discharged when Council finishes its 30 years landfill aftercare program.

Number	Amount	Issue Date	Favouree	Status
4169	\$4,500	19/07/1991	Department Of manufacturing & industry	Contract Expired, bank guarantees to be released
4173	\$10,000	13/01/1988	Department of industry and Technology	Contract Expired, bank guarantees to be released
65301	\$15,000	31/12/1997	Department of natural resources and Environment	Contract Expired, bank guarantees to be released
306398	\$446,688	24/06/2008	State of Victoria environment protection authority	Active
Total	\$476,188			

### 4. Legal Proceedings

Council had received a claim from a contractor for additional costs, while undertaking a contract. Council is defending the claim.

# Notes to the Financial Report

## Note 34 Financial Instruments

### (a) Objectives and policies

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

### (b) Market risk

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

#### Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Council 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 rate.

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

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

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

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

### (c) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause us to make a financial loss. We have exposure to credit risk on some financial assets included in our balance sheet. To help manage this risk:

- we have a policy for establishing credit limits for the entities we deal with;
- we may require collateral where appropriate; and
- we only invest surplus funds with financial institutions which have a recognised credit rating specified in our 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.

We may also be subject to credit risk for transactions which are not included in the balance sheet, such as when we provide a guarantee for another party. Details of our contingent liabilities are disclosed in **Note 33**.

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.

### (d) Liquidity risk

Liquidity risk includes the risk that, as a result of our operational liquidity requirements or we will not have sufficient funds to settle a transaction when required, we 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 in the face of the balance sheet and the amounts related to financial guarantees disclosed in **Note 33**, 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

# Notes to the Financial Report

## Note 34 Financial Instruments (cont'd)

### e) Fair value

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

#### *Fair value hierarchy*

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

### (f) Sensitivity disclosure analysis

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

- A parallel shift of + 1.5% and -0.5% 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.



# Notes to the Financial Report

## Note 35 Related party transactions

### (i) Responsible Persons

Names of persons holding the position of a Responsible Person at the Council at any time during the year are:

**Councillors** Councillor D Brown (Mayor since 19 November 2014 )  
Councillor J Gauci (Deputy Mayor)  
Councillor M Cook ( Mayor until 18 November 2014 )  
Councillor G Murphy  
Councillor M Power  
Councillor T Jones  
Councillor P Kosto  
Councillor D Balfour

**Chief Executive Officer** Helen Anstis  
Matthew Cripps (Acting 15/11/2014 to 26/11/2014)

### (ii) Remuneration of Responsible Persons

The numbers of Responsible Persons whose total remuneration from Council and any related entities, excluding retirement benefits, fall within the following bands:

	2015 No.	2014 No.
\$1 - \$9,999	1	1
\$20,000 - \$29,999	7	8
\$40,000 - \$49,999	1	-
\$50,000 - \$59,999	1	-
\$70,000 - \$79,999	-	1
\$240,000 - \$249,999	-	1
\$250,000 - \$259,999	1	-
	11	11

Total Remuneration for the reporting year for Responsible Persons included above amounted to:

550                      524

### (iii) Senior Officers Remuneration

A Senior Officer other than a Responsible Person, is an officer of Council who:  
a) has management responsibilities and reports directly to the Chief Executive; or  
b) whose total annual remuneration exceeds \$136,000

The number of Senior Officers other than the Responsible Persons, are shown below in their relevant income bands:

Redundancies	Income Range:	2015 No.	2014 No.
	<\$136,000	1	1
	\$136,000 - \$139,999	2	3
* 1	\$140,000 - \$149,999	7	1
* 3	\$150,000 - \$159,999	3	-
* 1	\$170,000 - \$179,999	1	2
* 2	\$180,000 - \$189,999	4	1
* 1	\$190,000 - \$199,999	2	-
* 1	\$210,000 - \$219,999	1	-
* 1	\$230,000 - \$239,999	1	-
* 1	\$240,000 - \$249,999	1	-
* 1	Over \$339,000	1	-
		24	8
		\$4,008	\$1,175

Total Remuneration for the reporting year for Senior Officers included above, amounted to

Note: The 2014-15 senior officer remuneration includes one-off redundancies (comprising redundancy payments, leave entitlements and normal pays) for 12 officers that total \$2,386,000. Senior officer remuneration, that is the subject of the one off redundancies, are identified by an \* with the number of redundancies for each income range. For comparative purposes the 2014-15 senior officer remuneration, excluding redundancies, comprises 12 officers and totals \$1,622,000. (2014:\$1,175,000)

### (iv) Responsible persons retirement benefits

The aggregate amount paid during the reporting period by Council in connection with the retirement of responsible persons was \$0 (2013/14 - \$0)

# Notes to the Financial Report

## Note 35 Related party transactions (cont'd)

### (v) Loans to responsible persons

No loans in existence at balance date that have been made, guaranteed or secured by the council to a responsible person of the council, or a related party of a responsible person.

### (vi) Transactions with responsible persons

In addition to remuneration payments or the reimbursement of approved expenses, the following transactions were entered into by Council with Responsible Persons, or Related Parties of such Responsible Persons during the reporting year.

#### 2014/15

Councillor Debbie Brown	Browns Transport and Earthmoving Pty Ltd	\$580,880.24
Councillor Joe Gauci	Gauci Electrics Pty Ltd	\$118,008.34

#### 2013/14

Councillor Debbie Brown	Browns Transport and Earthmoving Pty Ltd	\$412,833.61
Councillor Joe Gauci	Gauci Electrics Pty Ltd	\$42,477.26

*All transactions with related parties are in accordance with standard Council conditions of procurement.*

## Note 36 Events occurring after balance date

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

## Note 37 Special committees and other activities

The following Section 86 Committees have been excluded from Council's financial statements:

Athlone Recreation Reserve  
Bellbird Park Recreation Reserve  
Bellbird Park Synthetic Sports and Hockey Facility  
Buln Buln Recreation Reserve  
Crossover School Site  
Damum Memorial Hall  
Downton Park Recreation Reserve  
Ellinbank Public Hall  
Ellinbank Recreation Reserve  
Erica Community Committee of Management  
Lardner Public Hall and Recreation Reserve  
Narracan Public Hall  
Neerim South Recreation Reserve  
Nilma North and Lillico Memorial Hall  
Tetoora Road Community Centre  
Trafalgar Recreation Reserve  
Western Park Reserve

# 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.

Malcolm Lewis MBA FCPA GAICD  
Principal Accounting Officer



Date :  
Warragul

<Date> 23/09/15

In our opinion the accompanying financial statements present fairly the financial transactions of Baw Baw Shire Council for the year ended 30 June 2015 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.



Councillor Peter Kostos  
Councillor

Date :  
Warragul

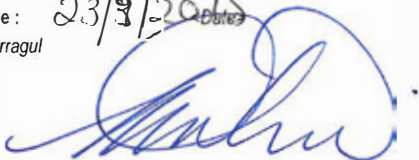
23/09/15 <Date>



Councillor Mikaela Power  
Councillor

Date :  
Warragul

23/9/2015 <Date>



Helen Anstis  
Chief Executive Officer

Date :  
Warragul

23/9/2015 <Date>

## INDEPENDENT AUDITOR'S REPORT

### To the Councillors, Baw Baw Shire Council

#### *The Financial Report*

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

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

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

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

#### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

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

## Independent Auditor's Report (continued)

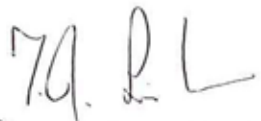
### *Independence*

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

### *Opinion*

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

MELBOURNE  
25 September 2015

  
Dr Peter Frost  
Acting Auditor-General

# Performance Statement

Ref  
Reg

17(1)

## Description of municipality

Baw Baw Shire Council is approximately 100 kilometres east of Melbourne in West Gippsland. The shire was formed in 1994 from the amalgamation of the former Buln Buln and Narracan Shires, the Rural City of Warragul, and some parts of the Shire of Upper Yarra.

The northern half of the shire is heavily forested and lies in the Great Dividing Range and its foothills, including parts of the Mt Baw Baw National Park, while the shire is bounded by the Strzelecki Range and its foothills to the south. The middle part of the shire is more densely populated, particularly in areas close to the Princes Highway and the Gippsland railway line, but still retains its rural environment.

Baw Baw's main industries (in terms of economic value of output) include manufacturing; construction; rental, hiring and real estate; agriculture, forestry and fishing; and health care and social assistance.

The council covers an area of 4,027 square kilometres and has a population of 45,945 (estimated resident population as of 30 June 2014).

## Sustainable Capacity Indicators

Ref Reg	Indicator/measure	Results 2015	Material Variations/Comments
15(3) Sch3	<b>Own-source revenue</b> <i>Own-source revenue per head of municipal population</i> [Own-source revenue / Municipal population]	\$1,080	This indicates Council's capacity to generate own source revenue (mainly rates and user charges) per head of population. The result for 2014/15 reflects a favourable position and ongoing sustainability.
16(1) 17(2)	<b>Recurrent grants</b> <i>Recurrent grants per head of municipal population</i> [Recurrent grants / Municipal population]	\$409	Council received recurrent grants of \$18,769,000 during the year. This is higher than expected mainly due to Victoria Grants Commission payment of \$4 million received in advance.
	<b>Population</b> <i>Expenses per head of municipal population</i> [Total expenses / Municipal population]	\$1,406	Council's total expenses were \$64,599,000 during 2014/15, resulting in a cost to deliver Council services per head of population of \$1,406.
	<i>Infrastructure per head of municipal population</i> [Value of infrastructure / Municipal population]	\$11,266	The value of the municipality's infrastructure was \$11,266 per head of population. Increased investment in the annual capital works program has resulted in a corresponding and increased (favourable) result.
	<i>Population density per length of road</i> [Municipal population / Kilometres of local roads]	26	At the end of 2014/15, there were 26 residents for each kilometre of local roads.
	<b>Disadvantage</b> <i>Relative socio-economic disadvantage</i> [Index of Relative Socio-economic Disadvantage by decile]	6	The Australian Bureau of Statistics (ABS) prepares an index of relative socio-economic disadvantage. The result for the municipality is six, where one is the most disadvantaged and 10 is the least disadvantaged.

## Service Performance Indicators

Ref Reg	Service/ indicator/ measure	Results 2015	Material Variations/Comments
15(1) Sch3 16(1) 17(2)	<b>Governance</b> <b>Satisfaction</b> <i>Satisfaction with council decisions</i> [Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]	53	The annual Community Satisfaction Survey assesses the community's satisfaction with Council's performance. Satisfaction with Council decisions was rated as 53 out of 100, two more than obtained in 2013/14.
	<b>Statutory Planning</b> <b>Decision making</b> <i>Council planning decisions upheld at VCAT</i> [Number of VCAT decisions that did not set aside council's decision in relation to a planning application / Number of VCAT decisions in relation to planning applications] x100	75.0%	Over the 14/15 financial year, the Victorian Civil and Administrative Tribunal made 12 decisions in relation to Baw Baw planning applications. Of these, nine Council decisions were upheld.
	<b>Roads</b> <b>Satisfaction</b> <i>Satisfaction with sealed local roads</i> [Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]	36	The annual Community Satisfaction Survey assesses the community's satisfaction with Council's performance. Satisfaction with sealed local roads was rated as 36 out of 100, one more than obtained in 2013/14.
	<b>Libraries</b> <b>Participation</b> <i>Active library members</i> [Number of active library members / Municipal population] x100	20.8%	During the year, 9,549 library members borrowed a library collection item, which represents 20.8 per cent of the estimated resident Baw Baw population.
	<b>Waste Collection</b> <b>Waste diversion</b> <i>Kerbside collection waste diverted from landfill</i> [Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100	53.1%	In 2014/15 over half of the Shire's waste was recycled or placed into the green organics bin, rather than into landfill.
	<b>Aquatic facilities</b> <b>Utilisation</b> <i>Utilisation of aquatic facilities</i> [Number of visits to aquatic facilities / Municipal population]	2	Council's aquatic facilities include Drouin, Neerim South, Rawson, Trafalgar, and Thorpdale Pools and the Warragul Leisure Centre. There were a total of 101,836 visits made to these pools during the year. The door counter at the Warragul Leisure Centre recorded 250,428 visits to the Centre; however issues with the door counter during the year make these figures unreliable. Council will investigate the installation of a more reliable door counter system to improve monitoring against this performance measure.



# Notes to the Financial Report

Ref Reg	Service/ <i>indicator</i> / <i>measure</i>	Results 2015	Material Variations/Comments
	<b>Animal management</b> <b>Health and safety</b> <i>Animal management prosecutions</i> [Number of successful animal management prosecutions]	1	One animal management prosecution was undertaken in 2014/15, which was successful.
	<b>Food safety</b> <b>Health and safety</b> <i>Critical and major non-compliance notifications</i> [Number of critical non-compliance notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance notifications and major non-compliance notifications about food premises] x100	60.7%	During the year, Council recorded 163 critical non-compliance notifications and major non-compliance notifications about food premises, and followed up 99 of these.
	<b>Home and community care</b> <b>Participation</b> <i>Participation in HACC service</i> [Number of people that received a HACC service / Municipal target population for HACC services] x100	44.4%	During the year 2,039 people received a Home and Community Care service out of a target population of 4,588.
	<b>Participation</b> <i>Participation in HACC service by CALD people</i> [Number of CALD people who receive a HACC service / Municipal target population in relation to CALD people for HACC services] x100	32.6%	During the year 173 culturally and linguistically diverse (CALD) people received a Home and Community Care service out of a target population of 531.
	<b>Maternal and child health</b> <b>Participation</b> <i>Participation in the MCH service</i> [Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100	77.0%	During the year, 2,352 children were enrolled in the Maternal and Child Health service and 1,810 of those children attended the service at least once during the year.
	<b>Participation</b> <i>Participation in the MCH service by Aboriginal children</i> [Number of Aboriginal children who attend the MCH service at least once (in the year) / Number of Aboriginal children enrolled in the MCH service] x100	65.2%	Forty-six Aboriginal children were enrolled in the Maternal and Child Health service and 30 of those children attended the service at least once during the year.

# Financial Performance Indicators

Ref Reg	Dimension / Indicator / measure	Results					Forecasts			Material Variations / Comments
		2015	2016	2017	2018	2019				
15(2) Sch3 16(1) 16(2) 17(2) 17(3)	<b>Operating position</b> <b>Adjusted underlying result</b> <i>Adjusted underlying surplus (or deficit) /</i> [Adjusted underlying surplus (deficit) / Adjusted underlying revenue] x100	7.2%	0.7%	5.8%	4.7%	1.5%				The result indicates that Council generated an underlying operating surplus during 2014/15.
	<b>Liquidity</b> <b>Working capital</b> <i>Current assets compared to current liabilities</i> [Current assets / Current liabilities] x100	206.0%	129.3%	135.3%	143.3%	147.2%				Council has assets of \$35,382,000 and liabilities of \$17,172,000. The result indicates improved working capital and the ability to adequately meet liabilities as they fall due.
	<b>Unrestricted cash</b> <i>Unrestricted cash compared to current liabilities</i> [Unrestricted cash / Current liabilities] x100	82.13%	64.1%	66.7%	75.2%	72.1%				The result indicates Council's ability to meet liabilities as they fall due from available (unrestricted) cash.
	<b>Obligations</b> <b>Loans and borrowings</b> <i>Loans and borrowings compared to rates</i> [Interest bearing loans and borrowings / Rate revenue] x100	20.1%	22.9%	19.5%	16.0%	14.0%				Total debt as a percentage of rates is 20.1%, and is well within Council's Borrowing Policy that allows for a maximum of 40% debt to rates.
	<i>Loans and borrowings repayments compared to rates</i> [Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100	4.0%	4.3%	3.9%	3.7%	2.2%				Council paid \$1,883,000 in principal and interest against its borrowings compared to rate revenue received of \$47,058,000. The result indicates Council's adequate ability to meet debt commitments from rate revenue.
	<b>Indebtedness</b> <i>Non-current liabilities compared to own source revenue</i> [Non-current liabilities / Own source revenue] x100	24.4%	25.6%	22.3%	20.3%	19.0%				The Victorian Auditor General (VAGO) has identified 40% or less as low risk. Council's result of 24.4% is well within the VAGO threshold of low risk for indebtedness.

# Financial Performance Indicators

Ref Reg	Dimension / indicator / measure	Results			Forecasts			Material Variations / Comments
		2015	2016	2017	2018	2019		
	<b>Asset renewal</b> Asset renewal compared to depreciation [Asset renewal expenses / Asset depreciation] x100	110.3%	153.7%	102.5%	87.6%	69.2%	Investment in asset renewal exceeds the rate of depreciation indicating a favourable result and net reduction to the infrastructure gap.	
	<b>Stability</b> <b>Rates concentration</b> Rates compared to adjusted underlying revenue [Rate revenue / Adjusted underlying revenue] x100	67.6%	74.3%	71.4%	71.5%	71.5%	Council received \$47,058,000 in rates revenue in 2014/15 out of total adjusted underlying revenue of \$69,627,000. The result indicates that Council is reliant on rates revenue for 67.6% of total revenue.	
	<b>Rates effort</b> Rates compared to property values [Rate revenue / Capital improved value of rateable properties in the municipality] x100	0.5%	0.5%	0.5%	0.5%	0.6%	Council received \$47,058,000 in rates revenue in 2014/15. This result remains constant at 0.5% due to minimal movement in valuations relative to movement in rate revenue.	
	<b>Efficiency</b> <b>Expenditure level</b> Expenses per property assessment [Total expenses / Number of property assessments]	\$2,722	\$2,679	\$2,632	\$2,646	\$2,714	Council's total expenses were \$64,599,000 during 2014/15, resulting in a cost to deliver Council services per property assessment of \$2,722.	
	<b>Revenue level</b> Average residential rate per residential property assessment [Residential rate revenue / Number of residential property assessments]	\$1,643	\$1,680	\$1,699	\$1,715	\$1,731	The average rates payable for each residential property for 2014/15 was \$1,643.	
	<b>Workforce turnover</b> Resignations and terminations compared to average staff [Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100	16.7%	8.1%	8.1%	8.1%	8.1%	Fifty-five of Council's permanent staff either resigned or had their employment terminated during the year out of a total average of 330 permanent staff.	

## Other Information

Ref  
Reg

### Basis of preparation

Council is required to prepare and include a performance statement within its annual report. The performance statement includes the results of the prescribed sustainable capacity, service performance and financial performance indicators and measures together with a description of the municipal district and an explanation of material variations in the results. This statement has been prepared to meet the requirements of the *Local Government Act 1989* and Local Government (Planning and Reporting) Regulations 2014.

Where applicable the results in the performance statement have been prepared on accounting bases consistent with those reported in the Financial Statements. The other results are based on information drawn from council information systems or from third parties (e.g. Australian Bureau of Statistics).

The performance statement presents the actual results for the current year and for the prescribed financial performance indicators and measures, the results forecast by the council's strategic resource plan. The Local Government (Planning and Reporting) Regulations 2014 requires explanation of any material variations in the results contained in the performance statement.

The forecast figures included in the performance statement are those adopted by council in its strategic resource plan on 28 June 2015 and which forms part of the Council Plan and Budget. The strategic resource plan includes estimates based on key assumptions about the future that were relevant at the time of adoption and aimed at achieving sustainability over the long term. Detailed information on the actual financial results is contained in the General Purpose Financial Statements. The strategic resource plan can be obtained from Council's website as part of the Council Plan and Budget documents, or by contacting council.

## Certification of the Performance Statement

Ref  
Reg

18(1)

In my opinion, the accompanying performance statement has been prepared in accordance with the *Local Government Act 1989* and the Local Government (Planning and Reporting) Regulations 2014.



Malcolm Lewis MBA FCPA GAICD

**Principal Accounting Officer**

**Dated:** 23/09/15

18(2)

In our opinion, the accompanying performance statement of the Baw Baw Shire Council for the year ended 30 June 2015 presents fairly the results of council's performance in accordance with the *Local Government Act 1989* and the Local Government (Planning and Reporting) Regulations 2014.

The performance statement contains the relevant performance indicators, measures and results in relation to service performance, financial performance and sustainable capacity.

At the date of signing, we are not aware of any circumstances that would render any particulars in the performance statement to be misleading or inaccurate.

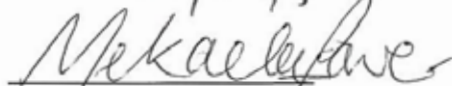
We have been authorised by the council and by the Local Government (Planning and Reporting) Regulations 2014 to certify this performance statement in its final form.



Councillor Peter Kostos

**Councillor**

**Dated:** 23/09/15



Councillor Mikaela Power

**Councillor**

**Dated:** 23/9/2015



Helen Anstis

**Chief Executive Officer**

**Dated:** 23/9/2015

## INDEPENDENT AUDITOR'S REPORT

### To the Councillors, Baw Baw Shire Council

#### *The Performance Statement*

The accompanying performance statement for the year ended 30 June 2015 of Baw Baw Shire Council which comprises the statement, the related notes and the certificate of the performance statement has been audited.

#### *The Councillors' Responsibility for the Performance Statement*

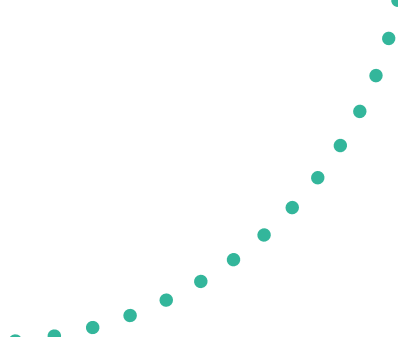
The Councillors of Baw Baw Shire Council are responsible for the preparation and fair presentation of the performance statement in accordance with the *Local Government Act 1989* and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the performance statement that is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the performance statement. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the performance statement, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the performance statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the overall presentation of the performance statement.

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



## Independent Auditor's Report (continued)


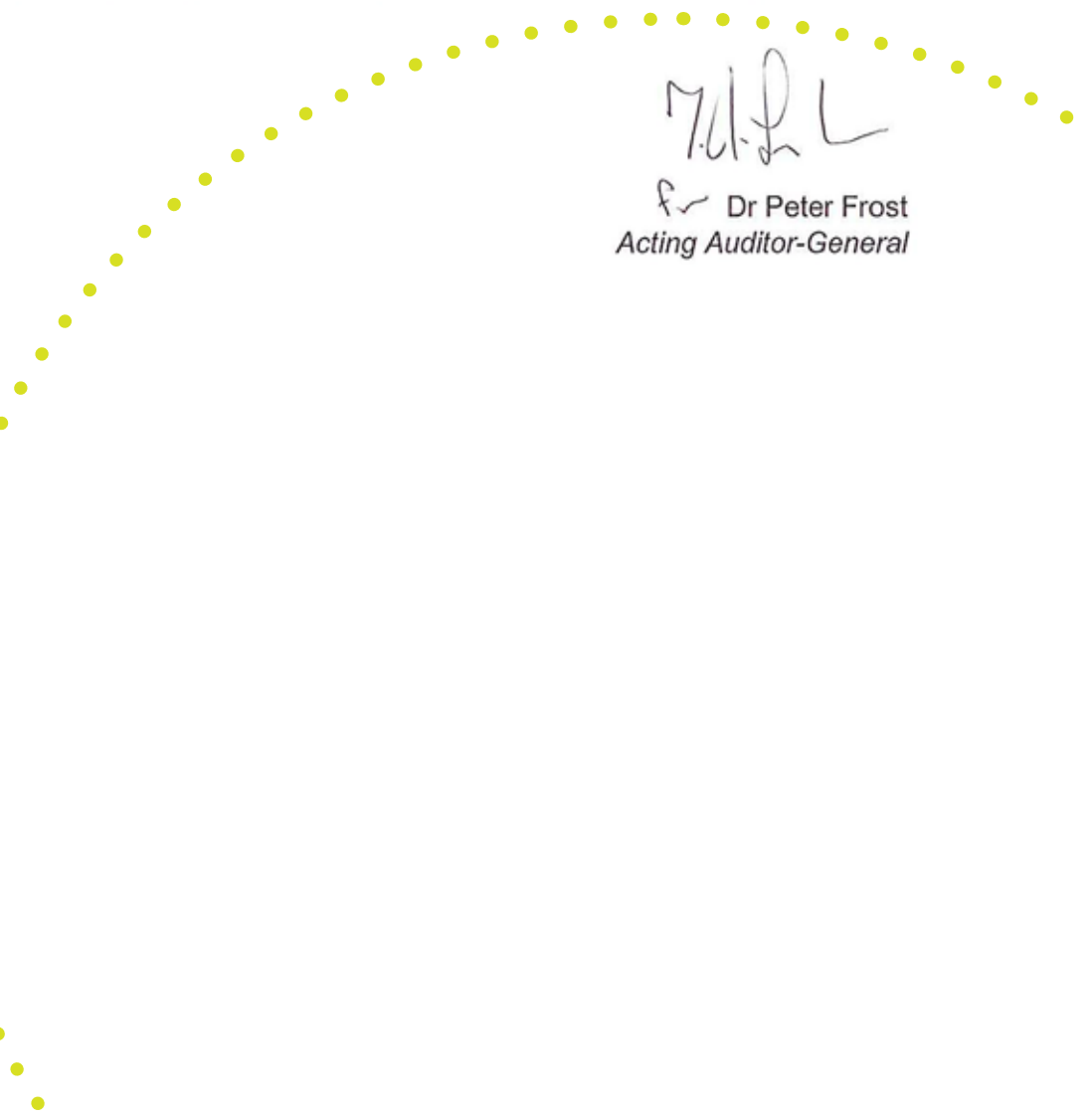
### *Independence*

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

### *Auditor's Opinion*

In my opinion, the performance statement of Baw Baw Shire Council in respect of the 30 June 2015 financial year presents fairly, in all material respects, in accordance with the *Local Government Act 1989*.

MELBOURNE  
25 September 2015



Dr Peter Frost  
Acting Auditor-General



## Contact Us

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