



**ANNUAL
FINANCIAL
REPORT
2013/14**

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understanding the financial statements

The Financial Statements compare the current 2013/14 financial year to the previous 2012/13 financial year. They comprise two main sections namely the main statements and the notes.

There are four main statements:

1. Comprehensive Income Statement
2. Balance Sheet
3. Statement of Changes in Equity
4. Cash Flow 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. Cash Flow Statement

The Cash Flow Statement 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.

Comprehensive Income Statement

	Note	2014	2013
		\$'000	\$'000
Income			
Rates and charges	2	44,312	41,484
Statutory fees and fines	3	1,085	1,381
User fees	4	4,072	3,844
Grants - Operating (recurrent)	5	8,731	12,243
Grants - Operating (non-recurrent)	5	677	707
Grants - Natural disaster	5	4,311	6,063
Grants - Capital (recurrent)	5	1,772	596
Grants - Capital (non-recurrent)	5	4,185	2,484
Contributions - cash	6 (a)	712	971
Contributions - non-monetary assets	6 (b)	3,578	10,823
Other income	8	1,273	1,431
Share of net profits/(losses) of associates and joint ventures accounted for by the equity method	14	232	186
Total income		74,940	82,213
Expenses			
Employee costs	9	(23,348)	(22,222)
Materials and services	10	(24,268)	(23,933)
Depreciation and amortisation	11	(11,079)	(10,037)
Borrowing costs	12	(505)	(540)
Other expenses-General	13	(2,822)	(2,807)
Other expenses-Natural disaster	13	(2,039)	(9,672)
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	7(a)	(125)	(8)
Loss on renewal of assets	7(b)	(4,434)	(1,203)
Total expenses		(68,620)	(70,422)
Surplus/(deficit) for the year		6,320	11,791
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment(decrement)	19	98,769	26,499
Reversal of impairment losses on revalued assets	7(c)	2,708	-
Impairment losses on revalued assets	7(c)		(891)
Total comprehensive result		107,797	37,399

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

Balance Sheet

	Note	2014	2013	2012
			Restated	Restated
		\$'000	\$'000	\$'000
Assets				
Current assets				
Cash and cash equivalents	15	18,396	20,727	14,239
Trade and other receivables	16	4,858	5,510	6,097
Non- current assets classified as held for sale	17	519	-	150
Other assets	18	268	169	136
Total current assets		24,041	26,406	20,622
Non-current assets				
Investments in regional library corporation	14	1,040	808	622
Property, infrastructure, plant and equipment	19	611,755	505,606	475,615
Intangible assets	21	1	1	1
Total non-current assets		612,796	506,415	476,238
Total assets		636,837	532,821	496,860
Liabilities				
Current liabilities				
Trade and other payables	22	6,349	6,457	4,654
Trust funds and deposits	23	1,752	1,568	1,387
Provisions	24	7,903	7,421	6,282
Interest-bearing loans and borrowings	25	1,398	2,038	1,827
Total current liabilities		17,402	17,484	14,150
Non-current liabilities				
Provisions	24	381	2,683	4,000
Interest-bearing loans and borrowings	25	5,041	6,438	6,476
Superannuation liability - Vision Super		-	-	3,416
Total non-current liabilities		5,422	9,121	13,892
Total liabilities		22,824	26,605	28,042
Net Assets		614,013	506,216	468,818
Equity				
Accumulated surplus		299,663	293,995	283,096
Reserves	26	314,350	212,221	185,722
Total Equity		614,013	506,216	468,818

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

Statement of Changes in Equity

	Note	Total 2014 \$'000	Accumulated Surplus 2014 \$'000	Revaluation Reserve 2014 \$'000	Other Reserves 2014 \$'000
2014					
Balance at beginning of the financial year		506,216	293,995	208,538	3,683
Comprehensive result	27	6,320	6,320	-	-
Net asset revaluation increment(decrement)	19	98,769	-	98,769	-
Reversal of impairment losses on revalued assets	7(c)	2,708	-	2,708	-
Transfers to other reserves	26	-	(652)	-	652
Balance at end of the financial year		614,013	299,663	310,015	4,335

		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2013 Restated					
Balance at beginning of the financial year (as reported)		453,062	267,340	182,930	2,792
Change in accounting policy (Land under roads)	20(b)	15,949	15,949	-	-
Found assets	20(a)	(194)	(194)	-	-
Restated opening balance		468,817	283,095	182,930	2,792
Comprehensive result	27	11,791	11,791	-	-
Net asset revaluation increment (decrement)	19	26,499	-	26,499	-
Impairment losses on revalued assets	7(c)	(891)	-	(891)	-
Transfers to other reserves	26	-	(891)	-	891
Balance at end of the financial year		506,216	293,995	208,538	3,683

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

Statement of Cash Flows

	Note	2014 Inflows/ (Outflows) \$'000	2013 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rates and charges		44,245	40,994
Statutory fees and fines		1,085	1,381
User charges and other fines		4,072	3,429
Grants		16,548	18,173
Developer contributions		712	971
Grants- Natural disaster		5,075	5,551
Interest		654	907
Other receipts		535	507
Net GST refund/ (payment)		281	(119)
Employee costs		(23,158)	(22,030)
Superannuation shortfall to the Defined Benefits Fund		-	(3,355)
Materials and consumables		(24,810)	(22,666)
Natural disaster expenditure		(2,039)	(4,559)
Other payments		(2,822)	(2,807)
Net cash provided by (used in) operating activities	27	20,378	16,377
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment		(21,593)	(10,342)
Proceeds from sale of property, infrastructure, plant and equipment		203	586
Net cash provided by (used in) investing activities		(21,390)	(9,756)
Cash flows from financing activities			
Finance costs		(493)	(569)
Proceeds from borrowings		-	2,000
Trust funds and deposits		184	263
Net Fire Services levy		1,027	-
Repayment of borrowings		(2,037)	(1,827)
Net cash provided by (used in) financing activities		(1,319)	(133)
Net increase (decrease) in cash and cash equivalents		(2,331)	6,488
Cash and cash equivalents at the beginning of the financial year		20,727	14,239
Cash and cash equivalents at the end of the financial year	15	18,396	20,727
Financing arrangements	29	1,500	1,500
Restrictions on cash assets	30	6,693	9,244

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

Notes to the Financial Report

Introduction

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

External Auditor - Auditor-General of Victoria

Internal Auditor - HLB Mann Judd

Solicitors - Maddocks Victoria

Bankers - Commonwealth Bank of Australia

Website address - <http://www.bawbawshire.vic.gov.au>

These financial statements are a general purpose financial report that consists of a Comprehensive Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, 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 (Finance and Reporting) Regulations 2004.

Note 1 Significant accounting policies

(a) Basis of accounting

This financial report has been prepared on the accrual and going concern basis.

This financial report has been prepared under the historical cost convention, except where specifically stated in notes 1(h), 1(j), 1(l), 1(t), 1(w) and 1(x).

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.

All entities controlled by Council that have material assets or liabilities, such as Special Committees of Management, have been included in this financial report. All transactions between these entities and the Council have been eliminated in full. Details of entities not included in this financial report based on their materiality are detailed in note 42.

Notes to the Financial Report

Note 1 Significant accounting policies (cont.)

(b) Change in accounting policies

AASB 13 Fair Value Measurement

AASB 13 establishes a single source of guidance for fair value measurements. The fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other A-IFRS require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of AASB 2 Share-based Payment, leasing transactions that are within the scope of AASB 17 Leases, and measurements that have some similarities to fair value but not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

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 in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements.

AASB 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the 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.

AASB 119 Employee benefits

In the current year, Council has applied AASB 119 Employee Benefits (as revised in 2011) and the related consequential amendments for the first time. AASB 119 changes the definition of short-term employee benefits. These were previously benefits that were settled within twelve months after the end of the reporting period in which the employees render the related service, however short-term employees are now defined as benefits expected to be settled wholly before twelve months after the end of the reporting period in which employees render the related service. As a result, accrued annual leave balances which were previously classified by Council as short-term benefits no longer meet this definition and are now classified as long-term benefits. This has resulted in a change of measurement for the portion of the annual leave provision from an undiscounted to a discounted basis.

This change in measurement has not materially altered Council's measurement of the annual leave provision.

Land Under Roads

Prior to 2013/14 Council recognised Land Under Roads acquired after 1 July 2008. The revaluation at 31 March 2014, recognised all Land Under Roads within the municipality and applied the following fair value methodology: Site value per square metre times Land Under Road square metre less Adjustment to Englobo Value less Adjustment for Access & Carriageway Rights Less Adjustment for Infrastructure Assets. The impact of this revaluation is disclosed under Note 20 Found Assets.

Notes to the Financial Report

Note 1 Significant accounting policies (cont.)

(c) Revenue recognition

Rates, grants and contributions

Rates, grants and contributions (including developer contributions) are recognised as revenues when the Council obtains control over the assets comprising these receipts.

Control over assets acquired from rates is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates.

A provision for doubtful debts on rates has not been established as unpaid rates represents a charge against the rateable property that will be recovered when the property is next sold.

Control over granted assets 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.

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.

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 5. 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.

A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided at balance date.

User fees and fines

User 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.

A provision for doubtful debts is recognised when collection in full is no longer probable.

Sale of property, plant and equipment, infrastructure

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

Rental

Rents are recognised as revenue when the payment is due or the payment is received, whichever first occurs. Rental payments received in advance are recognised as a prepayment until they are due.

Sale of property, plant and equipment

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

Interest

Interest is recognised progressively 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.)

(d) Trade and other receivables

Trade 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.

(e) Depreciation and amortisation of property, plant and equipment, infrastructure, 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.

Depreciation periods used are listed below. Following the revaluation of Council's infrastructure assets, as at 31 March 2014, a condition based assessment was completed for each asset class resulting in the review and amendment of depreciation periods.

The useful life is based on comprehensive audit of all infrastructure asset classes, and component types within each class.

Straight line depreciation is charged based on the residual useful life as determined each year.

	Period 2014	Period 2013
Buildings		
Buildings	50 years	50 years
Plant and Equipment		
Plant, machinery and equipment	1-5 years	1-5 years
Furniture		
Fixtures, fittings and furniture	1-20 years	1-20 years
Infrastructure		
Roads		
Road surface- asphalt	22 years	22 years
Road surface- spray seal	14 years	14 years
Road surface- gravel	25 years	25 years
Road surface- concrete	85 years	-
Road surface- brick pavers	85 years	-
Flexible road pavement	75 years	75 years
Rigid road pavement	75 years	-
Footpaths		
Concrete- 75 mm	80 years	80 years
Concrete- 125 mm RC	80 years	80 years
Asphalt	25 years	80 years
Brick/Pavers	60 years	80 years
Gravel	10 years	10 years
Other	80 years	80 years
Kerb		
Concrete kerbs	80 years	80 years
Asphalt	80 years	80 years
Brick/Pavers	80 years	80 years
Gravel	80 years	80 years
Other	80 years	80 years

Notes to the Financial Report

Note 1 Significant accounting policies (cont.)

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

Drainage		
Underground drains	100 years	80 years
Manholes & Pits	100 years	80 years
Underground culverts	100 years	80 years
Bridges and Culverts		
Bridges	60-100 years	50-140 years
Culverts	80 years	80 years
Car Parks		
Sealed surface sprayed sealed	14 years	14 years
Unsealed pavement	25 years	25 years
Sealed road formations	-	100 years
Sealed pavements	100 years	75 years

(f) 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.

(g) Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

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

(h) Recognition and measurement of assets

Acquisition

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

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

The following classes of assets have been recognised in note 19.

In accordance with Council's policy, the threshold limits detailed below have applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year:

	Threshold Limit \$'000
Property	
Land	
Land	All
Land under roads	All
Land improvements	10
Buildings	
Buildings- new construction	All
Buildings- extensions	5
Buildings-renovations	25
Plant and Equipment	
Plant- construction plant	All
Plant-vehicles	All
Plant- minor- single item	1
Plant- minor- large number of identical items	1
Furniture	
Furniture and fittings	1
Infrastructure	
Roads	
Roads- construction	10
Bridges	
Bridges- new construction	10
Bridges alterations or major works	50
Drains	
Drains-new construction	10
Drains alterations or major works	10
Other structures	10

Notes to the Financial Report

Note 1 Significant accounting policies (cont.)

(h) Recognition and measurement of assets (cont.)

Revaluation

Subsequent to the initial recognition of assets, non-current physical assets, other than plant and equipment, are measured at their fair value, being the price that would be received to sell an asset or paid to transfer a liability in an orderly transactions between market participants at the measurement date. At 31 March 2014, 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. More details about the valuation techniques and inputs used in determining the fair value of non-financial physical assets are discussed in Note 19 Property Plant and Equipment.

Council completed a revaluation of its Land and Building assets in 2010/11. Ensuring years have comprise an annual review of Land and Buildings to ensure that there has not been a material valuation adjustment required.

Council conducted a comprehensive review of its infrastructure assets during 2013/14 resulting in a revaluation as at 31 March 2014. This review included an assessment of each asset component as well as the implementation of a new asset management system. The condition based assessment of all infrastructure assets resulted in a change to the remaining useful lives and subsequent increase in the carrying value (refer Note 19), a change to the depreciation periods (as noted above) and some adjustment to found assets (refer Note 20).

Entries to recognise this change in asset value have been recognised in the current financial year.

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.

Note 19 Property, Infrastructure, Plant and Equipment includes a detailed disclosure regarding the valuation techniques applied to determine the fair value of non-financial physical assets.

Land under roads

Prior to 2013/14 Council recognised Land Under Roads acquired after 1 July 2008. The revaluation at 31 March 2014, recognised all Land Under Roads within the municipality and applied the following fair value methodology: Site value per square metre times Land Under Road square metre less Adjustment to Englobo Value less Adjustment for Access & Carriageway Rights Less Adjustment for Infrastructure Assets. The impact of this revaluation is disclosed under Note 20 Found Assets as a prior period accounting adjustment.

Donated and contributed assets

Donated and contributed assets are brought to account using the fair value basis.

Found assets

Found assets have been brought to account using the fair value basis. Found assets have been identified in the process of implementing a new asset management system for infrastructure assets for Council.

During the 2013/14 year, Council completed a comprehensive review of infrastructure assets that included detailed data collection and inspections as well as condition based assessment of each asset component.

This review, that now provides a more accurate asset inventory, also identified a number of found asset adjustments with a net impact of less than 0.1% of the value of infrastructure assets. Found assets are disclosed at Note 20(a).

Notes to the Financial Report

Note 1 Significant accounting policies (cont.)

(i) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts.

(j) Financial assets

Financial assets are valued at fair value, being market value, at balance date. Any unrealised gains and losses on holdings at balance date are recognised as either a revenue or expense.

(k) Investments

Investments, other than investments in associates, are measured at cost.

(l) Accounting for investments in associates

Council's investment in associates is accounted for by the equity method as the Council has the ability to influence rather than control the operations of the entities. The investment is initially recorded at the cost of acquisition and adjusted thereafter for post-acquisition changes in the Council's share of the net assets of the entities. The Council's share of the financial result of the entities is recognised in the Comprehensive Income Statement.

(m) Tender deposits

Amounts received as tender deposits and retention amounts controlled by Council are recognised as Trust funds until they are returned or forfeited (refer to note 23).

(n) Employee costs

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

(i) 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.

(ii) Long service leave

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

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

The components of this current liability are measured at :

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

Classification of employee costs

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

This non-current LSL liability is measured at present value.

Notes to the Financial Report

Note 1 Significant accounting policies (cont.)

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The council recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(iv) Employee benefits on-costs

Employee benefits on-costs (payroll tax, workers compensation, superannuation, annual leave and long service leave accrued while on LSL taken in service) are recognised separately from provision for employee benefits.

(v) Classification of employee costs

An employee benefit liability is classified as a current liability if the Council does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the period. This would include all annual leave and unconditional long service leave entitlements.

(vi) Superannuation

The amount charged to the Comprehensive Operating Statement in respect of superannuation represents contributions made or due by Baw Baw Shire Council to the relevant superannuation plans in respect to the services of Baw Baw Shire Council's staff (both past and present). Superannuation contributions are made to the plans based on the relevant rules of each plan and any compulsory superannuation requirements.

(o) Leases

Finance leases

There are no finance leases at 30 June 2014. (2013 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.

(p) Allocation between current and non-current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next twelve months, being the Council's operational cycle, or if the Council does not have an unconditional right to defer settlement of a liability for at least 12 months after the reporting date.

(q) Agreements equally proportionately unperformed

The Council does not recognise assets and liabilities arising from agreements that are equally proportionately unperformed in the balance sheet. Such agreements are recognised on an 'as incurred' basis.

(r) Web site costs

Costs in relation to websites are charged as an expense in the period in which they are incurred.

(s) 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 cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Notes to the Financial Report

Note 1 Significant accounting policies (cont.)

(t) 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.

(u) 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.

(v) Non-current assets held for sale

A non-current asset 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 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.

(w) Financial guarantees

Financial guarantee contracts are recognised as a liability at the time the guarantee is issued. The liability is initially measured at fair value, and if there is material increase in the likelihood that the guarantee may have to be exercised, at the higher of the amount determined in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation, where appropriate. In the determination of fair value, consideration is given to factors including the probability of default by the guaranteed party and the likely loss to Council in the event of default.

Notes to the Financial Report

(x) 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.

(y) Pending Accounting Standards

The following Australian Accounting Standards have been issued or amended and are applicable to the Council but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

Notes to the Financial Report

Note 1 (z)

Pronouncement	Summary	Application Date	Impact on Council
AASB 9 Financial Instruments	<p>AASB 9 standard is one of a series of amendments that are expected to eventually completely replace AASB 139. During 2010-11, the standard will be expanded to include new rules on measurement of financial liabilities and hedge accounting. Currently the existing provisions of AASB 139 will continue to apply in these areas.</p> <p>AASB 9 simplifies the classifications of financial assets into those to be carried at amortised cost and those to be carried at fair value – the 'available for sale' and 'held-to-maturity' categories no longer exists. AASB 9 also simplifies requirements for embedded derivatives and removes the tainting rules associated with held-to-maturity assets.</p> <p>The new categories of financial assets are:</p> <ul style="list-style-type: none"> • Amortised cost – those assets with 'basic' loan features; • Fair value through other comprehensive income - this treatment is optional for equity instruments not held for trading (this choice is made at initial recognition and is irrevocable). • Fair Value through profit and Loss - everything that does not fall into the above two categories. <p>The following changes also apply:</p> <ul style="list-style-type: none"> • Investments in unquoted equity instruments must be measured at fair value. However, cost may be the appropriate measure of fair value where there is insufficient more recent information available to determine a fair value. • There is no longer any requirement to consider whether 'significant or prolonged' decline in the value of financial assets has occurred. The only impairment testing will be on those assets held at amortised cost, and all impairments will be eligible for reversal. <p>Similarly, all movements in the fair value of a financial asset now go to the income statement, or, for equity instruments not held for trading, other comprehensive income. There is no longer any requirement to book decrements through the income statement, and increments through equity.</p>	1-Jul-15	<p>The impact is not likely to be extensive in the local government sector. Although it will vary considerably between entities. While the rules are less complex than those of AASB 139, the option to show equity instruments at cost has been largely removed, which is likely to lead to greater volatility within the income statement. However it may also lead to an improved financial position for some entities.</p> <p>This will also create a requirement to measure some instruments annually that has not previously existed.</p>

Notes to the Financial Report

Note 1 (z) (cont)

Pronouncement	Summary	Application Date	Impact on Council
AASB 12 Disclosure of Interests in Other Entities	<p>This Standard requires disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the financial statements. This Standard replaces the disclosure requirements in AASB 127 Separate Financial Statements and AASB 131 Interests in Joint Ventures.</p> <p>The exposure draft ED 238 proposes to add some implementation guidance to AASB 12, explaining and illustrating the definition of a 'structured entity' from a not-for-profit perspective.</p>	1-Jul-14	Impacts on the level and nature of the disclosures will be assessed based on the eventual implications arising from AASB 10, AASB 11 and AASB 128 Investments in Associates and Joint Ventures.
AASB 128 Investments in Associates and Joint Ventures	<p>This revised Standard sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.</p>	1-Jul-14	The impact of this standard will need to be assessed in line with the final deliberations by the AASB on the application of this standard to not for profit entities.

Notes to the Financial Report

Note 2 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 2012.

The valuation base used to calculate general rates for 2013/14 was \$8,813 million (2012/13 \$8,557 million).

	2014 \$'000	2013 \$'000
Residential	22,728	20,962
Commercial and Industrial	3,519	3,454
Farm/Rural	8,886	8,513
Supplementary rates and rate adjustments	80	(76)
Garbage charge	6,520	6,239
Urban farm	70	110
Vacant land	2,469	2,257
Recreation and culture	40	25
	<u>44,312</u>	<u>41,484</u>

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

Note 3 Statutory fees and fines

Certificates	104	88
Infringements and fines	153	205
Permits	273	255
Subdivision	320	615
Fees	181	175
Other	54	43
	<u>1,085</u>	<u>1,381</u>

Note 4 User fees

(Arts Centre	1,361	1,159
Leases	108	97
Registration fees	498	435
Home care	1,480	1,576
Rentals- hall & community facilities	152	175
Tipping fees	221	250
Other fees and charges	252	152
	<u>4,072</u>	<u>3,844</u>

(Ageing analysis of contractual receivables

Please refer to table in Note 35 entitled Ageing of Trade and Other Renewables for the ageing analysis of contractual receivables.

Notes to the Financial Report

Note 5 Grants

Grants were received in respect of the following :

Summary of grants

	2014 \$'000	2013 \$'000
Federally funded grants	7,107	1,094
State funded grants	8,258	14,936
Natural disaster grants	4,311	6,063
Total	19,676	22,093

Recurrent

Grants- Operating

Victoria Grants Commission - General purpose	4,156	7,903
Community and cultural development	233	344
Maternal and child health	433	454
Preschool and early years	57	56
Family day care	471	480
Arts Centre	120	122
Meals on wheels	88	44
Home and community care	2,201	1,944
Making a difference	66	66
Adult day care	556	532
Rural access inclusive communities	107	104
Environmental health and management	71	98
Landcare	130	96
Other	42	-
Total Grants- Operating (recurrent)	8,731	12,243

Grants- Capital

Commonwealth Government - Roads to recovery	1,772	596
Total Grants - Capital (recurrent)	1,772	596

Total recurrent grants

10,503	12,839
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Non-recurrent

Grants- Operating

Bushfire community rebuilding	-	10
Recreation	-	2
Community compliance	146	140
Community safety	124	89
Economic development	292	193
Other	115	273
Total Grants- Operating (non-recurrent)	677	707

Grants- Capital

Capital grants- local and collector roads	733	768
Capital grants- recreation paths	-	753
Capital grants- swimming pools	1,450	300
Capital grants- recreation	402	25
Capital grants- preschool	-	638
Capital grants- public lighting	50	-
Capital grants- bridges	337	-
Capital grants- drainage	1,033	-
Capital grants- footpaths	37	-
Capital grant- land	90	-
Capital grant- council buildings	53	-
Total Grants- Capital (non-recurrent)	4,185	2,484

Total non-recurrent grants

4,862	3,191
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Natural disaster

Natural disaster	4,311	6,063
Total Natural disaster	4,311	6,063

Notes to the Financial Report

	2014 \$'000	2013 \$'000
Conditions on grants		
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:		
Activity Groups	28	-
Adult Day Activity Support	-	17
Allambee	-	13
Arts & Culture	30	-
Assessment officer	20	55
Bridging the Food Gap	-	41
Bull swamp Creek Dam, Fernery Crescent	-	103
Bushfire planning provisions	-	120
Bushfires Memories & Commemorative Event	-	10
Care Flexible Reptile Program	-	40
Community Garden	39	-
Country Roads Board	67	-
Department of Planning & Community Development	-	17
Disability planning program	-	10
Drainage & Flood Mitigation	149	-
Early years project	36	33
Edgar Road Bridge	227	142
Enhanced Maternal & Child Health	-	14
Environmental Community Education Program	-	32
Equestrian Facility	90	-
Freeza program	65	40
Gippsland Integrated Land Use Plan	-	7
HAAC Capital Works	172	135
Halls & Community Facilities	102	-
Healthy Baw Baw	-	170
Heritage Adviser service	-	1
Inclusive Communities	12	-
Individual Support Package	-	14
Leisure Centre - Warragul	1,450	718
Main South Road Safety Works	-	11
Maternal Child & Family Health	-	8
Mouritz Street Preschool	-	300
Neerim East Road Safety Works	-	242
Neerim South Wetlands	-	128
Palmerston Street Design	-	38
Parks and Open Space	270	-
Personal Care & Respite	75	60
Planning Scheme Review	-	34
Playground Renewal & Replacement	-	117
Recreation Reserve	33	-
Rural Access Inclusive Communities	-	10
Settlement Strategy	-	25
Statutory Planning	4	-
Strategic Planning	124	-
Trafalgar Victory Football Club	-	89
Walhalla Overlay Review Project incl. Bushfire Heritage	-	78
Warragul & Drouin CBD Masterplan	-	38
Warragul Lardner Road	-	158
Weather Station for Baw Baw Shire	-	37
Youth Inclusion	30	-
Total	3,023	3,105

Notes to the Financial Report

	2014 \$'000	2013 \$'000
Grants which were recognised as revenue in prior years and were expended during the current year in the manner specified by the grantor were:		
Adult Day Activity Support	17	-
Allambee	13	517
Assessment Officer	55	20
Asset Management Implementation	-	166
Baw Baw Business Awards	-	4
Bellbird Park Drainage Scheme	-	32
Bridging The Food Gap	41	-
Bull Swamp Creek Dam	103	153
Bushfire Memorials & Commemorative Event	10	-
Bushfire Planning Provisions	120	120
Business Training & Data Collection	-	2
Care Flexible Reptile Program	40	-
Climate Change	-	9
Community Transport Strategy	-	63
Community Vision	-	15
Core System Replacement	-	141
Corporate Training	-	6
Coster Road Bridge	-	126
DPCD (Population framework & assessment)	17	-
Disability Planning Program	10	18
Early Years Project	33	-
Edgar Road Bridge	143	105
Edgar Road Longway	-	60
Energy Efficiency Project Art Centre	-	51
Enhanced Maternal & Child Health	13	-
Environmental Community Education Program	32	-
Export Gippsland Network	-	12
Federal Road Gravel Resheets	-	45
Freeza Program	40	-
Future Design	-	50
Gippsland Integrated Land Use Plan	7	-
HACC Network	-	151
HACC Minor works	135	-
Healthy Baw Baw	170	230
Heritage Adviser Service	1	-
Individual Support Package	14	-
Leisure Centre - Warragul	718	1,846
Logan Park Sports Precinct Design	-	42
Marketing	-	11
Maternal Child & Family Health	8	-
Morrison Road	-	89
Mouritz Street Kindergarten	300	-
MYR Drains	-	60
Natural Environment Grants	-	11
Neerim East Road Safety Works	253	-
Neerim South Wetlands	128	128
Oak Street Kindergarten	-	390
OVG & Projects	-	2
Palmerston Street Design	38	-
Personal Care	60	-
Phoenix Road Drainage	-	68
Planning Scheme Review	34	34
Playground Renewal and Replacement	117	-
Princes Way (Calway Estate)	-	7
Promotional Marketing Materials	-	10
Rawson Pavilion	-	212
Recreation Planning	55	38
Regional Economic Programmes	-	4
Rural Access Inclusive Communities	10	-
Russell Creek Road	-	169
School Ambassador Program	-	40
Service Planning	-	38
Settlement Strategy	25	25
Settlement Road	-	83
Small Business Development	-	18
Stockdale Road	-	81
Supported Parents Group	-	17
Swimming Pool Drouin & District War Memorial	-	25
Tourism Feasibility Study	-	65
Tourism Signage	-	1
Town & Rural Community	-	35
Trafalgar Victory Football Club	88	-
Two Towns Trail Beautification - Stage 2	-	34
Walhalla Overlay Review Project including bushfire heritage	78	-
Warragul & Drouin CBD Masterplan	38	38
Warragul Lardner Road	158	158
Warragul Leongatha Road	-	-
Weather Station for Baw Baw Shire	37	-
WIIN program	-	7
Yarragon Market Street Park	-	220
Yarragon Primary School	-	200
Yarragon Shady Creek Road Bridge	-	25
Youth Bushfire Gift	-	10
Total	3,159	6,337
Net increase (decrease) in restricted assets resulting from grant revenues for the year:	(136)	(3,232)

Notes to the Financial Report

	2014 \$'000	2013 \$'000
Note 6 Contributions		
(a) Cash		
Open space	73	140
Other	60	77
Contributions to Developer Contribution Projects	<u>579</u>	<u>754</u>
	<u>712</u>	<u>971</u>
(b) Non-monetary assets		
Drainage assets	555	1,902
Roads and footpaths	1,608	7,758
Land under roads	187	250
Land	<u>1,228</u>	<u>913</u>
	<u>3,578</u>	<u>10,823</u>
Total contributions	<u>4,290</u>	<u>11,794</u>
*Open space contributions received during the year are transferred to reserves pursuant to Section 18 of the Subdivision Act 1988 (Resort & Reserve) (Refer Note 26)		
Note 7 Net gain/(loss) on disposal of property, infrastructure, plant and equipment		
(a) Net gain/(loss) on disposal of property, infrastructure, plant and equipment		
Proceeds of sale	203	586
Write down value of assets disposed	<u>(328)</u>	<u>(594)</u>
Total	<u>(125)</u>	<u>(8)</u>
(b) Assets replaced on renewal of Assets		
Assets replaced on renewal of Road Assets	(4,316)	(554)
Assets replaced on renewal of Furniture & Equipment	-	-
Assets replaced on renewal of Building Assets	<u>(118)</u>	<u>(649)</u>
Profit/(Loss) on Renewal of Assets	<u>(4,434)</u>	<u>(1,203)</u>
(c) Impairment of assets		
Reversal of impairment losses on revalued assets	2,708	-
Impairment losses on revalued assets	<u>-</u>	<u>(891)</u>
	<u>2,708</u>	<u>(891)</u>
Note 8 Other income		
Interest on investments	596	579
Interest on rates	142	342
Logan Park committee of management income	38	105
Contributions	301	363
Other	<u>196</u>	<u>42</u>
Total other income	<u>1,273</u>	<u>1,431</u>
Note 9 Employee costs		
Wages and salaries	19,896	18,873
WorkCover	300	230
Casual staff	702	516
Long service leave	442	541
Superannuation	1,445	1,560
Fringe benefits tax	238	223
Other	<u>360</u>	<u>353</u>
Employee costs	<u>23,383</u>	<u>22,296</u>
Reclassified as Natural disaster	<u>(35)</u>	<u>(74)</u>
Total Employee costs	<u>23,348</u>	<u>22,222</u>

Notes to the Financial Report

	2014 \$'000	2013 \$'000
Note 10 Materials and services		
Arts and culture	1,533	1,450
Assets and roads	5,813	6,094
Community care and strengthening	2,242	2,266
Economic development and strategic planning	424	432
Family and children's services	421	459
Governance and compliance	1,195	796
Information services	1,544	1,257
Natural disaster	2,003	1,785
Works Depot operations	1,205	917
Parks and gardens	912	896
Waste management	5,147	5,597
General expenses	3,833	3,769
Materials and services	26,272	25,718
Reclassified as Natural disaster	(2,004)	(1,785)
Total materials and services	24,268	23,933

Note 11 Depreciation and amortisation

Property

Land

Landfill sites	26	26
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Buildings

Buildings	1,936	1,921
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Plant and Equipment

Plant, machinery and equipment	742	691
Fixtures, fittings and furniture	227	415

Infrastructure

Roads	6,821	6,019
Bridges	286	147
Footpaths and cycleways	400	247
Drainage	550	487
Off street car parks	91	84

Total depreciation and amortisation	11,079	10,037
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Notes to the Financial Report

	2014 \$'000	2013 \$'000
Note 12 Borrowing costs		
Interest - Borrowings	505	540
Total finance costs	505	540
Note 13 Other expenses		
Bank charges	140	143
Contribution- West Gippsland Regional Library Corporation	1,554	1,481
Contribution- Logan Park Committee of Management	52	137
Community assistance grants	287	309
Hall & recreation reserve grants	232	223
Healthcare group grants	100	100
Emergency services grants	28	11
Other	429	403
Total other expenses- general	2,822	2,807
Other expenses- Natural disaster		
Natural disaster expenditure	2,039	9,672
Total other expenses- Natural disaster	2,039	9,672
Note 14 Investment in associates		
Investments in associates accounted for by the equity method are:		
- West Gippsland Regional Library Corporation	1,040	808
<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.		
Council's share of accumulated surplus(deficit)		
Council's share of accumulated surplus(deficit) at start of year	709	523
Reported surplus(deficit) for year	232	186
Transfers (to) from reserves	-	-
Distributions for the year	-	-
Council's share of accumulated surplus(deficit) at end of year	941	709
Council's share of reserves		
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
Movement in carrying value of specific investment		
Carrying value of investment at start of year	808	622
Share of surplus(deficit) for year	232	186
Share of asset revaluation	-	-
Distributions received	-	-
Carrying value of investment at end of year	1,040	808

Notes to the Financial Report

	2014 \$'000	2013 \$'000
Note 15 Cash and cash equivalents		
Cash on hand	7	7
Cash at bank	10,389	4,720
Money market call account	2,000	7,000
Term deposits	6,000	9,000
	<u>18,396</u>	<u>20,727</u>
Councils cash and cash equivalents are subject to a number of internal and external restrictions that limit amounts available for discretionary or future use. These include:		
- Long service leave obligations (Note 24)	513	2,872
- Reserve funds allocated for specific purposes (Note 26)	4,335	3,683
- Trust funds and deposits (Note 23)	1,752	1,568
- Funds collected from Waste income for rehabilitation of the Trafalgar Landfill	93	1,121
	<u>6,693</u>	<u>9,244</u>
	<u>11,703</u>	<u>11,483</u>
Note 16 Trade and other receivables		
Current		
Rates debtors	2,357	1,924
Accrued Revenue	139	55
Sundry debtors	1,580	3,218
Other debtors	278	87
Net GST receivable	504	226
	<u>4,858</u>	<u>5,510</u>
Note 17 Non current assets classified as held for sale		
Land	519	-
	<u>519</u>	<u>-</u>
Note 18 Other assets		
Prepayments	268	169
	<u>268</u>	<u>169</u>

Notes to the Financial Report

	2014	2013
	\$'000	Restated \$'000
Note 19 Property, infrastructure, plant and equipment		
Summary		
at cost	28,081	19,148
Less accumulated depreciation	<u>(6,369)</u>	<u>(5,605)</u>
	21,712	13,543
at Council valuation at 30 June 2010	-	4,897
Less accumulated depreciation	<u>-</u>	<u>(1,469)</u>
	-	3,428
at fair value as at 31 March 2011	183,944	184,155
Less accumulated depreciation	<u>(39,288)</u>	<u>(37,523)</u>
	144,656	146,632
at fair value as at 30 June 2012	1,408	1,408
Less accumulated depreciation	<u>(54)</u>	<u>(26)</u>
	1,354	1,382
at fair value as at 30 June 2013	-	435,856
Less accumulated depreciation	<u>-</u>	<u>(114,622)</u>
Less accumulated impairment	<u>-</u>	<u>(2,708)</u>
	-	318,526
at fair value as at 31 March 2014	508,714	-
Donated assets at Council valuation at 30 June 2014	279	-
Less accumulated depreciation	<u>(76,216)</u>	<u>-</u>
	432,777	-
Total	600,499	483,511
Property		
Land		
at cost	1,820	1,336
at Council valuation as at 31 March 2011	74,963	74,963
at Council valuation as at 30 June 2012	<u>1,020</u>	<u>1,020</u>
	77,803	77,319
Land under roads		
at fair value as at 30 June 2013	-	1,713
at Council valuation as at 31 March 2014	17,824	15,949
Donated assets at Council valuation at 30 June 2014	<u>25</u>	<u>-</u>
	17,849	17,662
Landfill sites		
at fair value as at 30 June 2012	311	311
Less accumulated depreciation	<u>(52)</u>	<u>(26)</u>
	259	285
Total Land	95,911	95,266

Notes to the Financial Report

	2014	2013
	\$'000	Restated \$'000
Note 19 Property, infrastructure, plant and equipment (cont)		
Buildings		
at cost	7,712	5,944
Less accumulated depreciation	(151)	(75)
	<u>7,561</u>	<u>5,869</u>
at Council valuation at 31 March 2011	108,981	109,192
Less accumulated depreciation	(39,288)	(37,523)
	<u>69,693</u>	<u>71,669</u>
at Council valuation at 30 June 2012	77	77
Less accumulated depreciation	(2)	-
	<u>75</u>	<u>77</u>
Total Buildings	<u>77,329</u>	<u>77,615</u>
Total Property	<u>173,240</u>	<u>172,881</u>
Plant, machinery and equipment		
at cost	6,293	5,859
Less accumulated depreciation	(2,649)	(2,185)
Total Plant, machinery and equipment	<u>3,644</u>	<u>3,674</u>
Fixtures, fittings and furniture		
at cost	4,208	4,208
Less accumulated depreciation	(3,569)	(3,342)
Total Fixtures, fittings and furniture	<u>639</u>	<u>866</u>
Total Plant and Equipment	<u>4,283</u>	<u>4,540</u>
Infrastructure		
Roads		
at cost	8,048	-
at Council valuation at 30 June 2013	-	336,957
at Council valuation at 31 March 2014	358,387	(32,496)
Donated assets at Council valuation at 30 June 2014	191	-
Less accumulated depreciation	(52,535)	(84,605)
Less provision for impairment	-	(2,708)
	<u>314,091</u>	<u>217,148</u>
Total Roads	<u>314,091</u>	<u>217,148</u>
Bridges and Major Culverts		
at Council valuation at 30 June 2013	-	26,717
at Council valuation at 31 March 2014	25,455	5,402
Less accumulated depreciation	(7,804)	(9,642)
	<u>17,651</u>	<u>22,477</u>
Total Bridges and Major Culverts	<u>17,651</u>	<u>22,477</u>

Notes to the Financial Report

Note	2014 \$'000	2013 Restated \$'000
Note 19 Property, infrastructure, plant and equipment (cont)		
Footpaths and cycleways		
at Council valuation at 30 June 2013	-	27,326
at Council valuation at 31 March 2014	44,182	23,924
Donated assets at Council valuation at 30 June 2014	63	-
Less accumulated depreciation	<u>(4,499)</u>	<u>(11,146)</u>
Total Footpaths and cycleways	<u>39,746</u>	<u>40,104</u>
Drainage		
at Council valuation at 30 June 2013	-	44,856
at Council valuation at 31 March 2014	56,381	(1,822)
Less accumulated depreciation	<u>(9,260)</u>	<u>(9,229)</u>
Total Drainage	<u>47,121</u>	<u>33,805</u>
Other Off Street Car Parks		
at cost	-	88
Less accumulated depreciation	<u>-</u>	<u>(3)</u>
	<u>-</u>	<u>85</u>
at Council valuation at 30 June 2010	-	4,897
at Council valuation at 31 March 2014	6,740	-
Less accumulated depreciation	<u>(2,118)</u>	<u>(1,469)</u>
Total Off Street Car Parks	<u>4,622</u>	<u>3,428</u>
Total Infrastructure	<u>423,231</u>	<u>317,047</u>
Works in progress		
Land at cost	60	4
Buildings at cost	2,252	2,527
Park improvements at cost	1,556	636
Plant & Equipment at cost	3,349	1,565
Car Parking	-	-
Roads, Streets, Bridges and Drains at cost	3,590	5,566
Footpaths & cycleways at cost	<u>194</u>	<u>840</u>
Total Works in progress	<u>11,001</u>	<u>11,138</u>
Total property, infrastructure, plant and equipment	<u>611,755</u>	<u>505,606</u>

Notes to the Financial Report

Note 19 Property, infrastructure, plant and equipment (cont)

Valuation basis

Land and Buildings

Valuation of land (excluding land under roads) and buildings were undertaken by a qualified independent valuer C.J.A Lee Property (Corey McMahon AAP). The valuation of buildings is at fair value based on current replacement cost less accumulated depreciation at the date of the valuation (31 March 2011). Condition assessments of buildings was undertaken by an experienced Council officer Peter Finlayson B.Bus(Local Government). The valuation of land is at fair value, being marked value based on the highest and best use permitted by relevant land provisions at the date of the valuation (31 March 2011). All freehold land reserved for public open space is valued at market value based on legal precedents, discounted by 50% to reflect its restricted use.

Land Under Roads

Land under roads is valued at fair value using site values adjusted for englobo (undeveloped and/or unserved) 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.

Infrastructure

Infrastructure is valued using the depreciated replacement cost method. This cost represents the replacement cost of the asset component after applying depreciation rates on a useful life basis. Replacement costs relate to costs to replace the property to an "as new" standard. Economic obsolescence has also been factored into the depreciated replacement cost calculation.

Infrastructure assets contain significant unobservable adjustments, therefore these assets are classified as Level 3.

A valuation of Council's, infrastructure assets was performed by Mr Teck Ting (Civil) MIE Aust, CP Eng. The valuation was performed based on the depreciated reproduction cost of the assets. The effective date of the valuation was 31 March 2014.

For all assets measured at fair value, the current use is considered the highest and best use.

Notes to the Financial Report

Note 19 Property, plant and equipment, infrastructure (cont.)

2014	Fair Value Level	Balance at beginning of financial year	Acquisition of assets	Donated Assets	Found Assets	Change in accounting policy	Revaluation increments (decrements)	Depreciation and amortisation	Written down value of disposals	Impairment losses recognised in profit or loss	Transfers	Balance at end of financial year
		\$'000	\$'000	(note 6)	(note 20(a))	(note 20(b))	(note 26)	(note 11)		7(c)		\$'000
Property												
land	3	77,319	-	1,228	-	-	-	-	(225)	-	(519)	77,803
land under roads	3	17,662	-	187	-	-	-	-	-	-	-	17,849
land fill sites	3	285	-	-	-	-	-	(26)	-	-	-	259
Total land		95,266	-	1,415	-	-	-	(26)	(225)	-	(519)	95,911
buildings	3	77,615	1,769	-	-	-	-	(1,925)	(130)	-	-	77,329
Total buildings		77,615	1,769	-	-	-	-	(1,925)	(130)	-	-	77,329
Total property		172,881	1,769	1,415	-	-	-	(1,951)	(355)	-	(519)	173,240
Plant and Equipment												
plant, machinery and equipment		3,674	813	-	-	-	-	(753)	(90)	-	-	3,644
fixtures, fittings and furniture		866	-	-	-	-	-	(227)	-	-	-	639
Total plant and equipment		4,540	813	-	-	-	-	(980)	(90)	-	-	4,283
Infrastructure												
roads	3	217,128	11,781	1,115	-	-	92,493	(6,817)	(4,317)	2,708	-	314,091
bridges and major culverts	3	22,496	738	-	-	-	(5,632)	(288)	-	-	337	17,651
footpaths and cycleways	3	40,105	1,262	493	-	-	(1,713)	(401)	-	-	-	39,746
drainage	3	33,805	891	555	-	-	12,419	(549)	-	-	-	47,121
off street car parks	3	3,513	-	-	-	-	1,202	(93)	-	-	-	4,622
Total infrastructure		317,047	14,672	2,163	-	-	98,769	(8,148)	(4,317)	2,708	337	423,231
Works in progress												
land at cost		4	56	-	-	-	-	-	-	-	-	60
buildings at cost		2,527	210	-	-	-	-	-	-	-	(485)	2,252
park improvements at cost		636	1,174	-	-	-	-	-	-	-	(254)	1,556
plant and equipment at cost		1,565	1,811	-	-	-	-	-	-	-	(27)	3,349
car parking at cost		-	-	-	-	-	-	-	-	-	-	-
roads, streets, bridges and drains at cost		5,566	(2,018)	-	-	-	-	-	-	-	42	3,590
footpaths and cycleways at cost		840	(646)	-	-	-	-	-	-	-	-	194
Total works in progress		11,138	587	-	-	-	-	-	-	-	(724)	11,001
Total property, plant and equipment, infrastructure		505,606	17,841	3,578	-	-	98,769	(11,079)	(4,762)	2,708	(906)	611,755

Notes to the Financial Report

Note 19 Property, plant and equipment, infrastructure (cont.)

2013 Restated	Balance at	Found Assets	Change in	As restated	Acquisition of	Donated	Revaluation	Depreciation	Written down	Impairment	Transfers	Balance at
	beginning of		accounting									
	financial year	(note 20(a))	policy		assets	Assets	increments	and	value of	losses		end of
	\$'000	\$'000	\$'000	\$'000	\$'000	(note 6)	(note 26)	(note 11)	\$'000	7(c)	\$'000	\$'000
Property												
land	76,406	-	-	76,406	-	913	-	-	-	-	-	77,319
land under roads	1,463	-	15,949	17,412	-	250	-	-	-	-	-	17,662
land improvements	311	-	-	311	-	0	-	(26)	-	-	-	285
Total land	78,180	-	15,949	94,129	-	1,163	-	(26)	-	-	-	95,266
buildings	78,253	-	-	78,253	1,932	-	-	(1,921)	(649)	-	-	77,615
Total buildings	78,253	-	-	78,253	1,932	-	-	(1,921)	(649)	-	-	77,615
Total property	156,433	-	15,949	172,382	1,932	1,163	-	(1,947)	(649)	-	-	172,881
Plant and Equipment												
plant, machinery and equipment	3,729	-	-	3,729	1,058	-	-	(691)	(422)	-	-	3,674
fixtures, fittings and furniture	1,302	-	-	1,302	-	-	-	(415)	(21)	-	-	866
Total plant and equipment	5,031	-	-	5,031	1,058	-	-	(1,106)	(443)	-	-	4,540
Infrastructure												
roads	220,599	(21,446)	-	199,153	2,281	6,337	16,586	(5,955)	(363)	(891)	-	217,148
bridges and major culverts	12,735	3,888	-	16,623	811	-	5,447	(211)	(193)	-	-	22,477
footpaths and cycleways	18,565	18,791	-	37,356	170	1,421	1,404	(247)	-	-	-	40,104
drainage	30,646	(1,427)	-	29,219	109	1,902	3,062	(487)	-	-	-	33,805
off street car parks	3,597	-	-	3,597	-	-	-	(84)	-	-	-	3,513
Total infrastructure	286,142	(194)	-	285,948	3,371	9,660	26,499	(6,984)	(556)	(891)	-	317,047
Works in progress												
land	4	-	-	4	-	-	-	-	-	-	-	4
buildings	2,348	-	-	2,348	179	-	-	-	-	-	-	2,527
park improvements	390	-	-	390	246	-	-	-	-	-	-	636
plant & equipment	693	-	-	693	872	-	-	-	-	-	-	1,565
car parking	-	-	-	0	-	-	-	-	-	-	-	-
footpaths & cycleways	577	-	-	577	263	-	-	-	-	-	-	840
roads, streets, bridges & drainage	8,242	-	-	8,242	6,996	-	-	-	-	-	(9,672)	5,566
Total works in progress	12,254	-	-	12,254	8,556	-	-	-	-	-	(9,672)	11,138
Total property, plant and equipment, infrastructure	459,860	(194)	15,949	475,615	14,917	10,823	26,499	(10,037)	(1,648)	(891)	(9,672)	505,606

Notes to the Financial Report

Note 19 Property, infrastructure, plant and equipment (cont)

Description of significant unobservable inputs into level 3 valuation

	Valuation Technique	Significant Unobservable Inputs	Range	Sensitivity
Specialised Land and Land Improvement	Market approach	Community Service Obligation (CSO) adjustment.	Discounted by 50%	Significantly increase or decrease in the CSO adjustment would result in a significantly lower or higher fair value.
Specialised Buildings	Depreciated replacement cost	Direct cost per square meter Useful life of specialised buildings	\$220 to \$2,882 Lifespan 17- 55 years	Significant increase or decrease in the extent of restriction would result in a significantly lower or higher fair value. Significant increase or decrease in the estimated useful life of the asset would result in a significantly lower or higher value.
Land under roads	The valuation of Land under road is based on the site value per sq. meter x Land under roads sq. meter less adjustments for Englobo value, access & carriageway rights & infrastructure assets.	Discounted	Englobo value was set at 62% (the lower end of the recommended vicinity of 60%-70%) due to the large percentage of area in the municipality that is deemed "Rural". Access & carriageway rights value has been set at 15% for all circumstances. Adjustment for Infrastructure assets value has been set at 10% for all circumstances.	Significantly increase or decrease in the extent of restriction would result in a significantly lower or higher fair value.
Roads	Depreciated replacement cost	Cost per square meter Usefull life of the road, infrastructure and earthworks	Cost per square meter \$6.54 to \$90.00 22 to 85 years (53.5 year)	Significant increase or decrease in the cost per square meter would result in a significantly lower or higher fair value. Significant increase or decrease in the estimated useful life of the asset would result in a significantly lower or higher value.
Bridges and major culverts	Depreciated replacement cost	Cost per square meter Usefull life of the bridges and major culverts	Cost per square meter \$6.54 to \$90.00 60 to 100 years (80 years)	Significant increase or decrease in the cost per square meter would result in a significantly lower or higher fair value. Significant increase or decrease in the estimated useful life of the asset would result in a significantly lower or higher value.
Footpath and cycleways	Depreciated replacement cost	Cost per square meter Usefull life of the footpath	Cost per square meter \$10.21 to \$97.53 10 to 80years (45 years)	Significant increase or decrease in the cost per square meter would result in a significantly lower or higher fair value. Significant increase or decrease in the estimated useful life of the asset would result in a significantly lower or higher value.
Drainage	Depreciated replacement cost	Cost per square meter Usefull life of the drainage	Cost per square meter \$1,479.68 to \$2,695.00 60 to 100 years	Significant increase or decrease in the cost per square meter would result in a significantly lower or higher fair value. Significant increase or decrease in the estimated useful life of the asset would result in a significantly lower or higher value.
Off street car parks	Depreciated replacement cost	Cost per square meter Usefull life of the off street car park	Cost per square meter \$6.54 to \$39.44 25 to 75 years	Significant increase or decrease in the cost per square meter would result in a significantly lower or higher fair value. Significant increase or decrease in the estimated useful life of the asset would result in a significantly lower or higher value.

Notes to the Financial Report

	2014	2013	
Note 20 Infrastructure Adjustments			
Note 20(a) Found assets	\$'000	\$'000	
Roads	-	(21,446)	
Bridges and Major Culverts	-	3,888	
Drainage	-	(1,427)	
Footpaths and cycleways	-	18,791	
Total found assets	-	(194)	
Detail of found Assets	Cost	Accumulated Depreciation	Written Down Value
Roads	(32,496)	11,050	(21,446)
Bridges & Major Culverts	5,402	(1,514)	3,888
Footpaths and cycleways	23,924	(5,133)	18,791
Drainage	(1,822)	395	(1,427)
Total found assets	(4,992)	4,798	(194)
Note 20(b) Change in accounting policy			
Land under roads	-	15,949	
Total change in accounting policy	-	15,949	
Note 21 Intangible assets			
	Software	Other	Total
	\$'000	\$'000	\$'000
Gross carrying amount			
Balance at 1 July 2012	882	-	882
Additions from internal developments	-	-	-
Other	-	-	-
Balance at 30 June 2013	882	-	882
Balance at 1 July 2013	-	-	-
Additions from internal developments	-	-	-
Other	-	-	-
Balance at 30 June 2014	882	-	882
Accumulated amortisation and impairment			
Balance at 1 July 2011	881	-	881
Amortisation expense	-	-	-
Balance at 30 June 2012	881	-	881
Balance at 1 July 2012	881	-	881
Amortisation expense	-	-	-
Balance at 30 June 2013	881	-	881
Balance at 1 July 2013	881	-	881
Amortisation expense	-	-	-
Balance at 30 June 2014	881	-	881
Net book value at 30 June 2013	1	-	1
Net book value at 30 June 2014	1	-	1

Notes to the Financial Report

	2014 \$'000	2013 \$'000
Note 22 Trade and other payables		
Trade payables	3,965	5,569
Net GST payable	-	3
Accrued expenses	991	885
Fire services levy	1,393	-
	<u>6,349</u>	<u>6,457</u>
Note 23 Trust funds and deposits		
Refundable bonds	1,371	1,352
Refundable deposits	295	113
Trusts	86	75
Retentions	-	28
	<u>1,752</u>	<u>1,568</u>

The majority of bonds and deposits are amounts held in trust for protection of Council's assets. They are returned to third parties on the successful completion of projects.

Notes to the Financial Report

Note 24 Provisions

	Annual leave	Long service leave	Landfill restoration	Other	Total
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
2014					
Balance at beginning of the financial year	1,947	3,028	5,129	-	10,104
Additional provisions	1,126	959	-	-	2,085
Amounts used	(1,260)	(180)	(2,465)	-	(3,905)
Balance at the end of the financial year	1,813	3,807	2,664	-	8,284
2013					
Balance at beginning of the financial year	1,875	2,961	5,446	-	10,282
Additional provisions	1,408	216	-	-	1,624
Amounts used	(1,336)	(149)	(317)	-	(1,802)
Balance at the end of the financial year	1,947	3,028	5,129	-	10,104

	2014 \$'000	2013 \$'000
(a) Employee provisions		
Current provisions expected to be settled within 12 months		
Annual leave	1,261	1,363
Long service leave	246	180
	1,507	1,543
Current provisions expected to be settled after 12 months		
Annual leave	552	584
Long service leave	3,180	2,326
	3,732	2,910
Total Current provisions	5,239	4,453
Non-current		
Long service leave	381	522
	381	522
Aggregate carrying amount of employee provisions:		
Current	5,239	4,453
Non-current	381	522
	5,620	4,975
The following assumptions were adopted in measuring the		
Weighted average increase in employee costs	4.00%	4.00%
Weighted average discount rates	3.13%	3.37%
Weighted average settlement period	12	13

(b) Land fill restoration

Under State Government legislation Council is obligated to rehabilitate the Trafalgar landfill site to a particular standard. Council have obtained approval for the construction design from EPA Victoria. Contracts have also been finalised for the capping. The provision for the landfill has been calculated on the present value of expected works to be undertaken.

Trafalgar Landfill restoration provision

Current	2,664	2,968
Non-current	-	2,161
	2,664	5,129

Summary

Current	5,239	4,453
Employee benefits	2,664	2,968
Landfill restoration	7,903	7,421

Non-current

Employee benefits	381	522
Landfill restoration	-	2,161
	381	2,683

Notes to the Financial Report

	2014 \$'000	2013 \$'000
Note 25 Interest-bearing loans and borrowings		
Current		
Borrowings - secured*	1,398	2,038
	1,398	2,038
Non-current		
Borrowings - secured*	5,041	6,438
	6,439	8,476
Total		
	6,439	8,476
The maturity profile for Council's borrowings is:		
Not later than one year	1,398	2,038
Later than one year and not later than five years	1,327	1,398
Later than five years	3,714	5,040
	6,439	8,476
Aggregate carrying amount of interest-bearing loans and borrowings:		
Current	1,398	2,038
Non-current	5,041	6,438
	6,439	8,476

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

Notes to the Financial Report

Note 26 Reserves

	Balance at beginning of reporting period	Revaluation Increment (decrement)	Impairment	Balance at end of reporting period
	\$'000	\$'000	\$'000	\$'000
(a) Asset revaluation reserves				
2014				
Property				
Land	47,285	-	-	47,285
Buildings	47,924	-	-	47,924
	95,209	-	-	95,209
Infrastructure				
Roads, bridges, footpaths, drainage & car parking	113,230	98,769	2,708	214,707
	113,230	98,769	2,708	214,707
West Gippsland Regional Library	99			99
Total asset revaluation reserves	208,538	98,769	2,708	310,015
2013				
Property				
Land	47,285	-	-	47,285
Buildings	47,924	-	-	47,924
	95,209	-	-	95,209
Infrastructure				
Roads, bridges, footpaths, drainage & car parking	87,622	26,499	(891)	113,230
	87,622	26,499	(891)	113,230
West Gippsland Regional Library	99			99
Total asset revaluation reserves	182,930	26,499	(891)	208,538

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) Other reserves				
2014				
Resort and recreation reserve	493	73	-	566
Car parking	5	-	-	5
Development contribution levy	3,185	579	-	3,764
Total Other reserves	3,683	652	-	4,335
2013				
Resort and recreation reserve	356	137	-	493
Car parking	5	-	-	5
Development contribution levy	2,431	754	-	3,185
Total Other reserves	2,792	891	-	3,683

Notes to the Financial Report

	2014 \$'000	2013 \$'000
Note 27 Reconciliation of cash flows from operating activities to surplus (deficit)		
Surplus/(deficit) for the year	6,320	11,791
Depreciation/amortisation	11,079	10,037
Profit/(loss) on disposal of property, plant and equipment, infrastructure	4,559	1,211
Finance costs	505	569
Contributions - Non-monetary assets	(3,578)	(10,823)
Share of net profits(losses) of associates accounted for by the equity method	(232)	(186)
Change in assets and liabilities:		
(Increase)/decrease in trade and other receivables	930	726
Decrease in prepayments	(99)	(33)
Increase/(decrease) in trade and other payables	530	1,780
(Increase)/decrease in GST	(281)	(119)
Increase/(Decrease) in provisions	645	1,424
Net cash provided by/(used in) operating activities	<u>20,378</u>	<u>16,377</u>
Note 28 Reconciliation of cash and cash equivalents		
Cash and cash equivalents (see note 15)	12,396	11,727
Investments	<u>6,000</u>	<u>9,000</u>
Total reconciliation of cash and cash equivalents	<u>18,396</u>	<u>20,727</u>
Note 29 Financing arrangements		
Bank overdraft	<u>1,500</u>	<u>1,500</u>
Unused facilities	<u>1,500</u>	<u>1,500</u>
Note 30 Restricted assets		
Council has cash and cash equivalents (note 15) that are subject to restrictions. As at the reporting date, Council had legislative restrictions in relation to reserve funds (Recreational Lands Reserves) and Long service leave.		
Long service leave (note 24)	513	2,872
Trust funds and deposits (note 23)	1,752	1,568
Reserve funds (note 26)	4,335	3,683
Funds collected from Waste for the rehabilitation of the Trafalgar Landfill	<u>93</u>	<u>1,121</u>
Total restricted assets	<u>6,693</u>	<u>9,244</u>

Notes to the Financial Report

Note 31 - Superannuation

Council made contributions to the following funds:

Defined benefit fund

Employer contributions to Local Authorities Superannuation Fund (Vision Super)

Employer contributions payable to Local Authorities Superannuation Fund (Vision Super) at reporting date.

Accumulation funds

Employer contributions to Local Authorities Superannuation Fund (Vision Super)

	2014 \$'000	2013 \$'000
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	75	107
Employer contributions payable to Local Authorities Superannuation Fund (Vision Super) at reporting date.	-	75
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	1,371	1,508

Baw Baw Shire Council makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund. *This Fund* has two categories of membership, accumulation and defined benefit, each of which is funded differently. The defined benefits section provides lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from Baw Baw Shire Council and the Baw Baw Shire Council's legal or constructive obligation is limited to these contributions.

Obligations for contributions to *the Fund* are recognised as an expense in the Comprehensive Operating Statement when they are due.

Baw Baw Shire Council has a number of other superannuation funds, which have been nominated by employees, to which it contributes. Obligations for these contributions are recognised as an expense in the Comprehensive Operating Statement when they are due.

Accumulation

The Fund's accumulation category, 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 earning (for the year ended 30 June 2014, this was 9.25% required under the Superannuation Guarantee Legislation). Our commitment to defined contribution plans is limited to making contributions in accordance with our minimum statutory requirements. No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of net assets of *the Fund*.

Effective from 1 July 2014, the Superannuation Guarantee contribution rate is legislated to 9.5%, and will progressively increase to 12% by 2019. Based on announcements included in the May 2014 Federal Budget, this progressive increase will be delayed to 2022.

Defined Benefit

As provided under Paragraph 34 of AASB 119, 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 multi-employer sponsored plan.

As a multi sponsored plan, the Fund was established as a mutual scheme to allow for the mobility of the current workforce between the participating employers without attaching a specific liability to particular employees and their current employer. Therefore, there is no proportional split of the defined benefits liabilities, assets or costs between the participating employers as the defined benefits obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employees 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. While there is an agreed methodology to allocate any shortfalls identified by *the Fund* Actuary for funding purposes, there is no agreed methodology to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

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* employer funding arrangements comprise of three components (which are detailed below) are:

1. Regular contributions - which are ongoing contributions needed to fund the balance of benefits for current members and pensioners;
2. Funding calls - which are contributions in respect of each participating employer's share of any funding shortfalls that arise; and
3. Retrenchment increments - which are additional contributions to cover the increase in liability arising from retrenchments.

Baw Baw Shire Council is also required to make additional contributions to cover the contributions tax payable on the contributions referred to above.

Employees are also required to make members contributions to *the Fund*. As such, assets accumulate in *the Fund* to meet members benefits, as defined in the Trust Deed, as they accrue.

Notes to the Financial Report

Note 31 - Superannuation

Employer contributions

Regular Contributions

On the basis of the results of the most recent full actuarial investigation conducted by the Fund's Actuary as at 31 December 2011, 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 2014, this rate was 9.25% of members salaries. This rate increased to 9.5% on 1 July 2014 and is expected to increase in line with the required Superannuation Guarantee 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 (the funded resignation or retirement benefit is calculated as the VBI multiplied by the benefit).

Funding calls

The Fund is required to comply with the superannuation prudential standards. Under the superannuation prudential standard SPS 160, the Fund is required to target full understanding of its vested benefits. There may be circumstances where:

- A fund is in an unsatisfactory financial position at an actuarial investigation (i.e. its vested benefit index (VBI) is less than 100% at the date of the actuarial investigation);
- A fund's VBI is below its shortfall limit at any time other than at the date of the actuarial investigations.

If either of the above occur, the fund 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 with three years of the shortfall occurring. There may be circumstances where the Australian Prudential Regulation Authority (APRA) may approve a period longer than three years.

The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%. The estimated VBI at 31 March 2014 was 104.6%.

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. The methodology used to allocate the shortfall was agreed in 1997 to fairly and reasonably apportion the shortfall between the participating employers.

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.

The pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund are based on:

- The service periods of all active members split between the active members pre-1 July 1993 and post-30 June 1993 service period;
- The service periods of all deferred members split between the deferred members pre-1 July 1993 and post-30 June 1993 service period; and
- The pensioner (including fixed term pension) liabilities which are allocated to the pre-1993 period.

The pre-1 July 1993 component of the shortfall is apportioned between the participating employers based on the employer's share of the total participating employer payroll at 30 June 1993.

The post-30 June 1993 component of the shortfall is apportioned between the participating employers based on the employer's share of the total participating employer payroll 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 would be wound up. In the unlikely event that the Fund is wound up and there is a surplus in the Fund, the surplus cannot be applied for the benefit of the defined benefits employers where there are ongoing defined benefit obligations. The surplus would be transferred to the fund accepting those defined benefit obligations (including the lifetime pension obligations) of the Fund.

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.

Differences between calculations

The Fund surplus or deficit (i.e. the difference between fund assets and liabilities) is calculated differently for funding purposes (i.e. calculating required contributions), for the calculation of accrued benefits as required in AAS25 requires that the present value of the defined benefit liability be calculated based on benefits that may have accrued in respect of membership of the plan up to the measurement date, with no allowance for future benefits that may accrue.

Retrenchment increments

During 2013/14 Baw Baw Shire Council was not required to make payments to the Fund in respect of retrenchment increments. (\$nil in 2012/13). Baw Baw Shire Council's liability to the fund as at 30 June 2014, for retrenchment increments, accrued interest and tax is nil (nil in 2012/13).

Notes to the Financial Report

Shortfall amounts

The Local Authorities Superannuation Funds' latest actuarial investigation at 31 December 2011 identified an unfunded liability of \$406 million (excluding contributions tax) in the defined benefits category of which Baw Baw Shire Council is a contributing employer.

Baw Baw Shire Council was made aware of the expected shortfall during the 2011/12 year and was informed of its share of the shortfall on 2 August 2012.

Baw Baw Shire Council has not been advised of any further adjustments.

Baw Baw Shire Council's share of the shortfall amounted to \$3.416 million (excluding contributions tax) which was accounted for in the 2011/12 Comprehensive Operating Statement within Employee Benefits and in the Balance Sheet in the Current Liabilities provision.

No further amount has been accounted for in the 2013/14 Comprehensive Operating Statement within Employee benefits (Note 9) and in the Balance Sheet in the Current Liabilities Provision (Note 22). In 2012/13 there was no amount was provided for in the Comprehensive Operating Statement with Employee Benefits (Note 9) and as Council paid the liability in full, there was no ongoing liability in the Balance Sheet (Note 22).

The amount of the unpaid shortfall at 30 June 2014 is \$nil (\$nil unpaid amount 2012/13).

Accrued Benefits

The Fund's liability for accrued benefits was determined in the 31 December 2011 actuarial investigation pursuant to the requirements of Australian Accounting Standard Board AA25 follows:

	31 Dec 2011
	\$000
Net Market Value of Assets	4,315,324
Accrued Benefits (per accounting standards)	4,642,133
Difference between Assets and Accrued Benefits	<u>(326,809)</u>
Vested Benefits	
(Minimum sum which must be paid to members when they leave the fund)	4,838,503

The financial assumptions used to calculate the Accrued Benefits for the defined benefits category of the Fund were:

■ Net Investment Return	7.50% p.a
■ Salary Inflation	4.25% p.a
■ Price Inflation	2.75% p.a

The next full actuarial investigation of the Fund's liability for accrued benefits will be based on the Fund's position as at 30 June 2014. The anticipated completion date of this actuarial investigation is 19 December 2014.

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 2014 are detailed below:

Scheme	Type of Scheme	Rate	2014	2013
			\$'000	\$'000
Vision Super	Defined benefits	9.25%	75	107
Vision Super	Accumulation	9.25%	1,371	1,508

Employer contributions payable to the Local Authorities Superannuation Fund (Vision Super) at reporting date was \$165,000.

No loans were issues from or to the above schemes as at 30 June 2014.

The expected contributions due to be paid to the defined benefit category of Vision Super for the year ending 30 June 2015 is \$134,000.

Notes to the Financial Report

Note 32 Commitments

The Council has entered into the following commitments

2014	Not later than 1	Later than 1 year	Later than 2 years	Later than 5	Total
	year	and not later than	and not later than		
	\$'000	2 years	5 years	years	\$'000
Operating		\$'000	\$'000	\$'000	\$'000
Waste	3,355	2,671	8,013	-	14,039
Other	1,977	1,175	2,773	1,465	7,390
Total	5,332	3,846	10,786	1,465	21,429
Capital					
Construction works	5,364	-	-	-	5,364
Total	5,364	-	-	-	5,364

2013	Not later than 1	Later than 1 year	Later than 2 years	Later than 5	Total
	year	and not later than	and not later than		
	\$'000	2 years	5 years	years	\$'000
Operating		\$'000	\$'000	\$'000	\$'000
Waste	3,551	3,355	8,012	2,671	17,589
Other	2,369	1,675	3,330	576	7,950
Total	5,920	5,030	11,342	3,247	25,539
Capital					
Construction works	5,664	4,572	-	-	10,236
Total	5,664	4,572	-	-	10,236

Notes to the Financial Report

	2014 \$'000	2013 \$'000
Note 33 Operating leases		
(a) Operating lease commitments		
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	247	316
Later than one year and not later than five years	107	323
Later than five years	-	-
	354	639

Note 34 Contingent liabilities and contingent assets

Contingent 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, however Council currently has no request for an additional contribution.

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 (current liability) with a balance of \$2.664 million.

Guarantees for loans to other entities

Council is guarantor on a loan for the Warragul Bowling Club. The loan assisted the club in bringing forward the construction of its synthetic bowling greens.

The loan is due to expire on the 16th October 2019.

Contingent assets

Developer contributions to be received in respect of estates currently under development total \$10.500 million (2012/13 \$9.134 million)

300 300

Notes to the Financial Report

Note 35 Financial instruments

Financial Risk Management

(a) Accounting Policy, terms and conditions

Recognised financial instruments	Note	Accounting Policy	Terms and Conditions
Financial assets			
Cash and cash equivalents	15	Cash on hand and at bank and money market call account are valued at face value.	On call deposits returned a floating interest rate of 2.47% (3.07% in 2012/2013). The interest rate at balance date was 2.45% (2.70% in 2012/2013).
		Interest is recognised as it accrues.	At the end of June 2014, returns on term deposits ranged between 3.40% and 3.67%. (2013 returns ranged between 3.85% and 4.00%)
		Investment policy dictates that Council funds are invested in bank securities or AA securities guaranteed by the Government of Victoria or the Commonwealth and held to maturity.	
		Investments are held to maximise interest returns of surplus cash. Interest revenues are recognised as they accrue.	
Trade and other receivables			
Other debtors	16	Receivables are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when there is objective evidence that an impairment loss has occurred. Collectability of overdue accounts is assessed on an ongoing basis.	General debtors are unsecured and credit terms are based on 30 days.
Financial Liabilities			
Trade and other payables	22	Liabilities are recognised for amounts to be paid in the future for goods and services provided to Council as at balance date whether or not invoices have been received.	General Creditors are unsecured, not subject to interest charges and are normally settled within 30 days of invoice receipt.
Interest-bearing loans and borrowings	25	Loans are carried at their principal amounts, which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and recognised as part of payables.	Borrowings are secured by way of mortgages over the general rates of the Council. The weighted average interest rate on borrowings is 6.13% (6.44% in 2012/2013). Interest rates on borrowings are fixed.
Bank overdraft	29	Overdrafts are recognised at the principal amount. Interest is charged as an expense as it accrues.	The overdraft is an unsecured facility. The interest rate is set by the bank at the time the overdraft is required.

Notes to the Financial Report

Note 35 Financial instruments (cont.)

(b) Interest Rate Risk

The exposure to interest rate risk and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised, at balance date are as follows:

2014	Floating interest rate \$'000	Fixed interest maturing in:			Non-interest bearing \$'000	Total \$'000
		1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000		
Financial assets						
Cash and cash equivalents	10,396	8,000	-	-	-	18,396
Trade and other receivables	-	-	-	-	1,997	1,997
<i>Total financial assets</i>	<u>10,396</u>	<u>8,000</u>	<u>-</u>	<u>-</u>	<u>1,997</u>	<u>20,393</u>
Weighted average interest rate	2.07%	3.54%				
Financial liabilities						
Trade and other payables	-	-	-	-	6,349	6,349
Trust funds and deposits	-	-	-	-	1,752	1,752
Interest-bearing loans and borrowings	-	1,398	1,327	3,714	-	6,439
<i>Total financial liabilities</i>	<u>-</u>	<u>1,398</u>	<u>1,327</u>	<u>3,714</u>	<u>8,101</u>	<u>14,540</u>
Weighted average interest rate		6.46%	6.54%	5.66%		
Net financial assets (liabilities)	<u>10,396</u>	<u>6,602</u>	<u>(1,327)</u>	<u>(3,714)</u>	<u>(6,104)</u>	<u>5,853</u>

2013	Floating Interest rate \$'000	1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000	Non-interest bearing \$'000	Total \$'000
Cash and cash equivalents	11,727	9,000	-	-	-	20,727
Trade and other receivables	-	-	-	-	3,360	3,360
<i>Total financial assets</i>	<u>11,727</u>	<u>9,000</u>	<u>-</u>	<u>-</u>	<u>3,360</u>	<u>24,087</u>
Weighted average interest rate	2.42%	3.86%				
Financial liabilities						
Trade and other payables	-	-	-	-	6,457	6,457
Trust funds and deposits	-	-	-	-	1,568	1,568
Interest-bearing loans and borrowings	-	2,038	5,249	1,189	-	8,476
<i>Total financial liabilities</i>	<u>-</u>	<u>2,038</u>	<u>5,249</u>	<u>1,189</u>	<u>8,025</u>	<u>16,501</u>
Weighted average interest rate		6.25%	5.16%	7.44%		
Net financial assets (liabilities)	<u>11,727</u>	<u>6,962</u>	<u>(5,249)</u>	<u>(1,189)</u>	<u>(4,665)</u>	<u>7,586</u>

Notes to the Financial Report

Note 35 Financial Instruments (cont.)

(c) Net Fair Values

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, at balance date are as follows:

Financial Instruments	Total carrying amount as per Balance Sheet		Aggregate net fair value	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Financial assets				
Cash and cash equivalents	18,396	20,727	18,396	20,727
Trade and other receivables	1,997	3,360	1,997	3,360
Total financial assets	20,393	24,087	20,393	24,087
Financial liabilities				
Trade and other payables	6,349	6,457	6,349	6,457
Trust funds and deposits	1,752	1,568	1,752	1,568
Interest-bearing loans and borrowings	6,439	8,476	6,439	10,282
Total financial liabilities	14,540	16,501	14,540	18,307

(d) Credit Risk

The maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is represented by the carrying amount of those assets as indicated in the Balance Sheet.

(e) Risks and mitigation

The risks associated with our main financial instruments and our policies for minimising these risks are detailed below.

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 are primarily through interest rate risk with only insignificant exposure to other price risks and no exposure to foreign currency risk. Components of market risk to which we are exposed are discussed below.

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. Interest rate risk arises from interest bearing financial assets and liabilities that we use. Non derivative interest bearing assets are predominantly short term liquid assets. Our interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which exposes us to fair value interest rate risk.

Our loan borrowings are sourced from major Australian banks by a tender process. Finance leases are sourced from major Australian financial institutions. Overdrafts are arranged with major Australian banks. We manage interest rate risk on our net debt portfolio by:

- ensuring access to diverse sources of funding;
- reducing risks of refinancing by managing in accordance with target maturity profiles; and
- setting prudential limits on interest repayments as a percentage of rate revenue.

We manage the interest rate exposure on our debt portfolio by appropriate budgeting strategies and obtaining approval for borrowings from the Department of Planning and Community Development each year.

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:

- conformity with State and Federal regulations and standards,
- capital protection,
- appropriate liquidity,
- diversification by credit rating, financial institution and investment product,
- monitoring of return on investment,
- benchmarking of returns and comparison with budget.

Maturity will be staggered to provide for interest rate variations and to minimise interest rate risk.

Notes to the Financial Report

Note 35 Financial Instruments (cont.)

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.

Trade and other receivables consist of a large number of customers, spread across the consumer, business and government sectors. Credit risk associated with the Council's financial assets is minimal because the main debtor is the Victorian Government. Apart from the Victorian Government we do not have any significant credit risk exposure to a single customer or groups of customers. Ongoing credit evaluation is performed on the financial condition of our customers and, where appropriate, an allowance for doubtful debts is raised.

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 35.

Ageing of Trade and Other Receivables

At balance date other 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 was:

	2014 \$'000	2013 \$'000
Current (not yet due)	2,274	2,657
Past due by up to 30 days	56	105
Past due between 31 and 180 days	6	795
Past due between 181 and 365 days	2,454	1,936
Past due by more than 1 year	-	17
Total Trade & Other Receivables	4,790	5,510

Notes to the Financial Report

Note 35 Financial Instruments (cont.)

Liquidity risk

Liquidity risk includes the risk that, as a result of our operational liquidity requirements:

- we will not have sufficient funds to settle a transaction on the date;
- we will be forced to sell financial assets at a value which is less than what they are worth; or
- we may be unable to settle or recover a financial assets at all.

To help reduce these risks we:

- 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 Councils exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The table below lists the contractual maturities for Financial Liabilities

These amounts represent undiscounted gross payments including both principal and interest amounts

2014	6 mths or less	6-12 months	1-2 years	2-5 years	>5 years	Contracted Cash Flow	Carrying Amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other payables	6,349	-	-	-	-	6,349	6,349
Trust funds and deposits	1,752	-	-	-	-	1,752	1,752
Interest-bearing loans and borrowings	905	893	1,637	3,706	462	7,141	6,439
Total financial liabilities	9,006	893	1,637	3,706	462	15,242	15,704

2013	6 mths or less	6-12 months	1-2 years	2-5 years	>5 years	Contracted Cash Flow	Carrying Amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other payables	6,457	-	-	-	-	6,457	6,457
Trust funds and deposits	1,568	-	-	-	-	1,568	1,568
Interest-bearing loans and borrowings	1,591	976	1,791	4,524	812	9,694	8,476
Total financial liabilities	9,616	976	1,791	4,524	812	17,719	16,501

Notes to the Financial Report

Note 35 Financial Instruments (cont.)

(f) Sensitivity disclosure analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, the Council believes the following movements are 'reasonably possible' over the next 12 months (Base rates are sourced from Reserve Bank of Australia):

- A parallel shift of + 1% and -2% in market interest rates (AUD) from year-end rates of 2.5%.

The table below discloses the impact on net operating result and equity for each category of financial instruments held by the Council at year-end, if the above movements were to occur.

		Interest rate risk			
		-2%		+1%	
2014	\$'000	-200 Profit \$'000	basis points Equity \$'000	+100 Profit \$'000	basis points Equity \$'000
Financial assets:					
Cash and cash equivalents	18,396	(368)	(368)	184	184
Trade and other receivables	4,858	0	0	0	49
Financial liabilities:					
Interest-bearing loans and borrowings	6,439	129	129	(64)	(64)

		Interest rate risk			
		-2%		+1%	
2013	\$'000	-200 Profit \$'000	basis points Equity \$'000	+100 Profit \$'000	basis points Equity \$'000
Financial assets:					
Cash and cash equivalents	20,727	(415)	(415)	207	207
Trade and other receivables	3,360	0	0	0	34
Financial liabilities:					
Interest-bearing loans and borrowings	8,476	170	170	(85)	(85)

(g) Fair Value Hierarchy

All financial assets carried at fair value are measured at quoted prices in active markets for identical assets or liabilities

	2014 \$'000	2013 \$'000
Note 36 Auditors' remuneration		
Audit fee to conduct external audit - Victorian Auditor-General	36	35
Internal audit fees - HLB Mann Judd	39	48
Other	1	0
	<u>76</u>	<u>83</u>

Note 37 Events occurring after balance date

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

As there is no longer a Committee of Management for Logan Park under S.86, bank funds will be returned to Council after balance date. The motion from Council to rescind the S.86 Committee was dated 13th November 2013.

Notes to the Financial Report

Note 38 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 M Cook (Mayor)
	Councillor D Brown (Deputy Mayor)
	Councillor G Murphy
	Councillor J Gauci
	Councillor M Power
	Councillor T Jones
	Councillor T Williamson
	Councillor P Kostos (from 29th July 2013 to current)
	Councillor D Balfour

Chief Executive Officer	Helen Anstis
	Phil Cantillon (Acting 14th June 2014 to 20th June 2014)

(ii) Remuneration of Responsible Persons

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

	2014 No.	2013 No.
\$1 - \$9,999	1	5
\$10,000 - \$19,999	-	7
\$20,000 - \$29,999	8	4
\$40,000 - \$49,999	-	1
\$70,000 - \$79,999	1	-
\$240,000 - \$249,999	1	1
	<u>11</u>	<u>18</u>

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

\$'000	\$'000
524	530

(iii) No retirement benefits have been made by the Council to a Responsible Person. (2012/13 Nil).

(iv) No loans have been made, guaranteed or secured by the Council to a Responsible Person during the reporting year (2012/13 Nil).

(v) Other Transactions

No transactions other than remuneration payments or the reimbursement of approved expenses were entered into by Council with Responsible Persons, or Related Parties of such Responsible Persons during the reporting year (2012/13 Nil).

(vi) Senior Officers Remuneration

A Senior Officer other than a Responsible Person, is an officer of Council who:

- has management responsibilities and reports directly to the Chief Executive; or
- whose total annual remuneration exceeds \$133,000

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

	2014 No.	Restated 2013 No.
Income Range:		
<\$130,000	1	3
\$130,000 - \$139,999	3	-
\$140,000 - \$149,999	1	1
\$150,000 - \$159,999	-	1
\$160,000 - \$169,999	-	2
\$170,000 - \$179,999	2	-
\$180,000 - \$189,999	1	-
	<u>8</u>	<u>7</u>

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

\$'000	\$'000
\$ 1,175	\$ 876

Notes to the Financial Report

Note 39 Income, expenses and assets by function/activities

2014 \$000	CEO	Corporate Services & Organisational Development	Community Care & Strengthening	Community Assets	Growth & Development	Other	Total
Income							
Grants	0	103	4,454	10,402	561	4,156	19,676
Other	2	3,582	3,142	2,708	1,518	44,312	55,264
Total Income	2	3,685	7,596	13,110	2,079	48,468	74,940
Expenses	1,828	8,009	14,079	35,601	4,669	4,434	68,620
Surplus (deficit) for the year	(1,826)	(4,324)	(6,483)	(22,491)	(2,590)	44,034	6,320
Assets attributed to functions / activities *	9,809	70	57,674	533,169	30	0	600,752
2013 \$000							
CEO	Corporate Services & Organisational Development	Community Care & Strengthening	Community Assets	Growth & Development	Other	Total	
Income							
Grants	(20)	295	5,641	8,061	213	7,904	22,094
Other	3	2,408	3,240	12,503	481	41,484	60,119
Total Income	(17)	2,703	8,881	20,564	694	49,388	82,213
Expenses	2,041	8,378	14,501	38,788	3,141	3,573	70,422
Surplus (deficit) for the year	(2,058)	(5,675)	(5,620)	(18,224)	(2,447)	45,815	11,791
Assets attributed to functions / activities *	9,988	284	56,952	387,588	107	0	454,919

*Assets have been attributed to functions/activities based on the control and/or custodianship of specific assets.

CEO

To provide for the peace, order and good government of the Shire to facilitate and encourage development of the Shire in the best interests of the community.

Services provided through the Chief Executive's office include: Customer Service, Communications, Grants, Corporate Planning and Advocacy.

Corporate Services & Organisational Development

To ensure the development and maintenance of administrative, financial and organisational systems which maximise the efficiency of and support the delivery of Council's services.

Corporate Services and Organisational Development provides internal services to the organisation and includes: Accounting Services, Revenue Services, Human Resources, Payroll, Procurement, Risk Management, Occupational Health and Safety, Information Technology, Business Information, Property Portfolio Management and Governance.

Community Care & Strengthening

To provide support and development of community development services and to provide professional responsive services to the community.

The Community Services Directorate includes: Family and Children's Services, Home and Community Care, Social Support, Libraries, Community Development, Healthy Communities, Recreation, Arts and Culture.

Community Assets

To ensure and deliver the provision of a range of programs which develop and maintain the physical infrastructure and environmental services to the community and to manage the delivery of Council works and services by subcontractors.

Community Assets Directorate includes: Asset Management, Road Network Maintenance, Infrastructure Services, Programme Planning and Delivery, Property Management, Facilities Management, Infrastructure Growth, Built Environment, Natural Environment Management, Waste, Fire Protection and Emergency Management, Fleet Management, Parks and Gardens and Urban Services.

Growth & Development

To deliver a range of programs and services that facilitate the development of the Shire by supporting and promoting building development, economic prosperity and strategic planning.

Growth and Development Directorate includes: Regulatory Services, Building Services, Statutory Planning, Strategic Planning and Economic Development.

Notes to the Financial Report

Note 40 Financial ratios (Performance indicators)

	2014 \$'000	2014 (%)	2013 \$'000	2013 (%)	2012 \$'000	2012 (%)
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- (a) **Debt servicing ratio** (to identify the capacity of Council to service its outstanding debt)

<u>Debt servicing costs</u>	505	=	0.67%	<u>540</u>	=	0.66%	<u>652</u>	=	0.76%
Total revenue	74,940			82,213			85,826		

Debt servicing costs refer to the payment of interest on loan borrowings and bank overdraft. The ratio expresses the amount of interest paid as a percentage of Council's total revenue.

- (b) **Debt commitment ratio** (to identify Council's debt redemption strategy)

<u>Debt servicing & redemption costs</u>	2,542	=	5.74%	<u>2,367</u>	=	5.71%	<u>2,550</u>	=	7.23%
Rate revenue	44,312			41,484			35,246		

The strategy involves the payment of loan principal and interest. The ratio expresses the percentage of rate revenue utilised to pay interest and redeem debt principal.

- (c) **Revenue ratio** (to identify Council's dependence on non-rate income)

<u>Rate revenue</u>	44,312	=	59.13%	<u>41,484</u>	=	50.46%	<u>35,246</u>	=	41.07%
Total revenue	74,940			82,213			85,826		

The level of Council's reliance on rate revenue is determined by assessing rate revenue as a proportion of the total revenue of Council.

- (d) **Debt exposure ratio** (to identify Council's exposure to debt)

<u>Total indebtedness</u>	16,131	=	7.84%	<u>26,605</u>	=	14.02%	<u>20,863</u>	=	11.15%
Total realisable assets	205,873			189,773			187,161		

For the purpose of the calculation of financial ratios, realisable assets are those assets which can be sold and which are not subject to any restriction on realisation or use.

Any liability represented by a restricted asset (note 30) is excluded from total indebtedness.

The following assets are excluded from total assets when calculating Council's realisable assets: restricted assets; total infrastructure assets and investments in associates.

This ratio enables assessment of Council's solvency and exposure to debt. Total indebtedness refers to the total liabilities of Council. Total liabilities are compared to total realisable assets which are all Council assets not subject to any restriction and are able to be realised. The ratio expresses the percentage of total liabilities for each dollar of realisable assets.

- (e) **Working capital ratio** (to assess Council's ability to meet current commitments)

<u>Current assets</u>	24,041	=	138.15%	<u>26,406</u>	=	151.03%	<u>20,622</u>	=	145.74%
Current liabilities	17,402			17,484			14,150		

The ratio expresses the level of current assets the Council has available to meet its current liabilities.

- (f) **Adjusted working capital ratio** (to assess Council's ability to meet current commitments)

<u>Current assets</u>	24,041	=	140.13%	<u>26,406</u>	=	152.60%	<u>20,622</u>	=	174.97%
Current liabilities	17,156			17,304			11,786		

The ratio expresses the level of current assets the Council has available to meet its current liabilities.

Current liabilities have been reduced to reflect the long service leave that is shown as a current liability because Council does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date, but is not likely to fall due within 12 months after the end of the period.

Notes to the Financial Report

Note 40 Financial ratios (Performance indicators)

	2014 \$'000	2014 (%)	2013 \$'000	2013 (%)	2012 \$'000	2012 (%)
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(g) Underlying result

The underlying result is calculated by deducting the value of contributions of non-monetary assets and non-recurrent grants.

<u>Adjusted net result</u>	-6,431	= -10.34%	-8,286	= -13.34%	-9,856	= -16.41%
Total underlying revenue	62,189		62,136		60,063	

The ratio expresses the capacity of Council to generate sufficient recurrent income to meet operating costs including the replacement of assets.

(h) Self-financing ratio (to assess Council's ability to fund the replacement of assets from cash generated from operations to repay debt).

<u>Net operating cash flows</u>	20,378	= 32.77%	16,377	= 26.36%	12,986	= 21.62%
Total underlying revenue	62,189		62,136		60,063	

This ratio expresses Council's ability to replace assets using cash generated from its operations. It is calculated by dividing net operating cash flows by underlying revenue. Underlying revenue does not take into account non-cash developer contributions and other one-off non-recurrent income items and Natural disaster grants.

(i) Indebtedness ratio (to assess Council's ability to meet non-current liabilities.)

<u>Non-current liabilities</u>	5,422	= 8.72%	9,121	= 14.68%	13,892	= 23.13%
Own sourced revenue	62,189		62,136		60,063	

The ratio expresses the capacity of Council to cover non-current liabilities from the revenue it generates itself. It is calculated by dividing non-current liabilities by own-sourced revenue. Own sourced revenue does not include non-cash developer contributions or grant income and Natural disaster.

(j) Investment gap ratio (to assess Council's expenditure on infrastructure against depreciation expense)

<u>Capital expenditure</u>	17,841	= 161.03%	14,917	= 148.62%	14,909	= 140.45%
Depreciation expense	11,079		10,037		10,615	

The ratio expresses the rate of spending on Council's assets with its depreciation.

(k) Renewal gap ratio

<u>Renewal capital expenditure</u>	13,928	= 125.72%	10,500	= 104.61%	9,145	= 86.15%
Depreciation expense	11,079		10,037		10,615	

The ratio expresses the rate of spending on existing assets through renewing, restoring and replacing assets with depreciation.

Notes to the Financial Report

Note 41 Special committees and other activities

Logan Park (Section 86 Committee) financials for 2013/14 have been included in Council's financial statements. The committee for Logan Park has been winding up the S.86 Committee following the Council motion to rescind on the 13th November 2013. Responsibility for Logan Park has been returned to Council.

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
Darnum 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
Rawson Committee of Management- Rescinded by Council resolution 13 November 2013
Tetooro Road Community Centre
Trafalgar Recreation Reserve
Western Park Reserve

Certification of the Financial Report

In my opinion the accompanying financial statements have been prepared in accordance with the *Local Government Act 1989*, the *Local Government (Finance and Reporting) Regulations 2004*, Australian Accounting Standards and other mandatory professional reporting requirements.



Shane Cagney
Principal Accounting Officer

10 September 2014
Warragul

In our opinion the accompanying financial statements present fairly the financial transactions of Baw Baw Shire Council for the year ended 30 June 2014 and the financial position of the Council as at that date.

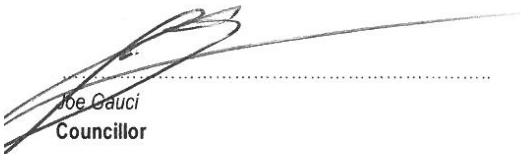
As at the date of signing, we are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.

We have been authorised by the Council on 3 September 2014 to certify the financial statements in their final form.




Murray Cook
Councillor

10 September 2014
Warragul



Joe Gauci
Councillor

10 September 2014
Warragul



Helen Anstis
Chief Executive Officer

10 September 2014
Warragul

Standard Income Statement

	Note	Budget 2013/14 \$ '000	Actual 2013/14 \$ '000	Variance 2013/14 \$ '000	Variance 2013/14 %
Income					
Rates and charges		44,424	44,312	(112)	(0%)
User charges, fees and fines		4,875	5,157	282	6%
Operating grants and contributions		10,297	10,121	(176)	(2%)
Interest income		341	734	393	115%
Other income		479	771	292	61%
Total Income before capital grants and non-monetary contributions		60,416	61,095	679	1%
Expenses					
Employee costs		23,314	23,348	34	0%
Materials services and contracts	1(a)	24,970	26,530	1,560	6%
Depreciation		11,569	11,079	(490)	(4%)
Finance costs		549	505	(44)	(8%)
Total Expenses		60,402	61,462	1,060	2%
Net surplus (deficit) before capital items and non-monetary contributions		14	(367)	(381)	(2721%)
Capital grants & contributions	1(b)	8,644	10,267	1,623	19%
Natural disaster expenditure	1(c)	0	(2,039)	(2,039)	100%
Prior year capital write off	1(d)	0	(560)	(560)	100%
Contributed assets	1(e)	9,134	3,578	(5,556)	(61%)
Net Proceeds from sale/disposal	1(f)	(2,157)	(4,559)	(2,402)	111%
Surplus (deficit) for the year		15,635	6,320	(9,315)	(60%)
Other comprehensive income					
Other	1(g)	0	101,477	101,477	100%
Comprehensive result		15,635	107,797	92,162	589%

The above statements should be read with the accompanying notes

Standard Balance Sheet

	Note	Budget 2013/14 \$ '000	Actual 2013/14 \$ '000	Variance 2013/14 \$ '000	Variance 2013/14 %
ASSETS					
Current Assets					
Cash and cash equivalents	2(a)	8,367	18,396	10,029	120%
Trade and other receivables	2(b)	6,397	4,858	(1,539)	(24%)
Non-current assets classified as held for sale	2(c)	0	519	519	100%
Other assets		286	268	(18)	(6%)
Total Current Assets		15,050	24,041	8,991	60%
Non-Current Assets					
Investment in associates		622	1,040	418	67%
Property, infrastructure, plant and equipment	2(d)	489,207	611,755	122,548	25%
Intangible assets		0	1	1	100%
Total Non-Current Assets		489,829	612,796	122,967	25%
Total Assets		504,879	636,837	131,958	26%
LIABILITIES					
Current Liabilities					
Trade and other payables	2(e)	4,454	6,349	1,895	43%
Trust funds and deposits		1,487	1,752	265	18%
Provisions	2(f)	6,462	7,903	1,441	22%
Interest bearing loans and borrowings		1,415	1,398	(17)	(1%)
Total Current Liabilities		13,818	17,402	3,584	26%
Non-Current Liabilities					
Provisions	2(g)	1,025	381	(644)	(63%)
Interest bearing loans and borrowings		5,034	5,041	7	0%
Total Non-Current Liabilities		6,059	5,422	(637)	(11%)
Total Liabilities		19,877	22,824	2,947	15%
Net Assets		485,002	614,013	129,011	27%
EQUITY					
Accumulated surplus		297,823	299,663	1,840	1%
Asset Revaluation Reserve	2(h)	182,930	310,015	127,085	69%
Other reserves		4,249	4,335	86	2%
Total Equity		485,002	614,013	129,011	27%

The above statements should be read with the accompanying notes

Standard Cash Flow Statement

	Note	Budget 2013/14 \$ '000	Actual 2013/14 \$ '000	Variance 2013/14 \$ '000	Variance 2013/14 %
Cash flows from operating activities					
Receipts					
Rates and charges		44,384	44,245	(139)	(0%)
User charges, fees & fines		4,875	5,157	282	6%
Operating grants and contributions	3(a)	10,297	11,365	1,068	10%
Capital grants and contributions	3(b)	8,644	10,970	2,326	27%
Interest income		341	654	313	92%
Other income		480	535	55	11%
GST remitted to ATO		0	281	281	100%
		<u>69,021</u>	<u>73,207</u>	<u>4,186</u>	<u>2</u>
Payments					
Employee costs		(23,254)	(23,158)	96	(0%)
Materials, services and contracts	3(c)	(24,991)	(27,632)	(2,641)	11%
Natural disaster expenditure	3(d)	0	(2,039)	(2,039)	100%
		<u>(48,245)</u>	<u>(52,829)</u>	<u>(4,584)</u>	<u>10%</u>
Net Cash provided by Operating Activities		<u>20,776</u>	<u>20,378</u>	<u>(398)</u>	<u>(2%)</u>
Cash flows from investing activities					
Proceeds from sale of property, plant & equipment		343	203	(140)	(41%)
Payment for property, plant & equipment	3(e)	(24,622)	(21,593)	3,029	(12%)
Net Cash used in Investing Activities		<u>(24,279)</u>	<u>(21,390)</u>	<u>2,889</u>	<u>(12%)</u>
Cash Flows from financing activities					
Finance costs		(549)	(493)	56	(10%)
Repayment of current borrowings		(2,027)	(2,037)	(10)	0%
Trust funds and deposits		0	184	184	100%
Fire services levy collected but not yet paid to State Revenue Office	3(f)	0	1,027	1,027	100%
Net Cash used in financing activities		<u>(2,576)</u>	<u>(1,319)</u>	<u>1,257</u>	<u>(49%)</u>
Net increase (decrease) in cash and cash equivalents		<u>(6,079)</u>	<u>(2,331)</u>	<u>3,748</u>	<u>(62%)</u>
Cash and cash equivalents at beginning of year		14,446	20,727	6,281	43%
Cash and cash equivalents at the end of the year		<u><u>8,367</u></u>	<u><u>18,396</u></u>	<u><u>10,029</u></u>	<u><u>120%</u></u>

The above statements should be read with the accompanying notes

Standard Capital Works Statement

	Note	Budget 2013/14 \$ '000	Actual 2013/14 \$ '000	Variance 2013/14 \$ '000	Variance 2013/14 %
Capital works areas					
Roads	4(a)	11,380	12,637	(1,257)	(11%)
Drainage		2,142	1,796	346	16%
Footpaths		150	197	(47)	(31%)
Bridges		305	278	27	9%
Recreation facilities		1,000	593	407	41%
Land and buildings	4(b)	3,420	1,728	1,692	49%
Plant, fleet and equipment		925	840	85	9%
Growth & development		287	122	165	57%
Environmental management		0	44	(44)	100%
Asset management systems		1,290	978	312	24%
Information technology		988	759	229	23%
Community infrastructure		0	249	(249)	100%
Waste		2,735	2,465	270	10%
Total capital works		24,622	22,686	1,936	8%
Less Waste		2,735	2,465	270	10%
Less Natural disaster expenditure (included in Roads above)		4,148	2,039	2,109	51%
Less Current year capital expenditure transferred to operations		0	341	(341)	-
Capital expenditure acquisitions		17,739	17,841	102	(1%)
Represented by:					
Renewal		11,732	13,928	(2,196)	(19%)
Upgrade		10,148	5,838	4,310	42%
New/ expansion		2,742	2,920	(178)	(6%)
Total capital works		24,622	22,686	1,936	8%
Reconciliation of net movement in property, infrastructure, plant and equipment					
		Budget 2013/14 \$ '000	Actual 2013/14 \$ '000	Variance 2013/14 \$ '000	Variance 2013/14 %
Total capital works		24,622	22,686	1,936	8%
Asset revaluation increment		0	98,769	(98,769)	100%
Depreciation and amortisation		(11,569)	(11,079)	(490)	4%
Written down value of assets sold		(2,500)	(4,762)	2,262	(90%)
Granted assets		9,134	3,578	5,556	61%
Impairment		0	2,708	(2,708)	100%
Waste		0	(2,465)	2,465	100%
Natural disaster expenditure (included in Roads above)		0	(2,039)	2,039	100%
Current year capital expenditure transferred to operations		0	(341)	341	100%
Transfers		0	(906)	906	100%
Net movement in property, infrastructure, plant and equipment		19,687	106,149	(86,462)	82%

The above statements should be read with the accompanying notes

Notes to the Standard Statements

Notes to the Standard Statements

1. Basis of preparation of standard statements

Council is required to prepare and include audited Standard Statements within its Annual Report.

These statements and supporting notes form a special purpose financial report prepared to meet the requirements of section 131 of the Local Government Act 1989 and Local Government (Finance and Reporting) Regulations 2004.

The Standard Statements have been prepared on an accounting basis consistent with those used for the General Purpose Financial Statements and the Budget. The Standard Statements are not a substitute for the General Purpose Financial Statements which are included in the Annual Report.

The Standard Statements compare council's financial plan, expressed through its budget, with actual performance. The Local Government Act 1989 requires explanation of any material variances. Council has adopted a materiality threshold of \$500,000. Explanations have not been provided for variances below the materiality threshold unless the variance is considered to be material because of its nature. The budget figures in the Statements are those adopted by Council in June 2013. The budget was based on assumptions that were relevant at the time of its adoption. The Council sets guidelines and parameters for revenue and expense targets in this budget in order to meet the Council's business plan and financial performance targets for both the short and long term, as their impacts were not considered predictable.

Detailed information on the actual financial results are contained in the General Purpose Financial Report, located in the following section of the Annual Report. The detailed budget can be obtained by contacting the Council. The Standard Statements must be read with reference to these documents.

2. Explanation of material variances

(a) Standard Income Statement

Note	Item	Explanation
1(a)	Materials, services and contracts	At the end of June 2013, Council identified operational expenditure to be carried over to the 13/14 financial year, which has increased actual expenditure on materials, services and contracts. In addition, Council has exceeded budget on expenditure across a number of programs including road maintenance.
1(b)	Capital grants and contributions	Grant funding has exceeded budget on Roads (\$0.504m), Bridges (\$0.338m), Drainage (\$0.423m) and Roads to Recovery (\$0.530m)..
1(c)	Natural disaster expenditure	The budget for Natural disaster expenditure is included in the capital budget, however actual expenditure has been reclassified as Operational expenditure and shown in the Income Statement.
1(d)	Prior year capital write-off	Analysis of the 'Work in Progress' balance at the end of the financial year indicated that there was some expenditure which did not meet the guidelines for capitalisation, and should therefore be expensed through the Income Statement. These amounts were processed in the current financial year.
1(e)	Contributed assets	Contributed assets are lower than budget due to a lower level of economic activity than expected, and the timing of completion of subdivisional works.
1(f)	Net proceeds from sale/disposal	This variance includes both the sale of assets and the write-off of asset renewal. The asset renewal write off associated with infrastructure assets has exceeded budget, and is in excess of prior years.
1(g)	Other	Represents the revaluation impact of infrastructure assets mainly for roads assets, combined with reversal of the prior 2012/13 impairment for roads. Previous road impairment have been restored during the current financial year.

Notes to the Standard Statements

(b) Standard Balance Sheet

2(a)	Cash and cash equivalents	The closing cash balance has resulted from the higher than expected opening cash balance, and a lower than expected decrease in cash during the year. The major impact on the cash flow during the year is the underspend (cash) on payments for Property, plant and equipment of \$3.03m. This is also impacted by Trade and other receivables being lower than budget, and Trade and other payables being higher than budget.
2(b)	Trade and other receivables	Trade and other receivables is lower than budget as there are minimal debtors associated with government grants at the 30th June 2014. The difference in debtors for government grants between June 2013 and June 2014 is \$1.04m.
2(c)	Non-current assets classified as held for sale	Represents land identified by Council which has the potential to be sold during the 2014/15 financial year. A budget was not established for this land in the 2013/14 budgeting process.
2(d)	Property, infrastructure, plant and equipment	This amount has exceeded budget primarily due to "Land Under Roads" identified in 2013/14. This has resulted from a change in accounting policy, and treated as a prior year adjustment.
2(e)	Trade and other payables	Includes the liability associated with the Fire Services Levy (\$1.4m) which would not have been budgeted.
2(f)	Current provisions	The variance is due to the change in the timing of expenditure for the Trafalgar Landfill. This project was budgeted to occur over the ensuing two financial years and is now scheduled for completion within the next 12 months that results in a higher current provision and the removal of the non-current provision.
2(g)	Non-current provisions	Refer Note 2(f).
2(h)	Asset revaluation reserve	This amount has exceeded budget primarily due to "Land Under Roads" identified in 2013/14. This has resulted from a change in accounting policy, and treated as a prior year adjustment. In addition, there has been a revaluation impact across other infrastructure assets.

(C) Standard Cash Flow Statement

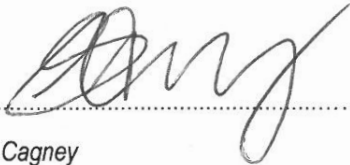
3(a)	Operating grants and contributions	Lower level of Trade and other receivables indicates that Council has received the cash flow associated with grants invoiced. This has resulted in a favourable cash variance.
3(b)	Capital grants and contributions	This includes Natural Disaster receipts and Capital grants and contributions. Refer Note 1(b).
3(c)	Materials, services and contracts	Refer Note 1(a).
3(d)	Natural disaster expenditure	Refer Note 1(c).
3(e)	Payment for Property, plant and equipment	Capital expenditure is under budget across a range of asset categories. It is expected that there will be carryovers to the next financial year for some capital works.
3(f)	Fire services levy collected but not yet paid to State Revenue Office	This represents expenditure to be paid by Council to the State Revenue Office. No amount has been budgeted, as the overall impact to Council is nil.

(d) Standard Capital Works Statement

4(a)	Roads	Expenditure on roads has exceeded budget due to Council's plan to improve road quality within the Shire. This was reflected in the midyear forecast.
4(b)	Land and buildings	Variance is mainly due to the redevelopment of the Warragul Leisure Centre. Project is ongoing.

Certification of the Standard Statements

In my opinion the accompanying Standard Statements for the Income Statement, Balance Sheet, Cash Flow Statement and the Statement of Capital Works have been prepared on accounting bases consistent with the financial statements and in accordance with the Local Government Act 1989 and the Local Government (Finance and Reporting) Regulations 2004.




Shane Cagney
Principal Accounting Officer

10 September 2014
Warragul

In our opinion the accompanying standard statements have been prepared on accounting bases consistent with the financial statements and in accordance with the Local Government Act 1989 and the Local Government (Finance and Reporting) Regulations 2004.

As at the date of signing, we are not aware of any circumstances which would render any particulars in the standard statements to be misleading or inaccurate. We have been authorised by the Council on 3 September 2014 to certify the standard statements in their final form.

The statements outline the performance to budget and measures the achievement of the budget in respect of that year. The notes describe reasons for major variances to the budget.



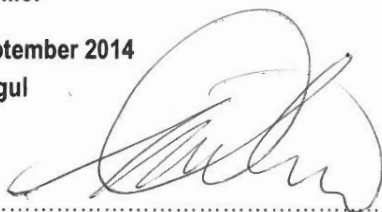
Murray Cook
Councillor

10 September 2014
Warragul



Joe Gauci
Councillor

10 September 2014
Warragul



Helen Anstis
Chief Executive Officer

10 September 2014
Warragul

VAGO Independent Auditor's Report

VAGO

Victorian Auditor-General's Office

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INDEPENDENT AUDITOR'S REPORT

To the Councillors, Baw Baw Shire Council

The Financial Report and Standard Statements

The accompanying financial report for the year ended 30 June 2014 of the Baw Baw Shire Council which comprises the comprehensive income statement, balance sheet, statement of changes in equity, statement of cash flows, notes comprising a summary of the significant accounting policies and other explanatory information, and the certification of the financial report has been audited.

The accompanying standard statements for the year ended 30 June 2014 of Baw Baw Shire Council which comprises the standard income statement, standard balance sheet, standard cash flow statement, standard statement of capital works, the related notes and the certification of standard statements have been audited.

The Councillors' Responsibility for the Financial Report and Standard Statements

The Councillors of the 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 standard statements in accordance with the basis of preparation as described in Note 1 to the statements and the 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 and standard statements that are 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 and standard statements 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 and standard statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and standard statements. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report and standard statements, 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 and standard statements 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 and standard statements.

VAGO Independent Auditor's Report

Independent Auditor's Report (continued)

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

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:

- (a) the financial report presents fairly, in all material respects, the financial position of the Baw Baw Shire Council as at 30 June 2014 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*
- (b) the standard statements present fairly, in all material respects, in accordance with the basis of preparation as described in Note 1 to the statements and the requirements of the *Local Government Act 1989*.

Basis of Accounting for Standard Statements

Without modifying my opinion, I draw attention to Note 1 to the standard statements, which describes the basis of accounting. The standard statements are prepared to meet the requirements of the *Local Government Act 1989*. As a result, the standard statements may not be suitable for another purpose.

Matters Relating to the Electronic Publication of the Audited Financial Report and Standard Statements

This auditor's report relates to the financial report and standard statements of the Baw Baw Shire Council for the year ended 30 June 2014 included both in the Baw Baw Shire Council's annual report and on the website. The Councillors of the Baw Baw Shire Council are responsible for the integrity of the Council's website. I have not been engaged to report on the integrity of the Baw Baw Shire Council's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report and standard statements are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report and standard statements to confirm the information contained in the website version of the financial report and standard statements.

MELBOURNE

12 September 2014



Dr Peter Frost





Acting Auditor General

Performance Statement






The following table shows the Key Strategic Activities and their performance measures adopted by Council as part of the Council Plan 2013 - 2017 and Budget 2013/14.

These key strategic activity measures form a special purpose report prepared to meet the requirements of Section 132 of the Local Government Act 1989 and Local Government (Finance Reporting) Regulations 2004.







The performance monitoring and reporting framework will change in 2014/15 as reflected in the revised Council Plan and Budget for 2014/15. Key changes comprise identification of Initiatives for each strategic objective instead of Key Strategic Activities, and the introduction of new performance measures as set out in the Local Government (Planning and reporting) Regulations 2014.

Key Strategic Activity and Performance Measure	Target	Result	Status	Council Comment
Strategic Objective 1.1 Delivering affordable and quality services to the community				
BEST VALUE SERVICE REVIEWS				
Number of Best Value service reviews conducted and reported to Council.	A minimum of two per annum, conducted in accordance with statutory requirements.	8	Achieved 	Eight service reviews have been completed and reported to Council during the financial year.
Strategic Objective 1.2 Communities which are dynamic, vibrant and inclusive				
COMMUNITY PLANNING				
Completion of community planning pilot.	Completion of an Evaluation Report on the project by the end of June 2014.	Evaluation report finalised on 30 June 2014.	Achieved 	An evaluation report on the project was completed by Federation University. Five community plans were finalised during 2013-14, which were all presented to Council.
Strategic Objective 1.3 Enhanced community quality of life				
MUNICIPAL PUBLIC HEALTH PLAN				
Preparation of the Municipal Public Health Plan.	Within statutory timeframes.	The Municipal Public Health Plan was prepared within statutory timeframes.	Achieved 	The Plan was prepared and approved for community exhibition by Council at their meeting of 25 September 2013. The Plan was adopted on 11 December 2013 which is outside of the statutory timeframe.
Strategic Objective 2.1 Financial responsibility and responsible management of Council resources and people				
LONG TERM FINANCIAL PLAN				
Long Term Financial Plan prepared and endorsed by Council.	By end June 2014.	Adopted 25 June 2014.	Achieved 	The Long Term Financial Plan adopted by Council aligns with the 2014-15 Budget, Long Term Infrastructure Plan.






Performance Statement

Key Strategic Activity and Performance Measure	Target	Result	Status	Council Comment
Strategic Objective 2.2 Council is community focused, engaged and accountable				
COMMUNICATIONS STRATEGY				
Communications Strategy prepared and endorsed by Council.	Completed by end of June 2014.	Communications Strategy considered 19 June 2013, and Communications Policy adopted 10 July 2013.	Not Achieved 	Council technically did not achieve the Key Strategic Activity, as the Strategy was considered in the 2012-13 financial year.
Number of media releases issued by Council.	Reported minimum of quarterly to Council.	Reports have been made to Council at least quarterly.	Achieved 	156 media releases were issues in 2013-14.
Number of neutral or positive stories about Council activities in the media.	Reported minimum of quarterly to Council.	Three Quarterly Reports including this measure have been made to Council during the year.	Not Achieved 	809 positive or neutral stories about Council activities appeared in the media in 2013-14. The timing of quarterly reports and this being a new measure means that Council was technically unable to meet the target for the year.
COMMUNITY ENGAGEMENT STRATEGY				
Community Engagement Strategy implemented.	By end of June 2014.		Unable to be measured	While Council did not prepare a Strategy, it implemented a revised approach to community engagement in 2013-14. This included preparation of an engagement policy, tools and process for engagement, staff training, calendar of engagement events and improved communications around engagement opportunities.
Community satisfaction with consulting and engaging as indicated by the State Government Annual Community Satisfaction Survey	Increase.	Community satisfaction with Council's performance in 2013-14 was 53, compared to 45 in 2012-13.	Achieved 	
Strategic Objective 3.1 Continuing to reduce the asset renewal gap				
ASSET MANAGEMENT STRATEGY				
Asset Management Strategy is completed.	By end June 2014.	Council's Asset Management Strategy was adopted on 27 March 2013.	Not Achieved 	Council technically did not achieve the Key Strategic Activity, as it was adopted prior to the 2013/14 financial year. Of the 29 actions in the Strategy scheduled for 2013/14, 20 were completed and nine remain in progress.

Performance Statement

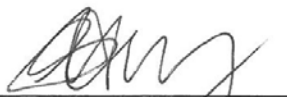
Key Strategic Activity and Performance Measure	Target	Result	Status	Council Comment
Asset Management Plans are in place.	Completed for all asset classes by end June 2014.	Six Asset Management Plans have been prepared but are not completed.	Not Achieved 	Asset Management Plans have been prepared for the following infrastructure asset classes: road network, bridges and major culverts, stormwater drainage, pathways, building and facilities, and open space.
Strategic Objective 3.2 Investing in quality and affordable community assets which are balanced against the growing needs of the community				
REVIEW AND UPDATE THE DEVELOPMENT CONTRIBUTIONS PLAN				
Implementation of the Development Contributions Plan review.	Baw Baw Planning Scheme amendment commenced by end June 2014.	Council commenced work on Planning Scheme amendment C108, incorporating a revised Development Contributions Plan. Documents forming Planning Scheme amendment C108 were endorsed by Council on 11 June 2014.	Achieved 	A Development Contributions Plan has been prepared for Warragul and Drouin Precinct Structure Plan areas areas, which is included in C108 planning scheme amendment.
Strategic Objective 4.1 Planning to meet the needs of the community today and in the future				
SETTLEMENT PLANNING				
Implementation of the Baw Baw Settlement Management Plan.	Baw Baw Planning Scheme amendment commenced by end June 2014.	Council resolved to seek authorisation for Planning Scheme amendment C104 on 11 December 2013.	Achieved 	The Baw Baw Settlement Management Plan is adopted by Council and is covered by C104 planning scheme amendment.
COMMUNITY SERVICES STRATEGY				
Completion of the Community Services Strategy	By the end June 2014.	A Community Services Framework was adopted 11 September 2013.	Achieved 	The Community Services Framework provides the strategy for community services planning in the Shire.
Strategic Objective 4.2 Prosperous local business and industry				
BAW BAW BUSINESS BOARD				
Establishment of a Baw Baw Business Board.	By end June 2014.	Board formally established on 25 September 2013.	Achieved 	The Board first met on 19 August 2013 and terms of reference approved by Council on 25 September 2013.
ECONOMIC DEVELOPMENT STRATEGY				
Preparation of an Economic Development Strategy.	By end June 2015.	Adopted 28 May 2014.	Achieved 	

Performance Statement

Key Strategic Activity and Performance Measure	Target	Result	Status	Council Comment
Increase in local employment opportunities for residents as measured by number of jobs, apprenticeships and traineeships advertised locally and Australian Bureau of Statistics Data.	Reported minimum of quarterly to Council.	Reports have been made to Council at least quarterly.	Achieved 	There were 1609 jobs (including traineeships and apprenticeships) were advertised in 2013-14. 1597 jobs were advertised in 2012-13. Over the same period, Victorian job vacancies declined from 1,409,000 (Aug 2012 – May 2013) to 1,173,000 (Aug 2013 – May 2014) (ABS 6354.0 - Job Vacancies, May 2014).
Strategic Objective 5.1 Protecting and sustainably managing the natural environment and resources now and into the future				
TRAFALGAR LANDFILL REHABILITATION				
Trafalgar Landfill capping program.	Successful completion by end of June 2017.	Project will be completed by 30 June 2017.	Unable to be measured	The compacted clay layer and a third of the plastic layer have been installed. Works are currently delayed and will be completed within timelines.
BUSHBROKER				
Number of 10 year management plans in place under the BushBroker program.	Reported minimum of quarterly to Council.	Reports have been made to Council at least quarterly.	Achieved 	There are two 10-year management plans in place under the BushBroker program (at Lardner and Trafalgar). Quarterly reports have been made on 21 August 2013, 27 November 2013, 12 March 2014 and 14 May 2014.
Total area of land protected under BushBroker 10 year management plans.	Reported minimum of quarterly to Council.	Three Quarterly Reports including this measure have been made to Council during the year.	Not Achieved 	There is a total of 8.43 hectares of land protected under 10 year management plans. The timing of quarterly reports and this being a new measure means that Council was technically unable to meet the target for the year.
Strategic Objective 5.2 Building resilience and preparedness for climate and environmental impacts				
FLOOD MANAGEMENT PLANNING				
Flood Management Plan endorsement by Council.	By end June 2014.	Plan endorsed by Council 14 August 2013.	Achieved 	
BUSHFIRE PREPAREDNESS				
Review of the Walhalla bushfire overlay.	By end June 2014.	Review endorsed by Council 14 May 2014.	Achieved 	Council resolved to seek authorisation for a planning scheme amendment to implement the review on 14 May 2014.

Certification of Performance Statement

In my opinion the accompanying performance statement has been prepared in accordance with the *Local Government Act 1989* and the *Local Government (Democratic Reform) Act 2003*.



Shane Cagney
Principal Accounting Officer
10 September 2014
Warragul

In our opinion the accompanying performance statement of the Baw Baw Shire in respect of the 2013-2014 financial year is presented fairly in accordance with the *Local Government Act 1989* and the *Local Government (Democratic Reform) Act 2003*.

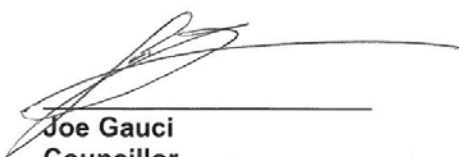
The statement outlines the performance targets and measures set out in relation to the achievement of the key strategic activities in respect of that year, and describes the extent to which the key strategic activities were met.

As at the time of signing, we are not aware of any circumstance, which would render any particular in the statement to be misleading or inaccurate.

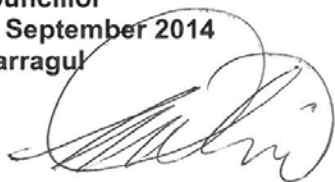
We have been authorised by the Council on 10 September 2014, to certify the performance statement in its final form.



Murray Cook
Councillor
10 September 2014
Warragul



Joe Gauci
Councillor
10 September 2014
Warragul



Helen Anstis
Chief Executive Officer
10 September 2014
Warragul

VAGO Independent Auditor's Report

VAGO

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INDEPENDENT AUDITOR'S REPORT

To the Councillors, Baw Baw Shire Council

The Performance Statement

The accompanying performance statement for the year ended 30 June 2014 of the Baw Baw Shire Council which comprises the statement and the certification of the performance statement has been audited.

The Councillors' Responsibility for the Performance Statement

The Councillors of the 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.

VAGO Independent Auditor's Report

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 the Baw Baw Shire Council in respect of the 30 June 2014 financial year presents fairly, in all material respects, in accordance with the *Local Government Act 1989*.

Matters Relating to the Electronic Publication of the Audited Performance Statement

This auditor's report relates to the performance statement of the Baw Baw Shire Council for the year ended 30 June 2014 included both in the Baw Baw Shire Council's annual report and on the website. The Councillors of the Baw Baw Shire Council are responsible for the integrity of the Baw Baw Shire Council's website. I have not been engaged to report on the integrity of the Baw Baw Shire Council's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this statement. If users of the performance statement are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited performance statement to confirm the information contained in the website version of the performance statement.

MELBOURNE
12 September 2014


Dr. Peter Frost
Acting Auditor General



Contact Us

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