



Baw Baw Shire Council Annual Financial Report.

2017/18





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Understanding the Financial Statements

The Financial Statements compare the current 2017/18 financial year to the previous 2016/17 financial year.

They comprise two main sections namely the main statements and the notes.

There are six main statements:

- 1. Comprehensive Income Statement**
- 2. Balance Sheet**
- 3. Statement of Changes in Equity**
- 4. Cash Flow Statement**
- 5. Statement of Capital Works**
- 6. Performance Statement**

1. Comprehensive Income Statement

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

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

The Comprehensive Income Statement contains:

- Income – the sources of Council's income under various income headings.
- Expenses – the expenditure incurred in running the Council during the year. This expenditure relates to the 'operations' and does not include the capital costs associated with the purchase or the creation of fixed assets. While asset purchase costs are not included in the expenses they are included within 'Depreciation and amortisation'. This amount is the value of the assets 'used up' during the year.
- Other comprehensive income – this section includes items such as net asset revaluation increments and impairment of expenses. Impairment occurs when the value of Council's assets are reduced or impaired usually due to damage or obsolescence. The comprehensive result is arrived at by adjusting the net surplus/(deficit) by the other comprehensive income items. The comprehensive result is also equal to the movement in Council's net assets (total equity) from the prior year.

2. Balance Sheet

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

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

Net assets = Total assets – total liabilities = Total equity

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

3. Statement of Changes in Equity

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

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

4. Statement of Cash Flows

The 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.

5. Statement of Capital Works

Statement of capital works shows all capital expenditure of Baw Baw Shire Council in relation to non-current assets and asset expenditure type prepared in accordance with the model statement of capital works in the Local Government Financial Report.

6. Performance Statement

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

Comprehensive Income Statement

For the Year Ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
Income			
Rates and charges	2.1	54,257	51,753
Statutory fees and fines	2.2	1,857	1,551
User fees	2.3	2,298	3,006
Grants - operating	2.4	15,300	18,409
Grants - capital	2.4	7,960	7,085
Contributions - monetary	2.5	2,187	1,581
Contributions - non monetary	2.5	7,077	5,371
Share of net profits of associates and joint ventures	5.2	166	187
Other income	2.7	2,110	1,781
Total income		<u>93,212</u>	<u>90,724</u>
Expenses			
Employee costs	3.1	(25,131)	(23,905)
Materials and services	3.2	(28,323)	(27,891)
Depreciation and amortisation	3.3	(15,131)	(14,360)
Borrowing costs	3.4	(572)	(553)
Other expenses	3.5	(4,142)	(4,036)
Net loss on disposal of property, infrastructure, plant and equipment	2.6	(4,705)	(3,822)
Total expenses		<u>(78,004)</u>	<u>(74,567)</u>
Surplus for the year		<u>15,208</u>	<u>16,157</u>
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment	5.1	24,696	-
Share of other comprehensive income of associates and joint ventures	5.2	-	-
Total comprehensive result		<u>39,904</u>	<u>16,157</u>

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

Balance Sheet

As at 30 June 2018

	Note	2018	2017
		\$'000	Restated* \$'000
Assets			
Current assets			
Cash and cash equivalents	4.1	20,500	20,217
Trade and other receivables	4.1	6,049	6,318
Other financial assets	4.1	19,112	16,610
Other assets	4.2	805	612
Total current assets		46,466	43,757
Non-current assets			
Trade and other receivables	4.1	-	140
Investments in associates, joint arrangements and subsidiaries	5.2	1,777	1,600
Property, infrastructure, plant and equipment	5.1	668,222	630,237
Intangible assets	4.2	568	1,877
Total non-current assets		670,567	633,854
Total assets		717,033	677,611
Liabilities			
Current liabilities			
Trade and other payables	4.3	8,882	9,793
Trust funds and deposits	4.3	2,718	1,801
Provisions	4.5	5,789	5,964
Interest-bearing liabilities	4.4	4,807	1,512
Total current liabilities		22,196	19,070
Non-current liabilities			
Provisions	4.5	7,270	6,081
Interest-bearing liabilities	4.4	7,609	12,416
Total non-current liabilities		14,879	18,497
Total liabilities		37,075	37,567
Net assets		679,958	640,044
Equity			
Accumulated surplus		348,874	334,282
Reserves	8.1	331,084	305,762
Total Equity		679,958	640,044

* Refer to Note 8.2

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

Statement of Changes in Equity

For the Year Ended 30 June 2018

	Note	Total	Accumulated	Revaluation	Other
		\$'000	Surplus	Reserve	Reserves
2018		\$'000	\$'000	\$'000	\$'000
Balance at beginning of the financial year		640,044	334,282	301,511	4,251
Surplus for the year		15,208	15,208	-	-
Net asset revaluation increment		24,696	-	24,696	-
Adjustment due to change in Library Ownership		10	8	2	-
Transfers to other reserves		-	1,579	-	(1,579)
Transfers from other reserves		-	(2,203)	-	2,203
Balance at end of the financial year		679,958	348,874	326,209	4,875

		Total	Accumulated	Revaluation	Other
		\$'000	Surplus	Reserve	Reserves
2017 Restated (refer note 8.2)		\$'000	\$'000	\$'000	\$'000
Balance at beginning of the financial year		621,356	316,123	301,495	3,738
Net found and derecognised assets		2,446	2,446	-	-
Restated opening balance		623,802	318,569	301,495	3,738
Surplus for the year		16,157	16,157	-	-
Adjustment due to change in Library Ownership		85	69	16	-
Transfers to other reserves		-	1,150	-	(1,150)
Transfers from other reserves		-	(1,663)	-	1,663
Balance at end of the financial year		640,044	334,282	301,511	4,251

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

Statement of Cash Flows

For the Year Ended 30 June 2018

		2018 Inflows/ (Outflows) \$'000	2017 Inflows/ (Outflows) \$'000
Cash flows from operating activities	Note		
Rates and charges		53,789	52,390
Statutory fees and fines		1,860	1,556
User fees		2,621	2,850
Grants - operating		16,615	17,179
Grants - capital		7,339	9,885
Contributions - monetary		2,188	1,581
Interest received		1,025	760
Trust funds and deposits taken		8,235	7,813
Other receipts		1,362	1,196
Net GST refund/payment		2,609	1,974
Employee costs		(25,145)	(23,323)
Materials and services		(31,619)	(26,057)
Trust funds and deposits repaid		(7,318)	(7,612)
Other payments		(4,278)	(4,101)
Net cash provided by/(used in) operating activities	8.3	29,283	36,091
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment		(24,644)	(24,699)
Proceeds from sale of property, infrastructure, plant and equipment		239	274
Payments for investments		(2,502)	(12,477)
Net cash provided by/(used in) investing activities		(26,907)	(36,902)
Cash flows from financing activities			
Finance costs		(581)	(553)
Proceeds from borrowings		-	4,000
Repayment of borrowings		(1,512)	(1,354)
Net cash provided by/(used in) financing activities		(2,093)	2,093
Net increase (decrease) in cash and cash equivalents		283	1,282
Cash and cash equivalents at the beginning of the financial year		20,217	18,935
Cash and cash equivalents at the end of the financial year		20,500	20,217
Financing arrangements	4.6	9,969	8,463
Restrictions on cash assets	4.1	11,100	8,069

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

Statement of Capital Works

For the Year Ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
Property			
Land		49	27
Total land		<u>49</u>	<u>27</u>
Buildings		9,148	7,487
Total buildings		<u>9,148</u>	<u>7,487</u>
Total property		<u>9,197</u>	<u>7,514</u>
Plant and equipment			
Plant, machinery and equipment		738	733
Computers and telecommunications		605	116
Total plant and equipment		<u>1,343</u>	<u>849</u>
Infrastructure			
Roads		8,618	9,884
Bridges		347	1,288
Footpaths and cycleways		783	1,095
Drainage		2,767	1,684
Waste management		83	78
Parks, open space & streetscape		1,950	1,937
Other infrastructure		232	114
Total infrastructure		<u>14,780</u>	<u>16,080</u>
Total capital works expenditure		<u>25,320</u>	<u>24,443</u>
Represented by:			
Asset renewal expenditure		12,201	12,813
Asset expansion expenditure		4,451	6,049
Asset upgrade expenditure		8,668	5,581
Total capital works expenditure		<u>25,320</u>	<u>24,443</u>

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

Notes to the Financial Statements

For the Year Ended 30 June 2018

OVERVIEW

Introduction

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

Statement of compliance

These financial statements are a general purpose financial report that consists of a Comprehensive Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, Statement of Capital Works and Notes accompanying these financial statements. The general purpose financial report complies with the Australian Accounting Standards (AAS), other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1989, and the Local Government (Planning and Reporting) Regulations 2014.

Significant accounting policies

(a) Basis of accounting

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

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

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

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 5.1)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 5.1)
- the determination of employee provisions (refer to Note 4.5)
- the determination of landfill provisions (refer to Note 4.5)

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.

Notes to the Financial Statements

For the Year Ended 30 June 2018

Note 1 Performance against budget

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variances. Council has adopted a materiality threshold of \$500,000 where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures detailed below are those adopted by Council on 28 June 2017. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for income and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

1.1 Income and expenditure

	Budget 2018 \$'000	Actual 2018 \$'000	Variance 2018 \$'000	Ref
Income				
Rates and charges	53,278	54,257	979	1
Statutory fees and fines	1,466	1,857	391	
User fees	2,489	2,298	(191)	
Grants - operating	13,436	15,300	1,864	2
Grants - capital	11,540	7,960	(3,580)	3
Contributions - monetary	1,852	2,187	335	
Contributions - non monetary	10,500	7,077	(3,423)	4
Share of net profits/(losses) of associates and joint ventures	36	166	130	
Other income	1,122	2,110	988	5
Total income	95,719	93,212	(2,507)	
Expenses				
Employee costs	(25,277)	(25,131)	146	
Materials and services	(26,063)	(28,323)	(2,260)	6
Depreciation and amortisation	(14,486)	(15,131)	(645)	7
Borrowing costs	(691)	(572)	119	
Other expenses	(4,551)	(4,142)	409	
Net loss on disposal of property, infrastructure, plant and equipment	(1,335)	(4,705)	(3,370)	8
Total expenses	(72,403)	(78,004)	(5,601)	
Surplus/(deficit) for the year	23,316	15,208	(8,108)	

(i)	Explanation of material variations	
Variance Ref	Item	Explanation
1	Rates and charges	The favourable variance is primarily due to rates from supplementary valuations exceeding budget.
2	Grants - operating	The variance of \$1.9m is mainly due to Financial Assistance Grants and Community Services grants. The Financial Assistance Grants variance of \$0.66m reflects the reinstatement of a CPI increment. Operating grants have exceeded budget by \$0.91m for the financial year for Community Services. Grant funding is higher due to service delivery exceeding budget for family day care and maternal and child health. Of the \$0.91m funding, 0.37m is withheld as restricted cash to be expensed during 2018/19.
3	Grants - capital	Receipt of less grant income than budgeted for the West Gippsland Arts Centre of \$4.5m, of which \$1.0m was received in the prior year. The balance of income will be received in the next financial year. The lower than budgeted income is offset by receipt of income for other projects, including \$0.64m for the Willow Grove Recreational Reserve.
4	Contributions - non monetary	Contributions non-monetary is lower than budget due to a reduced number of developer projects achieving practical completion compared to budget.
5	Other income	Interest on investments has exceeded budget by \$0.22m. In addition, Council received unbudgeted amounts of: \$0.09m for Public Art, \$0.08m grant for unscheduled capital works, \$0.07m income for works associated with planning permit conditions, election income of \$0.06m, planning support of \$0.05m, Warragul Leisure Centre \$0.04m contract variation, \$0.02m fuel tax credits and \$0.02m insurance claims.
6	Materials and services	The two major factors contributing to expenditure exceeding budget are an increase in the Landfill Provision of \$1.2m, combined with expenditure of \$0.83m (transferred from fixed assets work in progress) which has now been expensed.
7	Depreciation and amortisation	Depreciation expense has exceeded budget. This is because the budget for depreciation did not take into account the full extent of the capitalisation of Buildings and Open Space.
8	Net loss on disposal of property, infrastructure, plant and equipment	The written down value of assets disposed has exceeded budget due to \$4.73m relating to the write off of infrastructure that was replaced and upgraded by capital assets (included to note 5.1 Property, infrastructure, plant and equipment).

Notes to the Financial Statements

For the Year Ended 30 June 2018

Note 1 Performance against budget (cont'd)

1.2 Capital works

	Budget 2018 \$'000	Actual 2018 \$'000	Variance 2018 \$'000	Ref
Property				
Land	855	49	(806)	1
Total land	855	49	(806)	
Buildings	13,138	9,148	(3,990)	2
Total buildings	13,138	9,148	(3,990)	
Total property	13,993	9,197	(4,796)	
Plant and Equipment				
Plant, machinery and equipment	533	738	205	
Computers and telecommunications	601	605	4	
Total plant and equipment	1,134	1,343	209	
Infrastructure				
Roads	10,898	8,618	(2,280)	3
Bridges	882	347	(535)	4
Footpaths and cycleways	884	783	(101)	
Drainage	2,702	2,767	65	
Waste management	25	83	58	
Parks, open space & streetscape	2,499	1,950	(549)	5
Other infrastructure	306	232	(74)	
Total Infrastructure	18,196	14,780	(3,416)	
Total Capital Works Expenditure	33,323	25,320	(8,003)	
Represented by:				
Asset renewal expenditure	13,895	12,201	(1,694)	
Asset expansion expenditure	8,325	4,451	(3,874)	
Asset upgrade expenditure	11,103	8,668	(2,435)	
Total Capital Works Expenditure	33,323	25,320	(8,003)	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Land	The major project identified in the budget was the Yarragon retardation land acquisition that is still to be finalised.
2	Buildings	There is a variance on works associated with the West Gippsland Arts Centre of \$2.45m as the project has been delayed. In addition, the New Early Learning Centre in Warragul of \$1.39m did not commence due to finalisation of grant funding.
3	Roads	There have been delays with a number of road projects, with the most significant being the road reconstruction program \$0.73m, Labertouche North Road reconstruction \$0.32m, Napier/Queen Street intersection of \$0.40m, Road resealing program \$0.22m, Sutton Street/Pharaohs Road \$0.16m and the allowance for Natural Disaster of \$0.20m which was not required.
4	Bridges	There is a variance on the Allambee Estate Road Bridge project of \$0.41m with this project deferred to the 18/19 financial year. The Neerim East Road Culvert project has been completed with savings.
5	Parks, Open Space & Streetscape	The variance is primarily due to the Western Park Recreational Oval redevelopment which has been delayed. The variance is \$0.42m. It is anticipated that it will be completed next financial year.

Notes to the Financial Statements

For the Year Ended 30 June 2018

	2018	2017
	\$'000	\$'000
Note 2 Funding for the delivery of our services		
2.1 Rates and charges		

Council uses Capital Improved Value as the basis of valuation of all properties within the municipal district. The Capital Improved Value (CIV) of a property is its market value of land and improvements as of January 2016.

The valuation base used to calculate general rates for 2017/18 was \$9,634 million (2016/17 \$9,421 million).

General Rates	45,110	43,319
Waste management charge	7,592	7,405
Supplementary rates and rate adjustments	1,330	812
Interest on rates and charges	225	217
Total rates and charges	54,257	51,753

The date of the latest general revaluation of land for rating purposes within the municipal district was 1st January 2016, and the valuation will be first applied in the rating year commencing 1st July 2016.

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

2.2 Statutory fees and fines

Infringements and costs	173	232
Town planning fees	481	323
Land information certificates	154	149
Permits	924	718
Other Fees	125	129
Total statutory fees and fines	1,857	1,551

Statutory fees and fines (including parking fees and fines) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

2.3 User fees

Aged and health services	1,044	1,154
Art Centre	61	709
Registration and other permits	557	552
Waste management services	293	201
Leases and Rentals	89	70
Other fees and charges	254	320
Total user fees	2,298	3,006

User fees are recognised as revenue when the service has been provided or council has otherwise earned the income.

Notes to the Financial Statements

For the Year Ended 30 June 2018

	2018 \$'000	2017 \$'000
2.4 Funding from other levels of government		
Grants were received in respect of the following :		
Summary of grants		
Commonwealth funded grants	16,197	18,860
State funded grants	7,063	6,634
Total grants received	23,260	25,494
(a) Operating Grants		
<i>Recurrent - Commonwealth Government</i>		
Financial Assistance Grant	9,355	13,123
Family day care	734	677
Aged care	1,969	1,728
<i>Recurrent - State Government</i>		
Disability services	658	676
Aged care	395	393
School crossing supervisors	332	103
Art Centre	130	130
Preschool and early years	72	73
Maternal and child health	831	624
Community safety/Public Health	18	175
Fire Prevention and Emergency Response	60	60
Environmental Health and Management/Landcare	88	77
Rural access and inclusive communities	132	114
Other	217	230
Total recurrent operating grants	14,991	18,183
<i>Non-recurrent - Commonwealth Government</i>		
Other	57	62
<i>Non-recurrent - State Government</i>		
Economic Development	14	107
Community and cultural development/Community well-being	10	27
Art Centre	-	15
Recreation	27	-
Garbage recycling	51	-
Aged and disability	66	-
Other	84	15
Total non-recurrent operating grants	309	226
Total operating grants	15,300	18,409
(b) Capital Grants		
<i>Recurrent - Commonwealth Government</i>		
Roads to recovery	2,082	4,030
Total recurrent capital grants	2,082	4,030
<i>Non-recurrent - Commonwealth Government</i>		
Plant, machinery and equipment	-	15
Buildings	2,000	-
<i>Non-recurrent - State Government</i>		
Local and collector roads	771	734
Waste	7	353
Recreation	264	333
Bridges	395	-
Drainage	266	-
Buildings	2,149	1,620
Footpaths	26	-
Total non-recurrent capital grants	5,878	3,055
Total capital grants	7,960	7,085

Notes to the Financial Statements

For the Year Ended 30 June 2018

	2018	2017
	\$'000	\$'000
(c) Unspent grants received on condition that they be spent in a specific manner		
Balance at start of year	2,017	2,150
Received during the financial year and remained unspent at balance date	3,312	1,667
Received in prior years and spent during the financial year	(1,822)	(1,800)
Balance at year end	<u>3,507</u>	<u>2,017</u>

Grant income is recognised when Council obtains control of the contribution. Control is normally obtained upon receipt (or acquittal) or upon earlier notification that a grant has been secured.

2.5 Contributions

Monetary	2,187	1,581
Non-monetary	<u>7,077</u>	<u>5,371</u>
Total contributions	<u>9,264</u>	<u>6,952</u>

Contributions of non monetary assets were received in relation to the following asset classes.

Land	502	681
Infrastructure	<u>6,575</u>	<u>4,690</u>
Total non-monetary contributions	<u>7,077</u>	<u>5,371</u>

Monetary and non monetary contributions are recognised as revenue when Council obtains control over the contributed asset.

2.6 Net loss on disposal of property, infrastructure, plant and equipment

Proceeds of sale	248	274
Written down value of assets disposed*	<u>(4,953)</u>	<u>(4,096)</u>
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	<u>(4,705)</u>	<u>(3,822)</u>

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

* The \$4.95m written down value of assets disposed comprise plant and equipment disposal of \$0.22m (offset by the proceeds from sale of \$0.248m) plus \$4.73m relating to the write off of infrastructure that was replaced and upgraded by capital assets (included to note 5.1 Property, infrastructure, plant and equipment).

2.7 Other income

Interest	760	609
Other rent	294	309
Other	<u>1,056</u>	<u>863</u>
Total other income	<u>2,110</u>	<u>1,781</u>

Interest is recognised as it is earned.

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 Statements

For the Year Ended 30 June 2018

	2018 \$'000	2017 \$'000
Note 3 The cost of delivering services		
3.1 (a) Employee costs		
Wages and salaries	21,971	20,848
WorkCover	296	171
Casual Staff	426	621
Superannuation	1,979	1,891
Fringe benefits tax	138	119
Other	321	255
Total employee costs	25,131	23,905

(b) Superannuation

Council made contributions to the following funds:

Defined benefit fund

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	95	144
Employer contributions payable at reporting date.	40	-

Accumulation funds

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	1,884	1,747
Employer contributions payable at reporting date.	89	91

Refer to note 8.4 for further information relating to Council's superannuation obligations.

3.2 Materials and services

Contract payments	10,295	11,795
Building maintenance	610	668
General maintenance	1,554	1,284
Utilities	737	662
Office administration	943	867
Information technology	558	951
Insurance	563	643
Consultants	1,482	1,149
Waste*	7,671	5,739
Other	3,910	4,133
Total materials and services	28,323	27,891

* Waste costs – the total of waste expenses for 2017/18 is \$7.83m: \$7.67m that is included above in note 3.2, plus \$0.12m in note 3.1 Employee costs, plus \$0.04m in note 3.5 Other expenses. Total waste expenses for 2016/17 was \$5.94m: \$5.74m that is included above in note 3.2, plus \$0.16m in note 3.1 Employee costs, plus \$0.04m in note 3.5 Other expenses.

3.3 Depreciation and amortisation

Property	2,720	2,130
Plant and equipment	697	717
Infrastructure	10,405	10,202
Total depreciation	13,822	13,049
Intangible assets	1,309	1,311
Total depreciation and amortisation	15,131	14,360

Refer to note 4.2(b) and 5.1 for a more detailed breakdown of depreciation and amortisation charges and accounting policy.

Notes to the Financial Statements

For the Year Ended 30 June 2018

	2018 \$'000	2017 \$'000
3.4 Borrowing costs		
Interest - Borrowings	572	553
Total borrowing costs	<u>572</u>	<u>553</u>

Borrowing costs are recognised as an expense in the period in which they are incurred, except where they are capitalised as part of a qualifying asset constructed by Council.

3.5 Other expenses

Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	42	59
Auditors' remuneration - internal	38	44
Councillors' allowances	344	322
Operating lease rentals	489	410
Bank Charges	169	174
Contributions - WGRL and Logan Park	1,830	1,742
Council grants	644	602
Natural disaster	-	100
Others	586	583
Total other expenses	<u>4,142</u>	<u>4,036</u>

Note 4 Our financial position

4.1 Financial assets

(a) Cash and cash equivalents

Cash on hand	10	10
Cash at bank	5,490	9,707
Term deposits	15,000	10,500
Total cash and cash equivalents	<u>20,500</u>	<u>20,217</u>

(b) Other financial assets

Term deposits	19,112	16,610
Total other financial assets	<u>19,112</u>	<u>16,610</u>
Total financial assets	<u>39,612</u>	<u>36,827</u>

Councils cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:

- Trust funds and deposits (Note 4.3)	2,718	1,801
- Reserve funds allocated due to external restrictions(contractual agreement)	4,875	4,251
- Unspent Grants (Note 2.4 (c))	3,507	2,017
Total restricted funds	<u>11,100</u>	<u>8,069</u>
Total unrestricted cash and cash equivalents	<u>9,400</u>	<u>12,148</u>

Intended allocations

Although not externally restricted the following amounts have been allocated for specific future purposes by Council:

- Cash held to fund carried forward capital works	4,733	6,922
Total funds subject to intended allocations	<u>4,733</u>	<u>6,922</u>

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

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

Notes to the Financial Statements

For the Year Ended 30 June 2018

	2018 \$'000	2017 \$'000
(c) Trade and other receivables		
Current		
<i>Statutory receivables</i>		
Rates debtors	3,519	3,171
Special rate scheme	2	-
<i>Non statutory receivables</i>		
Sundry & other debtors	1,717	2,234
Net GST receivable	811	913
Total current trade and other receivables	<u>6,049</u>	<u>6,318</u>
Non-current		
<i>Statutory receivables</i>		
Special rate scheme	-	4
<i>Non statutory receivables</i>		
Sundry and other debtors	-	136
Total non-current trade and other receivables	<u>-</u>	<u>140</u>
Total trade and other receivables	<u>6,049</u>	<u>6,458</u>

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

(d) Ageing of Receivables

The ageing of the Council's trade & other receivables (excluding statutory receivables) that are not impaired was:

Current (not yet due)	1,238	1,240
Past due by up to 30 days	135	708
Past due between 31 and 180 days	185	209
Past due between 181 and 365 days	48	77
Past due by more than 1 year	111	140
Total trade & other receivables	<u>1,717</u>	<u>2,374</u>

Notes to the Financial Statements

For the Year Ended 30 June 2018

	2018 \$'000	2017 \$'000
4.2 Non-financial assets		
(a) Other assets		
Prepayments	563	133
Accrued income	242	479
Total other assets	805	612

(b) Intangible assets		
Software	568	1,877
Total intangible assets	568	1,877
	Software \$'000	Total \$'000
Gross carrying amount		
Balance at 1 July 2017	4,815	4,815
Additions from internal developments	-	-
Other Additions	-	-
Balance at 1 July 2018	4,815	4,815
Accumulated amortisation and impairment		
Balance at 1 July 2017	2,938	2,938
Amortisation expense	1,309	1,309
Balance at 1 July 2018	4,247	4,247
Net book value at 30 June 2017	1,877	1,877
Net book value at 30 June 2018	568	568

Intangible assets with finite lives are amortised as an expense on a systematic basis over the asset's useful life. Amortisation is generally calculated on a straight line basis, at a rate that allocates the asset value, less any estimated residual value over its estimated useful life. Estimates of the remaining useful lives and amortisation method are reviewed at least annually, and adjustments made where appropriate.

	2018 \$'000	2017 \$'000
4.3 Payables		
(a) Trade and other payables		
Trade payables	6,953	8,916
Accrued expenses	1,929	877
Total trade and other payables	8,882	9,793

(b) Trust funds and deposits		
Refundable deposits	265	113
Fire services levy	48	45
Retention amounts	2,288	1,540
Other refundable deposits	117	103
Total trust funds and deposits	2,718	1,801

Amounts received as deposits and retention amounts controlled by Council are recognised as trust funds until they are returned, transferred in accordance with the purpose of the receipt, or forfeited. Trust funds that are forfeited, resulting in council gaining control of the funds, are to be recognised as revenue at the time of forfeit.

Purpose and nature of items

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

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

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

Notes to the Financial Statements

For the Year Ended 30 June 2018

	2018 \$'000	2017 \$'000
4.4 Interest-bearing liabilities		
Current		
Borrowings - secured	4,807	1,512
	<u>4,807</u>	<u>1,512</u>
Non-current		
Borrowings - secured	7,609	12,416
	<u>7,609</u>	<u>12,416</u>
Total	<u>12,416</u>	<u>13,928</u>

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

(a) The maturity profile for Council's borrowings is:

Not later than one year	4,807	1,512
Later than one year and not later than five years	4,330	9,137
Later than five years	3,279	3,279
	<u>12,416</u>	<u>13,928</u>

Borrowings are initially measured at fair value, being the cost of the interest bearing liabilities, net of transaction costs.

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

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

4.5 Provisions

	Employee \$ '000	Landfill restoration \$ '000	Total \$ '000
2018			
Balance at beginning of the financial year	6,044	6,001	12,045
Additional provisions	3,116	1,601	4,717
Amounts used	(2,986)	(377)	(3,363)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(340)	-	(340)
Balance at the end of the financial year	<u>5,834</u>	<u>7,225</u>	<u>13,059</u>
2017			
Balance at beginning of the financial year	5,681	5,903	11,584
Additional provisions	3,170	549	3,719
Amounts used	(2,467)	(451)	(2,918)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(340)	-	(340)
Balance at the end of the financial year	<u>6,044</u>	<u>6,001</u>	<u>12,045</u>

Notes to the Financial Statements

For the Year Ended 30 June 2018

	2018 \$'000	2017 \$'000
(a) Employee provisions		
Current provisions expected to be wholly settled within 12 months		
Annual leave	1,443	1,405
Long service leave	658	724
Other	293	267
	<u>2,394</u>	<u>2,396</u>
Current provisions expected to be wholly settled after 12 months		
Annual leave	619	617
Long service leave	2,341	2,516
	<u>2,960</u>	<u>3,133</u>
Total current employee provisions	<u>5,354</u>	<u>5,529</u>
Non-current		
Long service leave	480	515
Annual leave	-	-
Total non-current employee provisions	<u>480</u>	<u>515</u>
Aggregate carrying amount of employee provisions:		
Current	5,354	5,529
Non-current	480	515
Total aggregate carrying amount of employee provisions	<u>5,834</u>	<u>6,044</u>

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

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulated sick leave expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employee services up to the reporting date, classified as current liabilities and measured at their nominal values.

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

Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits. LSL is measured at present value. Unconditional LSL is disclosed as a current liability. Conditional LSL that has been accrued, where an employee is yet to reach a qualifying term of employment, is disclosed as a non-current liability.

	2018	2017
Key assumptions:		
- discount rate	2.65%	2.61%
- inflation rate	2.20%	2.00%
(b) Landfill restoration	2018	2017
	\$'000	\$'000
Current	435	435
Non-current	6,790	5,566
	<u>7,225</u>	<u>6,001</u>

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

	2018	2017
Key assumptions:		
- index rate	2.18%	2.03%
- settlement rate	1.98%	1.92%
4.6 Financing arrangements	2018	2017
	\$'000	\$'000
The Council has the following funding arrangements in place as at 30 June		
Bank overdraft	1,500	1,500
Credit card facilities	250	250
Borrowings	20,665	20,665
Total facilities	<u>22,415</u>	<u>22,415</u>
Used facilities	-	-
Credit Card Facilities	(30)	(24)
Borrowings	(12,416)	(13,928)
Total used facilities	<u>(12,446)</u>	<u>(13,952)</u>
Unused facilities	<u>9,969</u>	<u>8,463</u>

Notes to the Financial Statements

For the Year Ended 30 June 2018

4.7 Commitments

The Council has entered into the following commitments. Commitments are not recognised in the Balance Sheet. Commitments are disclosed at their nominal value and presented inclusive of the GST payable.

2018	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating					
Recycling	1,675	-	-	-	1,675
Garbage collection	4,608	-	-	-	4,608
Roads	4,075	4,085	-	-	8,160
Other	2,578	1,374	-	-	3,952
Meals for delivery	305	305	-	-	610
Total	13,241	5,764	-	-	19,005
Capital					
Buildings	3,103	-	-	-	3,103
Roads	1,556	-	-	-	1,556
Drainage	31	-	-	-	31
Other	1,264	30	-	-	1,294
Total	5,954	30	-	-	5,984

2017	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating					
Recycling	1,710	1,383	-	-	3,093
Garbage collection	4,058	2,858	-	-	6,916
Roads	4,064	4,075	4,085	-	12,224
Other	1,759	1,252	1,200	-	4,211
Meals for delivery	305	305	-	-	610
Total	11,896	9,873	5,285	-	27,054
Capital					
Buildings	9,889	-	-	-	9,889
Roads	231	15	-	-	246
Other	1,540	-	-	-	1,540
Total	11,660	15	-	-	11,675

Operating lease commitments	2018	2017
	\$'000	\$'000

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	730	289
Later than one year and not later than five years	1,745	2,012
Later than five years	855	788
	3,330	3,089

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.

Notes to the Financial Statements

For the Year Ended 30 June 2018

Note 5 Assets we manage

5.1 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	Restated At Fair Value 30 June 2017	Additions	Note 2.5 Contributions	Revaluation	Note 3.3 Depreciation	Note 2.6 Disposal	Write-off	Transfers	At Fair Value 30 June 2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Buildings	80,080	837	-	(5,134)	(2,720)	(381)	-	336	73,018
Land	88,045	-	502	21,843	-	-	-	-	110,390
Plant and equipment	3,082	719	-	-	(697)	(222)	-	-	2,882
Infrastructure	441,077	12,777	6,575	7,987	(10,405)	(4,351)	-	(336)	453,324
Work in progress	17,953	25,320	-	-	-	-	(331)	(14,334)	28,608
	630,237	39,653	7,077	24,696	(13,822)	(4,954)	(331)	(14,334)	668,222

Summary of Work in Progress	Opening WIP \$'000	Additions \$'000	Write-off \$'000	Transfers \$'000	Closing WIP \$'000
Buildings	4,783	8,970	(37)	(837)	12,879
Land	35	49	-	-	84
Plant and equipment	684	1,211	-	(720)	1,175
Infrastructure	12,451	15,090	(294)	(12,777)	14,470
Total	17,953	25,320	(331)	(14,334)	28,608

Notes to the Financial Statements

For the Year Ended 30 June 2018

Asset recognition thresholds and depreciation periods

	Depreciation Period	Threshold Limit \$'000
Land & land improvements		
land	-	All
land under roads		All
Buildings		
buildings	30-80 years	25
Plant and Equipment		
plant, machinery and equipment	2-7 years	All
fixtures, fittings and furniture	1-20 years	10
computers and telecommunications	1-20 years	10
Infrastructure		
roads - pavements and seals	14-85 years	10
roads - formation and earthworks	-	10
roads - kerbs, channel and minor culverts	80 years	5
road bridges	60-100 years	20
pedestrian bridges	60-100 years	10
major culverts	60-100 years	20
footpaths and cycleways	10-80 years	10
drainage	10 years	10
waste management	10 years	10
open space and recreational facilities	10-100 years	5
off street car parks	25-85 years	10
Intangible assets		
intangible assets	2-10 years	100

Notes to the Financial Statements

For the Year Ended 30 June 2018

(a) Property

	Land - specialised	Land - non specialised	Total Land & Land Improvements	Buildings - specialised	Work In Progress	Total Property
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2017	60,951	25,081	86,032	126,155	4,818	217,005
Accumulated depreciation at 1 July 2017	-	-	-	(46,353)	-	(46,353)
	60,951	25,081	86,032	79,802	4,818	170,652
Prior period adjustment as at 30 June 2017						
Found asset at valuation	497	2,326	2,823	6,743	-	9,566
Found asset accumulated depreciation at valuation	-	-	-	(2,950)	-	(2,950)
Derecognised asset at valuation	(524)	(286)	(810)	(5,451)	-	(6,261)
Derecognised asset accumulated depreciation at valuation	-	-	-	1,936	-	1,936
Restated Opening Balance						
At fair value 1 July 2017 restated	60,924	27,121	88,045	127,447	4,818	220,310
Accumulated depreciation at fair value 1 July 2017 restated	-	-	-	(47,367)	-	(47,367)
	60,924	27,121	88,045	80,080	4,818	172,943
Movements in fair value						
Additions	-	-	-	837	-	837
Contributions	52	450	502	-	9,019	9,521
Revaluation	6,321	15,522	21,843	(4,478)	-	17,365
Disposal	-	-	-	(867)	-	(867)
Write-off	-	-	-	-	(37)	(37)
Transfers	(8,624)	8,624	-	211	(837)	(626)
	(2,251)	24,596	22,345	(4,297)	8,145	26,193
Movements in accumulated depreciation						
Depreciation and amortisation	-	-	-	(2,720)	-	(2,720)
Revaluation	-	-	-	(656)	-	(656)
Accumulated depreciation of disposals	-	-	-	486	-	486
Transfers	-	-	-	125	-	125
	-	-	-	(2,765)	-	(2,765)
At fair value 30 June 2018	58,673	51,717	110,390	123,150	12,963	246,503
Accumulated depreciation at 30 June 2018	-	-	-	(50,132)	-	(50,132)
	58,673	51,717	110,390	73,018	12,963	196,371

Notes to the Financial Statements

For the Year Ended 30 June 2018

(b) Plant and Equipment

	Plant machinery and equipment	Fixtures fittings and furniture	Work in Progress	Total plant and equipment
	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2017	5,441	4,255	684	10,380
Accumulated depreciation at 1 July 2017	(2,723)	(3,891)	-	(6,614)
	2,718	364	684	3,766
Movements in fair value				
Additions	712	7	1,211	1,930
Contributions	-	-	-	-
Revaluation	-	-	-	-
Disposal	(682)	-	-	(682)
Write-off	-	-	-	-
Transfers	-	-	(720)	(720)
	30	7	491	528
Movements in accumulated depreciation				
Depreciation and amortisation	(585)	(112)	-	(697)
Accumulated depreciation of disposals	460	-	-	460
Transfers	-	-	-	-
	(125)	(112)	-	(237)
At fair value 30 June 2018	5,471	4,262	1,175	10,908
Accumulated depreciation at 30 June 2018	(2,848)	(4,003)	-	(6,851)
	2,623	259	1,175	4,057

Notes to the Financial Statements

For the Year Ended 30 June 2018

(c) Infrastructure

	Roads	Bridges & Major Culverts	Footpaths and cycleways	Drainage	Parks open spaces and streetscapes	Off street car parks	Work In Progress	Total Infrastructure
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2017	386,219	24,036	34,813	66,464	25,280	6,986	12,451	556,249
Accumulated depreciation at 1 July 2017	(73,147)	(8,877)	(4,475)	(11,219)	(2,597)	(2,561)	-	(102,876)
	313,072	15,159	30,338	55,245	22,683	4,425	12,451	453,373
Prior Period adjustment as at 30/06/17								
Found Assets at valuation	8	-	9	-	-	311	-	328
Found asset accumulated depreciation at valuation	(2)	-	-	-	-	(64)	-	(66)
Derecognised asset at valuation	(109)	-	-	-	-	-	-	(109)
Derecognised asset accumulated depreciation at valuation	2	-	-	-	-	-	-	2
Reinstated Opening Balance								
At fair value 1 July 2017 Reinstated	386,118	24,036	34,822	66,464	25,280	7,297	12,451	556,468
Accumulated depreciation at fair value 1 July 2017 restated	(73,147)	(8,877)	(4,475)	(11,219)	(2,597)	(2,625)	-	(102,940)
	312,971	15,159	30,347	55,245	22,683	4,672	12,451	453,528
Movements in fair value								
Additions	7,662	729	907	2,639	648	192	15,090	27,867
Contributions	3,330	-	1,280	1,965	-	-	-	6,575
Revaluation	-	4,180	-	-	-	-	-	4,180
Disposal	(6,356)	(509)	(21)	(39)	-	(205)	-	(7,130)
Write-off	-	-	-	-	-	-	(294)	(294)
Transfers	-	-	-	-	(211)	-	(12,777)	(12,988)
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-
	4,636	4,400	2,166	4,565	437	(13)	2,019	18,210
Movements in accumulated depreciation								
Depreciation and amortisation	(8,242)	(278)	(527)	(748)	(446)	(164)	-	(10,405)
Revaluation	-	3,807	-	-	-	-	-	3,807
Accumulated depreciation of disposals	2,651	32	3	5	-	88	-	2,779
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	(125)	-	-	(125)
	(5,591)	3,561	(524)	(743)	(571)	(76)	-	(3,944)
At fair value 30 June 2018	390,754	28,436	36,988	71,029	25,717	7,284	14,470	574,678
Accumulated depreciation at 30 June 2018	(78,738)	(5,316)	(4,999)	(11,962)	(3,168)	(2,701)	-	(106,884)
	312,016	23,120	31,989	59,067	22,549	4,583	14,470	467,794

Notes to the Financial Statements

For the Year Ended 30 June 2018

Acquisition

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

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

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

Land under roads

Council recognises land under roads it controls at fair value.

Depreciation and amortisation

Buildings, land improvements, plant and equipment, infrastructure, and other assets having limited useful lives are systematically depreciated over their useful lives to the Council in a manner which reflects consumption of the service potential embodied in those assets. Estimates of remaining useful lives and residual values are made on a regular basis with major asset classes reassessed annually. Depreciation rates and methods are reviewed annually.

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

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

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

Depreciation periods used are listed above and are consistent with the prior year unless otherwise stated.

Finance leases

Leases of assets where substantially all the risks and rewards incidental to ownership of the asset are transferred to the Council are classified as finance leases. Finance leases are capitalised, recording an asset and a liability at the lower of the fair value of the asset and the present value of the minimum lease payments, including any guaranteed residual value. Lease payments are allocated between the reduction of the lease liability and the interest expense. Leased assets are depreciated on a straight line basis over their estimated useful lives to the Council where it is likely that the Council will obtain ownership of the asset or over the term of the lease, whichever is the shorter. Council currently has no finance leases.

Repairs and maintenance

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.

Leasehold improvements

Leasehold improvements are recognised at cost and are amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter. Council has no leasehold improvements.

Valuation of land and buildings

Valuation of land and buildings were undertaken by a qualified independent valuer Gippsland Property Valuations on 31 March 2018 (Jonathan Barnett AAPI registration number 63207). The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

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

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

Details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2018 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation
Land	-	-	51,717	Mar-18
Specialised land	-	-	58,673	Mar-18
Specialised buildings	-	-	73,018	Mar-18
Total	-	-	183,408	

Notes to the Financial Statements

For the Year Ended 30 June 2018

Valuation of infrastructure

Valuation of bridges and major culverts were undertaken by a qualified independent engineer on 31 March 2018 (Peter Maloney MIE Aust registration number 284058).

Valuation of remaining infrastructure assets has been determined in accordance with a Council's valuation undertaken on 31 March 2014 by Teck Ting (Civil) MIE Aust, CP Eng.

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

Details of the Council's infrastructure and information about the fair value hierarchy as at 30 June 2018 are as follows:

	Level 1	Level2	Level 3	Date of Valuation
Roads	-	-	312,016	Mar-14
Bridges & Major Culverts	-	-	23,120	Mar-18
Footpaths and cycleways	-	-	31,989	Mar-15
Drainage	-	-	59,067	Mar-14
Parks, open space and street scapes	-	-	22,549	Mar-14
Off Street car parks	-	-	4,583	Mar-14
Total	-	-	453,324	

Description of significant unobservable inputs into level 3 valuations

Specialised land and land under roads is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 5% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$1.00 and \$803 per square metre.

Specialised buildings are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs is calculated on a square metre basis and ranges from \$890 to \$3,620 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 30 years to 80 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

Infrastructure assets are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 10 years to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

	2018 \$'000	2017 \$'000
Reconciliation of specialised land		
Land under roads	18,041	17,992
Parks and reserves	15,932	24,152
Other	24,700	18,807
Total specialised land	58,673	60,951

Notes to the Financial Statements

For the Year Ended 30 June 2018

	2018 \$'000	2017 \$'000
5.2 Investments in associates, joint arrangements and subsidiaries		
(a) Investments in associates		
Investments in associates accounted for by the equity method are:		
- West Gippsland Regional Library Corporation	1,777	1,600
West Gippsland Regional Library Corporation		
<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 corporations' main office is located at 64 Victoria Street Warragul. Council holds 43.84% equity (2017 43.55%, 2016 41%) in the West Gippsland Regional Library corporation.		
Fair value of Council's investment in West Gippsland Regional Library Corporation.	1,777	1,600
Council's share of accumulated surplus/(deficit)		
Council's share of accumulated surplus/(deficit) at start of year	1,194	1,069
Reported surplus/(deficit) for year	166	187
Share of movement due to change in percentage in Ownership	8	67
Transfers (to) from reserves	-	(129)
Council's share of accumulated surplus/(deficit) at end of year	1,368	1,194
Council's share of reserves		
Council's share of reserves at start of year	406	261
Reserve increment	-	129
Share of movement due to change in percentage in ownership for asset reserve	2	16
Council's share of reserves at end of year	408	406
Movement in carrying value of specific investment		
Carrying value of investment at start of year	1,600	1,330
Share of surplus/(deficit) for year	166	187
Share of movement due to change in percentage in ownership	11	83
Carrying value of investment at end of year	1,777	1,600

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

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

For joint operations, Council recognises its direct right to, and its share of jointly held assets, liabilities, revenues and expenses of joint operations.

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

Principles of consolidation

The consolidated financial statements of Council incorporate all entities controlled by Council as at 30 June 2018, and their income and expenses for that part of the reporting period in which control existed.

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

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

All entities controlled by Council that have material revenues, expenses, assets or liabilities, such as committees of management, have been included in this financial report. Any transactions between these entities and Council have been eliminated in full.

Notes to the Financial Statements

For the Year Ended 30 June 2018

	2018 No.	2017 No.
Note 6 People and relationships		
6.1 Council and key management remuneration		
(a) Related parties		
<i>Parent entity</i>		
Baw Baw Shire Council has no subsidiaries.		
<i>Subsidiaries and Associates</i>		
Interests in subsidiaries and associates are detailed in Note 5.2.		
(b) Key management personnel		
Details of persons holding the position of Councillor or other members of key management personnel at any time during the year are:		
Councillors		
Councillor J Gauci (Mayor since 19 November 2015)		
Councillor P Kostos		
Councillor M Power		
Councillor T Jones		
Councillor J O'Donnell		
Councillor K Cook		
Councillor D Goss		
Councillor D Wallace		
Councillor M Leaney		
Total number of councillors	9	14
Chief Executive Officer and other key management personnel	10	7
Total key management personnel	19	21
(c) Remuneration of key management personnel		
	2018	2017
Total remuneration of key management personnel was as follows:	\$'000	\$'000
Short-term benefits	1,563	1,421
Long-term benefits	29	27
Termination benefits	96	-
Post Employment Benefits	144	117
Total	1,832	1,565
The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:		
	2018	2017
	No.	No.
\$1 - \$9,999	-	5
\$10,000 - \$19,999	-	5
\$20,000 - \$29,999	8	3
\$50,000 - \$59,999	-	1
\$60,000 - \$69,999	-	1
\$80,000 - \$89,999	1	-
\$90,000 - \$99,999	1	1
\$100,000 - \$109,999	3	-
\$120,000 - \$129,999	1	-
\$130,000 - \$139,999	1	-
\$150,000 - \$159,999	-	2
\$170,000 - \$179,999	1	-
\$180,000 - \$189,999	1	-
\$210,000 - \$219,999	-	1
\$220,000 - \$229,999	-	1
\$240,000 - \$249,999	-	1
\$290,000 - \$299,999	1	-
\$310,000 - \$319,999	1	-
	19	21
(d) Senior officer remuneration		
A senior officer is an officer of council, other than key management personnel, who:		
a) has management responsibilities and reports directly to the chief executive; or		
b) whose total annual remuneration* exceeds \$145,000		

*Note that it is the total annual remuneration that determines if an officer is a senior officer, regardless of the actual remuneration paid in the period.

Notes to the Financial Statements

For the Year Ended 30 June 2018

Note 6 People and relationships(cont'd)

The number of senior officers are shown below in their relevant income bands:

Income range:	2018 No.	2017 No.
\$145,000 - \$149,999	3	5
\$150,000 - \$159,999	10	4
\$160,000 - \$169,999	1	-
\$200,000 - \$209,999	1	-
\$280,000 - \$289,999	1	-
	<u>16</u>	<u>9</u>
	2018 \$'000	2017 \$'000
	<u>1,911</u>	<u>1,302</u>

Total remuneration for the reporting year for senior officers included above, amounted to

As at 30 June 2018 there were 11 approved positions identified as a senior officer. The 2018 disclosure of 16 senior officers is due to multiple staff having occupied some of the 11 senior officer positions during the course of the financial year. The two officers reported in income ranges \$200,000 - \$209,999 and \$280,000 - \$289,999 include a one-off redundancy expense (comprising redundancy payments, leave entitlements, leave refunds and normal pays).

6.2 Related party disclosure

(a) Transactions with related parties

During the period Council entered into the following transactions with related parties, on normal commercial terms and conditions.

Councillor Joe Gauci	Gauci Electrics Pty Ltd	<u>27,969</u>	<u>52,269</u>
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During the year the following key management personnel, were board members of the West Gippsland Regional Library Corporation to which the shire made the following contributions as per the Regional Library Agreement.

Mr Mark Dupe	Cr Keith Cook		
Mr Malcolm Lewis	Cr Mikaela Power		
Total Contribution		<u>1,790,414</u>	<u>1,742,232</u>

(b) Outstanding balances with related parties

No outstanding balances with related parties are in existence as at balance date.

(c) Loans to/from related parties

No loans have been made, guaranteed or secured by the council to a related party.

(d) Commitments to/from related parties

No aggregate amount of commitments are in existence at balance date that have been made, guaranteed or secured by the council to a related party.

Notes to the Financial Statements

For the Year Ended 30 June 2018

Note 7 Managing uncertainties

7.1 Contingent assets and liabilities

(a) Contingent assets

Operating lease receivables

The Council has entered into commercial property leases on its investment property, consisting of surplus freehold office complexes. These properties held under operating leases have remaining non-cancellable lease terms of between 1 and 10 years. All leases include a CPI based revision of the rental charge annually.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	2018 \$'000	2017 \$'000
Not later than one year	730	289
Later than one year and not later than five years	1,745	2,012
Later than five years	855	788
	<u>3,330</u>	<u>3,089</u>

(b) Contingent liabilities

Superannuation

Council has obligations under a defined benefit superannuation scheme that may result in the need to make additional contributions to the scheme, matters relating to this potential obligation are outlined below. As a result of the volatility in financial markets the likelihood of making such contributions in future periods exists.

Future superannuation contributions

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2019 are \$150,000.

Legal proceedings

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

(c) Guarantees for loans to other entities

The amount disclosed for financial guarantee in this note is the nominal amount of the underlying loan that is guaranteed by the Council, not the fair value of the financial guarantee.

Number	Favouree	Amount	Issue Date	Status
303398	State of Victoria Environment Protection Authority (Trafalgar Landfill)	\$446,688	24/06/2008	Active
Total		\$446,688		

Financial guarantee contracts are not recognised as a liability in the balance sheet unless the lender has exercised their right to call on the guarantee or Council has other reasons to believe that it is probable that the right will be exercised.

7.2 Change in accounting standards

The following new AAS's have been issued that are not mandatory for the 30 June 2018 reporting period. Council has assessed these pending standards and has identified the following potential impacts will flow from the application of these standards in future reporting periods.

Financial Instruments - Disclosures (AASB 7) (applies 2018/19)

This Standard requires entities to provide disclosures in their financial statements that enable users to evaluate: (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed.

Financial Instruments (AASB 9) (applies 2018/19)

The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.

Notes to the Financial Statements

For the Year Ended 30 June 2018

7.2 Change in accounting standards(cont'd)

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

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

Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities (AASB 2016-7)(applies 2019/20)

This Standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.

Leases (AASB 16) (applies 2019/20)

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

Income of Not-for-Profit Entities (AASB 1058) (applies 2019/20)

This standard replaces AASB 1004 Contributions and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable to not-for-profit entity to further its objectives.

7.3 Financial instruments

(a) Objectives and policies

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

(b) Market risk

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

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Council's interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which exposes council to fair value interest rate risk / Council does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Council has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating rates.

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

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

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

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

Notes to the Financial Statements

For the Year Ended 30 June 2018

7.3 Financial instruments (cont'd)

(c) Credit risk

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

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

Receivables consist of a large number of customers, spread across the ratepayer, business and government sectors. Credit risk associated with the Council's financial assets is minimal because the main debtor is secured by a charge over the rateable property.

There are no material financial assets which are individually determined to be impaired.

Council may also be subject to credit risk for transactions which are not included in the balance sheet, such as when Council provide a guarantee for another party. Details of our contingent liabilities are disclosed in Note 7.1(b).

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

(d) Liquidity risk

Liquidity risk includes the risk that, as a result of council's operational liquidity requirements it will not have sufficient funds to settle a transaction when required or will be forced to sell a financial asset at below value or may be unable to settle or recover a financial asset.

To help reduce these risks Council:

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

The Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed on the face of the balance sheet and the amounts related to financial guarantees disclosed in Note 7.1(c), and is deemed insignificant based on prior periods' data and current assessment of risk.

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

With the exception of borrowings, all financial liabilities are expected to be settled within normal terms of trade. Details of the maturity profile for borrowings are disclosed at Note 4.4.

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

(e) Sensitivity disclosure analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, Council believes the following movements are 'reasonably possible' over the next 12 months, a parallel shift of +0.5% and -0.25% in market interest rates(AUD) from year-end rates of 1.5%.

These movements will not have a material impact on the valuation of Council's financial assets and liabilities, nor will they have a material impact on the results of Council's operations.

Notes to the Financial Statements

For the Year Ended 30 June 2018

7.4 Fair value measurement

Fair value hierarchy

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

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

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

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

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

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

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

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

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

Revaluation

Subsequent to the initial recognition of assets, non-current physical assets, other than plant and equipment, are measured at their fair value, being the price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date. At balance date, the Council reviewed the carrying value of the individual classes of assets measured at fair value to ensure that each asset materially approximated its fair value. Where the carrying value materially differed from the fair value at balance date, the class of asset was revalued.

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use of an asset result in changes to the permissible or practical highest and best use of the asset. In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 2 to 5 years. The valuation is performed either by experienced council officers or independent experts.

Where the assets are revalued, the revaluation increments are credited directly to the asset revaluation reserve except to the extent that an increment reverses a prior year decrement for that class of asset that had been recognised as an expense in which case the increment is recognised as revenue up to the amount of the expense. Revaluation decrements are recognised as an expense except where prior increments are included in the asset revaluation reserve for that class of asset in which case the decrement is taken to the reserve to the extent of the remaining increments. Within the same class of assets, revaluation increments and decrements within the year are offset.

Impairment of assets

At each reporting date, the Council reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the comprehensive income statement, unless the asset is carried at the revalued amount in which case, the impairment loss is recognised directly against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

7.5 Events occurring after balance date

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

Notes to the Financial Statements

For the Year Ended 30 June 2018

Note 8 Other matters

	Balance at beginning of reporting period \$'000	Increment (decrement) \$'000	Balance at end of reporting period \$'000
8.1 Reserves			
(a) Asset revaluation reserves			
2018			
Property			
Land & land improvements	34,184	21,843	56,027
Buildings	56,564	(5,134)	51,430
	90,748	16,709	107,457
Infrastructure			
Infrastructure Assets	210,486	7,987	218,473
	210,486	7,987	218,473
Other revaluation assets			
West Gippsland Regional Library Corporation	277	2	279
	277	2	279
Total asset revaluation reserves	301,511	24,698	326,209
2017			
Property			
Land & land improvements	34,184	-	34,184
Buildings	56,564	-	56,564
	90,748	-	90,748
Infrastructure			
Infrastructure	210,486	-	210,486
	210,486	-	210,486
Other revaluation assets			
West Gippsland Regional Library Corporation	261	16	277
	261	16	277
Total asset revaluation reserves	301,495	16	301,511

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

	Balance at beginning of reporting period \$'000	Transfer from accumulated surplus \$'000	Transfer to accumulated surplus \$'000	Balance at end of reporting period \$'000
(b) Other reserves				
2018				
Open space	1,388	391	-	1,779
Car parking	5	-	(5)	-
Development contribution levy DCP01	519	890	(319)	1,090
Development contribution levy DCP02	1,257	906	(1,248)	915
Land sales	713	-	-	713
Native vegetation offset scheme	240	15	(7)	248
West Gippsland Regional Library Corporation	129	1	-	130
Total other reserves	4,251	2,203	(1,579)	4,875
2017				
Open space	1,109	279	-	1,388
Car parking	5	-	-	5
Development contribution levy DCP01	886	759	(1,126)	519
Development contribution levy DCP02	794	463	-	1,257
Land sales	713	-	-	713
Native vegetation offset scheme	231	33	(24)	240
West Gippsland Regional Library Corporation		129	-	129
Total other reserves	3,738	1,663	(1,150)	4,251

Notes to the Financial Statements

For the Year Ended 30 June 2018

8.1 Reserves (cont'd)

(b) Other reserves

Open space: The Open Space Reserve holds funds contributed by developers for works associated with developing improved open space and recreational facilities within Council. Funds are contributed in accordance with Section 18 of the Subdivision Act 1988 and transfers are restricted to the purpose of creating open space such as parks, playgrounds, pavilions and other such items where it is deemed that these works should occur at a later point than the initial development.

Car parking: This reserve retains funds contributed by developers for works associated with developments that require additional car parking within Council. Transfers to the reserve comprise contribution income from developers in lieu of the provision of additional car parking spaces.

DCP01 & 02: These reserves retain funds received from developers for infrastructure provision related to the Baw Baw Shire Council development contributions plans. DCP01 refers to the Baw Baw Shire development contribution Plan 23 March 2007 and DCP02 refers to the Warragul development contributions plan September 2014. Transfers from these reserves will be for nominated capital works for development infrastructure projects and community infrastructure projects. These funds are tied directly to the income received or cash funds refunded to developers for capital works completed directly by the developer.

Land sales: This reserve comprises sale proceeds from land previously identified as open space land that, at the time of acquisition, would qualify for funding from the open space reserve.

Native vegetation offset: Funds contributed to Council from developers and residents who propose to remove native vegetation. The funds are then applied to offset the removal of native vegetation by making an equivalent contribution to Victoria's biodiversity. Offset requirements are determined in accordance with permitted clearing of native vegetation – Biodiversity assessment guidelines.

West Gippsland Regional Library Corporation: This reserve comprises Council's share of the Regional Library Corporation Facilities Reserve. Refer to Note 5.2 that reports council's share of library reserves.

Notes to the Financial Statements

For the Year Ended 30 June 2018

8.2 Prior year adjustments

REASONS FOR ADJUSTMENTS:

- 1 Change in ownership was completed to recognise roads assets identified as controlled by third parties.
- 2 Council completed a control and ownership test on roads, land, buildings, footpath and cycleways assets. This review resulted in the inclusion and exclusion of some asset items.

A third balance sheet has not been presented to disclose the prior year adjustments as they were considered not material to the comparative amounts in the Balance Sheet. The net changes are displayed in the following table:

Restatement of Financial Statements as prior year adjustment

Financial statement line item/balance affect	Note	Actual 2017 \$'000	Opening bal. Adj 2017 \$'000	Restated actual 2017 \$'000
Balance Sheet (extract)				
Non current assets				
Property, infrastructure, plant and equipment	5.1	627,791	2,446	630,237
Total non-current assets		631,408	2,446	633,854
Total assets		675,165	2,446	677,611
Current liability		19,070	-	19,070
Non current liability		18,497	-	18,497
Total liability		37,567	-	37,567
Equity				
Accumulated surplus		331,836	2,446	334,282
Reserves		305,762	-	305,762
Total equity		637,598	2,446	640,044
Statement of changes in equity				
Accumulated surplus		331,836	2,446	334,282
Balance at opening of the financial Year		637,598	2,446	640,044
Found and derecognised assets				
			2018 \$'000	2017 \$'000
Land		-	-	2,013
Building		-	-	278
Roads		-	-	(101)
Footpaths and cycleways		-	-	9
Off street car parks		-	-	247
New found and derecognised assets		-	-	2,446
Details of found and derecognised assets				
		Current Cost	Accumulated Depreciation	Written Down Value
Land		2,013	-	2,013
Buildings		1,292	(1,014)	278
Roads		(101)	-	(101)
Footpaths and cycleways		9	-	9
Off street car parks		311	(64)	247
Total found and derecognised assets		3,524	(1,078)	2,446

Notes to the Financial Statements

For the Year Ended 30 June 2018

	2018 \$'000	2017 \$'000
8.3 Reconciliation of cash flows from operating activities to surplus		
Surplus for the year	15,208	16,157
Depreciation/amortisation	15,131	14,360
Net loss on disposal of property, infrastructure, plant and equipment	4,705	3,822
Share of net profits of associates accounted for by the equity method	(166)	(187)
Finance cost	572	553
Contributions - Non-monetary assets	(7,077)	(5,371)
Prior year capital WIP Expensed	331	2,351
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	409	1,431
(Increase)/Decrease in prepayments	(430)	207
Increase/(decrease) in accrued income	245	6
Increase/(decrease) in trade and other payables	(1,577)	2,097
(Decrease)/increase in trust funds and deposits (including Fire Services Property Levy)	917	201
(Increase)/decrease in inventories	-	3
Increase/(Decrease) in provisions	1,015	461
Net cash provided by operating activities	29,283	36,091

8.4 Superannuation

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

Accumulation

The Fund's accumulation categories, Vision MySuper/Vision Super Saver, receive both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2018, this was 9.5% as required under Superannuation Guarantee legislation).

Defined Benefit

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

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

Funding arrangements

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

As at 30 June 2017, a full triennial actuarial investigation was completed. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 103.1%. To determine the VBI, the Fund Actuary used the following long-term assumptions:

Net investment returns 6.5% pa
Salary information 3.5% pa
Price inflation (CPI) 2.5% pa.

Vision Super has advised that the estimated VBI at 30 June 2018 was 106%.

The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2017 actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

Notes to the Financial Statements

For the Year Ended 30 June 2018

Employer contributions

Regular contributions

On the basis of the results of the 2017 triennial actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2018, this rate was 9.5% of members' salaries (9.5% in 2016/2017). This rate will increase in line with any increases in the SG contribution rate. In addition, Council reimburses the fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

Funding calls

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

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Council) are required to make an employer contribution to cover the shortfall. Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's Defined Benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up. If there is a surplus in the Fund, the surplus cannot be returned to the participating employers. In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

2017 triennial actuarial investigation surplus amounts

The Fund's triennial investigation as at 30 June 2017 identified the following in the defined benefit category of which Council is a contributing employer:

A VBI surplus of \$69.8 million

A total service liability surplus of \$193.5 million.

A discounted accrued benefits surplus of \$228.8 million.

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the

2018 interim actuarial investigation

An interim actuarial investigation will be conducted for the Fund's position as at 30 June 2018. It is anticipated that this actuarial investigation will be completed in December 2018.

Certification of the Financial Statements

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



Malcolm Lewis MBA FCPA
Principal Accounting Officer

Date : 19 September 2018
Trafalgar

In our opinion the accompanying financial statements present fairly the financial transactions of Baw Baw Shire Council for the year ended 30 June 2018 and the financial position of the Council as at that date.

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

We have been authorised by the Council and by the *Local Government (Planning and Reporting) Regulations 2014* to certify the financial statements in their final form.



Councillor Danny Goss
Councillor

Date : 19 September 2018
Trafalgar



Councillor Mikaela Power
Councillor

Date : 19 September 2018
Trafalgar



Alison Leighton
Chief Executive Officer

Date : 19 September 2018
Trafalgar

Independent Auditor's Report

To the Councillors of Baw Baw Shire Council

Opinion	<p>I have audited the financial report of Baw Baw Shire Council (the council) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2018 • comprehensive income statement for the year then ended • statement of changes in equity for the year then ended • statement of cash flows for the year then ended • notes to the financial statements, including significant accounting policies • certification of the financial statements. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the council as at 30 June 2018 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 6 of the <i>Local Government Act 1989</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Councillors' responsibilities for the financial report	<p>The Councillors of the council are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Local Government Act 1989</i>, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Councillors are responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

**Auditor's
responsibilities
for the audit
of the financial
report**

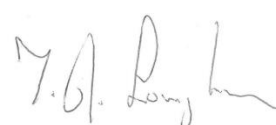
As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and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

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

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

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

MELBOURNE
20 September 2018



Tim Loughnan
as delegate for the Auditor-General of Victoria

Baw Baw Shire Council Performance Statement



Performance Statement

For the Year Ended 30 June 2018

Description of municipality

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

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

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

The council covers an area of 4,027 square kilometres and has a population of 50,364 (estimated resident population as of 24 April 2018).

Sustainable Capacity Indicators

For the Year Ended 30 June 2018

	Indicator/measure	Results				Material Variations and Comments
		2015	2016	2017	2018	
C1	Population					
	Expenses per head of municipal population [Total expenses / Municipal population]	\$1,406	\$1,550	\$1,551	\$1,549	Council's total expenses were \$78,004,000 during 2017/18, resulting in a cost to deliver Council services per head of population of \$1,549, consistent with previous years.
C2	Infrastructure per head of municipal population [Value of infrastructure / Municipal population]	\$11,266	\$11,418	\$11,270	\$11,076	The value of the municipality's infrastructure is \$11,076 per head of population, generally consistent with previous years.
C3	Population density per length of road [Municipal population / Kilometres of local roads]	26	26	27	28	There are approximately 28 residents for each kilometre of local roads.
C4	Own-source revenue					
	Own-source revenue per head of municipal population [Own-source revenue / Municipal population]	\$1,080	\$1,190	\$1,212	\$1,205	This indicates Councils capacity to generate own source revenue (mainly rates and user charges) per head of population. The result for 2017/18 reflects a favourable position and ongoing sustainability.
C5	Recurrent grants					
	Recurrent grants per head of municipal population [Recurrent grants / Municipal population]	\$409	\$274	\$462	\$339	Council received recurrent grants of \$17,073,000 during the 2018 year. The lower result in 2016 relates to Victoria Grants Commission funding received in the prior year. The 2017 result relates to Victoria Grants Commission funding received in advance for the 2018 year. The 2018 result includes additional income for the reinstatement of CPI increments previously removed from prior year Victoria Grants Commission payments.
C6	Disadvantage					
	Relative Socio-Economic Disadvantage [Index of Relative Socio-Economic Disadvantage by decile]	6	6	6	6	The Australian Bureau of Statistics (ABS) prepares an index of relative socio-economic disadvantage. The result for the municipality is six, where one is the most and ten is the least disadvantaged.

Service Performance Indicators

For the Year Ended 30 June 2018

		Results				Material Variations and Comments
Service/indicator/measure		2015	2016	2017	2018	
AF6	Aquatic Facilities Utilisation <i>Utilisation of aquatic facilities</i> [Number of visits to aquatic facilities / Municipal population]	1.9	1.4	4.7	5.2	Council aquatic facilities include those at Drouin, Neerim South, Rawson, Trafalgar, Thorpdale and the Warragul Leisure Centre. The result for this performance measure has been increasing since 2016/17 with the re-opening of the Warragul Leisure Centre following its redevelopment.
	Animal Management Health and safety <i>Animal management prosecutions</i> [Number of successful animal management prosecutions]	1	7	9	3	Council conducted a total of three successful animal management prosecutions in 2017/18, lower than the previous two years. These prosecutions were conducted in relation to dog attacks, dog rushes and dogs at large offences, and are conducted on an as needs basis or when required under the Domestic Animals Act 1994. However, Council's primary strategy remains focused on communication and education of pet owners.
	Food Safety Health and safety <i>Critical and major non-compliance outcome notifications</i> [Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises] x100	46.5%	40.9%	58.9%	76.7%	During the 2017/18 year, Council carried out a review of its food safety performance and benchmarked against other local government authorities. As a result, Council reviewed its procedures relating to inspections of food safety premises to ensure consistency of approach within Council's food safety team and with other municipalities in Victoria, to the identification of critical and major non-compliances. As a result, and consistent with other municipalities, there have been fewer critical and major non-compliances identified during the year. Of the 43 critical and major non-compliance notifications received, 33 were followed up.
G5	Governance Satisfaction <i>Satisfaction with council decisions</i>	53	47	46	48	The annual Community Satisfaction Survey assesses the community's

Service Performance Indicators

For the Year Ended 30 June 2018

		Results				Material Variations and Comments
Service/indicator/measure		2015	2016	2017	2018	
	[Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]					satisfaction with Council's performance. Satisfaction with Council decisions remains consistent and was rated as 48 out of 100.
HC6	Home and Community Care (HACC) Participation <i>Participation in HACC service</i> [Number of people that received a HACC service / Municipal target population for HACC services] x100	44.4%	44.1%	Reporting ceased 1 July 2016	Reporting ceased 1 July 2016	Reporting on HACC ceased on 1 July 2016 due to the introduction of the Commonwealth Government's National Disability Insurance Scheme (NDIS) and Commonwealth Home Support Program (CHSP).
	Participation <i>Participation in HACC service by CALD people</i> [Number of CALD people who receive a HACC service / Municipal target population in relation to CALD people for HACC services] x100	32.6%	32.2%	Reporting ceased 1 July 2016	Reporting ceased 1 July 2016	
LB4	Libraries Participation <i>Active library members</i> [Number of active library members / Municipal population] x100	13.3%*	15.4%*	15.0%*	14.9%	During the year 7,504 library members borrowed a library collection item. The percentage of the shire population who are active library members remains consistent with previous years at 14.9 percent. This is slightly lower than the average for other municipalities (as at 2016/17). It is highlighted that Baw Baw libraries also have significant usage of public computer use and free Wi-Fi for members who do not loan books. If these users were included in the active members, Baw Baw libraries would be at 17.89%. It is also recognised that the population growth in Baw Baw is increasing faster than new members at Baw Baw Libraries.
MC4	Maternal and Child Health (MCH) Participation <i>Participation in the MCH service</i> [Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100	77.0%	76.1%	71.2%	72.1%	During the year, 2,552 children were enrolled in the Maternal and Child Health service and 1,841 of those children attended the service at least once during the year. This result is consistent with 2016/17, however is lower than previous years.
MC5	Participation <i>Participation in the MCH service by Aboriginal children</i>	65.2%	53.1%	68.5%	81.5%	Participation in the Maternal and Child Health service by Aboriginal children has significantly improved. Fifty-four Aboriginal children were

Service Performance Indicators

For the Year Ended 30 June 2018

	Service/indicator/measure	Results				Material Variations and Comments
		2015	2016	2017	2018	
	[Number of Aboriginal children who attend the MCH service at least once (in the year) / Number of Aboriginal children enrolled in the MCH service] x100					enrolled in the Maternal and Child Health service and of those, 44 children attended the service at least once during the year. The improved result for the 2017/18 year is higher than the average for other municipalities as at 2016/17.
R5	Roads Satisfaction Satisfaction with sealed local roads [Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]	36	38	42	42	The annual Community Satisfaction Survey assesses the community's satisfaction with Council's performance. Satisfaction with sealed local roads remains consistent with previous years and was rated as 42 out of 100. This is also consistent with the result for all other rural shires as at 2016/17.
SP4	Statutory Planning Decision making Council planning decisions upheld at VCAT [Number of VCAT decisions that did not set aside Council's decision in relation to a planning application / Number of VCAT decisions in relation to planning applications] x100	75.0%	62.5%	57.1%	90.0%	Ten of Council's planning decisions were appealed to VCAT during the 2017/18 year. Nine out of those ten applications were upheld by VCAT, supporting Council's consistency with the Planning Scheme and quality of decision making.
WC5	Waste Collection Waste diversion Kerbside collection waste diverted from landfill [Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100	53.1%	52.0%	53.0%	52.5%	Consistent with previous years, over half of the Shire's waste is recycled or placed into the green organics bin, rather than into landfill. Baw Baw is diverting more waste from landfill than the average result for other municipalities in 2016/17.

* To ensure comparability of indicators, these comparative figures for previous years have been amended to accord with the current presentation. The restated comparatives which has changed materially on amounts previously disclosed in the Performance Statements for the years below, as disclosed in the below table.

SERVICE/indicator/measure		Previously reported			Comments/ Material Variations
		2015	2016	2017	
LB4	Libraries				
	Participation	20.8%	19.0%	18.7%	An active library member is defined as a member who has borrowed a library collection item. A reporting review by West Gippsland Libraries found that reporting for this measure had previously incorrectly included library members who had used public computers and wi-fi but not borrowed an item.
	Active library members				
	[Number of active library members / Municipal population] x100				
		Restated results			
		2015	2016	2017	
		13.3%	15.4%	15.0%	

Financial Performance Indicators

For the Year Ended 30 June 2018

Dimension/indicator/measure										Results			Forecasts			Material Variations and Comments			
										2015	2016	2017	2018	2019	2020	2021	2022		
E1	Efficiency Revenue level <i>Average residential rate per residential property assessment</i> [Residential rate revenue / Number of residential property assessments]										\$1,735	\$1,797	\$1,846	\$1,876	\$1,805	\$1,841	\$1,877	\$1,916	The average rates income for each residential property for 2017/18 was \$1,876, consistent with previous years results.
	Expenditure level <i>Expenses per property assessment</i> [Total expenses / Number of property assessments]										\$2,721	\$2,729	\$2,930	\$3,002	\$2,918	\$2,987	\$3,052	\$3,127	Council's total expenses were \$78,004,000 during 2017/18, resulting in a cost to deliver Council services per property assessment of \$3,002.
E3	Workforce turnover <i>Resignations and terminations compared to average staff</i> [Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100										16.7%	17.5%	17.2%	20.1%	16.2%	11.8%	11.7%	11.6%	Sixty-seven of Councils permanent staff resigned during the year out of a total average of 333 permanent staff. This is higher than previous year's results.
L1	Liquidity Working capital <i>Current assets compared to current liabilities</i> [Current assets / Current liabilities] x100										206.0%	195.1%	229.5%	209.3%	185.2%	200.2%	175.6%	203.8%	Council has current assets of \$46,466,000 and current liabilities of \$22,196,000. The result indicates improved working capital and the ability to adequately meet liabilities as they fall due. Notwithstanding this favourable result, the marginally lower ratio in the forecast years are based on the assumption of nil capital expenditure carryover.

Financial Performance Indicators

For the Year Ended 30 June 2018

Dimension/indicator/measure											Results				Forecasts			Material Variations and Comments	
											2015	2016	2017	2018	2019	2020	2021	2022	
L2	Unrestricted cash										13.1%	49.7%	27.4%	21.0%	103.0%	111.1%	98.0%	104.9%	The result indicates Councils ability to meet liabilities as they fall due from available (unrestricted) cash. Budget and future years ratio calculations (2019 to 2022) assume there are no 'other financial assets' and all cash is unrestricted resulting in higher ratio figures for forecasted future years.
Unrestricted cash compared to current liabilities [Unrestricted cash / Current liabilities] x100																			
O1	Obligations										110.3%	118.5%	89.2%	80.6%	75.2%	70.2%	65.5%	64.2%	Investment in asset renewal reports a decreasing trend due to a reduction in the total pool of funding available for allocation to capital works. This reduction to total available funding is impacted by rate capping as well as a projected decrease in capital grant funding.
Asset renewal Asset renewal compared to depreciation [Asset renewal expense / Asset depreciation] x100																			
O2	Loans and borrowings										20.1%	22.9%	26.9%	22.9%	20.3%	19.0%	18.5%	11.7%	Total debt as a percentage of rates for 2017/18 is 22.9% and is well within Council's Borrowing Policy that allows for a maximum of 40% debt to rates. The reduction in the forecast years is due to the repayment of loans.
Loans and borrowings compared to rates [Interest bearing loans and borrowings / Rate revenue] x100																			
O3	Loans and borrowings repayments compared to rates										4.0%	4.0%	3.7%	3.9%	9.3%	1.6%	0.8%	6.9%	Council paid \$2,093,000 in principal and interest against its borrowings compared to rates & charges revenue received of \$54,257,000. The result indicates Councils adequate ability to meet debt commitments from rates revenue. The higher percentage in
[Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100																			

Financial Performance Indicators

For the Year Ended 30 June 2018

Dimension/indicator/measure	Results					Forecasts			Material Variations and Comments
	2015	2016	2017	2018	2019	2020	2021	2022	
Indebtedness Non-current liabilities compared to own source revenue [Non-current liabilities / Own source revenue] x100	24.4%	31.6%	31.7%	24.5%	29.6%	28.8%	22.2%	21.6%	<p>years 2019 and 2022 is due to the lump sum repayment of interest only loans.</p> <p>The Victorian Auditor General (VAGO) has identified 40% or less as low risk. Council is well within the VAGO threshold of low risk for indebtedness. The reduction in the 2011 and 2022 forecast years is mainly due to the reduction in loans and borrowings that will, in turn, reduce non-current liabilities.</p>
	O4								
Operating position Adjusted underlying result Adjusted underlying surplus (or deficit) [Adjusted underlying surplus (deficit) / Adjusted underlying revenue] x100	7.2%	-5.9%	7.6%	0.1%	1.1%	0.6%	0.2%	-0.4%	<p>The 2015/16 result mainly relates to Victoria Grants Commission funding received in the prior year. The 2016/17 result relates to Victoria Grants Commission funding received in current 2018 and forecast year projections report a 'breakeven' result indicating Council's limited capacity to fund its future infrastructure asset replacement needs.</p>
	OP1								
Stability Rates concentration Rates compared to adjusted underlying revenue [Rate revenue / Adjusted underlying revenue] x100	67.6%	77.1%	64.1%	69.5%	74.1%	74.2%	74.2%	74.3%	<p>The variation on the previous 2016/17 year result mainly relates to the Victoria Grants Commission funding received in advance for the 2017/18 year.</p>
	S1								

Financial Performance Indicators

For the Year Ended 30 June 2018

Dimension/indicator/measure	Results					Forecasts			Material Variations and Comments
	2015	2016	2017	2018	2019	2020	2021	2022	
Rates effort Rates compared to property values $\frac{\text{Rate revenue} / \text{Capital improved value of rateable properties in the municipality}}{\times 100}$	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.4%	0.4%	Council received \$54,257,000 in rates and charges revenue in 2017/18. The result remains constant at approximately 0.5% due to minimal movement in valuations to movement in rate revenue. The slight reduction in the forecast years is mainly due to the expected increase in total rates, due to additional supplementary rates, relative to the increase in property values.

S2

Other Information

For the Year Ended 30 June 2018

Basis of preparation

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

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

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

Certification of the Performance Statement

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



Malcolm Lewis MBA FCPA
Principal Accounting Officer
Dated: 19/09/2018

In our opinion, the accompanying performance statement of the Baw Baw Shire Council for the year ended 30 June 2018 presents fairly the results of Councils performance in accordance with the *Local Government Act 1989* and the *Local Government (Planning and Reporting) Regulations 2014*.

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

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

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



Councillor Danny Goss
Councillor
Dated: 19/09/2018



Councillor Mikaela Power
Councillor
Dated: 19/09/2018



Alison Leighton
Chief Executive Officer
Dated: 19/09/2018

Independent Auditor's Report

To the Councillors of Baw Baw Shire Council

Opinion	<p>I have audited the accompanying performance statement of Baw Baw Shire Council (the council) which comprises the:</p> <ul style="list-style-type: none"> • description of municipality for the year ended 30 June 2018 • sustainable capacity indicators for the year ended 30 June 2018 • service performance indicators for the year ended 30 June 2018 • financial performance indicators for the year ended 30 June 2018 • other information and • the certification of the performance statement. <p>In my opinion, the performance statement of Baw Baw Shire Council in respect of the year ended 30 June 2018 presents fairly, in all material respects, in accordance with the performance reporting requirements of Part 6 of the <i>Local Government Act 1989</i>.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Standards on Assurance Engagements. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the performance statement</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. I and my staff are independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the performance statement in Victoria and have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Councillors' responsibilities for the performance statement	<p>The Councillors are responsible for the preparation and fair presentation of the performance statement in accordance with the performance reporting requirements of the <i>Local Government Act 1989</i> and for such internal control as the Councillors determines is necessary to enable the preparation and fair presentation of the statement of performance that is free from material misstatement, whether due to fraud or error.</p>
Auditor's responsibilities for the audit of the performance statement	<p>As required by the <i>Audit Act 1994</i>, my responsibility is to express an opinion on the performance statement based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the performance statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Standards on Assurance Engagements will always detect a material misstatement when it exists.</p>

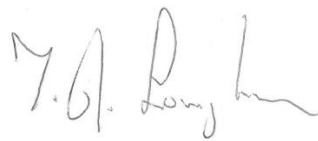
Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of this performance statement.

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

- identify and assess the risks of material misstatement of performance statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the council's internal control
- evaluate the overall presentation, structure and content of the performance statement, including the disclosures, and whether performance statement represents the underlying events and results in a manner that achieves fair presentation.

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

MELBOURNE
20 September 2018



Tim Loughnan
as delegate for the Auditor-General of Victoria



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