



# Baw Baw Shire Council Annual Financial Report.

2018/19







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# Understanding the Financial Statements

The Financial Statements compare the current 2018/19 financial year to the previous 2017/18 financial year.

They comprise two main sections mainly the financial statements and the notes to the financial statements..

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

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

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

## 5. 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 2019

	Note	2019 \$'000	2018 \$'000
<b>Income</b>			
Rates and charges	3.1	57,616	54,257
Statutory fees and fines	3.2	2,317	1,857
User fees	3.3	2,958	2,298
Grants - operating	3.4	14,670	15,300
Grants - capital	3.4	7,886	7,960
Contributions - monetary	3.5	3,727	2,187
Contributions - non monetary	3.5	16,167	7,077
Share of net profits of associates and joint ventures	6.2	177	166
Other income	3.7	1,813	2,110
<b>Total income</b>		<b>107,331</b>	<b>93,212</b>
<b>Expenses</b>			
Employee costs	4.1	(27,278)	(25,131)
Materials and services	4.2	(34,309)	(28,323)
Depreciation and amortisation	4.3	(16,177)	(15,131)
Borrowing costs	4.4	(496)	(572)
Other expenses	4.5	(4,223)	(4,142)
Net loss on disposal of property, infrastructure, plant and equipment	3.6	(601)	(4,705)
<b>Total expenses</b>		<b>(83,084)</b>	<b>(78,004)</b>
<b>Surplus for the year</b>		<b>24,247</b>	<b>15,208</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to surplus or deficit in future periods</b>			
Net asset revaluation increment	6.1	78,466	24,696
Share of other comprehensive income of associates and joint ventures	6.2	1	-
<b>Total comprehensive result</b>		<b>102,714</b>	<b>39,904</b>

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

# Balance Sheet

As at 30 June 2019

	Note	2019	2018
			Restated
			Refer Note 9.2
<b>Assets</b>		<b>\$'000</b>	<b>\$'000</b>
<b>Current assets</b>			
Cash and cash equivalents	5.1	25,885	20,500
Trade and other receivables	5.1	6,969	6,049
Other financial assets	5.1	25,115	19,112
Non current assets classified as held for sale	5.2	499	-
Inventories	5.3	7	-
Other assets	5.3	992	805
<b>Total current assets</b>		<b>59,467</b>	<b>46,466</b>
<b>Non-current assets</b>			
Investments in associates, joint arrangements and subsidiaries	6.2	1,959	1,777
Property, infrastructure, plant and equipment	6.1	770,227	669,985
Intangible assets	5.3	363	568
<b>Total non-current assets</b>		<b>772,549</b>	<b>672,330</b>
<b>Total assets</b>		<b>832,016</b>	<b>718,796</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	5.4	15,033	8,882
Trust funds and deposits	5.4	4,482	2,718
Provisions	5.6	6,534	5,789
Interest-bearing liabilities	5.5	4,442	4,807
<b>Total current liabilities</b>		<b>30,491</b>	<b>22,196</b>
<b>Non-current liabilities</b>			
Provisions	5.6	9,922	7,270
Interest-bearing liabilities	5.5	7,168	7,609
<b>Total non-current liabilities</b>		<b>17,090</b>	<b>14,879</b>
<b>Total liabilities</b>		<b>47,581</b>	<b>37,075</b>
<b>Net assets</b>		<b>784,435</b>	<b>681,721</b>
<b>Equity</b>			
Accumulated surplus		373,293	350,637
Reserves	9.1	411,142	331,084
<b>Total Equity</b>		<b>784,435</b>	<b>681,721</b>

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

# Statement of Changes in Equity

For the Year Ended 30 June 2019

	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
<b>2019</b>					
Balance at beginning of the financial year		681,721	350,637	326,209	4,875
Surplus for the year		24,247	24,247	-	-
Net asset revaluation increment	6.1	78,466	-	78,466	-
Adjustment due to change in library ownership	6.2	1	-	1	-
Transfers to other reserves	9.1	-	(3,845)	-	3,845
Transfers from other reserves	9.1	-	2,254	-	(2,254)
<b>Balance at end of the financial year</b>		<b>784,435</b>	<b>373,293</b>	<b>404,676</b>	<b>6,466</b>

		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
<b>2018 Restated (refer note 9.1 and 9.2)</b>					
Balance at beginning of the financial year		640,044	334,282	301,511	4,251
Net found and derecognised assets		1,763	1,763	-	-
Restated opening balance		641,807	336,045	301,511	4,251
Surplus for the year		15,208	15,208	-	-
Net asset revaluation increment	6.1	24,696	-	24,696	-
Adjustment due to change in library ownership	6.2	10	8	2	-
Transfers to other reserves	9.1	-	(2,203)	-	2,203
Transfers from other reserves	9.1	-	1,579	-	(1,579)
<b>Balance at end of the financial year</b>		<b>681,721</b>	<b>350,637</b>	<b>326,209</b>	<b>4,875</b>

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 2019

		2019 Inflows/ (Outflows) \$'000	2018 Inflows/ (Outflows) \$'000
	Note		
<b>Cash flows from operating activities</b>			
Rates and charges		58,029	53,789
Statutory fees and fines		2,319	1,860
User fees		3,135	2,621
Grants - operating		14,861	16,615
Grants - capital		6,403	7,339
Contributions - monetary		3,727	2,188
Interest received		1,031	1,025
Trust funds and deposits taken		12,210	8,235
Other receipts		1,028	1,362
Net GST refund/payment		2,451	2,609
Employee costs		(26,412)	(25,145)
Materials and services		(29,472)	(31,619)
Trust funds and deposits repaid		(10,498)	(7,318)
Other payments		(4,335)	(4,278)
<b>Net cash provided by/(used in) operating activities</b>	9.3	<u>34,477</u>	<u>29,283</u>
<b>Cash flows from investing activities</b>			
Payments for property, infrastructure, plant and equipment		(21,881)	(24,644)
Proceeds from sale of property, infrastructure, plant and equipment		119	239
Payments for investments		(6,003)	(2,502)
<b>Net cash provided by/(used in) investing activities</b>		<u>(27,765)</u>	<u>(26,907)</u>
<b>Cash flows from financing activities</b>			
Finance costs		(493)	(581)
Proceeds from borrowings		4,000	-
Repayment of borrowings		(4,834)	(1,512)
<b>Net cash provided by/(used in) financing activities</b>		<u>(1,327)</u>	<u>(2,093)</u>
Net increase (decrease) in cash and cash equivalents		5,385	283
Cash and cash equivalents at the beginning of the financial year		20,500	20,217
<b>Cash and cash equivalents at the end of the financial year</b>		<u>25,885</u>	<u>20,500</u>
Financing arrangements	5.7	7,079	9,969
Restrictions on cash assets	5.1	13,383	11,100

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

# Statement of Capital Works

For the Year Ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
<b>Property</b>			
Land		24	49
<b>Total land</b>		<u>24</u>	<u>49</u>
Buildings		6,054	9,148
<b>Total buildings</b>		<u>6,054</u>	<u>9,148</u>
<b>Total property</b>		<u>6,078</u>	<u>9,197</u>
<b>Plant and equipment</b>			
Plant, machinery and equipment		1,023	738
Computers and telecommunications		775	605
<b>Total plant and equipment</b>		<u>1,798</u>	<u>1,343</u>
<b>Infrastructure</b>			
Roads		11,626	8,618
Bridges		975	347
Footpaths and cycleways		995	783
Drainage		547	2,767
Waste management		273	83
Parks, open space and streetscapes		2,184	1,950
Other infrastructure		241	232
<b>Total infrastructure</b>		<u>16,841</u>	<u>14,780</u>
<b>Total capital works expenditure</b>		<u>24,717</u>	<u>25,320</u>
<b>Represented by:</b>			
Asset renewal expenditure		12,095	12,201
Asset expansion expenditure		4,034	4,451
Asset upgrade expenditure		8,588	8,668
<b>Total capital works expenditure</b>		<u>24,717</u>	<u>25,320</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 2019

## 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 6.1)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.1)
- the determination of employee provisions (refer to Note 5.6)
- the determination of landfill provisions (refer to Note 5.6)
- other areas requiring judgements

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 2019

### 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 27 June 2018. 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 2019 \$'000	Actual 2019 \$'000	Variance 2019 \$'000	Ref
<b>Income</b>				
Rates and charges	57,234	57,616	382	
Statutory fees and fines	1,531	2,317	786	1
User fees	3,259	2,958	(301)	
Grants - operating	14,090	14,670	580	2
Grants - capital	2,400	7,886	5,486	3
Contributions - monetary	2,026	3,727	1,701	4
Contributions - non monetary	6,500	16,167	9,667	5
Share of net profits/(losses) of associates and joint ventures	37	177	140	
Other income	1,101	1,813	712	6
<b>Total income</b>	<b>88,178</b>	<b>107,331</b>	<b>19,153</b>	
<b>Expenses</b>				
Employee costs	(27,488)	(27,278)	210	
Materials and services	(27,759)	(34,309)	(6,550)	7
Depreciation and amortisation	(14,688)	(16,177)	(1,489)	8
Borrowing costs	(522)	(496)	26	
Other expenses	(4,618)	(4,223)	395	
Net loss on disposal of property, infrastructure, plant and equipment	(1,338)	(601)	737	9
<b>Total expenses</b>	<b>(76,413)</b>	<b>(83,084)</b>	<b>(6,671)</b>	
<b>Surplus/(deficit) for the year</b>	<b>11,765</b>	<b>24,247</b>	<b>12,482</b>	

#### (i) Explanation of material variations

Variance	Item	Explanation
Ref		
1	Statutory fees and fines	The variance of \$0.79m is mainly due to higher than budget revenue for Statutory Planning & Building Services related fees & charges. This fee revenue comprises plan permit fees \$0.20m, lodgement fees \$0.16m, subdivision certification fees \$0.16m, planning checking fees \$0.07m, asset protection fees \$0.05m and discharges fees \$0.07m. These fees have been impacted by the high level of economic development in the Shire.
2	Grants - operating	The variance is mainly due to additional grant revenue in the areas of Family Day Care, Maternal and Child Health, Strategic Planning and Emergency Management. The additional grants were partly offset by lower than expected revenue from the Financial Assistance Grants.
3	Grants - capital	The variance is primarily due to grant funding of \$3.50m for the West Gippsland Arts Centre that was budgeted to be received in the prior financial year. In addition a further \$1.40m was received for sporting related infrastructure that will not be expended until the following financial year.
4	Contributions - monetary	The additional contribution revenue mainly relates to Development Contribution Levies (DCP01 & DCP02) as a result of the high level of economic activity within the region. Monetary contributions revenue is transferred to Other Reserves for future allocation to capital infrastructure projects.
5	Contributions - non monetary	Contributions Non-Monetary exceeded budget due to an increased number of developer projects achieving practical completion compared to budget.
6	Other Income	Interest on investments has exceeded budget by \$0.31m. In addition, Council has received unbudgeted income of \$0.30m for capital work projects and funds donated to the West Gippsland Arts Centre.
7	Materials and services	This variance is mainly due to the reallocation of \$2.41m from fixed assets (capital works and work in progress) to operating expenses in line with Accounting policies. In addition a further \$2.62m allocation was necessary to provide for the estimated aftercare costs of the former Trafalgar landfill site. Additional variances to budget include higher than budget agency staff costs (partly offset by underbudget employee costs) and overbudget expenditure for legal costs.
8	Depreciation and amortisation	The overbudget depreciation expense is mainly due to the impact of revaluation of two asset classes namely Roads and Land & Buildings. This is the second successive year that Land & Buildings (mainly the land comment) was required to be revalued due to the substantial increase in property values within the municipality.
9	Net loss on disposal of property, infrastructure, plant and equipment	The favourable budget variance is mainly due to the lower written down value (WDV or book value) of infrastructure required to be written off at the time of replacement.

# Notes to the Financial Statements

## For the Year Ended 30 June 2019

### Note 1 Performance against budget (cont'd)

#### 1.2 Capital works

	Budget 2019 \$'000	Actual 2019 \$'000	Variance 2019 \$'000	Ref
<b>Property</b>				
Land	939	24	(915)	1
<b>Total land</b>	939	24	(915)	
Buildings	3,507	6,054	2,547	2
<b>Total buildings</b>	3,507	6,054	2,547	
<b>Total property</b>	4,446	6,078	1,632	
<b>Plant and equipment</b>				
Plant, machinery and equipment	551	1,023	472	3
Computers and telecommunications	632	775	143	
<b>Total plant and equipment</b>	1,183	1,798	615	
<b>Infrastructure</b>				
Roads	11,809	11,626	(183)	
Bridges	272	975	703	4
Footpaths and cycleways	1,495	995	(500)	5
Drainage	1,422	547	(875)	6
Waste management	20	273	253	
Parks, open space and streetscapes	1,552	2,184	632	7
Other infrastructure	342	241	(101)	
<b>Total infrastructure</b>	16,912	16,841	(71)	
<b>Total capital works expenditure</b>	22,541	24,717	2,176	
<b>Represented by:</b>				
Asset renewal expenditure	11,048	12,095	1,047	
Asset expansion expenditure	3,343	4,034	691	
Asset upgrade expenditure	8,150	8,588	438	
<b>Total capital works expenditure</b>	22,541	24,717	2,176	

#### (i) Explanation of material variations

Variance	Item	Explanation
1	Land	The variance is due to scheduled land acquisitions that were not finalised by the end of the financial year. The acquisitions mainly comprise land for the Yarragon retardation plus land at the intersection of Sutton Street and Pharaohs Road.
2	Building	The variance is mainly due to higher than the allocated 2018/19 budget expenditure for the West Gippsland Arts Centre, the Willow Grove Recreation Reserve Multiuse Pavilion and the New Early Learning Centre Warragul. It should be noted that from a multi year project perspective, these projects remain within budget mainly due to prior year budget under expenditure.
3	Plant, machinery and equipment	The variance is mainly due to the purchase of major plant items that were budgeted as operating lease expenditure.
4	Bridges	The variance is mainly due to higher than the budget expenditure for the Allambee Estate Road Bridge project - expenditure of \$0.82m in 2018/19 compared to the adopted budget of \$0.12m. This project reported a project under expenditure in the prior year with the identified savings available for carry forward to 2018/19 to fund the budget overrun.
5	Footpaths and cycleways	The new footpath programme 2018/19 is underbudget by \$0.59m. Delays in the project are primarily due to inclement weather. Funds will be carried over to the 2019/20 Financial Year.
6	Drainage	The variance is mainly due to under expenditure for three drainage projects. The Trafalgar Drainage- design and land acquisition retardation project has not been finalised, with supporting infrastructure retardation works to be completed in 2019/20. The Cook and McKay Street Longwarry drainage works will not be completed as the application for external funding was not successful. The Yarragon Drainage Hazeldean Road retarding basin was deferred and scheduled for completion during 2019/20.
7	Parks, open space and streetscapes	The variance is mainly due to higher than the allocated 2018/19 budget expenditure for the Western Park Recreation Oval Development and the Skate Park Yarragon. It should be noted that from a multi year project perspective, these projects remain within budget mainly due to prior year budget under expenditure.

# Notes to the Financial Statements

For the Year Ended 30 June 2019

## Note 2.1 Analysis of Council results by program

Council delivers its functions and activities through the following Directorates:

### 2 (a) Community Infrastructure

Community Infrastructure is responsible for both the planning and delivery of Council's annual and long-term capital works program, and the maintenance of Council's assets. This includes Infrastructure Maintenance, Infrastructure Delivery, Civil Asset planning, Road maintenance, Fleet and Depot Support, Open Space Maintenance and Waste.

Recreational facilities are managed by Council, and include leisure and pool facilities contracts, support for committees of management of public halls and recreation reserves.

### Corporate and Community Services

Corporate and Community Services provides a range of services for individuals and families within the Community, including Aged and Disability Services and Family and Children's Services.

Safety, Procurement, Human Resources, Payroll, Risk and Insurance Management and Revenue Services are performed within the organisation to ensure that Council meets all statutory compliance requirements and is financially sustainability.

Performance of these functions enable Council to operate strategically to support future growth and development.

### Chief Executive Office

The Chief Executive Office (CEO) represents the management of Council, including day to day operations of the organisation in accordance with the Council plan, implementation of Council decisions, and advocating to government on behalf of Council and the community.

The CEO directorate includes Communications which inform the community of council issues, and Customer Service, which is the first point of external customer contact.

Information Technology and Business Information support the information requirements of Council, and the associated technical infrastructure.

### Planning and Development

Planning and Development has responsibility for the management of the newly redeveloped iconic West Gippsland Arts Centre, which hosts a variety of performances and events each year. Additionally, Community Cultural Development promotes initiatives and opportunities for arts and cultural activities within the community.

Planning services within the Directorate are designed to meet day to day, and strategic planning requirements in a major growth region. This includes Statutory Planning, Priority Development, Strategic and Community planning and building services.

Other services that support the community and Council are Community Compliance, Public Health, Emergency Management and Environmental Services.



# Notes to the Financial Statements

For the Year Ended 30 June 2019

## Note 2.1 Analysis of council results by program

### 2.1 (b) Summary of revenues, expenses, assets and capital expenses by program

	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2019</b>					
Community Infrastructure	25,380	(46,234)	(20,854)	7,997	770,227
Chief Executive Office	122	(6,555)	(6,433)	117	363
Corporate & Community Services	73,656	(19,254)	54,402	13,778	61,426
Planning and Development	8,174	(11,042)	(2,868)	664	-
Total	107,332	(83,085)	24,247	22,556	832,016

	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2018</b>					
Community Infrastructure	17,078	(43,282)	(26,204)	8,150	669,985
Chief Executive Office	33	(4,895)	(4,862)	14	568
Corporate & Community Services	71,038	(20,858)	50,180	14,463	48,243
Planning and Development	5,063	(8,968)	(3,905)	635	-
Total	93,212	(78,004)	15,208	23,262	718,796

# Notes to the Financial Statements

## For the Year Ended 30 June 2019

<b>Note 3 Funding for the delivery of our services</b>	<b>2019</b>	<b>2018</b>
<b>3.1 Rates and charges</b>	<b>\$'000</b>	<b>\$'000</b>

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 2018.

The valuation base used to calculate general rates for 2018/19 was \$12,386 million (2017/18 \$9,634 million).

General rates	48,675	45,110
Waste management charge	8,028	7,592
Supplementary rates and rate adjustments	730	1,330
Interest on rates and charges	183	225
<b>Total rates and charges</b>	<b>57,616</b>	<b>54,257</b>

The date of the latest general revaluation of land for rating purposes within the municipal district was 1st January 2018, and the valuation will be first applied in the rating year commencing 1st July 2018.

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. Total rates and charges have increased due to continued growth within the shire.

### 3.2 Statutory fees and fines

Infringements and costs	261	173
Town planning fees	641	481
Land information certificates	140	154
Permits	940	924
Other Fees	335	125
<b>Total statutory fees and fines</b>	<b>2,317</b>	<b>1,857</b>

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.

### 3.3 User fees

Aged and health services	1,004	1,044
Art Centre	672	61
Registration and other permits	591	557
Waste management services	326	293
Leases and Rentals	132	89
Other fees and charges	233	254
<b>Total user fees</b>	<b>2,958</b>	<b>2,298</b>

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 2019

	2019	2018
	\$'000	\$'000
<b>3.4 Funding from other levels of government</b>		
Grants were received in respect of the following :		
<b>Summary of grants</b>		
Commonwealth funded grants	14,057	16,197
State funded grants	8,499	7,063
<b>Total grants received</b>	<b>22,556</b>	<b>23,260</b>
<b>(a) Operating Grants</b>		
<b><i>Recurrent - Commonwealth Government</i></b>		
Financial Assistance Grant	8,926	9,355
Family day care	748	734
Aged care	1,894	1,969
<b><i>Recurrent - State Government</i></b>		
Aged care	54	395
Arts culture and events	130	130
Community safety/public health	16	18
Disability services	428	658
Environmental management/landcare	43	88
Fire prevention and emergency response	98	60
Maternal and child health	764	831
Preschool and early years	70	72
Rural access and inclusive communities	-	132
School crossing supervisors	-	332
Other	135	217
<b>Total recurrent operating grants</b>	<b>13,306</b>	<b>14,991</b>
<b><i>Non-recurrent - Commonwealth Government</i></b>		
Other	60	57
<b><i>Non-recurrent - State Government</i></b>		
Aged care	331	21
Arts culture and events	63	-
Community safety/public health	62	10
Disability services	-	45
Economic development	116	14
Fire prevention and emergency response	71	-
Garbage recycling	44	51
Maternal and child health	232	-
Preschool and early years	73	-
Recreation	8	27
Rural Access and inclusive communities	135	-
Other	169	84
<b>Total non-recurrent operating grants</b>	<b>1,364</b>	<b>309</b>
<b>Total operating grants</b>	<b>14,670</b>	<b>15,300</b>



# Notes to the Financial Statements

For the Year Ended 30 June 2019

## 3.4 Funding from other levels of government (cont'd)

	2019 \$'000	2018 \$'000
<b>(b) Capital Grants</b>		
<i>Recurrent - Commonwealth Government</i>		
Roads to recovery	217	2,082
<b>Total recurrent capital grants</b>	<b>217</b>	<b>2,082</b>
<i>Non-recurrent - Commonwealth Government</i>		
Buildings	2,039	2,000
Recreation	173	-
<i>Non-recurrent - State Government</i>		
Local and collector roads	1,648	771
Waste	221	7
Recreation	1,192	264
Bridges	-	395
Drainage	18	266
Buildings	2,235	2,149
Footpaths	126	26
Future design and investigation	17	-
<b>Total non-recurrent capital grants</b>	<b>7,669</b>	<b>5,878</b>
<b>Total capital grants</b>	<b>7,886</b>	<b>7,960</b>
<b>(c) Unspent grants received on condition that they be spent in a specific manner</b>		
Balance at start of year	3,507	2,017
Received during the financial year and remained unspent at balance date	2,240	3,312
Received in prior years and spent during the financial year	(3,312)	(1,822)
Balance at year end	<b>2,435</b>	<b>3,507</b>

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.

## 3.5 Contributions

Monetary	3,727	2,187
Non-monetary	16,167	7,077
<b>Total contributions</b>	<b>19,894</b>	<b>9,264</b>
<i>Contributions of non monetary assets were received in relation to the following asset classes.</i>		
Land	3,339	502
Infrastructure	12,828	6,575
<b>Total non-monetary contributions</b>	<b>16,167</b>	<b>7,077</b>

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

## 3.6 Net loss on disposal of property, infrastructure, plant and equipment

Proceeds of sale	110	248
Written down value of assets disposed*	(711)	(4,953)
<b>Total net gain/(loss) on disposal of property, infrastructure, plant and equipment</b>	<b>(601)</b>	<b>(4,705)</b>

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

\* The \$0.71m written down value of assets disposed comprise buildings of \$0.22m, plant and equipment disposal of \$0.04m (offset by the proceeds from sale of \$0.11m) plus \$0.45m relating to the write off of infrastructure that was replaced and upgraded by capital assets (included to note 6.1 Property, infrastructure, plant and equipment).

## 3.7 Other income

Interest	855	760
Other rent	241	294
Capital contributions	299	368
Other	418	688
<b>Total other income</b>	<b>1,813</b>	<b>2,110</b>

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 2019

	2019 \$'000	2018 \$'000
<b>Note 4 The cost of delivering services</b>		
<b>4.1(a) Employee costs</b>		
Wages and salaries	23,186	21,971
WorkCover	237	296
Casual staff	1,093	426
Superannuation	2,324	1,979
Fringe benefits tax	176	138
Other	262	321
<b>Total employee costs</b>	<b>27,278</b>	<b>25,131</b>

## (b) Superannuation

Council made contributions to the following funds:

### Defined benefit fund

Employer contributions to local authorities superannuation fund (Vision Super)	114	95
	<u>114</u>	<u>95</u>
Employer contributions payable at reporting date.	34	40

### Accumulation funds

Employer contributions to local authorities superannuation fund (Vision Super)	2,210	1,884
	<u>2,210</u>	<u>1,884</u>
Employer contributions payable at reporting date.	273	89

Refer to note 9.3 for further information relating to council's superannuation obligations.

## 4.2 Materials and services

Arts & culture	443	137
Building maintenance	693	610
Consultants	937	786
Delivered meals	311	198
Family day care	729	641
Fleet vehicles & plant costs	1,132	1,127
General maintenance	1,852	1,554
Information technology	988	558
Insurance	600	563
Legal	705	696
Marketing costs	694	476
Office administration	978	943
Recreation services	1,177	1,191
Roads and infrastructure	7,254	5,628
Training	537	409
Utilities	825	737
Waste*	9,767	7,671
Other contract payments	3,305	3,278
Other	1,382	1,120
<b>Total materials and services</b>	<b>34,309</b>	<b>28,323</b>

\* Waste costs - the total of waste expense for 2018/19 is \$9.94m: \$9.77m that is included in note 4.2, plus \$0.14m in note 4.1 employee costs, plus \$0.03m in note 4.5 other expenses. Total waste expenses for 2017/18 was \$7.83m: \$7.67m that is included in the above in note 4.2, plus \$0.12m in note 4.1, plus \$0.04m in note 3.5 other expenses.

## 4.3 Depreciation and amortisation

Property	2,163	2,720
Plant and equipment	608	697
Infrastructure	12,839	10,405
<b>Total depreciation</b>	<b>15,610</b>	<b>13,822</b>
Intangible assets	567	1,309
<b>Total depreciation and amortisation</b>	<b>16,177</b>	<b>15,131</b>

Refer to note 5.3( c ) and 6.1 for a more detailed breakdown of depreciation and amortisation charges and accounting policy.

# Notes to the Financial Statements

For the Year Ended 30 June 2019

	2019 \$'000	2018 \$'000
<b>4.4 Borrowing costs</b>		
Interest - borrowings	496	572
<b>Total borrowing costs</b>	<u>496</u>	<u>572</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.

## 4.5 Other expenses

Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	50	42
Auditors' remuneration - Internal	46	38
Councillors' allowances	367	344
Operating lease rentals	513	489
Bank charges	182	169
Contributions - WGRL	1,827	1,830
Council grants	627	644
Others	611	586
<b>Total other expenses</b>	<u>4,223</u>	<u>4,142</u>

## Note 5 Our financial position

### 5.1 Financial assets

#### (a) Cash and cash equivalents

Cash on hand	10	10
Cash at bank	13,875	5,490
Term deposits	12,000	15,000
<b>Total cash and cash equivalents</b>	<u>25,885</u>	<u>20,500</u>

#### (b) Other financial assets

Term deposits - current	25,115	19,112
<b>Total other financial assets</b>	<u>25,115</u>	<u>19,112</u>
<b>Total cash, cash equivalents and term deposits</b>	<u>51,000</u>	<u>39,612</u>

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

- Trust funds and deposits (Note 5.4)	4,482	2,718
- Reserve funds allocated due to external restrictions (contractual agreement)	6,466	4,875
- Unspent Grants (Note 3.4 (c))	2,435	3,507
<b>Total restricted funds</b>	<u>13,383</u>	<u>11,100</u>
<b>Total unrestricted cash and cash equivalents</b>	<u>12,502</u>	<u>9,400</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	7,235	4,733
<b>Total funds subject to intended allocations</b>	<u>7,235</u>	<u>4,733</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 2019

## 5.1 Financial assets (cont'd)

	2019 \$'000	2018 \$'000
<b>(c) Trade and other receivables</b>		
<b>Current</b>		
<i>Statutory receivables</i>		
Rates debtors	3,097	3,519
Special rate scheme	-	2
<i>Non statutory receivables</i>		
Sundry & other debtors	3,037	1,717
Net GST receivable	835	811
Total current trade and other receivables	6,969	6,049
<b>Non-current</b>		
Total non-current trade and other receivables	-	-
<b>Total trade and other receivables</b>	6,969	6,049

Short term receivables are carried at invoice amount. A provision for doubtful debts is recognised based on an expected loss model. 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 and other receivables (excluding statutory receivables) that are not impaired was:

Current (not yet due)	2,677	1,238
Past due by up to 30 days	119	135
Past due between 31 and 180 days	92	185
Past due between 181 and 365 days	57	48
Past due by more than 1 year	92	111
Total trade and other receivables	3,037	1,717

## 5.2 Non current assets classified as held for sale

Cost of acquisition	499	-
	499	-

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



# Notes to the Financial Statements

For the Year Ended 30 June 2019

## 5.3 Non-financial assets

### (a) Inventories

	2019 \$'000	2018 \$'000
Inventories held for sale	7	-
<b>Total inventories</b>	<b>7</b>	<b>-</b>

Inventories held for distribution are measured at cost, adjusted when applicable for any loss of service potential. All other inventories, including land held for sale, are measured at the lower of cost and net realisable value. Where inventories are acquired for no cost or nominal consideration, they are measured at current replacement cost at the date of acquisition.

### (b) Other assets

Prepayments	707	563
Accrued income	253	242
Other	32	-
<b>Total other assets</b>	<b>992</b>	<b>805</b>

### (c) Intangible assets

Software	363	568
<b>Total intangible assets</b>	<b>363</b>	<b>568</b>

	Software \$'000	Total \$'000
<b>Gross carrying amount</b>		
Balance at 1 July 2018	4,815	4,815
Other additions	362	362
Balance at 30 June 2019	5,177	5,177
<b>Accumulated amortisation and impairment</b>		
Balance at 1 July 2018	4,247	4,247
Amortisation expense	567	567
Balance at 30 June 2019	4,814	4,814
Net book value at 30 June 2018	568	568
Net book value at 30 June 2019	363	363

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.

## 5.4 Payables

### (a) Trade and other payables

	2019 \$'000	2018 \$'000
Trade payables	8,378	6,953
Accrued expenses	6,655	1,929
<b>Total trade and other payables</b>	<b>15,033</b>	<b>8,882</b>

### (b) Trust funds and deposits

Refundable deposits	457	265
Fire services levy	-	48
Retention amounts	3,869	2,288
Other refundable deposits	156	117
<b>Total trust funds and deposits</b>	<b>4,482</b>	<b>2,718</b>

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.

# Notes to the Financial Statements

For the Year Ended 30 June 2019

## 5.4 Payables (cont'd)

### *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.

	2019 \$'000	2018 \$'000
<b>5.5 Interest-bearing liabilities</b>		
<b>Current</b>		
Borrowings - secured	4,442	4,807
	<u>4,442</u>	<u>4,807</u>
<b>Non-current</b>		
Borrowings - secured	7,168	7,609
	<u>7,168</u>	<u>7,609</u>
<b>Total</b>	<u>11,610</u>	<u>12,416</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	4,442	4,807
Later than one year and not later than five years	3,889	4,330
Later than five years	3,279	3,279
	<u>11,610</u>	<u>12,416</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.

## 5.6 Provisions

	Employee \$ '000	Landfill restoration \$ '000	Total \$ '000
<b>2019</b>			
Balance at beginning of the financial year	5,834	7,225	13,059
Additional provisions	3,943	971	4,914
Amounts used	(2,988)	(265)	(3,253)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(178)	1,914	1,736
Balance at the end of the financial year	<u>6,611</u>	<u>9,845</u>	<u>16,456</u>
<b>2018</b>			
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>

# Notes to the Financial Statements

For the Year Ended 30 June 2019

## 5.6 Provisions (cont'd)

	2019	2018
	\$'000	\$'000
<b>(a) Employee provisions</b>		
<b>Current provisions expected to be wholly settled within 12 months</b>		
Annual leave	1,564	1,443
Long service leave	864	658
Other	314	293
	<u>2,742</u>	<u>2,394</u>
<b>Current provisions expected to be wholly settled after 12 months</b>		
Annual leave	704	619
Long service leave	2,603	2,341
	<u>3,307</u>	<u>2,960</u>
Total current employee provisions	<u>6,049</u>	<u>5,354</u>
<b>Non-current</b>		
Long service leave	562	480
Annual leave	-	-
Total non-current employee provisions	<u>562</u>	<u>480</u>
Aggregate carrying amount of employee provisions:		
Current	6,049	5,354
Non-current	562	480
Total aggregate carrying amount of employee provisions	<u>6,611</u>	<u>5,834</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.

Key assumptions:	2019	2018
- discount rate	1.32%	2.65%
- index rate	2.70%	2.20%
	2019	2018
<b>(b) Landfill restoration</b>	<b>\$'000</b>	<b>\$'000</b>
Current	485	435
Non-current	9,360	6,790
	<u>9,845</u>	<u>7,225</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.

Key assumptions:	2019	2018
- discount rate	1.04%	2.18%
- index rate	2.00%	1.98%
	2019	2018
<b>(c) Summary of provisions</b>	<b>\$'000</b>	<b>\$'000</b>
Current	6,534	5,789
Non-current	9,922	7,270
	<u>16,456</u>	<u>13,059</u>

# Notes to the Financial Statements

For the Year Ended 30 June 2019

## 5.7 Financing arrangements

The Council has the following funding arrangements in place as at 30 June 2019.

	2019	2018
Bank overdraft	1,500	1,500
Credit card facilities	250	250
Other facilities	16,964	20,665
Total facilities	18,714	22,415
Used facilities		
Credit card facilities	(25)	(30)
Borrowings	(11,610)	(12,416)
Total used facilities	(11,635)	(12,446)
Unused facilities	7,079	9,969

## 5.8 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.

	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
<b>2019</b>					
<b>Operating</b>					
Recycling	1,220	-	-	-	1,220
Garbage collection	11,616	8,535	2,210	-	22,361
Roads	5,448	-	-	-	5,448
Meals for delivery	320	-	-	-	320
Consultancies	48	-	-	-	48
Home care services	12	-	-	-	12
Cleaning contracts for council buildings	513	58	-	-	571
Other	2,643	91	39	-	2,773
Total	21,820	8,684	2,249	-	32,753
<b>Capital</b>					
Buildings	3,505	-	-	-	3,505
Roads	3,091	-	-	-	3,091
Consultancies	3	-	-	-	3
Other	1,080	-	-	-	1,080
Total	7,679	-	-	-	7,679
<b>2018</b>					
<b>Operating</b>					
Recycling	1,675	-	-	-	1,675
Garbage collection	4,608	-	-	-	4,608
Roads	4,075	4,085	-	-	8,160
Meals for delivery	305	305	-	-	610
Other	2,578	1,374	-	-	3,952
Total	13,241	5,764	-	-	19,005
<b>Capital</b>					
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



# Notes to the Financial Statements

For the Year Ended 30 June 2019

## 5.8 Commitments (cont'd)

	2019	2018
	\$'000	\$'000
<i>Operating lease commitments</i>		

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	652	730
Later than one year and not later than five years	834	1,745
Later than five years	42	855
	<u>1,528</u>	<u>3,330</u>

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 2019

## Note 6.1 Property, infrastructure, plant and equipment

### 6.1 Summary of property, infrastructure, plant and equipment

	Restated At Fair Value 30 June 2018	Additions	Note 3.5 Contributions	Revaluation	Note 4.3 Depreciation	Note 3.6 Disposal	Write-off	Transfers	At Fair Value 30 June 2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Buildings	73,018	14,600	-	-	(2,163)	(220)	-	-	85,235
Land	110,454	-	3,339	17,665	-	(2)	-	(499)	130,957
Plant and equipment	2,882	438	-	-	(606)	(42)	-	-	2,670
Infrastructure	455,023	7,832	12,828	60,801	(12,839)	(447)	-	-	523,198
Work in progress	28,608	24,717	-	-	-	-	(1,922)	(23,236)	28,167
	669,985	47,587	16,167	78,466	(15,610)	(711)	(1,922)	(23,735)	770,227

### Summary of Work in Progress

	Restated Opening WIP	Additions	Write-off	Transfers	Closing WIP
	\$'000	\$'000	\$'000	\$'000	\$'000
Buildings	12,784	6,444	(259)	(15,082)	3,887
Land	84	23	-	-	107
Plant and equipment	1,175	1,622	(24)	(1,145)	1,628
Infrastructure	14,565	16,628	(1,639)	(7,009)	22,545
Total	28,608	24,717	(1,922)	(23,236)	28,167

# Notes to the Financial Statements

For the Year Ended 30 June 2019

## 6.1 Property, infrastructure, plant and equipment(cont'd) (a) Property

	Land - specialised \$'000	Land - non specialised \$'000	Total Land & Land Improvements \$'000	Buildings - specialised \$'000	Work In Progress \$'000	Total Property \$'000
At fair value 1 July 2018	58,673	51,717	110,390	123,150	12,868	246,408
Accumulated depreciation at 1 July 2018	-	-	-	(50,132)	-	(50,132)
	58,673	51,717	110,390	73,018	12,868	196,276

### Prior Period adjustment as at 30 June 2018

Found assets at valuation	75	-	75	-	-	75
Found asset accumulated depreciation at valuation	-	-	-	-	-	-
Derecognised asset at valuation	(11)	-	(11)	-	-	(11)
Derecognised asset accumulated depreciation at valuation	-	-	-	-	-	-

### Restated Opening Balance

At fair value 1 July 2018 Restated	58,737	51,717	110,454	123,150	12,868	246,472
Accumulated depreciation at fair value 1 July 2018 Restated	-	-	-	(50,132)	-	(50,132)
	58,737	51,717	110,454	73,018	12,868	196,340

### Movements in fair value

Additions	-	-	-	14,600	6,467	21,067
Contributions	84	3,255	3,339	-	-	3,339
Revaluation	7,945	9,720	17,665	-	-	17,665
Disposal	(2)	-	(2)	(582)	-	(584)
Write-off	-	-	-	-	(259)	(259)
Transfers	-	(499)	(499)	-	(15,082)	(15,581)
	8,027	12,476	20,503	14,018	(8,874)	25,647

### Movement in accumulated depreciation

Depreciation and amortisation	-	-	-	(2,163)	-	(2,163)
Accumulated depreciation of disposals	-	-	-	362	-	362
Impairment losses recognised in operating result	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
	-	-	-	(1,801)	-	(1,801)

### At fair value 30 June 2019

Accumulated depreciation at 30 June 2019	66,764	64,193	130,957	137,168	3,994	272,119
	-	-	-	(51,933)	-	(51,933)
	66,764	64,193	130,957	85,235	3,994	220,186

# Notes to the Financial Statements

For the Year Ended 30 June 2019

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

### (b) Plant and Equipment

	Plant machinery and equipment \$'000	Fixtures fittings and furniture \$'000	Work in Progress \$'000	Total plant and equipment \$'000
At fair value 1 July 2018	5,471	4,262	1,175	10,908
Accumulated depreciation at 1 July 2018	(2,848)	(4,003)	-	(6,851)
	2,623	259	1,175	4,057
<b>Movements in fair value</b>				
Additions	438	-	1,622	2,060
Contributions	-	-	-	-
Revaluation	-	-	-	-
Disposal	(385)	-	-	(385)
Write-off	-	-	(24)	(24)
Transfers	-	-	(1,145)	(1,145)
Impairment losses recognised in operating result	-	-	-	-
	53	-	453	506
<b>Movements in accumulated depreciation</b>				
Depreciation and amortisation	(542)	(66)	-	(608)
Accumulated depreciation of disposals	343	-	-	343
Impairment losses recognised in operating result	-	-	-	-
Transfers	-	-	-	-
	(199)	(66)	-	(265)
			-	
At fair value 30 June 2019	5,524	4,262	1,628	11,414
Accumulated depreciation at 30 June 2019	(3,047)	(4,069)	-	(7,116)
	2,477	193	1,628	4,298

# Notes to the Financial Statements

For the Year Ended 30 June 2019

## 6.1 Property, infrastructure, plant and equipment(cont'd) (c) Infrastructure

	Roads \$'000	Bridges & Major Culverts \$'000	Footpaths and cycleways \$'000	Drainage \$'000	Parks, open space and streetscapes \$'000	Off street car parks \$'000	Work in Progress \$'000	Total Infrastructure \$'000
At fair value 1 July 2018	390,754	28,436	36,988	71,029	25,717	7,284	14,565	574,773
Accumulated depreciation at 1 July 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	14,565	467,889
<b>Prior Period adjustment as at 30/06/18</b>								
Found assets at valuation	1,899	634	548	102	-	-	-	3,183
Found asset accumulated depreciation at valuation	(786)	(6)	(111)	(29)	-	-	-	(932)
	(499)	(42)	(112)	(18)	-	-	-	(671)
Derecognised asset at valuation	80	4	33	2	-	-	-	119
Derecognised asset accumulated depreciation at valuation								
<b>Restated Opening Balance</b>								
At fair value 1 July 2018 restated	392,154	29,028	37,424	71,113	25,717	7,284	14,565	577,285
Accumulated depreciation at fair value 1 July 2018 restated	(79,444)	(5,318)	(5,077)	(11,989)	(3,168)	(2,701)	-	(107,697)
	312,710	23,710	32,347	59,124	22,549	4,583	14,565	469,588
<b>Movements in fair value</b>								
Additions	2,960	87	593	1,684	2,236	272	16,628	24,460
Contributions	6,467	910	2,094	3,357	-	-	-	12,828
Revaluation	43,114	-	4,038	-	-	-	-	47,152
Disposal	(371)	-	(54)	(70)	-	(26)	-	(521)
Write-off	-	-	-	-	-	-	(1,639)	(1,639)
Transfers	(58)	73	(73)	-	-	58	(7,009)	(7,009)
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-
	52,112	1,070	6,598	4,971	2,236	304	7,980	75,271
<b>Movements in accumulated depreciation</b>								
Depreciation and amortisation	(10,354)	(358)	(632)	(853)	(466)	(176)	-	(12,839)
Revaluation increments/decrements	13,520	-	129	-	-	-	-	13,649
Accumulated depreciation of disposals	36	-	16	10	-	12	-	74
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-
Transfers	4	(10)	10	-	-	(4)	-	-
	3,206	(368)	(477)	(843)	(466)	(168)	-	884
At fair value 30 June 2019	444,266	30,098	44,022	76,084	27,953	7,588	22,545	652,556
Accumulated depreciation at 30 June 2019	(76,238)	(5,686)	(5,554)	(12,832)	(3,634)	(2,869)	-	(106,813)
	368,028	24,412	38,468	63,252	24,319	4,719	22,545	545,743



# Notes to the Financial Statements

## For the Year Ended 30 June 2019

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

#### 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.

	Depreciation Period	Threshold Limit \$'000
<i>Asset recognition thresholds and depreciation periods</i>		
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
fixture fittings and furniture	1-20 years	10
computers and telecommunications	1-20 years	10
Infrastructure		
roads - pavement and seals	10-85 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	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

#### 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.

# Notes to the Financial Statements

## For the Year Ended 30 June 2019

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

#### *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.

#### **Valuation of land and buildings**

Valuation of land and buildings were undertaken by a qualified independent valuer Gippsland Property Valuations (Jonathan Barnett AAPV 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 2019 are as follows:

	Level 1	Level2	Level 3	Date of Valuation
Land	-	-	64,193	Mar-19
Specialised land	-	-	66,764	Mar-19
Specialised buildings	-	-	85,235	Mar-18
Total	-	-	216,192	

#### **Valuation of infrastructure**

Valuation of roads, footpaths and cycleways were undertaken by a qualified independent engineer on 31 March 2019 (Peter Maloney MIE Aust Registration number 284058).

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 2019 are as follows:

	Level 1	Level2	Level 3	Date of Valuation
Roads	-	-	368,028	Mar-19
Bridges & major Culverts	-	-	24,412	Mar-18
Footpaths and cycleways	-	-	38,468	Mar-19
Drainage	-	-	63,252	Mar-14
Parks, open space and streetscapes	-	-	24,319	Mar-14
Off street car parks	-	-	4,719	Mar-14
Total	-	-	523,198	

# Notes to the Financial Statements

## For the Year Ended 30 June 2019

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

#### *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 \$944 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.

	2019	2018
Reconciliation of specialised land	\$'000	\$'000
Land under roads	18,188	18,041
Parks and reserves	18,911	15,932
Other	29,665	24,700
<b>Total specialised land</b>	<b>66,764</b>	<b>58,673</b>

# Notes to the Financial Statements

## For the Year Ended 30 June 2019

### 6.2 Investments in associates, joint arrangements and subsidiaries

\$'000

\$'000

#### (a) Investments in associates

Investments in associates accounted for by the equity method are:

- West Gippsland Regional Library Corporation

1,959

1,777

#### West Gippsland Regional Library Corporation

##### Background

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 44.05% equity (2018 43.84%, 2017 43.55%, 2016 41%) in the West Gippsland Regional Library corporation.

#### Fair value of council's investment in West Gippsland Regional Library Corporation.

1,959

1,777

#### Council's share of accumulated surplus/(deficit)

Council's share of accumulated surplus/(deficit) at start of year

1,368

1,194

Reported surplus/(deficit) for year

177

166

Share of movement due to change in percentage in Ownership

(37)

8

Distributions for the year

-

-

Council's share of accumulated surplus/(deficit) at end of year

1,508

1,368

#### Council's share of reserves

Council's share of reserves at start of year

408

406

Share of movement due to change in percentage in ownership for other reserves

42

2

Share of movement due to change in percentage in ownership for asset revaluation

1

-

Council's share of reserves at end of year

451

408

#### Movement in carrying value of specific investment

Carrying value of investment at start of year

1,777

1,600

Share of surplus/(deficit) for year

177

166

Share of movement due to change in percentage in ownership

5

11

Distributions received

-

-

Carrying value of investment at end of year

1,959

1,777

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 2019, 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.

#### Committees of management

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

# Notes to the Financial Statements

For the Year Ended 30 June 2019

		2019	2018
		No.	No.
<b>Note 7 People and relationships</b>			
<b>7.1 Council and key management remuneration</b>			
<b>(a) Related parties</b>			
<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 6.2.			
<b>(b) Key management personnel</b>			
Details of persons holding the position of Councillor or other members of key management personnel at any time during the year are:			
<b>Councillors</b>	Mayor M Power		
	Deputy Mayor D Goss		
	Councillor J Gauci		
	Councillor P Kostos		
	Councillor T Jones		
	Councillor J O'Donnell		
	Councillor K Cook		
	Councillor D Wallace		
	Councillor M Leaney		
<b>Key management personnel</b>	Chief Executive Officer		
	Director Corporate & Community Services		
	Director Community Infrastructure		
	Director Planning and Development		
	Chief Information Officer		
	Executive Manager		
<b>Total number of councillors</b>		9	9
<b>Total of chief executive officer and other key management personnel</b>		6	10
<b>Total number of key management personnel</b>		15	19
<b>(c) Remuneration of key management personnel</b>			
	<b>2019</b>	<b>2018</b>	
Total remuneration of key management personnel was as follows:	<b>\$'000</b>	<b>\$'000</b>	
Short-term benefits	1,521	1,563	
Long-term benefits	29	29	
Termination benefits	-	96	
Post Employment benefits	134	144	
<b>Total</b>	<b>1,684</b>	<b>1,832</b>	
The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:			
	<b>2019</b>	<b>2018</b>	
	<b>No.</b>	<b>No.</b>	
\$20,000 - \$29,999	7	8	
\$60,000 - \$69,999	1	-	
\$70,000 - \$79,999	1	-	
\$80,000 - \$89,999	-	1	
\$90,000 - \$99,999	-	1	
\$100,000 - \$109,999	-	3	
\$120,000 - \$129,999	-	1	
\$130,000 - \$139,999	-	1	
\$150,000 - \$159,999	1	-	
\$170,000 - \$179,999	-	1	
\$180,000 - \$189,999	-	1	
\$190,000 - \$199,999	1	-	
\$200,000 - \$209,999	1	-	
\$210,000 - \$219,999	1	-	
\$240,000 - \$249,999	1	-	
\$290,000 - \$299,999	-	1	
\$310,000 - \$319,999	-	1	
\$330,000 - \$339,999	1	-	
	15	19	



# Notes to the Financial Statements

For the Year Ended 30 June 2019

## Note 7 People and relationships (cont'd)

### (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 \$148,000

\*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.

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

Income Range:	2019 No.	2018 No.
\$148,000 - \$149,999	1	3
\$150,000 - \$159,999	9	10
\$160,000 - \$169,999	3	1
\$190,000 - \$199,999	1	-
\$200,000 - \$209,999	-	1
\$230,000 - \$239,999	1	-
\$280,000 - \$289,999	-	1
	<u>15</u>	<u>16</u>

	2019 \$'000	2018 \$'000
Total remuneration for the reporting year for senior officers included above, amounted to	<u>1,956</u>	<u>1,911</u>

The officer reported in income range \$230,000 - \$239,999 include a one-off redundancy expense (comprising redundancy payments, leave entitlements and normal pays).

2019 \$	2018 \$
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## 7.2 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>38,089</u>	<u>27,969</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 Darren Wallace	Cr Keith Cook	<u>1,826,893</u>	<u>1,790,414</u>
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### (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

The aggregate amount of commitments 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 2019

### Note 8 Managing uncertainties

#### 8.1 Contingent assets and liabilities

##### (a) Contingent Assets

###### Development Contributions Plans (DCPs)

Council has two DCPs (DCP02 Warragul and DCP03 Drouin) designed to collect levy income from developers for the purpose of funding the construction of infrastructure assets including roads, drainage and community facilities. As at balance date the estimated value of levies to be collected is \$268.90m. As DCP02 and DCP03 are designed to be cost neutral the full amount of the \$268.90m is expected to be expended on infrastructure assets.

##### (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 2020 are \$165,000.

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

###### Legal matters

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

###### Development Contributions Plans (DCPs)

Council has one DCP (DCP01- whole of municipal district) where levy income collected will be insufficient to fully fund the construction of designated infrastructure assets. The balance of works not fully funded by DCP01 are to be met by Council. As at balance date the estimated value of infrastructure works to be funded by Council is \$21.49m.

##### (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	24/06/08	Active
<b>Total</b>		<b>\$446,688</b>		

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.

# Notes to the Financial Statements

## For the Year Ended 30 June 2019

### 8.2 Change in accounting standards

The following new AAS's have been issued that are not mandatory for the 30 June 2019 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.

#### *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.

Council has elected to adopt the modified retrospective approach to the transition to the new lease standard. This will mean that only existing operating leases for non low value assets, with remaining terms greater than 12 months, will be recognised on transition (1 July 2019). Based on our current lease commitments and an assumption of a continuation of the current leasing arrangements Council expects that the transition to the new standard will see the initial recognition of \$1.42m in lease related assets and an equivalent liability.

#### *Income of not-for-profit entities (AASB 1058) (applies 2019/20)*

This standard is expected to apply to certain transactions currently accounted for under 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 a not-for-profit entity to further its objectives.

### 8.3 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.

# Notes to the Financial Statements

For the Year Ended 30 June 2019

## 8.3 Financial instruments (cont'd)

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.

### (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. Particularly significant areas of credit risk exist in relation to outstanding fees and fines as well as loans and receivables from sporting clubs and associations. 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 Council's financial assets mainly comprise rates receivables that are 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 8.1(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 over non rate debtors.

### (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 8.1(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 5.5.

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

# Notes to the Financial Statements

## For the Year Ended 30 June 2019

### 8.3 Financial Instruments (cont'd)

#### (e) Sensitivity disclosure

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.

### 8.4 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.

# Notes to the Financial Statements

For the Year Ended 30 June 2019

## 8.4 Fair value measurement (cont'd)

### *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.

## 8.5 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 2019

## Note 9 Other matters

### 9.1 Reserves

#### (a) Asset revaluation reserves

##### 2019

##### Property

Land and land improvements

Buildings

##### Infrastructure

Infrastructure assets

##### Other revaluation assets

West Gippsland Regional Library Corporation

#### Total asset revaluation reserves

##### 2018

##### Property

Land and land improvements

Buildings

##### Infrastructure

Infrastructure assets

##### Other revaluation assets

West Gippsland Regional Library Corporation

#### Total asset revaluation reserves

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

#### (b) Other reserves

##### 2019

Open space

Development contribution levy DCP01

Development contribution levy DCP02

Land sales

Native vegetation offset scheme

West Gippsland Regional Library Corporation

#### Total other reserves

##### 2018

Open space

Car parking

Development contribution levy DCP01

Development contribution levy DCP02

Land sales

Native vegetation offset scheme

West Gippsland Regional Library Corporation

#### Total other reserves

Balance at beginning of reporting period \$'000	Increment (decrement) \$'000	Balance at end of reporting period \$'000
56,027	17,665	73,692
51,430	-	51,430
107,457	17,665	125,122
218,473	60,801	279,274
218,473	60,801	279,274
279	1	280
279	1	280
326,209	78,467	404,676
34,184	21,843	56,027
56,564	(5,134)	51,430
90,748	16,709	107,457
210,486	7,987	218,473
210,486	7,987	218,473
277	2	279
277	2	279
301,511	24,698	326,209

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
1,779	558	-	2,337
1,090	1,503	(1,150)	1,443
915	1,666	(1,096)	1,485
713	-	-	713
248	76	(8)	316
130	42	-	172
4,875	3,845	(2,254)	6,466
1,388	391	-	1,779
5	-	(5)	-
519	890	(319)	1,090
1,257	906	(1,248)	915
713	-	-	713
240	15	(7)	248
129	1	-	130
4,251	2,203	(1,579)	4,875



# Notes to the Financial Statements

For the Year Ended 30 June 2019

## 9.1(b) Other reserves (cont'd)

**Open space:** The open Space Reserve holds fund contributed by developers for work 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 with Council. Transfers to the reserve comprise contribution income from developers in lieu of the provision of additional car parking spaces.

**DCP01 & DCP02:** 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 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 6.2 that reports council's share of library reserves.

### (c) Summary of reserves

	2019	2018
	\$'000	\$'000
Asset revaluation reserve	404,676	326,209
Other reserves	6,466	4,875
	<u>411,142</u>	<u>331,084</u>

Reconciliation to balance sheet for asset revaluation reserves and other reserves.

# Notes to the Financial Statements

For the Year Ended 30 June 2019

## 9.2 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	Opening Bal.	Adj 2018	Restated
		Act 2018		Actual 2018
		\$,000	\$,000	\$,000
<b>Balance sheet (extract)</b>				
Non current assets				
Property, infrastructure, plant and equipment	6.1	668,222	1,763	669,985
Total non-current assets		670,567	-	670,567
Total assets		717,033	1,763	718,796
Current liability		22,196	-	22,196
Non current liability		14,879	-	14,879
Total liability		37,075	-	37,075
Equity				
Accumulated surplus		348,874	1,763	350,637
Reserves		331,084	-	331,084
Total equity		679,958	1,763	681,721

### Statement of changes in equity

Accumulated surplus	348,874	1,763	350,637
Balance at opening of the financial Year	679,958	1,763	681,721

	<b>2019</b>	<b>2018</b>
	<b>\$,000</b>	<b>\$,000</b>
<b>Found and derecognised assets</b>		
Land	-	64
Roads	-	694
Bridges & major culverts	-	590
Footpaths and cycleways	-	358
Drainage	-	57
<b>New found and derecognised assets</b>	<b>-</b>	<b>1,763</b>

Details of found and derecognised assets	Current Cost	Accumulated depreciation	Written down value
Land	64	-	64
Roads	1,400	(706)	694
Bridges & major culverts	592	(2)	590
Footpaths and cycleways	436	(78)	358
Drainage	84	(27)	57
<b>Total found and derecognised assets</b>	<b>2,576</b>	<b>(813)</b>	<b>1,763</b>

# Notes to the Financial Statements

For the Year Ended 30 June 2019

	2019	2018
	\$'000	\$'000
<b>9.3 Reconciliation of cash flows from operating activities to surplus</b>		
Surplus/(deficit) for the year	24,247	15,208
Depreciation/amortisation	16,177	15,131
Net loss on disposal of property, infrastructure, plant and equipment	601	4,705
Share of net profits of associates accounted for by the equity method	(177)	(166)
Finance cost	496	572
Contributions - non-monetary assets	(16,167)	(7,077)
Prior year capital WIP expensed	1,922	331
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	(920)	409
(Increase)/decrease in prepayments	(144)	(430)
(Increase)/decrease in accrued income	(43)	245
Increase/(decrease) in trade and other payables	3,331	(1,577)
(Decrease)/increase in trust funds and deposits(including Fire Service Property Levy)	1,764	917
(Increase)/decrease in inventories	(7)	-
Increase/(decrease) in provisions	3,397	1,015
Net cash provided by/(used in) operating activities	34,477	29,283

## 9.4 Superannuation

Council makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (Vision Superannuation). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently.

### Accumulation

The Fund's accumulation categories 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 2019, 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. 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. For the year ended 30 June 2019, this rate was 9.5% of members' salaries (9.5% in 2017/2018).

As at 30 June 2018, 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 106.0%. To determine the VBI, the Fund Actuary used the following long-term assumptions:

Net investment returns 6.0% pa.

Salary information 3.5% pa.

Price inflation (CPI) 2.0% pa.

Vision Super has advised that the estimated VBI at 30 June 2019 was 107.1%.

The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2018 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.

### Defined benefit 2018 triennial actuarial investigation surplus amounts

The Fund's triennial investigation as at 30 June 2018 identified the following in the defined benefit category of which Council is a contributing employer:

A VBI surplus of \$131.90 million.

A total service liability surplus of \$218.30 million.


A discounted accrued benefits surplus of \$249.10 million.

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2018. Council was notified of the 30 June 2018 VBI during August 2018.

An interim actuarial investigation will be conducted for the Fund's position as at 30 June 2019. It is anticipated that this actuarial investigation will be completed in October 2019.

# 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*, the Australian Accounting Standards and other mandatory professional reporting requirements.


  
**Malcolm Lewis MBA FCPA**  
**Principal Accounting Officer**


**Date :** 18 September 2019  
**Warragul**

In our opinion the accompanying financial statements present fairly the financial transactions of Baw Baw Shire Council for the year ended 30 June 2019 and the financial position of the Council as at that date.

As at the date of signing, we are not aware of any circumstances that 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.

  
**Mikaela Power**  
**Mayor**  
**Date :** 18 September 2019  
**Warragul**

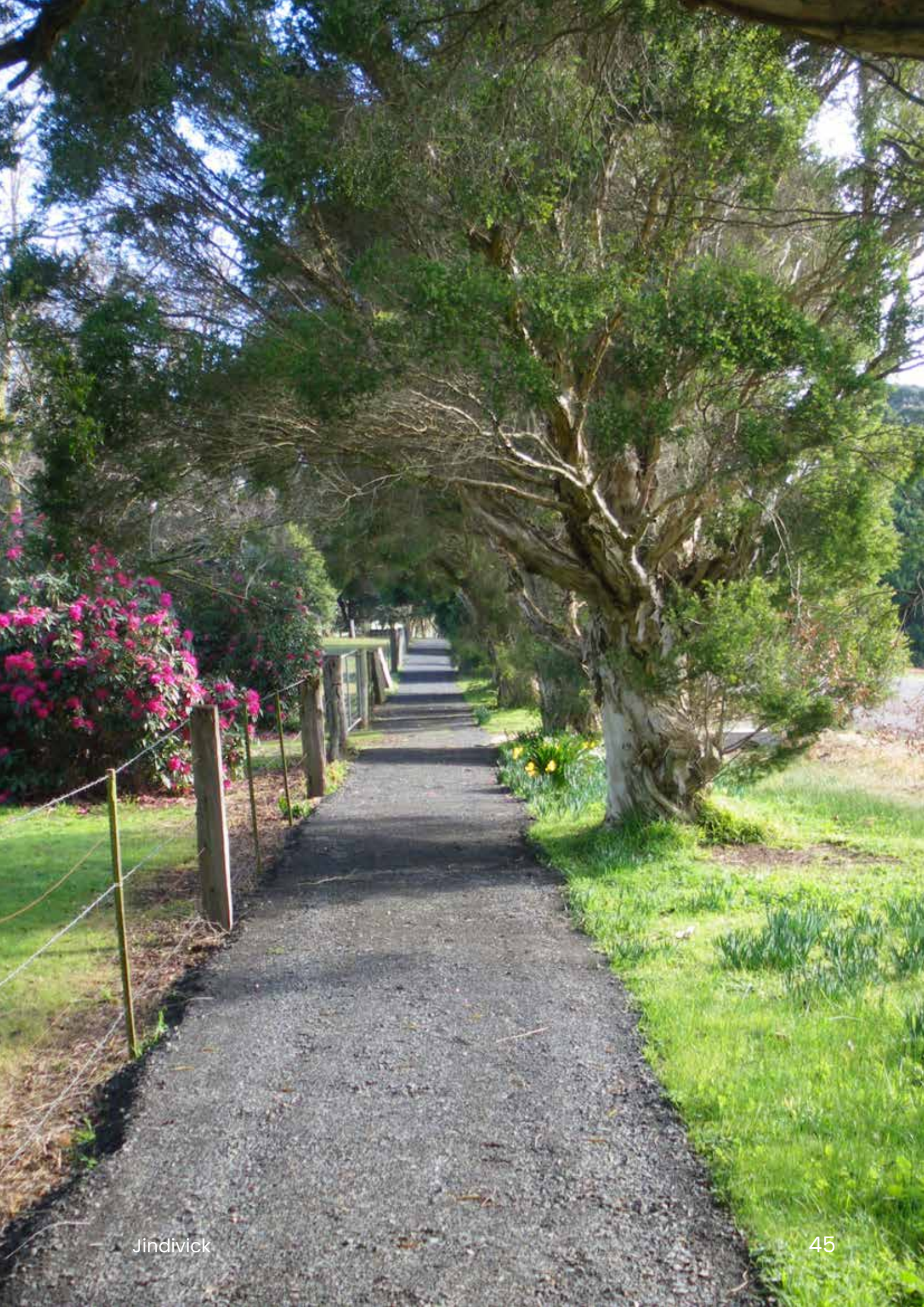
  
**Danny Goss**  
**Deputy Mayor**

**Date :** 18 September 2019  
**Warragul**

  
**Alison Leighton**  
**Chief Executive Officer**

**Date :** 18 September 2019  
**Warragul**







# Independent Auditor's Report

## To the Councillors of Baw Baw Shire Council

<b>Opinion</b>	<p>I have audited the financial report of Baw Baw Shire Council (the council) which comprises the:</p> <ul style="list-style-type: none"> <li>• balance sheet as at 30 June 2019</li> <li>• comprehensive income statement for the year then ended</li> <li>• statement of changes in equity for the year then ended</li> <li>• statement of cash flows for the year then ended</li> <li>• statement of capital works for the year then ended</li> <li>• notes to the financial statements, including significant accounting policies</li> <li>• certification of the financial statements.</li> </ul> <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the council as at 30 June 2019 and its 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>
<b>Basis for Opinion</b>	<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>
<b>Councillors' responsibilities for the financial report</b>	<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>

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**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  
23 September 2019

  
Jonathan Kyvelidis  
as delegate for the Auditor-General of Victoria





# **Baw Baw Shire Council Performance Statement**



# Performance Statement

For the Year Ended 30 June 2019

## 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 an estimated resident population of 52,015 (as at 30 June 2018).

# Sustainable Capacity Indicators

For the Year Ended 30 June 2019

		Results				Material Variations and Comments
	Indicator/measure	2016	2017	2018	2019	
C1	<b>Population</b>					
	Expenses per head of municipal population [Total expenses / Municipal population]	\$1,550	\$1,551	\$1,549	\$1,597	Council's operating expenses were \$83.1 million, resulting in a cost to deliver Council services per head of population of \$1,597 for 2018/19.
C2	Infrastructure per head of municipal population [Value of infrastructure / Municipal population]	\$11,418	\$11,270	\$11,076	\$12,290	The result for 2018/19 was due to the increase in the value of Council's infrastructure including roads, drains, footpaths, bridges and buildings. The increase was also due to a revaluation of some asset classes (including roads) plus investment in new and replacement assets via the annual capital works program.
C3	Population density per length of road [Municipal population / Kilometres of local roads]	26	27	28	29	There has been a marginal increase in population and number of road users for each kilometre of road length.
C4	<b>Own-source revenue</b>					
	Own-source revenue per head of municipal population [Own-source revenue / Municipal population]	\$1,190	\$1,212	\$1,205	\$1,247	This is a favourable result that reflects Council's increased ability to generate revenue from internal sources (mainly rates and user fees) when compared to the population within the municipality.
C5	<b>Recurrent grants</b>					
	Recurrent grants per head of municipal population [Recurrent grants / Municipal population]	\$274	\$462	\$339	\$260	There has been a decrease in recurrent grants per head of population, mainly due to a reduction in Roads to Recovery grants (which is expected to be reinstated in the ensuing 2019/20 year).
C6	<b>Disadvantage</b>					
	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 2019

		Results				Material Variations and Comments
	Service/indicator/measure	2016	2017	2018	2019	
AF6	<b>Aquatic Facilities Utilisation</b> <i>Utilisation of aquatic facilities</i> [Number of visits to aquatic facilities / Municipal population]	1.4	4.7	5.2	5.0	Council aquatic facilities include those at Drouin, Neerim South, Rawson, Trafalgar, Thorpdale and the Warragul Leisure Centre. The result for this performance measure remains consistent with previous year's results.
	<b>Animal Management Health and safety</b> <i>Animal management prosecutions</i> [Number of successful animal management prosecutions]	7	9	3	15	During 2018/19, there was a significant increase of reported dog attacks and other reported offences, and as a result Council conducted a total of 15 animal management prosecutions for the year. Prosecutions are conducted on an as needs basis or when required under the Domestic Animals Act 1994. Council's primary strategy remains focused on communication, education and promotion of responsible pet ownership.
FS4	<b>Food Safety Health and safety</b> <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	40.9%	58.9%	76.7%	100.0%	Council's food safety service follow up on all major and critical non-compliance notifications for food premises. For the 2018 calendar year, there were 25 critical and major non-compliance notifications.
G5	<b>Governance Satisfaction</b> <i>Satisfaction with council decisions</i> [Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]	47	46	48	43	The annual Community Satisfaction Survey assess the community's satisfaction with Council's performance. Satisfaction with Council decisions was rated as 43 out of 100.

# Service Performance Indicators

For the Year Ended 30 June 2019

		Results				Material Variations and Comments
	Service/indicator/measure	2016	2017	2018	2019	
HC6	<b>Home and Community Care (HACC)</b> <b>Participation</b> <i>Participation in HACC service</i> [Number of people that received a HACC service / Municipal target population for HACC services] x100	44.1%	Reporting ceased 1 July 2016	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).
	<b>Participation</b> <i>Participation in HACC service by CALD people</i> [Number of CALD people who receive a HACC service / Municipal target population in relation to CALD people for HACC services] x100	32.2%	Reporting ceased 1 July 2016	Reporting ceased 1 July 2016	Reporting ceased 1 July 2016	
LB4	<b>Libraries</b> <b>Participation</b> <i>Active library members</i> [Number of active library members / Municipal population] x100	15.4%	15.0%	14.9%	14.5%	During the year 7,531 library members borrowed a library collection item which is an increase on the prior year. However, the municipal population is growing faster than the number of active members using the service. Therefore there is a decrease in the percent of shire residents who are active library members. This indicator does not include the increasing number of members who use the library service for accessing Wi-Fi and computers, or who don't borrow an item whilst visiting our libraries.
MC4	<b>Maternal and Child Health (MCH)</b> <b>Participation</b> <i>Participation in the MCH service</i> [Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100	76.1%	71.2%	72.1%	70.6%	During the year, 2,583 children were enrolled in the Maternal and Child Health service and 1,824 of those children attended the service at least once during the year. This result is lower than previous years.
MC5	<b>Participation</b> <i>Participation in the MCH service by Aboriginal children</i> [Number of Aboriginal children who attend the MCH service at least once (in the year) / Number of Aboriginal children enrolled in the MCH service] x100	53.1%	68.5%	81.5%	78.5%	Participation in the Maternal and Child Health by Aboriginal children remains high. Sixty Aboriginal children enrolled in the Maternal and Child Health service and of those, 47 children attended the service at least once during the year. The result for the 2018/19 year is higher than the average for other municipalities as at 2017/18.

# Service Performance Indicators

For the Year Ended 30 June 2019

	Service/indicator/measure	Results				Material Variations and Comments
		2016	2017	2018	2019	
R5	<b>Roads</b> <b>Satisfaction</b> <i>Satisfaction with sealed local roads</i> [Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]	38	42	42	40	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 40 out of 100.
SP4	<b>Statutory Planning</b> <b>Decision making</b> <i>Council planning decisions upheld at VCAT</i> [Number of VCAT decisions that did not set aside Council's decision in relation to a planning application / Number of VCAT decisions in relation to planning applications] x100	62.5%	57.1%	90.0%	50.0%	Four of Council's planning decisions were appealed to VCAT during the 2018/19 year. Two out of those four applications were upheld by VCAT, the remaining two were set aside with a permit granted.
WC5	<b>Waste Collection</b> <b>Waste diversion</b> <i>Kerbside collection waste diverted from landfill</i> [Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100	52.0%	53.0%	52.5%	53.2%	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 compared to the 2017/18 year.

# Service Performance Indicators

For the Year Ended 30 June 2019

Dimension/indicator/measure										Results			Forecasts			Material Variations and Comments			
Efficiency										2016	2017	2018	2019	2020	2021	2022	2023		
E1	Revenue level																		
	Average residential rate per residential property assessment [Residential rate revenue / Number of residential property assessments]										\$1,797	\$1,846	\$1,876	\$1,899	\$1,859	\$1,896	\$1,939	\$1,983	There was a small increase in average rates income for each residential property, mainly due to the increase in rates that is capped by the State Government rate cap legislation.
E2	Expenditure level																		
	Expenses per property assessment [Total expenses / Number of property assessments]										\$2,729	\$2,930	\$3,002	\$3,147	\$3,047	\$3,086	\$3,122	\$3,154	Council's operating expenses were \$83.1 million during 2018/19, resulting in a cost to deliver Council services per property assessment of \$3,147.
E3	Workforce turnover																		
	Resignations and terminations compared to average staff [Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100										17.5%	17.2%	20.1%	14.2%	15.8%	11.6%	11.5%	11.4%	This is a favourable result as turnover has reduced from 20 per cent to 14 per cent in 2018/19, based on 48 resignations and terminations compared to an average of 338 permanent staff.
L1	Liquidity																		
	Working capital																		
	Current assets compared to current liabilities [Current assets / Current liabilities] x100										195.1%	229.5%	209.3%	195.0%	203.5%	182.5%	211.6%	222.9%	There has been a marginal decrease in current assets compared to liabilities, which is still a healthy result. This ratio is a measure of financial sustainability and represents current

# Service Performance Indicators

For the Year Ended 30 June 2019

Dimension/indicator/measure		Results						Forecasts			Material Variations and Comments	
		2016	2017	2018	2019	2020	2021	2022	2023			
L2	<b>Unrestricted cash</b> Unrestricted cash compared to current liabilities [Unrestricted cash / Current liabilities] x100	49.7%	27.4%	21.0%	17.3%	105.2%	91.4%	101.3%	107.9%		assets of \$59.5 million divided by current liabilities of \$30.5 million.	
											This ratio measures Council's ability to meet liabilities as they fall due. Budget and future years (2019/20 to 2022/23) assumes there are no 'other financial assets' and all cash is unrestricted resulting in a higher ratio for forecasted future years.	
O1	<b>Obligations</b> <b>Asset renewal</b> Asset renewal compared to depreciation [Asset renewal expense / Asset depreciation] x100	118.5%	89.2%	80.6%	77.5%	86.6%	86.9%	85.4%	76.1%		This measure compares the amount spent on renewal capital expenditure divided by total depreciation. The marginal decrease is mainly due to an increase in depreciation expense.	
O2	<b>Loans and borrowings</b> Loans and borrowings compared to rates [Interest bearing loans and borrowings / Rate revenue] x100	22.9%	26.9%	22.9%	20.2%	18.6%	26.8%	25.9%	25.0%		There has been a small decrease in loans and borrowings compared to rates between the 2017/18 and 2018/19 years. Council is able to increase borrowing to a maximum of 40 per cent of rate revenue. The 2018/19 variance is due to a reduction in the total loan portfolio as well as due to the expected annual increase in total rate revenue. Future years are increasing due to proposed future years borrowings to partly fund new infrastructure.	



# Service Performance Indicators

For the Year Ended 30 June 2019

	Dimension/indicator/measure	Results					Forecasts			Material Variations and Comments
		2016	2017	2018	2019	2020	2021	2022	2023	
O3	Loans and borrowings repayments compared to rates [Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100	4.0%	3.7%	3.9%	9.3%	8.2%	0.9%	7.1%	1.1%	This ratio reflects total payments for principal and interest divided by total rate revenue. The results indicate Council's adequate ability to meet debt commitments from rates revenue. For 2018/19, the higher percentage is due to the repayment of a \$4 million loan, which has been subsequently refinanced and rolled over to the 2019/20 year. The lower percentage indicators for 2020/21 and 2022/23 is reflective of minimal loan repayments forecasted for these years.
O4	Indebtedness Non-current liabilities compared to own source revenue [Non-current liabilities / Own source revenue] x100	31.6%	31.7%	24.5%	26.3%	29.5%	30.9%	35.3%	34.1%	
OP1	Operating position Adjusted underlying result Adjusted underlying surplus (or deficit) / [Adjusted underlying surplus (deficit) / Adjusted underlying revenue] x100	-5.9%	7.6%	0.1%	0.5%	4.3%	3.2%	2.8%	2.6%	The 2018/19 positive result of 0.5 per cent and reflects a financially sustainable position. While future years are forecast to remain positive, the relatively low per cent forecast (less than 10 per cent) reflects Council's limited capacity to fund future infrastructure asset replacement needs.

# Service Performance Indicators

For the Year Ended 30 June 2019

	Dimension/indicator/measure	Results					Forecasts			Material Variations and Comments
		2016	2017	2018	2019	2020	2021	2022	2023	
S1	<b>Stability</b> <b>Rates concentration</b> Rates compared to adjusted underlying revenue $\left[ \frac{\text{Rate revenue}}{\text{Adjusted underlying revenue}} \right] \times 100$	77.1%	64.1%	69.5%	69.0%	70.5%	71.3%	71.6%	71.8%	This ratio measures the reliance on rates as a percentage of underlying revenue (meaning revenue used to fund day to day operations). There is minimal annual movement in this ratio as most of Council's day to day revenue sources (rates, user fees and operating grants) are anticipated to increase in line with annual CPI increases. This means that both rates and adjusted underlying revenue will both increase by approximately the same rate of increase.
S2	<b>Rates effort</b> Rates compared to property values $\left[ \frac{\text{Rate revenue}}{\text{Capital improved value of rateable properties in the municipality}} \right] \times 100$	0.53%	0.54%	0.53%	0.46%	0.41%	0.41%	0.40%	0.40%	This ratio compares the movement in rate revenue to the movement in the value of ratepayer properties. The ratio is reducing as property valuations are increasing at a higher percent than the annual percent increase in rates. The increase in rates is capped by the State Government rate cap while property valuations are increasing in line with the property market.

# Other information

For the Year Ended 30 June 2019

## 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.

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# 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: 18 September 2019

In our opinion, the accompanying performance statement of the Baw Baw Shire Council for the year ended 30 June 2019 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 Mikaela Power  
Mayor  
Dated: 18 September 2019

  
\_\_\_\_\_  
Councillor Danny Goss  
Deputy Mayor  
Dated: 18 September 2019

  
\_\_\_\_\_  
Alison Leighton  
Chief Executive Officer  
Dated: 18 September 2019

# Independent Auditor's Report

## To the Councillors of Baw Baw Shire Council

### Opinion

I have audited the accompanying performance statement of Baw Baw Shire Council (the council) which comprises the:

- description of municipality for the year ended 30 June 2019
- sustainable capacity indicators for the year ended 30 June 2019
- service performance indicators for the year ended 30 June 2019
- financial performance indicators for the year ended 30 June 2019
- other information for the year ended 30 June 2019 (basis of preparation)
- certification of the performance statement.

In my opinion, the performance statement presents fairly, in all material respects, the performance of the council for the year ended 30 June 2019, in accordance with the performance reporting requirements of Part 6 of the *Local Government Act 1989*.

### Basis for Opinion

I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Standards on Assurance Engagements. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the Performance Statement* section of my report.

My independence is established by the *Constitution Act 1975*. 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 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the performance statement in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.

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

### Councillors' responsibilities for the performance statement

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

### Auditor's responsibilities for the audit of the performance statement

As required by the *Audit Act 1994*, 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

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Engagements 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 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 the 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 the 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.

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MELBOURNE  
23 September 2019

  
Jonathan Kyvelidis  
*as delegate for the Auditor-General of Victoria*



Blue Rock Dam