



AGENDA APPENDIX
Council Meeting
Wednesday 24 September 2014

AGENDA ITEM FOR SEPARATE DISTRIBUTION TO COUNCILLORS AND
EXECUTIVE LEADERSHIP TEAM DUE TO DOCUMENT SIZE.

THE ITEM IS ACCESSIBLE VIA THE COUNCIL WEBSITE OR BY
CONTACTING COUNCIL ON 03 5662 9200.

**E.5 – ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE
2014**

Appendix 1 – Annual Financial Report for the Year Ended 30 June 2014

SOUTH GIPPSLAND SHIRE COUNCIL

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2014

**South Gippsland Shire Council
Annual Financial Report Contents
For the Year Ended 30 June 2014**

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**South Gippsland Shire Council
Comprehensive Income Statement
For the Year Ended 30 June 2014**

	Note	2014 \$'000	2013 \$'000
Income			
Rates and charges	3	33,712	31,375
Statutory fees and fines	4	556	496
User fees	5	3,417	2,287
Grants - Operating (recurrent)	6	6,317	9,919
Grants - Operating (non-recurrent)	6	4,875	5,183
Grants - Capital (recurrent)	6	1,636	1,636
Grants - Capital (non-recurrent)	6	1,547	4,571
Contributions - (cash)	7 (a)	279	362
Contributions - non monetary assets	7 (b)	121	572
Reimbursements	8	472	361
Other Income	9	1,746	1,902
Gain / (loss) on disposal of property, plant and equipment and infrastructure	10	(42)	279
Share of net profit / (loss) of investment in associates accounted for by the equity method	16	173	125
Fair value adjustment for investment property	23	42	-
Total income		54,851	59,068
Expenses			
Employee benefits	11	20,943	19,738
Materials and services	12	22,138	25,157
Depreciation and amortisation	13	10,173	9,506
Finance costs	14	127	23
Other expenses	15	3,409	2,886
Total expenses		56,790	57,310
Surplus / (Deficit) for the year		(1,939)	1,758
Other comprehensive income			
Net asset revaluation increment / (decrement)	28 (a)	17,081	-
Comprehensive result		15,142	1,758

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

South Gippsland Shire Council
Balance Sheet
As at 30 June 2014

	Note	2014 \$'000	2013 \$'000
Assets			
Current assets			
Cash and cash equivalents	18	11,425	9,992
Trade and other receivables	19	4,634	4,356
Other financial assets	20	351	1,700
Inventories	21	248	219
Other assets	17	212	113
Total current assets		<u>16,870</u>	<u>16,380</u>
Non-current assets			
Investments in associates accounted for using the equity method	16	776	603
Property, plant and equipment and infrastructure	22	486,044	467,197
Investment properties	23	716	674
Total non-current assets		<u>487,536</u>	<u>468,474</u>
Total assets		<u>504,406</u>	<u>484,854</u>
Liabilities			
Current liabilities			
Trade and other payables	24	4,212	3,410
Trust funds and deposits	25	526	529
Provisions	26	5,673	5,566
Interest-bearing loans and borrowings	27	3,350	134
Total current liabilities		<u>13,761</u>	<u>9,639</u>
Non-current liabilities			
Provisions	26	<u>1,241</u>	<u>953</u>
Total non-current liabilities		<u>1,241</u>	<u>953</u>
Total liabilities		<u>15,002</u>	<u>10,592</u>
Net Assets		<u>489,404</u>	<u>474,262</u>
Equity			
Accumulated surplus		189,233	190,062
Asset revaluation reserve	28 (a)	299,985	282,904
Other reserves	28 (b)	186	1,296
Total Equity		<u>489,404</u>	<u>474,262</u>

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

**South Gippsland Shire Council
Statement of Changes in Equity
For the Year Ended 30 June 2014**

2014	Note	Total 2014 \$'000	Accumulated Surplus 2014 \$'000	Asset Revaluation Reserve 2014 \$'000	Other Reserves 2014 \$'000
Balance at beginning of the financial year		474,262	190,062	282,904	1,296
Surplus / (Deficit) for the year		(1,939)	(1,939)	-	-
Asset revaluation increment / (decrement)		17,081	-	17,081	-
Transfers to other reserves	28 (b)	-	(1,559)	-	1,559
Transfers from other reserves	28 (b)	-	2,669	-	(2,669)
Balance at end of the financial year		489,404	189,233	299,985	186

2013	Note	Total 2013 \$'000	Accumulated Surplus 2013 \$'000	Asset Revaluation Reserve 2013 \$'000	Other Reserves 2013 \$'000
Balance at beginning of the financial year		472,504	188,737	282,904	863
Surplus / (Deficit) for the year		1,758	1,758	-	-
Asset revaluation increment / (decrement)		-	-	-	-
Transfers to other reserves	28 (b)	-	(437)	-	437
Transfers from other reserves	28 (b)	-	4	-	(4)
Balance at end of the financial year		474,262	190,062	282,904	1,296

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

South Gippsland Shire Council
Statement of cash flows
For the Year Ended 30 June 2014

	Note	Inflows/ (Outflows) 2014 \$'000	Inflows/ (Outflows) 2013 \$'000
Cash flows from operating activities			
Rates		33,157	30,995
Statutory fees and fines		557	493
User charges and other fines		3,722	2,289
Grants		14,381	21,359
Reimbursements		472	371
Interest received		551	813
Rents		198	337
Other receipts (inclusive of GST)		1,270	1,282
Payments to suppliers		(21,402)	(27,008)
Additional Defined Benefit Superannuation			
Call - Vision Super		-	(4,588)
Payments to employees		(20,604)	(18,317)
Other payments		(3,467)	(2,924)
Net cash provided by operating activities	29	8,835	5,102
Cash flows from investing activities			
Payments for property, plant and equipment and infrastructure		(12,593)	(12,278)
Proceeds from sale of property, plant and equipment and infrastructure		733	1,447
Payments for other financial assets		1,349	2,050
Net Cash provided used in investing activities		(10,511)	(8,781)
Cash flows from financing activities			
Proceeds from borrowings		4,000	-
Repayment of borrowings		(784)	(317)
Finance costs		(104)	(24)
Net movement in trust funds and deposits		(3)	160
Net cash provided by / (used in) financing activities		3,109	(181)
Net decrease in cash and cash equivalents		1,433	(3,860)
Cash and cash equivalents at the beginning of the financial year		9,992	13,852
Cash and cash equivalents at the end of the financial year	30	11,425	9,992
Financing facilities	31		
Restrictions on cash assets	32		

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

**South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014**

Introduction

a) South Gippsland Shire Council was established by an order of the Governor in Council on 2nd December 1994 and is a body corporate. Council's main office is located at 9 Smith Street, Leongatha.

b) The purpose of the Council is to:

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

External Auditor - Auditor-General of Victoria

Internal Auditor - HLB Mann Judd

Solicitors - Oakley's White: Maddocks

Bankers - Commonwealth Bank

Website address - www.southgippsland.vic.gov.au

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

NOTE 1 Significant Accounting Policies

(a) Basis of Accounting

These financial statements have been prepared on the accrual and going concern basis.

These financial statements have been prepared under the historical cost convention, except where specifically stated in the notes.

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

All entities controlled by Council that have material assets or liabilities, such as Special Committees of Management, have been included in these financial statements. All transactions between these entities and Council have been eliminated in full. Details of entities not included in these financial statements based on their materiality are detailed in note 2.

(b) Change in Accounting Policy

(i) AASB 13 Fair Value Measurement

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

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements.

**South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014**

NOTE 1 Significant Accounting Policies (cont.)

(b) Change in Accounting Policy (cont.)

AASB 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, Council has not made any new disclosures required by AASB 13 for the 2013 comparative period.

Other than the additional disclosures, the application of AASB 13 has not had any material impact on the amounts recognised in the financial statements.

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

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

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

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

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

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

(ii) AASB 119 Employee benefits

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

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

(c) Revenue Recognition

(i) Rates, grants and contributions

Rates, Grants, Donations and Contributions (including developer contributions) are recognised as revenue when the Council obtains control over the assets comprising these receipts.

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

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

Control over granted assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and are valued at their fair value at the date of transfer.

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in note 6. The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

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

**South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014**

NOTE 1 Significant Accounting Policies (cont.)

(c) Revenue Recognition (cont.)

(ii) User fees and fines

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

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

(iii) Sale of property, infrastructure, plant and equipment

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

(iv) Trade and other receivables

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

(v) Rentals

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

(vi) Interest

Interest is recognised progressively as it is earned.

(d) Depreciation and amortisation of property, plant and equipment and infrastructure assets

Buildings, plant and equipment, infrastructure, heritage 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 non current 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.

Land under roads and land 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.

Major depreciation periods are listed below and are consistent with the prior year unless otherwise stated.

		Period
<i>Property</i>		
Buildings		20 to 50 Years
Heritage Buildings		100 Years
<i>Plant and Equipment</i>		
Plant and machinery		1 to 10 Years
Motor Vehicles		1 to 5 Years
Furniture, fittings and computers		1 to 5 Years
<i>Infrastructure</i>		
Roads	Earthworks	not depreciated
	Pavement	100 Years
	Seal	17 Years
Footpaths		40 to 60 Years
Kerbs & Channel		60 Years
Bridges		100 Years
Major Culverts		50 to 100 Years
Drains		100 Years
Off-street car parks	Earthworks	not depreciated
	Pavement	100 Years
	Seal	17 Years
Other Structures		2 to 40 Years

(e) Repairs and maintenance

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

**South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014**

NOTE 1 Significant Accounting Policies (cont.)

(f) Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.
Borrowing costs include interest on overdraft and interest on borrowings.

(g) Recognition and measurement of Assets

(i) Acquisition

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

Where assets are constructed by Council, cost includes all materials used in construction, direct labour and an appropriate proportion of variable and fixed overheads.

The following classes of assets have been recognised in note 22. In accordance with Council's policy, the threshold limits detailed below have been applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year.

	Threshold \$'000
<i>Property</i>	
Land	
land	No Threshold
land improvements	10
land under roads	No Threshold
<i>Buildings</i>	
new construction	No Threshold
building extensions	No Threshold
building renovations	15
heritage buildings	15
<i>Plant and Equipment</i>	
major plant and equipment	No Threshold
motor cars	No Threshold
minor plant	15
furniture / fittings / office equipment	15
<i>Infrastructure</i>	
Roads	No Threshold
Bridges	15
Major Culverts	15
Drains	15
Footpaths	15
Kerb & Channel	15
Car parks	15
Other Structures	15

**South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014**

NOTE 1 Significant Accounting Policies (cont.)

(g) Recognition and measurement of Assets (cont.)

(ii) Revaluation of Non Current Assets

Subsequent to the initial recognition of assets, non-current physical assets, other than plant and equipment are measured at their fair value, being the amount for which the 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, Council reviewed the carrying value of the individual classes of assets measured at fair value to ensure that each asset materially approximated its fair value. Where the carrying value materially differed from the fair value at balance date the class of asset was revalued.

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use on an asset result in changes to the permissible or practical highest and best use of the asset.

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.

(iii) Land Under Roads

Council recognised the value of land under roads it controlled as at 30 June 2008 at fair value. Land under roads acquired after 30 June 2008 is brought to account using the fair value basis.

(h) Cash and cash equivalents

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

(i) Other financial assets

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

(j) Investments

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

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

(l) Tender Deposits

Amounts received as tender deposits and retention amounts controlled by Council are recognised as Trust funds until they are returned or forfeited.

(m) Employee Benefits

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

(i) Wages and salaries, and annual leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulated sick leave expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employee services up to the reporting date, classified as current liabilities and measured at their nominal values. Liabilities that are not expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits as current liabilities, measured at present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

**South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014**

NOTE 1 Significant Accounting Policies (cont.)

(m) Employee Benefits (cont.)

(ii) Superannuation

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

(iii) Long Service Leave

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

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

The components of this current liability are measured at :

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

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

(iv) Termination benefits

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

(v) Employee benefits on-costs

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

(n) Leases

Operating Leases

As at the reporting date, the Council had entered into operating lease agreements for the lease of commercial premises and items of plant & equipment. In respect to these operating leases, where the lessor effectively retains substantially all of the risks and benefits incidental to ownership of the leased items, lease payments are charged as an expense on a straight line basis over the lease term.

(o) Allocation between current and non-current

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

(p) Agreements equally proportionately unperformed

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

(q) Web site costs

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

(r) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014**

NOTE 1 Significant Accounting Policies (cont.)

(s) Impairment of assets

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

(t) Rounding

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

(u) Inventories

Inventories are measured at lower of the cost and net realisable value.

(v) Investment properties

Investment property, comprising freehold office complexes and a quarry, are held to generate long-term rental yields. Investment property is measured initially at cost, including transaction costs. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefit in excess of the originally assessed performance of the asset will flow to the Council. Subsequent to initial recognition at cost, investment property is carried at fair value, determined bi-annually by Council's valuers. Changes to fair value are recorded in the comprehensive income statement in the period that they may arise. Rental income from leasing of investment properties is recognised in the comprehensive income statement on a straight line basis over the lease term.

(w) Contingent assets and contingent liabilities and commitments

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

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

(x) Payables and Interest Bearing Liabilities

(i) Trade and other payables

Liabilities are recognised for goods and services received as at balance date but payable in the future, whether or not invoices have been received.

(ii) Interest Bearing Liabilities

Interest bearing liabilities represent short term and long term loans which accrue interest on the balance outstanding. The carrying amount of these liabilities represent the amounts payable in the future years (Refer Notes 27 and 37).

(y) Financial guarantees

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

(z) Pending accounting standards

Certain Australian accounting standards have been issued or amended and are applicable to the Council but not yet effective. A list of the relevant standards is provided in note 44. None have been early adopted in the preparation of these financial statements.

**South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014**

NOTE 2 Special committees and other activities

As at the reporting date Council had the following Special Committees:

Allambee South Community Hall
Corner Inlet Drainage Area Advisory Committee
Dumbalk Hall
Foster Showgrounds
Foster Stockyard Gallery
Foster Swimming Pool
Foster War Memorial Art Centre
John Terrill Memorial Park & Fish Creek Recreation Reserve
Korumburra Access Centre
Korumburra Public Park
Korumburra Recreation Reserve
Korumburra Swimming Pool
Leongatha Court House
Mardan Hall
Meeniyan Sports Centre
Mirboo North Hall
Mirboo North Swimming Pool
Port Welshpool & District Maritime Museum
Toora & District Swimming Pool
Toora Tennis Reserve
TP Taylor Reserve
Walter Tuck Recreation Reserve

South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014

2014
\$'000

2013
\$'000

NOTE 3 Rates and charges

Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The capital value of a property is the value that it could be reasonably expected to sell for on the open market.

The valuation base used to calculate general rates is :-

Residential	3,295,492	3,223,221
Vacant Land	227,810	243,147
Commercial/Industrial	411,212	400,273
Farm	2,837,080	2,828,459
Cultural & Recreational Lands Act	8,255	8,164
Total Capital Improved Valuation	6,779,849	6,703,264

The rate in the dollar for each rate classification was:-

Residential	0.00379739	0.00356124
Vacant Land	0.00569609	0.00534186
Commercial/Industrial	0.00379739	0.00356124
Farm	0.00341765	0.00320512
Cultural & Recreational Lands Act	0.00151896	0.00142450

The rates for each classification was:-

Residential	12,514	11,479
Vacant Land	1,298	1,299
Commercial/Industrial	1,562	1,425
Farm	9,696	9,066
Cultural & Recreational Lands Act	13	12
Municipal Charge	6,271	5,820
Supplementary Rates & Rate Adjustments	280	317
Garbage Charges	2,078	1,957
TOTAL RATES AND CHARGES	33,712	31,375

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

The date of the previous general revaluation of land for rating purposes within the municipal district was 1 January 2012, and the valuation first applied to the rating period commencing 1 July 2012.

NOTE 4 Statutory fees and fines

Parking Infringements & Fines	33	26
Land Information Certificates	23	19
Local Laws / Animal control	99	67
Fire prevention	12	4
Building Services	109	103
Town Planning applications	213	221
Supervision Fees	34	34
Infringement Court Recoveries / Others	33	22
TOTAL STATUTORY FEES AND FINES	556	496

South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014

	2014 \$'000	2013 \$'000
NOTE 5 User fees		
Aged & Disabled Services	264	257
Food Services	143	139
Immunisation	11	12
Community Transport	40	32
Health Licences	181	194
Boat Ramp Fees	14	17
Road RAP fees	12	10
Transfer Stations	74	2
Landfills	1,482	1,226
Local Laws	17	16
Animal Control	292	223
Fire Prevention	6	5
Building Services	3	5
Tourism Development	10	11
Public Halls / Others	28	26
Coal Creek	103	81
Arts & Culture	3	4
Recreation Facilities	28	27
Caravan Parks	706	-
TOTAL USER FEES	3,417	2,287
 NOTE 6 Grants		
Grants were received in respect of the following:-		
 Summary of grants		
Federally funded grants	1,728	1,736
State funded grants	12,647	19,573
	14,375	21,309
 Recurrent		
Commonwealth Government		
Roads to Recovery - Capital	1,636	1,636
Immunisation	1	-
 State Government		
Victorian Grants Commission - unallocated	2,520	4,695
Victorian Grants Commission - local roads	1,692	3,033
Valuation Services	11	270
School Crossing Supervision	32	31
Education Programs	30	22
Maternal & Child Health	257	238
Community Transport	44	41
Immunisation	23	19
Families & Children's Services	120	120
Food Services	43	25
Senior Citizens Centres	25	28
Aged & Disabled Services	1,037	975
HACC Assessment	300	285
Community Building	97	93
State Emergency Services	26	25
Fire Prevention	7	8
Environmental Health	6	10
Coal Creek Events	5	1
Biodiversity	41	-
TOTAL RECURRENT GRANTS	7,953	11,555
 Grants - Operating (recurrent)	6,317	9,919
Grants - Capital (recurrent)	1,636	1,636
TOTAL RECURRENT GRANTS	7,953	11,555

**South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014**

	2014 \$'000	2013 \$'000
NOTE 6 Grants (cont.)		
<i>Non Recurrent</i>		
Commonwealth Government		
Environmental Services	83	90
Environmental Services (Capital)	20	-
Women's Rural Conference	-	10
Training & Development	8	-
<i>State Government</i>		
Youth Services	56	57
Community Building	79	298
Aged & Disabled Services	13	20
Families and Children	20	10
Local Roads and Infrastructure	57	12
Local Roads and Infrastructure (Capital)	1,203	3,605
Arts and Culture	6	5
Recreation and Leisure	349	968
Recreation and Leisure (Capital)	203	304
Planning	42	164
Economic Development & Tourism	37	10
Biodiversity	-	41
Sustainability	90	162
Emergency Management	60	58
Advancing Country Towns	195	188
Natural Disasters	3,377	2,843
Fire Services Levy Administration	70	35
Neighbourhood Safer Place (Capital)	103	412
Public Halls	264	164
Training & Development	55	41
Waste Management (Capital)	-	250
Others	14	7
Others (Capital)	18	-
TOTAL NON RECURRENT GRANTS	6,422	9,754
Grants - Operating (non-recurrent)	4,875	5,183
Grants - Capital (non-recurrent)	1,547	4,571
TOTAL NON RECURRENT GRANTS	6,422	9,754
TOTAL GRANTS	14,375	21,309
<i>Conditions on grants</i>		
Grants recognised as revenue during the year and were obtained on the condition that they be expended in a specified manner that had not occurred at balance date were:		
Community Projects	287	732
Home and Community Care	87	178
Bushfire Relief and Commemorative Events	-	1
Families and Children	20	267
Recreation and Leisure	91	210
Road and associated works	729	2,134
Natural Disaster	182	724
Total	1,396	4,246
Grants which were recognised as revenue in prior years and were expended in a specified manner by the grantor were:		
Community Projects	530	411
Home and Community Care	198	658
Families and Children	266	132
Recreation and Leisure	210	110
Road and associated works	2,131	940
Natural Disaster	767	721
Total	4,102	2,972
Net (decrease) in restricted assets resulting from grant revenues for the year	(2,706)	1,274

South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014

2014
\$'000

2013
\$'000

NOTE 7 Contributions

Contributions were received in respect of the following :

(a) Cash

Open Space *	150	89
Recreation	47	76
Public halls	10	127
Municipal Offices	3	2
Local Roads	50	
Child care	-	15
Others	19	53
Total cash contributions	279	362

(b) Non-monetary assets

Roads & Streets	-	233
Drains	116	214
Kerbs & Channel	-	61
Footpaths	5	64
Total non cash contributions	121	572

TOTAL CONTRIBUTIONS

400	934
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* Open space contributions received during the year are transferred to other reserves pursuant to section 18 of the Subdivision Act 1988 (Resort and Recreation Reserve) (refer Note 28(b)).

NOTE 8 Reimbursements

Reimbursements were received in respect of the following :

Rate Recovery Proceedings	157	149
Insurances	55	46
Diesel Fuel Rebate	83	84
Recreation	4	23
Work cover	70	37
Tertiary Study Assistance	-	11
Aged & Disabled Services	7	3
Children and Family	51	
Others	45	8
TOTAL REIMBURSEMENTS	472	361

NOTE 9 Other income

Interest on rates	150	233
Other Interest	396	515
Other rent	198	269
Investment property rent	51	51
Quarries	10	16
Private Works	671	468
Families & Children	15	12
Coal Creek	201	224
Sundry Income	54	114
TOTAL OTHER INCOME	1,746	1,902

NOTE 10 Gain / (Loss) on Disposal of property, plant and equipment and infrastructure

Proceeds of Sales

Proceeds from Land & Building Sales	13	432
Proceeds from Plant & Equipment Sales	720	1,015
Total Proceeds from Sale of Assets	733	1,447

Written Down Value of Items sold

Carrying Amount of Land Sold	-	60
Carrying Amount of Buildings Sold	-	77
Carrying Amount of Plant & Equipment Sold	775	1,031
Total Written Down Value of Assets sold	775	1,168

TOTAL GAIN / (LOSS) ON DISPOSAL OF NON-CURRENT ASSETS

(42)	279
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South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014

	2014 \$'000	2013 \$'000
NOTE 11 Employee benefits		
Wages & Salaries	16,700	15,688
Casual Staff	667	569
Annual and Long Service Leave	2,125	2,104
Superannuation	1,709	1,457
Work cover	238	330
Fringe benefits tax	245	182
Gross employee benefits	21,684	20,330
Less Capitalised	(741)	(592)
TOTAL EMPLOYEE BENEFITS	20,943	19,738
NOTE 12 Materials and services		
<u>Contract payments</u>		
Landfill and Transfer Stations	770	983
Garbage Collections / Kerbside Recycling	1,129	1,091
Litter bins	170	163
Elections	-	145
Leisure Centre Operations	360	371
Handyman Contractors	35	42
Contractors General	3,914	3,568
Cleaning	107	135
Software Maintenance	523	629
Landfill Rehabilitation provision	200	76
Great Southern Rail Trail	592	842
Natural disasters	1,673	2,112
<u>Materials</u>		
Materials General	6,052	7,770
Fuel & Oils	927	928
<u>Services</u>		
Advertising & Promotion Costs	337	305
Utility Charges (power, phone, water)	953	796
Subscriptions, affiliations and conferences	137	216
Leases	309	421
Legal Fees	416	415
Consultancies and projects	620	747
Insurance Premiums	625	614
Plant & Equipment Registrations	130	173
Training expenses	366	438
Postage	83	81
State levies	662	517
Occupational health and safety	62	79
Gippsland Group Training / Labour Hire	985	1,400
Others	1	100
TOTAL MATERIALS AND SERVICES	22,138	25,157

South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014

	2014 \$'000	2013 \$'000
NOTE 13 Depreciation and amortisation		
Furniture, computer & equipment	454	368
Plant, machinery and other equipment	1,299	1,127
Buildings	2,225	2,050
Heritage buildings	54	54
Roads and Streets	3,629	3,506
Bridges	327	332
Major culverts	120	117
Footpaths	259	248
Kerb & Channel	272	250
Off-street car parks	73	72
Drains	328	309
Other Structures	1,133	1,073
TOTAL DEPRECIATION AND AMORTISATION	10,173	9,506
NOTE 14 Finance costs		
Interest - Borrowings	127	23
TOTAL FINANCE COSTS	127	23
NOTE 15 Other expenses		
Library Contributions	1,206	1,129
Community & Sporting Grants	1,599	1,266
Audit expenses	82	108
Councillors allowances	276	265
Bank Fees & Charges	246	107
Sundry Expenses	-	11
TOTAL OTHER EXPENSES	3,409	2,886
NOTE 16 Investments in associates		
Investment in West Gippsland Regional Library Corporation is accounted for using the equity method.		
<i>Background</i>		
Council has a 30.55% equity interest in the West Gippsland Regional Library Corporation in 2013/14 (30.55% in 2012/13). The equity interest is calculated on the basis of the proportion it contributes to the operating costs of the services.		
Council's share of accumulated surplus / (deficit)		
Council's share of accumulated surplus (deficit) at start of year	529	404
Reported surplus / (deficit) for year	173	125
Council's share of accumulated surplus / (deficit) at end of year	702	529
Council's share of reserves		
Council's share of reserves at start of year	74	74
Revaluation reserve increment	-	-
Council's share of reserves at end of year	74	74
Movement in carrying value of specific investment		
Carrying value of investment at start of year	603	478
Transfers to asset revaluation reserve	-	-
Share of surplus / (deficit) for year	173	125
Carrying value of investment at end of year	776	603
Council's share of expenditure commitments	-	-
Operating leases and rentals	-	-
	-	-
West Gippsland Regional Library Corporation has not disclosed any contingent liabilities and assets for the financial years 2013/14 and 2012/13.		

**South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014**

	2014 \$'000	2013 \$'000
NOTE 17 Other assets		
Prepayments	212	113
TOTAL OTHER ASSETS	212	113
NOTE 18 Cash and cash equivalents		
Cash on Hand	4	4
Cash at Bank	3,402	177
Money Market Call Account	4,019	3,614
Bank Bills	4,000	6,197
TOTAL CASH AND CASH EQUIVALENTS	11,425	9,992
Council's cash and cash equivalents are subject to a number of internal and external restrictions that limit amounts available for discretionary or future use. These include:		
- Grants recognised as revenue and obtained on the condition that they be expended in a specified manner that had not occurred at balance date (Note 32)	1,979	4,685
- Reserve funds allocated for specific future purposes (Note 32)	120	403
Restricted Funds	2,099	5,088
TOTAL UNRESTRICTED CASH AND CASH EQUIVALENTS	9,326	4,904
NOTE 19 Trade and other receivables		
Rates Debtors	1,993	1,439
Other Receivables - General	2,231	2,570
Property Debtors	1	1
Net GST Receivable	409	346
TOTAL TRADE AND OTHER RECEIVABLES	4,634	4,356
NOTE 20 Other financial assets		
Investments	351	1,700
TOTAL OTHER FINANCIAL ASSETS	351	1,700
Note 21 Inventories		
Raw Materials and Stores	248	219
TOTAL INVENTORIES	248	219

**South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014**

**2014
\$'000** **2013
\$'000**

NOTE 22 Property, plant and equipment and infrastructure

Summary

- at cost	27,588	34,352
Less: Accumulated depreciation	<u>(8,715)</u>	<u>(7,631)</u>
	<u>18,873</u>	<u>26,721</u>
 - at Council Valuation 31 March 2014	 436,725	 -
Less: Accumulated depreciation	(92,876)	-
- at Council Valuation 1 January 2014	190,497	-
Less: Accumulated depreciation	(67,175)	-
- at Council Valuation 31 May 2012	-	409,750
Less: Accumulated depreciation	-	(88,981)
- at Council Valuation 1 Jan 2012	-	172,951
Less: Accumulated depreciation	-	(56,797)
- at Council Valuation 30 June 2011	-	7,678
Less: Accumulated depreciation	<u>-</u>	<u>(4,125)</u>
	<u>467,171</u>	<u>440,476</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT AND INFRASTRUCTURE	<u>486,044</u>	<u>467,197</u>

Property

Land

- at Council valuation 1 January 2014	43,023	-
- at Council valuation 1 January 2012		41,443
- at Cost	<u>-</u>	<u>467</u>
	<u>43,023</u>	<u>41,910</u>

Land Under Roads

- at Council valuation 1 January 2014	32,414	
- at Council valuation 1 January 2012		32,154
	<u>32,414</u>	<u>32,154</u>

TOTAL LAND

<u>75,437</u>	<u>74,064</u>
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Buildings

- at Council valuation 1 January 2014	109,550	
Less: Accumulated depreciation	(63,181)	
- at Council valuation 1 January 2012		93,937
Less: Accumulated depreciation		(53,141)
- at cost	258	3,884
Less: Accumulated depreciation	<u>(4)</u>	<u>(77)</u>
	<u>46,623</u>	<u>44,603</u>

Heritage Buildings

- at Council valuation 1 January 2014	5,510	
Less: Accumulated depreciation	(3,994)	
- at Council valuation 1 January 2012		5,417
Less: Accumulated depreciation		(3,656)
	<u>1,516</u>	<u>1,761</u>

TOTAL BUILDINGS

<u>48,139</u>	<u>46,364</u>
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TOTAL PROPERTY

<u>123,576</u>	<u>120,428</u>
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Details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2014 are as follows:

	Level 1	Level 2	Level 3
	\$ '000	\$ '000	\$ '000
Land - Specialised			43,023
Land under roads			32,414
Buildings - Specialised			48,139
TOTAL	-	-	123,576

No transfers between levels occurred during the year.

**South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014**

	2014 \$'000	2013 \$'000
Property, plant and equipment and infrastructure (cont.)		
Plant and Equipment		
Plant, machinery and equipment		
- at cost	13,006	11,778
Less: Accumulated depreciation	(4,203)	(3,926)
	<u>8,803</u>	<u>7,852</u>
Furniture, computers and other equipment		
- at cost	4,364	4,270
Less: Accumulated depreciation	(3,365)	(2,911)
	<u>999</u>	<u>1,359</u>
TOTAL PLANT AND EQUIPMENT	<u>9,802</u>	<u>9,211</u>
Infrastructure Assets		
Roads		
- at Council Valuation 31 March 2014	307,881	
Less: Accumulated depreciation	(46,693)	
- at Council Valuation 31 May 2012		303,500
Less: Accumulated depreciation		(54,085)
- at cost	2,292	5,170
Less: Accumulated depreciation	(6)	(61)
	<u>263,474</u>	<u>254,524</u>
Bridges		
- at Council Valuation 31 March 2014	30,138	
Less: Accumulated depreciation	(12,417)	
- at Council Valuation 31 May 2012		29,363
Less: Accumulated depreciation		(11,994)
- at cost	3	600
Less: Accumulated depreciation	-	(3)
	<u>17,724</u>	<u>17,966</u>
Major Culverts		
- at Council Valuation 31 March 2014	12,168	
Less: Accumulated depreciation	(4,985)	
- at Council Valuation 31 May 2012		11,420
Less: Accumulated depreciation		(3,961)
- at cost	-	533
Less: Accumulated depreciation	-	(3)
	<u>7,183</u>	<u>7,989</u>
Footpaths		
- at Council Valuation 31 March 2014	15,368	
Less: Accumulated depreciation	(2,860)	
- at Council Valuation 31 May 2012		14,303
Less: Accumulated depreciation		(2,455)
- at cost	381	899
Less: Accumulated depreciation	-	(6)
	<u>12,889</u>	<u>12,741</u>
Kerb & Channel		
- at Council Valuation 31 March 2014	20,049	
Less: Accumulated depreciation	(5,164)	
- at Council Valuation 31 May 2012		14,938
Less: Accumulated depreciation		(1,485)
- at cost	-	83
Less: Accumulated depreciation	-	-
	<u>14,885</u>	<u>13,536</u>
Off-street car parks		
- at Council Valuation 31 March 2014	6,197	
Less: Accumulated depreciation	(2,756)	
- at Council Valuation 31 May 2012		5,656
Less: Accumulated depreciation		(2,599)
	<u>3,441</u>	<u>3,057</u>

**South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014**

	2014 \$'000	2013 \$'000
Property, plant and equipment and infrastructure (cont.)		
Drains		
- at Council Valuation 31 March 2014	36,001	
Less: Accumulated depreciation - at Council Valuation 31 May 2012	(14,418)	30,570
Less: Accumulated depreciation - at cost	163	(12,402)
Less: Accumulated depreciation	-	1,161
	<u>21,746</u>	<u>(3)</u>
		<u>19,326</u>
Other Structures		
- at Council Valuation 31 March 2014	8,923	
Less: Accumulated depreciation - at Council Valuation 30 June 2011	(3,583)	7,678
Less: Accumulated depreciation - at cost	2,523	(4,125)
Less: Accumulated depreciation	(1,137)	4,881
	<u>6,726</u>	<u>(641)</u>
		<u>7,793</u>
TOTAL INFRASTRUCTURE ASSETS	<u>348,068</u>	<u>336,932</u>

Details of the Council's infrastructure and information about the fair value hierarchy as at 30 June 2014 are as follows:

	Level 1	Level 2	Level 3
	\$ '000	\$ '000	\$ '000
Roads			263,474
Bridges			17,724
Major Culverts			7,183
Footpaths			12,889
Kerb & Channel			14,885
Off-street car parks			3,441
Drains			21,746
Other Structures			6,726
TOTAL	-	-	348,068

No transfers between levels occurred during the year.

Works In Progress

Land at cost	3	3
Buildings at cost	500	256
Furniture and Equipment at cost	67	-
Roads at cost	1,121	40
Footpaths	2	-
Drainage at cost	1,086	1
Bridges at cost	649	13
Major Culverts at cost	-	-
Other structures at cost	1,170	313
Total works in progress	<u>4,598</u>	<u>626</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT AND INFRASTRUCTURE	<u>486,044</u>	<u>467,197</u>

Valuation basis

Land and Building

The Land revaluations were undertaken by Andrew Begg, AAPI (Council Employee). The basis of valuation 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. These assets contain significant, unobservable adjustments, therefore these assets are classified as Level 3.

The Buildings revaluations were undertaken by Andrew Begg, AAPI (Council Employee). The basis of valuation was fair value based upon depreciated replacement cost, adjusting for the associated depreciations. These assets contain significant, unobservable adjustments, therefore these assets are classified as Level 3.

Land Under Roads

The Land under roads was valued by Andrew Begg, AAPI (Council Employee) 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. These assets contain significant, unobservable adjustments, therefore these assets are classified as Level 3.

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.

South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014

Property, plant and equipment and infrastructure (cont.)

Infrastructure

Infrastructure is valued using the depreciated replacement cost method. This cost represents the replacement cost of the building/component after applying depreciation rates on a useful life basis. Replacement costs relate to costs to replace the property to an "as new" standard. Economic obsolescence has also been factored into the depreciated replacement cost calculation. Where it has not been possible to examine hidden works such as structural frames and floors, the use of reasonable materials and methods of construction have been assumed bearing in mind the age and nature of the building. The estimated cost of reconstruction including structure services and finishes, also factors in any heritage classifications as applicable. Infrastructure assets contain significant unobservable adjustments, therefore these assets are classified as Level 3.

A valuation of Council's, infrastructure assets was performed by Alan Landers, B. Civil Engineering (Council employee). The valuation was performed based on the depreciated replacement cost of the assets. The effective date of the valuation is 31 March 2014.

There were no changes in valuation techniques throughout the period to 30 June 2014.

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

Reconciliation of level 3 fair value

2014	Land - Specialised	Land under roads	Buildings - Specialised	Infrastructure
Opening Balance	41,910	32,154	46,364	336,932
Depreciation	-	-	(2,279)	(6,141)
Impairment Loss	-	-	-	-
Revaluation	1,113	260	3,240	12,468
Acquisitions / Disposals	-	-	639	4,760
Transfers	-	-	175	49
Closing Balance	43,023	32,414	48,139	348,068

	Valuation Technique	Significant Unobservable Inputs	Range	Sensitivity
Land - Specialised	Market based direct comparison approach(refer above)	Extent and impact of restriction of use	25% to 30%	Increase or decrease in the extent of restriction would result in a significantly higher or lower fair value.
Land under roads	Market based direct comparison approach(refer above)	Extent and impact of restriction of use	95%	Increase or decrease in the extent of restriction would result in a significantly higher or lower fair value.
Buildings - Specialised	Depreciated Replacement Cost	Direct cost per square metre	\$500m2 to \$2500m2	Increase or decrease in the direct cost per square metre adjustment would result in a significantly higher or lower fair value.
		Useful life of specialised buildings	20 to 50 Years	Increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower fair value.
Infrastructure	Depreciated Replacement Cost	Cost per unit	Cost per unit: Roads \$ 4 to \$ 94, Kerb & Channel \$ 62 to \$ 85, Bridges & Culverts \$ 1,927 to \$ 6,577, Drains \$ 47 to \$ 3,122, Car Parks \$ 4 to \$ 90	Increase or decrease in the cost per unit would result in a significantly higher or lower fair value.
		Useful life of infrastructure	Useful Life : Roads & Car Parks - 17 to 100 years, Bridges & Culverts - 50 to 100 years, Drains - 100 years, Other structures - 2 to 40 years, Footpath, Kerb & Channel - 40 to 60 years.	Increase or decrease in the estimated useful life would result in a significantly higher or lower fair value.

South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014

Note 22 Property, plant and equipment and infrastructure (cont.)

	Balance at beginning of financial Year \$'000	Developer Contributed Assets (note 7) \$'000	Acquisition of assets (note 43) \$'000	Revaluation increments/ (decrements) (note 28) \$'000	Depreciation and amortisation (note 13) \$'000	Written down value of disposals (note 10) \$'000	Transfers \$'000	Balance at end of financial Year \$'000
2014								
<i>Property</i>								
Land	41,910	-	-	1,113	-	-	-	43,023
Land Under Roads	32,154	-	-	260	-	-	-	32,414
Total Land	74,064	-	-	1,373	-	-	-	75,437
Buildings	44,603	-	639	3,431	(2,225)	-	175	46,623
Heritage buildings	1,761	-	-	(191)	(54)	-	-	1,516
Total buildings	46,364	-	639	3,240	(2,279)	-	175	48,139
Total property	120,428	-	639	4,613	(2,279)	-	175	123,576
<i>Plant and Equipment</i>								
Plant, machinery and equipment	7,852	-	3,025	-	(1,299)	(775)	-	8,803
Furniture, computers and equipment	1,359	-	94	-	(454)	-	-	999
Total plant and equipment	9,211	-	3,119	-	(1,753)	(775)	-	9,802
<i>Infrastructure</i>								
Roads	254,524	-	3,613	8,926	(3,629)	-	40	263,474
Bridges	17,966	-	3	77	(327)	-	5	17,724
Major culverts	7,989	-	-	(686)	(120)	-	-	7,183
Footpaths and cycle ways	12,741	5	381	21	(259)	-	-	12,889
Kerb and channel	13,536	-	52	1,569	(272)	-	-	14,885
Drainage	19,326	116	210	2,422	(328)	-	-	21,746
Off-street car parks	3,057	-	-	457	(73)	-	-	3,441
Other infrastructure	7,793	-	380	(318)	(1,133)	-	4	6,726
Total infrastructure	336,932	121	4,639	12,468	(6,141)	-	49	348,068

South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014

Note 22 Property, plant and equipment and infrastructure (cont.)

	Balance at beginning of financial Year \$'000	Developer Contributed Assets (note 7) \$'000	Acquisition of assets (note 43) \$'000	Revaluation increments/ (decrements) (note 28) \$'000	Depreciation and amortisation (note 13) \$'000	Written down value of disposals (note 10) \$'000	Transfers \$'000	Balance at end of financial Year \$'000
2014								
Works in progress								
Land	3	-	-	-	-	-	-	3
Buildings	256	-	419	-	-	-	(175)	500
Furniture and Equipment	-	-	67	-	-	-	-	67
Roads	40	-	1,121	-	-	-	(40)	1,121
Footpaths	-	-	2	-	-	-	-	2
Kerb and channel	-	-	-	-	-	-	-	-
Drainage	1	-	1,085	-	-	-	-	1,086
Off-street car parks	-	-	-	-	-	-	-	-
Bridges	13	-	641	-	-	-	(5)	649
Major Culverts	-	-	-	-	-	-	-	-
Other infrastructure	313	-	861	-	-	-	(4)	1,170
Total works in progress	626	-	4,196	-	-	-	(224)	4,598
Total property, plant and equipment and infrastructure	467,197	121	12,593	17,081	(10,173)	(775)	-	486,044

**South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014**

Note 22 Property, plant and equipment and infrastructure (cont.)

	Balance at beginning of financial Year \$'000	Developer Contributed Assets (note 7) \$'000	Acquisition of assets (note 43) \$'000	Revaluation increments/ (decrements) (note 28) \$'000	Depreciation and amortisation (note 13) \$'000	Written down value of disposals (note 10) \$'000	Transfers \$'000	Balance at end of financial Year \$'000
2013								
<i>Property</i>								
Land	41,503	-	467	-	-	(60)	-	41,910
Land Under Roads	32,154	-	-	-	-	-	-	32,154
Total Land	73,657	-	467	-	-	(60)	-	74,064
Buildings	43,221	-	1,039	-	(2,050)	(77)	2,470	44,603
Heritage buildings	1,815	-	-	-	(54)	-	-	1,761
Total buildings	45,036	-	1,039	-	(2,104)	(77)	2,470	46,364
Total property	118,693	-	1,506	-	(2,104)	(137)	2,470	120,428
<i>Plant and Equipment</i>								
Plant, machinery and equipment	6,865	-	3,145	-	(1,127)	(1,031)	-	7,852
Furniture, computers and equipment	1,077	-	321	-	(368)	-	329	1,359
Total plant and equipment	7,942	-	3,466	-	(1,495)	(1,031)	329	9,211
<i>Infrastructure</i>								
Roads	253,961	233	3,143	-	(3,506)	-	693	254,524
Bridges	17,827	-	193	-	(332)	-	278	17,966
Major culverts	7,573	-	114	-	(117)	-	419	7,989
Footpaths and cycle ways	12,348	64	577	-	(248)	-	-	12,741
Kerb and channel	13,703	61	22	-	(250)	-	-	13,536
Drainage	18,520	214	62	-	(309)	-	839	19,326
Off-street car parks	3,129	-	-	-	(72)	-	-	3,057
Other infrastructure	5,155	-	1,681	-	(1,073)	-	2,030	7,793
Total infrastructure	332,216	572	5,792	-	(5,907)	-	4,259	336,932

South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014

Note 22 Property, plant and equipment and infrastructure (cont.)

	Balance at beginning of financial Year \$'000	Developer Contributed Assets (note 7) \$'000	Acquisition of assets (note 43) \$'000	Revaluation increments/ (decrements) (note 28) \$'000	Depreciation and amortisation (note 13) \$'000	Written down value of disposals (note 10) \$'000	Transfers \$'000	Balance at end of financial Year \$'000
2013								
Works in progress								
Land	-	-	3	-	-	-	-	3
Buildings	2,532	-	194	-	-	-	(2,470)	256
Furniture and Equipment	182	-	147	-	-	-	(329)	-
Roads	208	-	525	-	-	-	(693)	40
Footpaths	-	-	-	-	-	-	-	-
Kerb and channel	-	-	-	-	-	-	-	-
Drainage	869	-	(29)	-	-	-	(839)	1
Off-street car parks	-	-	-	-	-	-	-	-
Bridges	278	-	13	-	-	-	(278)	13
Major Culverts	250	-	169	-	-	-	(419)	-
Other infrastructure	1,851	-	492	-	-	-	(2,030)	313
Total works in progress	6,170	-	1,514	-	-	-	(7,058)	626
Total property, plant and equipment and infrastructure	465,021	572	12,278	-	(9,506)	(1,168)	-	467,197

**South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014**

	2014	2013
	\$'000	\$'000
NOTE 23		
Investment properties		
Balance at the beginning of the year	674	674
Fair value adjustment	42	-
TOTAL INVESTMENT PROPERTIES	<u>716</u>	<u>674</u>

Investment properties include - Quarry site and a portion of the Stockyard gallery. Valuation of investment property has been determined in accordance with an independent valuation by Marc Babos , AAPi (Council employee) who has recent experience in the location and category of the property being valued. The valuation is at fair value, based on the current market value for the property. The valuation is a level three valuation, meaning it is based on unobservable inputs. There have been no transfers between levels during the period. There were no changes in valuation techniques throughout the period to 30 June 2014. For investment properties measured at fair value, the current use of the asset is considered the highest and best use.

NOTE 24	Trade and other payables		
	Payables	3,776	3,044
	Accrued Salaries & Wages	412	365
	Accruals - Loan Interest	24	1
	TOTAL TRADE AND OTHER PAYABLES	<u>4,212</u>	<u>3,410</u>

NOTE 25	Trust funds and deposits		
	Refundable development bonds	88	124
	Refundable contract deposits	15	10
	Retention amounts	30	11
	Other Deposits	393	384
	TOTAL TRUST FUNDS AND DEPOSITS	<u>526</u>	<u>529</u>

South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014

NOTE 26 Provisions

	Annual Leave \$'000	Rostered Days Leave \$'000	Long Service Leave \$'000	Defined Benefits Superannuation \$'000	Landfills Restoration \$'000	Total \$'000
2014						
Balance at beginning of the financial year	2,010	166	3,145	-	1,198	6,519
Additional provisions	1,551	24	807		200	2,582
Amounts used	(1,536)		(515)		(142)	(2,193)
Increase / (decrease) in the discounted amount arising because of time and the effect of any changes in the discount rate.			6			6
Balance at the end of the financial year	2,025	190	3,443	-	1,256	6,914

2013

Balance at beginning of the financial year	1,688	138	2,848	4,612	424	9,710
Additional provisions	1,804	28	880	-	774	3,486
Amounts used	(1,482)	-	(573)	(4,612)	-	(6,667)
Increase / (decrease) in the discounted amount arising because of time and the effect of any changes in the discount rate.	-	-	(10)	-	-	(10)
Balance at the end of the financial year	2,010	166	3,145	-	1,198	6,519

	2014 \$'000	2013 \$'000
Current provisions expected to be settled within 12 months		
Annual Leave	1,446	1,436
Rostered Days	190	166
Long Service Leave	1,292	1,162
Landfill restoration	558	500
	3,486	3,264
Current provisions expected to be settled after 12 months		
Annual Leave	579	574
Long Service Leave	1,608	1,728
	2,187	2,302
Total Current Provisions	5,673	5,566
(II) Non-current		
Long Service Leave	543	255
Landfill restoration	698	698
Total Non-Current Provisions	1,241	953
Total Provisions	6,914	6,519

(b) Landfill restoration

Under requirement of the Environmental Protection Authority (EPA), Council has a present obligation to perform site rehabilitation works for two landfills that it operates. Current engineering projections indicate that the Koonwarra landfill site will remain operating at least until 2045, however the landfill license requires rehabilitation of the site on a progressive basis, with each landfill cell to be rehabilitated within 12 months of it being filled. The forecast life of the Koonwarra landfill 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 on a current understanding of the work required to reinstate the site to a standard that will meet EPA requirements and the budgeted costs of all works and advice associated with those works. Accordingly, the estimates of provision required is dependent on the accuracy of the forecast, timing of the work, work required, and related costs.

Council does not expect to receive reimbursement from a third party.

NOTE 27 Interest-bearing loans and borrowings

Current

Loans - Secured *	3,350	134
TOTAL INTEREST-BEARING LOANS AND BORROWINGS	3,350	134

* The loans are secured over the general rates of the Council.

The maturity profile for Council's borrowings is:

Not later than one year	3,350	134
TOTAL	3,350	134

South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014

NOTE 28 Reserves

	Balance at beginning of reporting period \$'000's	Increment (decrement) \$'000's	Realisation to accumulated surplus \$'000's	Balance at end of reporting period \$'000's
<u>(a) Asset Revaluation Reserve</u>				
<u>2014</u>				
<i>Property</i>				
Land	27,727	1,113	-	28,840
Land under Roads	4,110	260	-	4,370
Investments in associates (Note 16)	74	-	-	74
Buildings	23,759	3,431	-	27,190
Heritage buildings	714	(191)	-	523
Plant & Equipment	386	-	-	386
	56,770	4,613	-	61,383
<i>Infrastructure</i>				
Roads and Streets	191,204	8,926	-	200,130
Bridges	5,529	77	-	5,606
Major Culverts	4,192	(686)	-	3,506
Drainage	7,825	2,422	-	10,247
Footpaths	5,442	21	-	5,463
Kerb & Channel	8,004	1,569	-	9,573
Car parks	2,184	457	-	2,641
Other Structures	1,754	(318)	-	1,436
	226,134	12,468	-	238,602
Total Asset Revaluation Reserve	282,904	17,081	-	299,985
<u>2013</u>				
<i>Property</i>				
Land	27,727	-	-	27,727
Land under Roads	4,110	-	-	4,110
Investments in associates	74	-	-	74
Buildings	23,759	-	-	23,759
Heritage buildings	714	-	-	714
Plant & Equipment	386	-	-	386
	56,770	-	-	56,770
<i>Infrastructure</i>				
Roads and Streets	191,204	-	-	191,204
Bridges	5,529	-	-	5,529
Major Culverts	4,192	-	-	4,192
Drainage	7,825	-	-	7,825
Footpaths	5,442	-	-	5,442
Kerb & Channel	8,004	-	-	8,004
Car parks	2,184	-	-	2,184
Other Structures	1,754	-	-	1,754
	226,134	-	-	226,134
Total Asset Revaluation Reserve	282,904	-	-	282,904

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

**South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014**

NOTE 28 Reserves (cont.)

	Balance at beginning of reporting period \$'000's	Transfer from accumulated surplus \$'000's	Transfer to accumulated surplus \$'000's	Balance at end of reporting period \$'000's
--	--	---	---	--

(b) Other Reserves

2014

Public Open Space	403	368	(651)	120
Caravan Parks Reserve	345	872	(1,217)	-
General Reserve	486	316	(801)	1
Corner Inlet Seawall Reserve	20	1	-	21
Henry's Road Reserve	42	2	-	44
Total Other Reserves	1,296	1,559	(2,669)	186

2013

Public Open Space	261	142	-	403
Caravan Parks Reserve	199	146	-	345
General Reserve	339	147	-	486
Corner Inlet Seawall Reserve	24	-	(4)	20
Henry's Road Reserve	40	2	-	42
Total Other Reserves	863	437	(4)	1,296

Public Open Space

Statutory reserve to be used for the future development of land for public purposes.

Caravan Parks Reserve

Reserve created for future funding of Caravan Parks projects

General Reserve

Reserve to provide for unforeseen and unavoidable future costs.

Corner Inlet Seawall Reserve

Reserve for the maintenance of a seawall to protect private lands from flooding.

Henry's Road Reserve

Reserve for contributions made by developers for future road improvement works.

**South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014**

	2014 \$'000	2013 \$'000
NOTE 29 Reconciliation of cash flows from operating activities to surplus / (deficit)		
Surplus / (Deficit) for the year	(1,939)	1,758
Depreciation and amortisation	10,173	9,506
Finance costs	104	24
(Gain) / Loss on disposal of Property, Plant and Equipment and Infrastructure	42	(279)
Contributions - non - monetary assets	(121)	(572)
Share of Library Corporation (note 16)	(173)	(125)
Fair value adjustment for investment property	(42)	-
<i>Change in assets and liabilities:</i>		
(Increase) / Decrease in Trade and other Receivables	(278)	(769)
(Increase) / Decrease in Other Assets	(99)	207
(Increase) / Decrease in Inventories	(29)	98
Increase / (Decrease) in Payables	802	(1,555)
Increase / (Decrease) in Employee Entitlements	337	(3,965)
Increase / (Decrease) in Other Provisions	58	774
Net cash provided by operating activities	8,835	5,102
NOTE 30 Reconciliation of cash and cash equivalents		
Cash at the end of the year as shown in the cash flow statement is reconciled to the related items in the Balance Sheet as follows:		
Cash and cash equivalents (see note 18)	11,425	9,992
Total cash and cash equivalents	11,425	9,992
NOTE 31 Financing Facilities		
Bank Overdraft		
Unused facilities	1,000	1,000
Total financing facilities	1,000	1,000
NOTE 32 Restricted Assets		
Council has cash and cash equivalents (note 18) and other financial assets (note 20) that are subject to restrictions. As at the reporting date, Council had legislative restrictions in relation to reserve funds (Recreational Lands Reserves) and government receipts.		
Current		
Government Receipts (note 6)	1,979	4,685
Reserve funds (note 28 (b))	120	403
TOTAL RESTRICTED CURRENT ASSETS	2,099	5,088

**South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014**

NOTE 33 Superannuation

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

Obligations for contributions to the Fund are recognised as an expense in Comprehensive Income Statement when they are made or due.

(a) Accumulation Benefits Plan

In accordance with the Superannuation Guarantee Legislation and Choice of Funds Legislation, Council makes employer superannuation contributions in respect of its employees to the following accumulation funds:-

- Health and Exercise Science Technologists Association (HESTA)
- Australian Mutual Provident Society (AMP)
- MLC
- Hospitality and Tourism Employees Fund (Hostplus)
- Australian Retirement Fund (ARF)
- Health Super
- Vic Super
- Retail Employees Superannuation Trust (REST)
- MMGG Super
- Perpetual Super Fund
- Vision Super (Local Authorities Superannuation Fund)
- Care Super Fund
- Self Managed Funds
- COMM Life Super
- Australian Ethical Investment and Superannuation
- Q Super
- BT Super for life
- Combined Super Fund
- Emergency Services Super
- Essential Super Fund
- Colonial First State Super
- Local Government Super Scheme
- MTAA Super Fund
- Netwealth Super Fund
- North Personal Super
- Prime Superannuation
- Recruitment Super
- Tasplan
- Asgard
- Commonwealth Bank Retirement Fund
- Colonial Super Retirement Fund
- Equip Super Fund
- IOOF
- Telstra Super Fund
- Unisuper

The fund's accumulation category, Vision super saver, receives both employer and employee contributions on a progressive basis. Council's contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2014, this was 9.25% required under Superannuation Guarantee legislation). No further liability accrues to the employer as the superannuation benefits accruing to the employees are represented by their share of the net assets of the Fund.

Effective from 1 July 2014 the Superannuation Guarantee contribution rate is legislated to increase to 9.50%.

**South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014**

NOTE 33 Superannuation (cont.)

(b) Defined Benefits

The Fund's Defined Benefit category is a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated to each employer, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided under paragraph 32 (b) of AAS 119, the Council does not use defined benefit accounting for these defined benefit obligations.

Council makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund's actuary. Council makes employer contributions to the Funds Defined Benefit category at rates determined by the Fund's Trustee. This rate is currently 9.25% of member's salaries (9.25% in 2012/13).

In addition, Council reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit (the funded resignation or retirement benefit is calculated as the VBI multiplied by the benefit).

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

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

Unfunded Superannuation Liability - Funding Calls

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

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

If either of the above occur, the Fund has a shortfall for the purposes of SPS 160 and the Fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. There may be circumstances where the Australian Prudential Authority (APRA) may approve a period longer than three years.

The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%. Since 30 June 2013 the VBI has been in excess of 100%. The 31 March estimated VBI was 104.6%. As this is greater than 100%, the fund is considered to be fully funded with no action required by employers at this stage.

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

Contributions by South Gippsland Shire Council (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2014 are detailed below:

Scheme	Type of scheme	Rate	2014 \$'000	2013 \$'000
Vision Super	Defined benefits	0.0925	126	54
Vision Super/Other Super funds	Accumulation	0.0925	1583	1403

Contributions outstanding to the above schemes as at 30 June 2014 was \$ 6,586.

The expected contributions to be paid to the defined benefit category of Vision Super for the year ending 30 June 2015 is \$130,000.

South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014

NOTE 34 Commitments

The Council has entered into the following commitments

2014	Not Later Than 1 Year	Later than 1 year and not later than 5 Years	Later than 5 years	Total
	\$'000	\$'000	\$'000	\$'000
<u>Operating</u>				
Transfer Stations	769	2,694		3,463
Litter Bins	172	687		859
Office Cleaning	71	71		142
Hall Operations	79	79		158
Meals on Wheels	45			45
Libraries	950			950
General Materials & Services	216			216
Equipment Hire	65			65
Maintenance Contracts	3			3
Construction Contracts	688			688
<u>Capital</u>				
Construction Contracts	27			27
Equipment Hire	2			2
General Materials & Services	42			42
Plant/Fleet Purchase	140			140
Total	3,269	3,531	-	6,800

2013	Not Later Than 1 Year	Later than 1 year and not later than 5 Years	Later than 5 years	Total
	\$'000	\$'000	\$'000	\$'000
<u>Operating</u>				
Transfer Stations	769	3,079	385	4,233
Litter Bins	172	687	86	945
Office Cleaning	71			71
Hall Operations	79	105		184
SG Splash	407			407
Meals on Wheels	19			19
Libraries	-			-
General Materials & Services	854			854
Equipment Hire	186			186
Maintenance Contracts	38			38
Construction Contracts	707			707
<u>Capital</u>				
Construction Contracts	194			194
General Materials & Services	367			367
Plant/Fleet Purchase	341			341
Total	4,204	3,871	471	8,546

South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014

	2014 \$'000	2013 \$'000
NOTE 35 Operating Leases		
(a) Operating Lease Commitments		
At the reporting date, the Council had the following obligations under non-cancellable operating leases for the lease of plant and equipment and land and buildings for use within Council's activities (these obligations are not recognised as liabilities).		
Not later than one year	200	159
Later than one year and not later than five years	329	329
Later than five years	-	3
Total operating lease commitments	529	491
(b) Operating Lease Receivables		
The Council has entered into commercial property leases on its investment property, consisting of surplus freehold office complexes and a quarry site. These properties held under operating leases have remaining non-cancellable lease terms of between 1 and 10 years. All leases include a CPI based revision of the rental charge annually.		
Future minimum rentals receivable under non-cancellable operating leases are as follows:		
Not later than one year	85	97
Later than one year and not later than five years	163	209
Later than five years	401	598
Total operating lease receivables	649	904

NOTE 36 Contingent Liabilities and Contingent Assets

Contingent Liabilities

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

Under requirement of the Environmental Protection Authority (EPA), Council has a present obligation to perform site rehabilitation works for landfills that it operates on a progressive basis. At balance date Council has made necessary provisions for rehabilitation of Landfills that are currently in operation (Refer note 26 (b)). However the estimates of provision required is dependent on the accuracy of the forecast, timing of the work, work required, and related costs.

Guarantees

Council has taken out Bank Guarantees with Commonwealth Bank of Australia as per details below:

Description	Favouree		Amount
Contract Performance Guarantee	South Gippsland Regional Water Board	\$	40,000
Contract Performance Guarantee	Department of Energy and Minerals	\$	15,000
Contract Performance Guarantee	Department of Natural Resources & Minerals	\$	20,000
Security Deposit Guarantee	Environment Protection Authority	\$	425,000
	State of Victoria - Environment Protection	\$	451,296
Security Deposit Guarantee	Authority		
Total contingent liability as at 30 June 2014		\$	951,296

Contingent Assets

Developer contributions to be received by Council in respect of estates currently under development total \$0.12 M (2013 \$0.57M).

South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014

NOTE 37 Financial Instruments

(a) Accounting policy, terms and conditions.

Recognised Financial Instruments	Note	Accounting Policy	Terms and Conditions
<u>Financial Assets</u>			
Cash and cash equivalents	18	Cash on hand and at bank and money market call account are valued at face value.	On call deposits returned a floating interest rate of 2.5% to 2.75% (2.75% to 3.5% in 2012/13). The interest rate at balance date was 2.5% (2.75% in 2012/13).
		Interest is recognised as it accrues.	Funds returned fixed interest rates of between 3.15% (3.8% in 2012/13) and 4.5% (5.9% in 2012/13) net of fees.
		Investments and bills are valued at cost.	Funds provided a return of between 3.15% (3.8% in 2012/13) and 4.5% (5.9% in 2012/13) net of fees.
Other Financial assets	20	Investments are held to maximise interest returns and held to maturity at amortised cost.	Funds provided a return of between 3.45% (4.45% in 2012/13) and 4.2% (5.8% in 2012/13) net of fees.
Trade and Other Receivables	19	Receivables are carried at amortised cost using the effective interest method. A provision for doubtful debts is recognised when there is objective evidence that an impairment loss has occurred. Collectability of overdue accounts is assessed on an ongoing basis.	General debtors are unsecured and interest free. Credit terms are usually up to 30 days.
<u>Financial Liabilities</u>			
Trade and Other Payables	24	Liabilities are recognised for amounts to be paid in the future for goods received and services provided to Council as at balance date whether or not invoices have been received.	General creditors are unsecured, not subject to interest charges and are normally settled within 30 days of invoice receipt.
Interest-bearing loans and borrowings.	27	Loans are carried at their principal amounts, which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and recognised as part of payables.	Borrowings are secured by way of mortgage over the general rates of the Council. The average weighted interest rate on borrowings was 3.41% (6.55% in 2012/13)

South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014

NOTE 37 Financial Instruments (cont.)

(b) Interest Rate Risk

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

2014

	Floating Interest Rate	Fixed interest maturing in:			Non interest bearing	Total
		1 year or less	Over 1 to 5 years	More than 5 years		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets						
Trade & other receivables *	-	-	-	-	2,232	2,232
Other Financial Assets	-	351	-	-	-	351
Cash and cash equivalents	7,421	4,000	-	-	4	11,425
Total Financial Assets	7,421	4,351	-	-	2,236	14,008
Weighted average interest rate	2.52%	3.76%				
Financial Liabilities						
Trade and other payables	-	-	-	-	4,212	4,212
Trust funds and deposits	-	-	-	-	526	526
Interest - bearing loans and borrowings	-	3,350	-	-	-	3,350
Total Financial Liabilities	-	3,350	-	-	4,738	8,088
Weighted average interest rate		3.41%				
Net financial assets / (liabilities)	7,421	1,001	-	-	(2,502)	5,920

2013

	Floating Interest Rate	Fixed interest maturing in:			Non interest bearing	Total
		1 year or less	Over 1 to 5 years	More than 5 years		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets						
Trade & other receivables *	-	-	-	-	2,571	2,571
Other Financial Assets	-	1,700	-	-	-	1,700
Cash and cash equivalents	3,791	6,197	-	-	4	9,992
Total Financial Assets	3,791	7,897	-	-	2,575	14,263
Weighted average interest rate	3.50%	5.70%				
Financial Liabilities						
Trade and other payables	-	-	-	-	3,410	3,410
Trust funds and deposits	-	-	-	-	529	529
Interest - bearing loans and borrowings	-	134	-	-	-	134
Total Financial Liabilities	-	134	-	-	3,939	4,073
Weighted average interest rate		6.55%	6.55%			
Net financial assets / (liabilities)	3,791	7,763	-	-	(1,364)	10,190

* Excludes Statutory balances

South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014

NOTE 37 Financial Instruments (cont.)

(c) Net Fair Values

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

Financial Instruments	Total Carrying amount as per the Balance Sheet		Aggregate net fair value	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Financial Assets				
Trade & other receivables	2,232	2,571	2,232	2,571
Other Financial Assets	351	1,700	351	1,700
Cash and cash equivalents	11,425	9,992	11,425	9,992
Total Financial Assets	14,008	14,263	14,008	14,263
Financial Liabilities				
Trade and other payables	4,212	3,410	4,212	3,410
Trust funds and deposits	526	529	526	529
Interest - bearing loans and borrowings	3,350	134	3,350	131
Total Financial Liabilities	8,088	4,073	8,088	4,070

(d) Credit Risk.

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

**South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014**

NOTE 37 Financial Instruments (cont.)

(e) Risks and mitigation

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

Market risk

Market risk is the risk that the fair value or future cash flows of our financial instruments will fluctuate because of changes in market prices.

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

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that we use. Non derivative interest bearing assets are predominantly short term liquid assets. Our interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which exposes us to fair value interest rate risk.

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

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

We manage the interest rate exposure on our net debt portfolio by appropriate budgeting strategies and obtaining approval for borrowings from the Department of Transport, Planning and Local Infrastructure each year.

Investment of surplus funds is made with approved financial institutions under the *Local Government Act 1989*.

We manage interest rate risk by adopting an investment policy that ensures:

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

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

Credit risk

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

- we have a policy for establishing credit limits for the entities we deal with;
- we may require collateral where appropriate; and
- we only invest surplus funds with approved financial institutions under the *Local Government Act 1989*.

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

We may also be subject to credit risk for transactions which are not included in the balance sheet. Details of our contingent liabilities are disclosed in note 36.

**South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014**

NOTE 37 (e) Risks and mitigation (cont.)

Provisions for Doubtful Debts

At balance date Council did not have any provision for doubtful debts (2012/13 - \$ Nil). All debts are considered to be fully recoverable.

Ageing of Trade and Other Receivables

At balance date other debtors representing financial assets were past due but not impaired. These amounts relate to a number of independent customers for whom there is no recent history of default. The ageing of Council's Trade and Other Receivables was:

	2014	2013
	\$'000	\$'000
Current (not yet due)	419	597
Past due by up to 30 Days	488	705
Past due between 31 and 180 days	1,270	1,193
Past due between 181 and 365 days	7	61
Past due by more than 1 year	48	15
Total Trade & Other Receivables *	2,232	2,571

* Excludes Statutory debtors & GST Receivable

Ageing of individually impaired Trade and Other Receivables

At balance date other debtors representing financial assets with a nominal value of \$ Nil (2012/13 - \$ Nil) were impaired. The amount of provision raised against these debtors was \$ Nil (2012/13 \$ Nil). The individually impaired debtors relate to general and sundry debtors and have been impaired as a result of their doubtful collection. Many of the long outstanding past due amounts have been lodged with Council's debt collectors or are on payment arrangements.

As at balance date Council did not have any Trade and Other Receivables that have been individually determined as impaired.

Liquidity risk

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

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

To help reduce these risks we:

- have a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- have readily accessible standby facilities 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
- have financial strategies that are specific for borrowings and the financial ramifications are reflected in the long term financial plan.

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

South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014

NOTE 37 (e) Risks and mitigation (cont.)

The table below lists the contractual maturities for Financial Liabilities
These amounts represent undiscounted gross payments including both principal and interest amounts.

2014	6 months or less \$'000	6 - 12 months \$'000	1 - 2 years \$'000	2 - 5 years \$'000	5+ years \$'000	Contracted Cash Flow \$'000	Carrying Amount \$'000
Trade and Other Payables	4,212	-	-	-	-	4,212	4,212
Trust funds and deposits	50	-	46	388	42	526	526
Interest bearing loans and borrowings	3,350	-	-	-	-	3,350	3,350
Total financial liabilities	7,612	-	46	388	42	8,088	8,088

2013	6 months or less \$'000	6 - 12 months \$'000	1 - 2 years \$'000	2 - 5 years \$'000	5+ years \$'000	Contracted Cash Flow \$'000	Carrying Amount \$'000
Trade and Other Payables	3,410	-	-	-	-	3,410	3,410
Trust funds and deposits	47	150	247	53	32	529	529
Interest bearing loans and borrowings	134	-	-	-	-	134	134
Total financial liabilities	3,591	150	247	53	32	4,073	4,073

(f) Sensitivity disclosure analysis

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

- A parallel shift of +1% and -1% in market interest rates (AUD) from year-end cash rate of 2.5% (2012/13: 2.75%)

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

	Interest rate risk				
	Carrying amount subject to floating interest rates. \$'000	-1% 100 basis points		+1% 100 basis points	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
2014					
Financial assets:					
Cash and cash equivalents #	11,421	(114)	(114)	114	114
Financial liabilities:					
Interest-bearing loans and borrowings	-	-	-	-	-
2013					
Financial assets:					
Cash and cash equivalents #	9,988	(100)	(100)	100	100
Financial liabilities:					
Interest-bearing loans and borrowings	-	-	-	-	-

Does not include cash on hand

**South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014**

		2014 \$'000	2013 \$'000
NOTE 38	Auditor's Remuneration		
	Audit fee to conduct external audit - Victorian Auditor-General	46	45
	Internal audit fees	29	45
		<u>75</u>	<u>90</u>

NOTE 39 **Events occurring after balance date**

There are no events occurring after balance date that will affect the amounts stated in this financial report.

NOTE 40 **Related Party Transactions**

(i) Responsible Persons

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

Councillors	Mohya Davies Jeanette Harding Kieran Kennedy Lorraine Brunt Andrew McEwen Robert (Bob) Newton James (Jim) Fawcett Don Hill Nigel Hutchinson-Brooks
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Chief Executive Officer	Tim Tamlin
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(ii) Remuneration of Responsible Persons

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

	2014 No.	2013 No.
\$0 - \$9,999	-	3
\$10,000 - \$19,999	-	4
\$20,000 - \$29,999	7	5
\$40,000 - \$49,999	1	-
\$50,000 - \$59,999	1	1
\$230,000 - \$239,999	-	1
\$250,000 - \$259,999	1	-
TOTAL	<u>10</u>	<u>14</u>
	\$'000	\$'000
Total Remuneration for the reporting period for Responsible Persons included above, amounted to :	529	497

**South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014**

NOTE 40

Related Party Transactions (cont.)

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

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

(v) Other Transactions

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

(vi) **Senior Officers Remuneration**

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

- (a) has management responsibilities and reports directly to the Chief Executive Officer; or
- (b) whose total annual remuneration exceeds \$133,000 (2012/13 - \$130,000)

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

	2014 No.	2013 No.
Income Range :		
< \$133,000	3	-
\$133,000 - \$139,999	4	5
\$140,000 - \$149,999	1	-
\$160,000 - \$169,999	-	1
\$170,000 - \$179,999	3	3
\$210,000 - \$219,999	1	-
TOTAL	<u>12</u>	<u>9</u>
	\$'000	\$'000
Total Remuneration for the reporting period for Senior Officers included above, amounted to :	1,615	1,361

South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014

NOTE 41 (a) Income, expenses and assets by function / activities of the Council

Details of these functions / activities are set out in note 41(b)

	Chief Executive Officer		Community Services		Corporate Services		Development Services		Engineering Services		Total	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
INCOME												
Grants	-	-	2,606	2,811	2,621	5,012	160	246	8,988	13,241	14,375	21,310
Other	-	-	4,307	3,879	32,789	31,334	1,466	1,281	1,914	1,264	40,476	37,758
TOTAL INCOME	-	-	6,913	6,690	35,410	36,346	1,626	1,527	10,902	14,505	54,851	59,068
EXPENSES	(1,608)	(1,124)	(11,193)	(10,437)	(20,203)	(19,824)	(4,390)	(4,543)	(19,396)	(21,382)	(56,790)	(57,310)
SURPLUS / (DEFICIT)	(1,608)	(1,124)	(4,280)	(3,747)	15,207	16,522	(2,764)	(3,016)	(8,494)	(6,877)	(1,939)	1,758
ASSETS ATTRIBUTED TO FUNCTIONS / ACTIVITIES*	1,353	1,435	999	1,359	-	-	-	-	502,054	482,060	504,406	484,854

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

**South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014**

NOTE 41 (b) Component Function/Activities

The activities relating to the municipality's components reported on in Note 41(a) are as follows:

EXECUTIVE SERVICES

- Ensure the program areas for all directorates' teams and program areas of Council are provided in an efficient, professional and timely manner.
- Administer the operation of Councillor services such as Council briefings and meetings, Councillor education and professional development.
- Identify, attract and facilitate grant funding consistent with the Council's Long Term Financial Plan.
- Support good governance and Council's decision making.
- Show leadership in the development and implementation of Council's key strategies.
- Develop and support relationships with community, business and key stakeholders.
- Manage Council's resources.
- Lead, build and develop the leadership team and staff.
- Economic Development and Project Delivery.
- Provide Human Resources, Payroll and Occupational Health and Safety services.

COMMUNITY SERVICES

- Assist individual communities through community planning, volunteerism and community focused activity.
- Manage the strategic direction of libraries across the Shire.
- Provide a range of responsive and flexible services and programs to the community to support changing needs and to optimise health and wellbeing.
- Provide Home and Community Care services.
- Increase community services and awareness for aged people and people with a disability.
- Maximise the health potential of all children through the early identification, intervention and prevention of issues affecting young children and their families.
- Encourage participation in arts and cultural activity.
- Provide leadership, engagement in civic life and role modelling opportunities for the young people of South Gippsland.
- Support and encourage enterprises that enhance the prosperity and vibrancy of the South Gippsland community.
- Operate, supervise and maintain Children's Crossings.
- Comply with the statutory requirements of the Country Fire Authority Act 1958.
- Provide waste management services and associated infrastructure.
- Manage sustainability services in South Gippsland.

**South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014**

NOTE 41 (b) Component Function/Activities (cont.)

CORPORATE SERVICES

- Provide high-level strategic advice to Council, Chief Executive and Executive management group in establishing the 4 year and annual Council Plan directions.
- Facilitate Council's continuous improvement of internal systems and processes.
- Provide officers with governance advice and agenda preparation assistance.
- Provide internal legal advice and review all contracts, agreements and other legal documents.
- Administer the allocation of grants made to community groups.
- Provide risk management support services to Council.
- Deliver Councils' business information systems.
- Provide frontline customer services to residents and visitors of South Gippsland.
- Management of Council's records.
- Provide strategic financial advice to Council including preparation of annual and long term financial plans.
- Provide high quality internal and external communication.
- Provision of valuation services to Council's rateable properties.
- Administer rates and charges on all rateable properties to Council.

DEVELOPMENT SERVICES

- Facilitate economic growth in the Prom Country (South Gippsland) region.
- Ensure all buildings within the municipality comply with building regulations.
- Facilitate the assessment of town planning activities within the municipality and preparation of the strategy.
- Promote a high standard of public health through prevention, education and enforcement of Food and Health Acts.
- Facilitate the protection of public health through the regulation of wastewater disposal.
- Provide strategic recreation planning, development and promotion.
- Tourism strategic planning and promotion.
- Administer and enforce relevant provisions of the Domestic (feral & nuisance) Animals Act 1994 and Impounding of Livestock Act 1994.
- Prepare, administer and enforce Council's Local Laws.

ENGINEERING SERVICES

- Develop and implement Engineering, Infrastructure and Asset Management policies, strategy, plans, programs and services.
- Provide a safe and trafficable local road network
- Develop and deliver capital projects where funding is provided jointly by community groups, State and/or Federal Government and Council.
- Administer and deliver annual building and infrastructure maintenance program.
- Administer and deliver the property, fleet and plant program.
- Deliver Parks and Gardens programs.

**South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014**

	2014 \$'000	2014 %	2013 \$'000	2013 %	2012 \$'000	2012 %
NOTE 42 Financial ratios (performance indicators)						

- (i) **Debt Servicing Ratio (%)**
(to identify the capacity of Council
to service its outstanding debt)

<u>Debt servicing costs</u> Total revenue	$\frac{127}{54,851} =$	0.23%	$\frac{23}{59,068} =$	0.04%	$\frac{77}{56,222} =$	0.14%
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Debt servicing costs refers to the payment of interest on loan borrowings.
The ratio expresses the amount of interest paid as a percentage of Council's total revenue.

- (ii) **Debt Commitment Ratio (%)**
(to identify Council's debt
redemption strategy)

<u>Debt servicing & redemption costs</u> Rate revenue	$\frac{911}{33,712} =$	2.70%	$\frac{340}{31,375} =$	1.08%	$\frac{1,205}{29,562} =$	4.08%
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The strategy involves the payment of loan principal and interest.
The ratio expresses the percentage of rate revenue utilised to pay interest and redeem debt principal.

**South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014**

2014 \$'000	2014 %	2013 \$'000	2013 %	2012 \$'000	2012 %
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NOTE 42 Financial ratios (performance indicators) (cont'd)

(iii) Revenue Ratio (%)

(to identify Council's dependence
on non-rate income)

<u>Rate revenue</u>	33,712	=	61.46%	<u>31,375</u>	=	53.12%	<u>29,562</u>	=	52.58%
<u>Total revenue</u>	54,851			59,068			56,222		

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

(iv) Debt Exposure Ratio (%)

(to identify Council's
exposure to debt)

<u>Total indebtedness</u>	12,903	=	10.61%	<u>5,504</u>	=	3.78%	<u>11,823</u>	=	7.70%
<u>Total realisable assets</u>	121,632			145,558			153,490		

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

Any liability represented by a restricted asset (note 32) is excluded
from total indebtedness.

The following assets are excluded from total assets when calculating
Council's realisable assets: land and buildings on Crown land;
restricted assets; heritage assets; total infrastructure assets; land
under roads; and Council's investment in associates.

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

**South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014**

2014 \$'000	2014 %	2013 \$'000	2013 %	2012 \$'000	2012 %
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NOTE 42 Financial ratios (performance indicators) (cont'd)

(v) Working Capital Ratio (%)

(to assess Council's ability to meet current commitments).

$\frac{\text{Current assets}}{\text{Current liabilities}}$	$\frac{16,870}{13,761} =$	122.59%	$\frac{16,380}{9,639} =$	169.93%	$\frac{21,826}{10,564} =$	206.61%
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The ratio expresses the level of current assets the Council has available to meet its current liabilities.

(vi) Adjusted Working Capital Ratio (%)

(to assess council's ability to meet current commitments).

$\frac{\text{Current assets}}{\text{Current liabilities}}$	$\frac{16,870}{11,574} =$	145.76%	$\frac{16,380}{7,337} =$	223.25%	$\frac{21,826}{9,432} =$	231.40%
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The ratio expresses the level of current assets the Council has available to meet its current liabilities. Current liabilities have been reduced to reflect employee benefits that are shown as current liabilities because Council does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date, but is not likely to fall due within 12 months after the end of the period.

South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014

	2014	2013
	\$'000	\$'000
NOTE 43 Capital Works		
Capital expenditure areas (including works in progress) :		
Land	-	470
Buildings	1,058	1,233
Plant & Equipment	3,025	3,145
Office Furniture & Equipment	161	468
Roads	4,734	3,668
Bridges	644	206
Culverts	-	283
Footpaths	383	577
Drains	1,295	33
Kerb & Channel	52	22
Off-street car parks	-	-
Other Structures *	1,241	2,173
TOTAL CAPITAL WORKS	12,593	12,278
Represented by:		
Renewal of infrastructure	6,791	5,837
Upgrade of infrastructure	2,055	804
Expansion of infrastructure	561	1,916
New infrastructure	-	108
Renewal of plant & equipment	3,186	3,613
Total capital works	12,593	12,278
* Includes Landfill Rehabilitation provision	-	698

Property, plant and equipment and infrastructure movement

The movement between the previous year and the current year in property, infrastructure, plant and equipment as shown in the Balance Sheet links to the net of the following items:	2014	2013
	\$'000	\$'000
Total capital works	12,593	12,278
Asset revaluation movement *	17,081	-
Developer contributed assets	121	572
Depreciation and amortisation	(10,173)	(9,506)
Written down value of assets sold	(775)	(1,168)
Net movement in property, plant & equipment and infrastructure	18,847	2,176
* Does not include investment in Associates (revaluation increments).		

(a) Asset renewal expenditure

Expenditure on an existing asset or on replacing an existing asset, which returns the service capability of the asset up to that which it originally had. Asset renewal expenditure reinstates existing assets, it has no impact on revenue, but may reduce future operating and maintenance expenditure if completed at the optimum time.

(b) Asset upgrade expenditure

Expenditure which enhances an existing asset to provide a higher level of service or that will increase the life of the asset beyond that which it originally had. Asset upgrade expenditure is discretionary and often does not result in additional revenue unless direct user charges apply. It will increase operating and maintenance expenditure in the future because of the increase in the council's asset base.

(c) Asset expansion expenditure

Expenditure that extends the capacity of an existing asset to provide benefits, at the same standard as is currently enjoyed by existing beneficiaries, to new users. It is discretionary expenditure which increases future operating and maintenance costs, because it increases council's asset base, but may be associated with additional revenue from the new user group.

(d) New asset expenditure

Expenditure which creates a new asset that provides a new service that did not previously exist. New asset expenditure does not have any element of renewal, expansion or upgrade of existing assets. New capital expenditure may or may not result in additional revenue for council and will result in an additional burden for future operation, maintenance and capital renewal.

**South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014**

NOTE 44 Pending Accounting Standards

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

Pronouncement	Summary	Application Date	Impact on Council
AASB 9 Financial Instruments	<p>AASB 9 simplifies the classifications of financial assets into those to be carried at amortised cost and those to be carried at fair value – the ‘available for sale’ and ‘held-to-maturity’ categories no longer exists. AASB 9 also simplifies requirements for embedded derivatives and removes the tainting rules associated with held-to-maturity assets.</p> <p>The new categories of financial assets are:</p> <ul style="list-style-type: none"> • Amortised cost – those assets with ‘basic’ loan features’. • Fair value through other comprehensive income – this treatment is optional for equity instruments not held for trading (this choice is made at initial recognition and is irrevocable). • Fair Value through profit and Loss – everything that does not fall into the above two categories. <p>The following changes also apply:</p> <ul style="list-style-type: none"> • Investments in unquoted equity instruments must be measured at fair value. However, cost may be the appropriate measure of fair value where there is insufficient more recent information available to determine a fair value. • There is no longer any requirement to consider whether ‘significant or prolonged’ decline in the value of financial assets has occurred. The only impairment testing will be on those assets held at amortised cost, and all impairments will be eligible for reversal. <p>Similarly, all movements in the fair value of a financial asset now go to the income statement, or, for equity instruments not held for trading, other comprehensive income. There is no longer any requirement to book decrements through the income statement, and increments through equity.</p>	1-Jul-15	<p>The impact is not likely to be extensive in the local government sector. Although it will vary considerably between entities. While the rules are less complex than those of AASB 139, the option to show equity instruments at cost has been largely removed, which is likely to lead to greater volatility within the income statement. However it may also lead to an improved financial position for some entities.</p> <p>This will also create a requirement to measure some instruments annually that has not previously existed.</p>
AASB 10 Consolidated Financial Statements	<p>This Standard forms the basis for determining which entities should be consolidated into an entity’s financial statements. AASB 10 defines ‘control’ as requiring exposure or rights to variable returns and the ability to affect those returns through power over an investee, which may broaden the concept of control for public sector entities.</p> <p>The AASB has issued an exposure draft ED 238 Consolidated Financial Statements – Australian Implementation Guidance for Not-for-Profit Entities that explains and illustrates how the principles in the Standard apply from the perspective of not-for-profit entities in the private and public sectors.</p>	1-Jul-14	<p>The AASB have finalised deliberations on ED 238 and any modifications made to AASB 10 for not-for-profit entities, Council will need to re-assess the nature of its relationships with other entities, including those that are currently not consolidated.</p>

**South Gippsland Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2014**

Pending Accounting Standards (cont.)

Pronouncement	Summary	Application Date	Impact on Council
AASB 11 Joint Arrangements	This Standard deals with the concept of joint control, and sets out a new principles-based approach for determining the type of joint arrangement that exists and the corresponding accounting treatment. The new categories of joint arrangements under AASB 11 are more aligned to the actual rights and obligations of the parties to the arrangement.	1-Jul-14	The AASB have finalised deliberations and any modifications made to AASB 11 for not-for-profit entities, Council will need to assess the nature of arrangements with other entities in determining whether a joint arrangement exists in light of AASB 11.
AASB 12 Disclosure of Interests in Other Entities	This Standard requires disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the financial statements. This Standard replaces the disclosure requirements in AASB 127 Separate Financial Statements and AASB 131 Interests in Joint Ventures. The exposure draft ED 238 proposes to add some implementation guidance to AASB 12, explaining and illustrating the definition of a 'structured entity' from a not-for-profit perspective.	1-Jul-14	Impacts on the level and nature of the disclosures will be assessed based on the eventual implications arising from AASB 10, AASB 11 and AASB 128 Investments in Associates and Joint Ventures.
AASB 127 Separate Financial Statements	This revised Standard prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.	1-Jul-14	The impact of this standard will need to be assessed in line with the final deliberations by the AASB on the application of this standard to not for profit entities.
AASB 128 Investments in Associates and Joint Ventures	This revised Standard sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.	1-Jul-14	The impact of this standard will need to be assessed in line with the final deliberations by the AASB on the application of this standard to not for profit entities.
AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounts Standard arising from Reduced Disclosure Requirements	These standards set out the tiers of financial reporting and the reduced disclosure framework.	1-Jul-14	Council has yet to determine the impact of this standard,

**South Gippsland Shire Council
Certification of Financial Statements
For the Year Ended 30 June 2014**

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

Financial Accountant : Mathew Oomman Kalloor CPA

Location : Leongatha

Dated : 24 / 09 / 2014

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

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

We have been authorised by the Council on 24 September 2014 to certify the financial statements in their final form.

Councillor : James Fawcett

Location : Leongatha

Dated : 24 / 09 / 2014

Councillor : Mohya Davies

Location : Leongatha

Dated : 24 / 09 / 2014

Acting Chief Executive Officer : Jan Martin

Location : Leongatha

Dated : 24 / 09 / 2014

SOUTH GIPPSLAND SHIRE COUNCIL STANDARD STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Commentary on the Comparison Report - the Standard Statements for the Annual Report

The Annual Report shows the actual results for the year.

The following four Standard Statements and explanatory notes for the Annual Report (Comparison Report) form a special purpose financial report prepared specifically to meet the requirements of the Local Government Act 1989 relating to Standard Statements.

The Standard Statements in this Comparison report each provide information in relation to an aspect of Council's financial management. They should be read in conjunction with one another to obtain an overall understanding of Council's financial position and management.

The Standard Income Statement, Standard Balance Sheet, Standard Cash Flows and Standard Statement of Capital Works for the Annual Report are consistent with the Budget and are prepared on basis consistent with the Financial Statements.

This report is a summary of the information found in the Budget and Financial Report and as such cannot be expected to provide as full an understanding of financial performance as the complete reports from which it is derived. The Budget and Financial Reports together with their detailed notes should be examined for further detailed information.

Notes to the Standard Statements

1 Basis of preparation of Standard Statements

Council is required to prepare and include audited Standard Statements within its Annual Report. The four statements are Standard Income Statement, Standard Balance Sheet, Standard Cash Flow Statement and a Standard Statement of Capital Works, together with explanatory notes.

These statements and supporting notes form a special purpose financial report prepared to meet the requirements of the *Local Government Act 1989* and *Local Government (Planning and Reporting) Regulations 2014*.

The Standard Statements have been prepared on accounting basis consistent with those used for the General Purpose Financial Statements and the Budget. The results reported in these statements are consistent with those reported in the General Purpose Financial Statements.

The Standard Statements are not a substitute for the General Purpose Financial Statements, which are included on pages **4 to 57** of the Annual Report. They have not been prepared in accordance with all Australian Accounting Standards or other authoritative professional pronouncements.

The Standard Statements compare Council's financial plan, expressed through its budget, with actual performance. *The Local Government Act 1989* requires explanation of any material variances. The Council has adopted a materiality threshold of \$100,000. 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 included in the Statements are those adopted by Council on 26 June 2013. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. The Council set guidelines and parameters for revenue and expense targets in this Budget in order to meet Council's business plan 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.

Detailed information on the actual financial results are contained in the General Purpose Financial Statements on pages **4 to 57**. The detailed Budget can be obtained by contacting Council or through the Council's website. The Standard Statements must be read with reference to these documents.

SOUTH GIPPSLAND SHIRE COUNCIL
STANDARD INCOME STATEMENT
D-1 COMPARISON REPORT
For the Year Ended 30 June 2014

	<i>Budget 2013/2014 \$'000</i>	<i>Actual 2013/2014 \$'000</i>	<i>Variances \$'000</i>	<i>%</i>	<i>Ref</i>
Revenue from Operating Activities					
Rates and charges	33,924	33,712	(212)	1	1
Operating Grants	9,206	11,192	1,986	22	2
Reimbursements	373	472	99	27	
Contributions	60	219	159	265	3
Interest	589	546	(43)	7	
User Charges	3,006	3,417	411	14	4
Statutory fees	519	556	37	7	
Net gain / (loss) on disposal of assets	372	(42)	(414)	111	5
Other	956	1,200	244	26	6
Total revenues	49,005	51,272	2,267	5	
Expenses from Operating Activities					
Employee benefits	21,133	20,943	(190)	1	7
Materials and services	19,843	22,138	2,295	12	8
Depreciation and amortisation	9,300	10,173	873	9	9
Other expenses	3,286	3,409	123	4	10
Finance costs	195	127	(68)	35	
Total expenses	53,757	56,790	3,033	6	
UNDERLYING RESULT	(4,752)	(5,518)	(766)		
Capital grants / Contributions	4,659	3,243	(1,416)	30	11
Donated /Granted Assets	1,304	121	(1,183)	91	12
Share of net profits / (losses) of associates accounted for using the equity method	-	173	173	-	13
Fair value adjustment for investment property		42	42	-	
Surplus / (deficit) for the year	1,211	(1,939)	(3,150)		
Net Asset Revaluation Increment	48,015	17,081	(30,934)	64	14
Total changes in Equity for the Year	49,226	15,142	(34,084)		

**SOUTH GIPPSLAND SHIRE COUNCIL
STANDARD INCOME STATEMENT
D-1 COMPARISON REPORT
For the Year Ended 30 June 2014**

Variance Explanation Report		
Ref.	Item	Explanation
Revenue - Operating		
1	Rates and charges	Supplementary general rates were lower than plan by \$ 236K. However Supplementary garbage services were above plan by \$ 23K. As supplementary rates cannot be accurately estimated during the budget process, variations are normal under this head of income.
2	Operating Grants	Operating grants higher than budget mainly due to receipt of additional Natural Disaster grants during the year as a result of various natural calamities (Floods, storms and severe rain events)
3	Contributions	Open space contributions were higher than plan by \$ 100K. Contributions were also received towards some of the recreation and community projects.
4	User Charges	User charges higher due to take over of Yanakie and Long Jetty Caravan Parks by the Council during the year.
5	Net gain / (loss) on disposal of assets	Profit from Land Sales were lower than plan by \$ 237K. Profit from sale of Plant and Fleet were also lower than plan.
6	Other	Private works revenue was higher than plan by \$ 327K. However rental income was lower than plan due to take over of two Caravan Parks which were previously leased out.
Expenses - Operating		
7	Employee benefits	There was a savings in WorkCover premiums to the extent of \$ 163K during the year.
8	Materials and services	Additional expenditure mainly due to natural disasters (floods, storms and severe rain events) of which majority of the expenses were funded by grants from the Department of Treasury and Finance, operating expenses on the newly acquired Caravan Parks \$ 400K, expenses on private works \$ 183K and maintenance cost of gravel roads, drains and resheets \$ 566K.
9	Depreciation and amortisation	Mainly due to higher depreciation charge on construction and future rehabilitation costs of Koonwarra Landfill Cell 3.
10	Other expenses	Due to carry over of community grants from previous year.
Others		
11	Capital grants / Contributions	Local government Infrastructure program grant of \$ 1.2M was recognised as income in 2012-13 and NDFA grant of \$ 560K was not received in 2013-14.
12	Donated /Granted Assets	Actual gifted assets were lower than estimates as the developments and hand over of assets to Council in 2013-14 was lower than expected.
13	Share of net profits / (losses) of associates	This share of profit from Libraries was unexpected and not budgeted.
14	Net Asset Revaluation Increment	Revaluation increments were substantially lower than plan due to the general condition of assets and the lower than expected inflation.

SOUTH GIPPSLAND SHIRE COUNCIL
STANDARD BALANCE SHEET
D-2 COMPARISON REPORT
As at 30 June 2014

	<i>Budget</i> <i>2013/2014</i> <i>\$'000</i>	<i>Actual</i> <i>2013/2014</i> <i>\$'000</i>	<i>Variances</i> <i>\$'000</i>	<i>%</i>	<i>Ref</i>
<i>Current assets</i>					
Cash and cash equivalents	7,638	11,425	3,787	50	1
Trade and other receivables	3,566	4,634	1,068	30	2
Other financial assets	3,750	351	(3,399)	91	3
Inventories	317	248	(69)	22	
Other assets	320	212	(108)	34	4
Total current assets	15,591	16,870	1,279	8	
<i>Non-current assets</i>					
Investments in associates	478	776	298	62	5
Fixed Assets	143,492	134,664	(8,828)	6	6
Roads, Streets & Bridges	384,323	352,096	(32,227)	8	7
Total non-current assets	528,293	487,536	(40,757)	8	
Total assets	543,884	504,406	(39,478)	7	
<i>Current liabilities</i>					
Trade and other payables	4,944	4,212	(732)	15	8
Trust funds and deposits	369	526	157	43	9
Provisions	4,953	5,673	720	15	10
Interest-bearing loans and borrowings	514	3,350	2,836	552	11
Total current liabilities	10,780	13,761	2,981	28	
<i>Non-current liabilities</i>					
Provisions	321	1,241	920	287	10
Interest-bearing loans and borrowings	2,997	-	(2,997)	100	11
Total non-current liabilities	3,318	1,241	(2,077)	63	
Total liabilities	14,098	15,002	904	6	
Net assets	529,786	489,404	(40,382)	8	
<i>Equity</i>					
Accumulated Surplus	195,164	189,233	(5,931)	3	12
Reserves	334,622	300,171	(34,451)	10	13
Total equity	529,786	489,404	(40,382)	8	

SOUTH GIPPSLAND SHIRE COUNCIL
STANDARD BALANCE SHEET
D-2 COMPARISON REPORT
As at 30 June 2014

Variance Explanation Report		
Ref.	Item	Explanation
1	Cash and cash equivalents	Partly compensated by lower Financial assets due to change in the composition of Investments
2	Trade and other receivables	Mainly due to invoice raised on Vic Roads for \$ 1.1M in April 2014 received in July 2014.
3	Other financial assets	Partly compensated by higher Cash and cash equivalents due to change in the composition of Investments
4	Other assets	The variance is due to higher pre-payments made in 2013-14.
5	Investments in associates	Surplus of West Gippsland Regional Library for 2012-13 and 2013-14 was not accounted for in the budget.
6	Fixed Assets	Mainly due to revaluation increments being substantially lower than plan due to the general condition of assets and the lower than expected inflation. Some of the capital projects had to be carried forward to 2014-15 due to the adverse weather conditions.
7	Roads, Streets & Bridges	Mainly due to revaluation increments being substantially lower than plan due to the general condition of assets and the lower than expected inflation. Some of the capital projects had to be carried forward to 2014-15 due to adverse weather conditions.
8	Trade and other payables	Trade and Other Payables as on 30 June 2014 was lower than plan due to carry forward of expenditure to 2014-15.
9	Trust funds and deposits	Funds received from Estate of James Harvey (Walter J Tuck Reserve) for safe custody and investment on their behalf has still not been returned.
10	Provisions	Annual and Long Service Leave provisions were higher than budget as leave taken was lower than estimated. Additional provisions made during the year for rehabilitation of Koonwarra Landfills Cell 1 & 2 (\$ 200K).
11	Interest-bearing loans and borrowings	During the year Council availed a loan of \$ 4M. Plan was to repay \$ 489K during the year and convert the balance loan into long term bonds. However there was a delay in conversion and the loan is currently being rolled over for short terms. Further \$ 650K of the loan was redeemed during the year.
12	Accumulated Surplus	Due to lower operating surplus of \$ 3M and difference in opening balance of accumulated surplus.
13	Reserves	As a result of revaluation increments being substantially lower than plan due to the general condition of assets and the lower than expected inflation. Reserves were also utilised to fund the acquisition of Caravan Parks and for funding the additional call on defined benefits superannuation.

SOUTH GIPPSLAND SHIRE COUNCIL
STANDARD CASH FLOW STATEMENT
D-3 COMPARISON REPORT
For the Year Ended 30 June 2014

	<i>Budget</i> 2013/2014 \$'000	<i>Actual</i> 2013/2014 \$'000	<i>Variances</i> \$'000	%	<i>Ref</i>
Operating					
Rates	33,924	33,157	(767)	2	1
Statutory fees and fines	519	557	38	7	
User charges and other fines	3,006	3,722	716	24	2
Grants	13,865	14,381	516	4	3
Reimbursements	373	472	99	27	
Interest received	589	551	(38)	6	
Rents	329	198	(131)	40	4
Other receipts	687	1,270	583	85	5
Payments to suppliers	(19,844)	(21,402)	(1,558)	8	6
Payments to employees	(21,043)	(20,604)	439	2	7
Other payments	(3,285)	(3,467)	(182)	6	8
Net cash inflow / (outflow) from operating activities	9,120	8,835	(285)	3	
Investing					
Proceeds from sale of property, plant and equipment	924	733	(191)	21	9
Payments for property, plant and equipment and infrastructure	(15,247)	(12,593)	2,654	17	10
Redemption (Purchase) of investments	-	1,349	1,349	-	11
Net cash inflow / (outflow) from investing activities	(14,323)	(10,511)	3,812	27	
Financing					
Proceeds from borrowings	4,000	4,000	-	-	
Repayment of borrowings	(623)	(784)	(161)	26	12
Finance Cost	(195)	(104)	91	47	
Trust Funds	-	(3)	(3)	-	
Net cash inflow / (outflow) from financing activities	3,182	3,109	(73)	2	
Net increase / (decrease) in cash held	(2,021)	1,433	3,454	171	
Cash at beginning of the year	9,659	9,992	333	3	
Cash at the end of the year	7,638	11,425	3,787	50	
<u>Reconciliation of Operating Result and Net Cash Flows from Operating Activities</u>					
<u>For the year ending 30 June 2014</u>					
Net surplus / (deficit) from operations	1,211	(1,939)	(3,150)	260	
Depreciation and amortisation	9,300	10,173	873	9	
(Profit) / Loss on sale of property, plant and equipment	(372)	42	414	111	
Share of net profit / (loss) of associates	-	(173)	(173)	-	
Fair value adjustment for investment property	-	(42)	(42)	-	
Finance Costs	195	104	(91)	47	
Balance sheet movements	90	791	701	779	
Developer contributions	(1,304)	(121)	1,183	91	
Net cash inflow / (outflow) from operating activities	9,120	8,835	285	3	

**SOUTH GIPPSLAND SHIRE COUNCIL
STANDARD CASH FLOW STATEMENT
D-3 COMPARISON REPORT
For the Year Ended 30 June 2014**

Variance Explanation Report		
Ref.	Item	Explanation
1	Rates	Rates receipts lower than budget due to lower Supplementary rates and lower than expected rate collections.
2	User charges and other fines	User charges higher due to take over of Yanakie and Long Jetty Caravan Parks by the Council during the year.
3	Grants	Operating grants were higher than budget due to additional funding for natural calamities. Capital grants were however lower than budget (NDFA grant of \$ 560K). Overall grants were higher by \$ 500K resulting in the additional cash flow.
4	Rents	Rental income was lower than plan due to take over of two Caravan Parks which were previously leased out.
5	Other receipts	Private works revenue was higher than plan by \$ 327K due to Council winning more private works contracts during the year. Sundry revenue from Pre-school inclusion program and rock royalties were also above plan.
6	Payments to suppliers	As a result of expenditure on new grant funded projects and other expenditure caused by natural disasters. Additional operating expenses on the newly acquired Caravan Parks was \$ 400K. Additional expenses on private works was \$ 183K. Additional expense on maintenance of gravel roads, drains and resheets was \$ 566K.
7	Payments to employees	There was a savings in WorkCover premiums to the extent of \$ 163K during the year.
8	Other payments	Community grants paid were higher than budget.
9	Proceeds from sale of property, plant and equipment	Some of the Capital disposals were carried forward to 2014-15.
10	Payments for property, plant and equipment and infrastructure	Some of the Capital projects had to be carried forward to 2014-15 due to the adverse weather conditions.
11	Redemption (Purchase) of investments	Investments with maturity greater than 3 months which are classified as other financial assets was higher as at 30 June 2014.
12	Repayment of borrowings	Out of the new Loan of \$ 4M, \$ 650K was redeemed during the year against a plan of \$ 489K.

SOUTH GIPPSLAND SHIRE COUNCIL
STANDARD STATEMENT OF CAPITAL WORKS
D-4 COMPARISON REPORT
For the Year Ended 30 June 2014

Capital Works Areas	Budget 2013/2014 \$'000	Actual 2013/2014 \$'000	Variances \$'000	%	Ref
Buildings	1,502	1,058	(444)	30	1
Plant & Equipment	2,559	3,025	466	18	2
Furniture & Equipment	833	161	(672)	81	3
Roads	6,278	4,734	(1,544)	25	4
Bridges	785	644	(141)	18	5
Footpaths	575	383	(192)	33	6
Drains & Culverts	554	1,295	741	134	7
Kerb & Channel	10	52	42	420	
Other Structures	2,151	1,241	(910)	42	8
Total capital works	15,247	12,593	(2,654)	17	
Represented by:					
Renewals	10,826	9,977	(849)	8	
Upgrades	2,842	2,055	(787)	28	
Extensions	1,579	561	(1,018)	64	
Total capital works	15,247	12,593	(2,654)	17	

Property, Plant & Equipment and Infrastructure movement Reconciliation Worksheet	Budget 2013/2014 \$'000	Actual 2013/2014 \$'000	Variances \$'000	%	Ref
The movement between the previous year and the current year in property, plant and equipment as shown in the Balance Sheet links to the net of the following items:					
Total capital works	15,247	12,593	(2,654)	17	
Asset revaluation movement *	48,015	17,081	(30,934)	64	
Developer contributed assets	1,304	121	(1,183)	91	
Depreciation and amortisation	(9,300)	(10,173)	(873)	9	
Written down value of assets sold	(552)	(775)	(223)	40	
Net movement in property, plant and equipment and infrastructure	54,714	18,847	(35,867)	66	
* Does not include Investment in Associates					

SOUTH GIPPSLAND SHIRE COUNCIL
STANDARD STATEMENT OF CAPITAL WORKS
D-4 COMPARISON REPORT
For the Year Ended 30 June 2014

Variance Explanation Report

Ref.	Item	Explanation
1	Buildings	Office accommodation project (\$ 487K), Child Care Hub - Korumburra (\$ 145K) and Caravan Park toilet block (\$ 398K) has been carried forward to future years. This has been partly compensated by the acquisition of Yanakie and Long Jetty Caravan Parks.
2	Plant & Equipment	Plant and Fleet budgets carried forward from previous year to 2013-14 were acquired during the year.
3	Furniture & Equipment	Major network infrastructure replacement and upgrades have been carried forward to 2014-15.
4	Roads	Betterment works - NDFA (\$ 840K) had to be scaled down and carried forward due to non availability of expected grant. Other projects that fell short of budget either due to non- availability of funding or adverse weather conditions were; Roads rehabilitation program (\$ 505K), Reseals (\$ 348K) and Station Street rehabilitation - Korumburra (\$ 148K). This was partly compensated by higher expenditure on other grant funded projects such as: Lower Franklin Road rehabilitation (\$ 277K) and Kongwak Inverloch Road (\$ 74K).
5	Bridges	Mainly due to dropping of Agnes River bridge replacement - (\$ 212K). This was partly compensated by higher expenditure on Summers Road bridge replacement (\$ 49K) and minor variations in a few other projects.
6	Footpaths	Due to lower expenses on Shingler Street (\$ 111K) and reclassification of Venus Bay walking path as other structures.
7	Drains & Culverts	Mainly due to higher expenditure on Hanna Rise Cr, Jumbunna Road and Melville Ave (\$ 578K).
8	Other Structures	Variance is mainly due to lower expenditure on Landfills cell construction (\$ 373K), Coal Creek Capital projects (\$ 160K), Community infrastructure project (\$ 143K) and cost associated with land purchase incorrectly classified as other structures in budget (\$ 250K).

**South Gippsland Shire Council
Certification of Standard Statements
For the Year Ended 30 June 2014**

In my opinion the accompanying standard statements have been prepared on accounting basis consistent with the financial statements and in accordance with the *Local Government Act 1989* and the *Local Government (Planning and Reporting) Regulations 2014*.

Financial Accountant : Mathew Oomman Kalloor CPA

Location : Leongatha

Dated : 24 / 09 / 2014

In our opinion the accompanying standard statements have been prepared on accounting basis consistent with the financial statements and in accordance with the *Local Government Act 1989* and the *Local Government (Planning and Reporting) Regulations 2014*.

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

We have been authorised by the Council on 24 September 2014 to certify the standard statements in their final form.

Councillor : James Fawcett

Location : Leongatha

Dated : 24 / 09 / 2014

Councillor : Mohya Davies

Location : Leongatha

Dated : 24 / 09 / 2014

Acting Chief Executive Officer : Jan Martin

Location : Leongatha

Dated : 24 / 09 / 2014

South Gippsland Shire Council

**AUDITOR-GENERAL'S AUDIT REPORT
For the Year Ended 30 June 2014**

To the responsible Ministers , and Councillors' of South Gippsland Shire Council

Audit Scope

The accompanying financial report and standard statements of South Gippsland Shire Council for the financial year ended 30 June 2014 have been audited. The financial report comprises an income statement, balance sheet, statement of changes in equity, cash flow statement and notes to the financial statements. The standard statements comprise a standard income statement, standard balance sheet, standard cash flow statement and standard statement of capital works.

The Councillors are responsible for the preparation and presentation of the financial report and the standard statements and the information they contain. An independent audit of the financial report and standard statements has been carried out in order to express an opinion on

Each audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report and standard statements are free of material misstatement. The audit procedures included an examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and standard statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects:

- (i) the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and the financial position of the Council as at 30 June 2014, its financial performance and cash flows; and
- (ii) the standard statements are presented fairly, consistent with the basis of preparation and the "actual" amounts are correctly extracted from the financial report. While the standard statements have to be prepared on a basis consistent with the financial report they are not required to meet all of the presentation requirements of Accounting Standards and other mandatory professional reporting requirements.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinions

In my opinion:

- (i) the financial report presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the financial position of the South Gippsland Shire Council as at 30 June 2014, its financial performance and cash flows for the year then ended; and
- (ii) the standard statements for the year ended 30 June 2014 are presented fairly in accordance with the basis of preparation as described in note 1 to the statements

MELBOURNE

Auditor-General

Yet to be certified

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**South Gippsland Shire Council
Performance Statement (Key Strategic Activities)
For the Year Ended 30 June 2014**

outcome / strategy	action	measure / target	status	comment
1: A Prosperous Shire. <i>Responsible Unit: Chief Executive Officer</i>	Number of representations made to State and Federal politicians.	At least one delegation annually.	✓	Complete Throughout the year, the Mayor and CEO have made representations to all Local Members (both State and Federal). In this quarter Council sent a deputation consisting the CEO, Deputy Mayor Harding and Councillor Hutchinson-Brooks to Canberra to participate in the Australian Local Government Association National General Assembly. During this time, meetings were held with key political figures to raise awareness and garner support (in principle and monetary commitments) for the Korumburra Integrated Children's Centre and Corner Inlet Tourism Development Project. Council met with: <ul style="list-style-type: none"> Felicity Redfern – Advisor Office of the Hon Scott Ryan Parliamentary Secretary to the Minister for Education The Hon Russell Broadbent MP, Federal Member for McMillan; Vicky Darling – Advisor to Shadow Minister for Education Kate Ellis Simon Kelly - Advisor , Office of the Hon Warren Truss MP Minister for Infrastructure and Regional Development Kirrilee Thomas – Advisor, Office of the Hon Sussan Ley MP Assistant Minister for Education Boronia Morison – Advisor, Office of the Hon Jamie Briggs MP Assistant Minister for Infrastructure and Regional Development
1.2.2: We will advocate for priority projects that assist in stimulating economic growth, agricultural development, tourism infrastructure and community facilities. <i>Responsible Unit: Chief Executive Officer</i>	Identify and advocate adopted Priority Projects.	Developed and advocated by 30 June 2014.	✓	Complete New Priority Project Brochures have been developed and presented to Council 9 April 2014 for approval. These booklets focus on: <ul style="list-style-type: none"> Leongatha Heavy Vehicle Alternate Route Korumburra Integrated Children's Centre Corner Inlet Tourism Development Project. Funding for the Leongatha Heavy Vehicle Alternate Route was recently confirmed by Deputy Premier Peter Ryan. The Korumburra Integrated Children's Centre was the focus of a recent deputation to Canberra. Projects making up the Corner Inlet Tourism Development Project are progressing well
1.3.1: We will actively engage businesses, farmers, industries and individuals in creating a clean, green Shire, where environmental sustainability is embraced and practiced. <i>Responsible Unit: Community Services</i>	Commence implementation of Council's Roadside Weeds and Pest Management Plan in conjunction with South Gippsland Land-Care.	By 30 June 2014: Consultation program developed 4 meetings held with Land-Care groups Progress reported in the Quarterly Performance Report	✓	Complete New budget 2014/15 initiative of \$15k approved to conduct roadside weed audit on 200 km (approx. 10%) of Shire Roadsides to inform the future strategy for roadside weed control. Four meetings held with Landcare, three with agenda and minutes, the fourth meeting confirmed via email from Landcare. Progress of the plan was reported in each Quarterly Performance Report Jul-Sep 2013, Oct-Dec 2013, Jan-Mar 2014 and Apr-Jun 2014. Environmental Projects Officer and Bush Reserve Crew PD's amended to enable roadside weed control works to be delivered by in house staff pending the outcome of the roadside weed audit and future budget allocation required to purchase plant and equipment.

**South Gippsland Shire Council
Performance Statement (Key Strategic Activities)
For the Year Ended 30 June 2014**

outcome / strategy	action	measure / target	status	comment
Performance Statement (cont.)				
outcome / strategy	action	measure / target	status	comment
1.3.2: We will promote sustainable waste management practices, energy efficiency and management of our natural resources.	Sustainability Strategy actions implemented:	Project implemented by 30 June 2014.	✓	Complete
<i>Responsible Unit: Community Services</i>	Green street lighting project implemented.			The additional work undertaken using the remaining budget left over from the first stage has now been completed. The final report is due on 15 July where the full final cost and energy savings will be analysed.
3.1.6: We will refine the provision of Council services through reviews focused on evolving community needs, realistic and affordable service standards and efficient management of resources.	Develop Master Plans for swimming pools:	Master Plans completed and reported to Council for adoption by 30 June 2014.	x	Not Complete
<i>Responsible Unit: Community Services</i>	<ul style="list-style-type: none"> Toora Poowong Foster 			<p>Master Plans for Poowong and Toora pools adopted by Council 25 June. Foster withdrawn from process as a pool review was undertaken.</p> <p>The Council decision of 27 November 2013 was to:</p> <ul style="list-style-type: none"> Defer the Foster Pool Master Plan until the outcome of the review is considered; and Amend the 2013-2014 Council Annual Plan and Key Strategic Activity, Strategy 3.1.6, to reflect the Master Plans will only be developed for the Poowong and Toora Outdoor Pools and a review completed of the Foster Swimming Pool by 30 June 2014.
2.1.1: We will develop a continually evolving Vision for the Shire that encourages community participation in defining what it wants, needs and can afford to guide rationalisation, consolidation and achievement of desired community outcomes.	Develop and commence implementation of new approaches to engage community participation in creating a continually evolving Vision for the Shire.	A report presented to Council outlining approaches to be introduced in 2013-2014 by 30 September 2013.	✓	Complete
<i>Responsible Unit: Corporate Services</i>				A report was presented to Council in September 2013. The report was adopted and the approaches proposed have been provided to the Community Engagement and Evolving Vision Steering Committee to pursue.
4.1.1: We will explore innovative ways of increasing revenue and reducing expenditure.	Review and revise Council's Rating Strategy to align with amended State Government requirements and ensure equity as far as practicable. The Long Term Financial Plan implemented to ensure financial sustainability.	Report presented to Council by 30 June 2014.	✓	Complete
<i>Responsible Unit: Corporate Services</i>		Weighted average of 5 key financial ratios being indebtedness, underlying working capital ratio, self-financing, investment gap and underlying result for the 2013-2014 Budget is greater than or equal to 98%.	✓	The Rating Strategy 2014-2018 was adopted by Council on 25 June 2014. Weighted average of the 5 key financial ratios for 2013-14 was 107 %

**South Gippsland Shire Council
Certification of Performance Statement
for the year ended 30 June 2014**

In our opinion, the accompanying Performance Statement of South Gippsland Shire Council for the financial year ended 30 June 2014 is presented fairly in accordance with the Local Government Act 1989.

The statement outlines the performance targets and measures set out in relation to the achievement of the business plan in respect of that year described in Council's Annual Budget and describes the extent to which the business plan was met in that year having regard to those targets and measures.

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

Councillor : James Fawcett

Location : Leongatha

Dated : 24 / 09 / 2014

Councillor : Mohya Davies

Location : Leongatha

Dated : 24 / 09 / 2014

AUDITOR-GENERAL'S REPORT

ON PERFORMANCE STATEMENT

To the responsible Ministers , and Councillors of South Gippsland Shire Council

Audit Scope

The accompanying performance statement of the South Gippsland Shire Council in respect of the financial year ended 30 June 2014 has been audited. The Councillors are responsible for the preparation and presentation of the statement and the information it contains. An independent audit of the statement has been carried out in order to express an opinion on the statement to the responsible Ministers and Councillors as required by the *Local Government Act 1989*.

The *Local Government Act 1989* requires the performance statement to outline the performance targets and measures set out in relation to the achievement of the business plan as described in the Council's Annual Budget submitted to the responsible Minister and to describe the extent to which the business plan was met having regard to those targets and measures.

The audit has been conducted in accordance with Australian Accounting Standards to provide reasonable assurance as to whether the performance statement is free of material misstatement. The audit procedures included an examination, on a test basis, of evidence supporting the amounts and other disclosures in the statement. These procedures, which did not extend to an assessment of the relevance or the appropriateness of the performance measures contained within the statement, have been undertaken to form an opinion as to whether, in all material respects, the performance statement is presented fairly in accordance with the *Local Government Act 1989*.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinions

In my opinion, the performance statement of the South Gippsland Shire Council in respect of the financial year ended 30 June 2014 is presented fairly and in accordance with the Local Government Act 1989.

MELBOURNE

Auditor-General

Yet to be certified

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