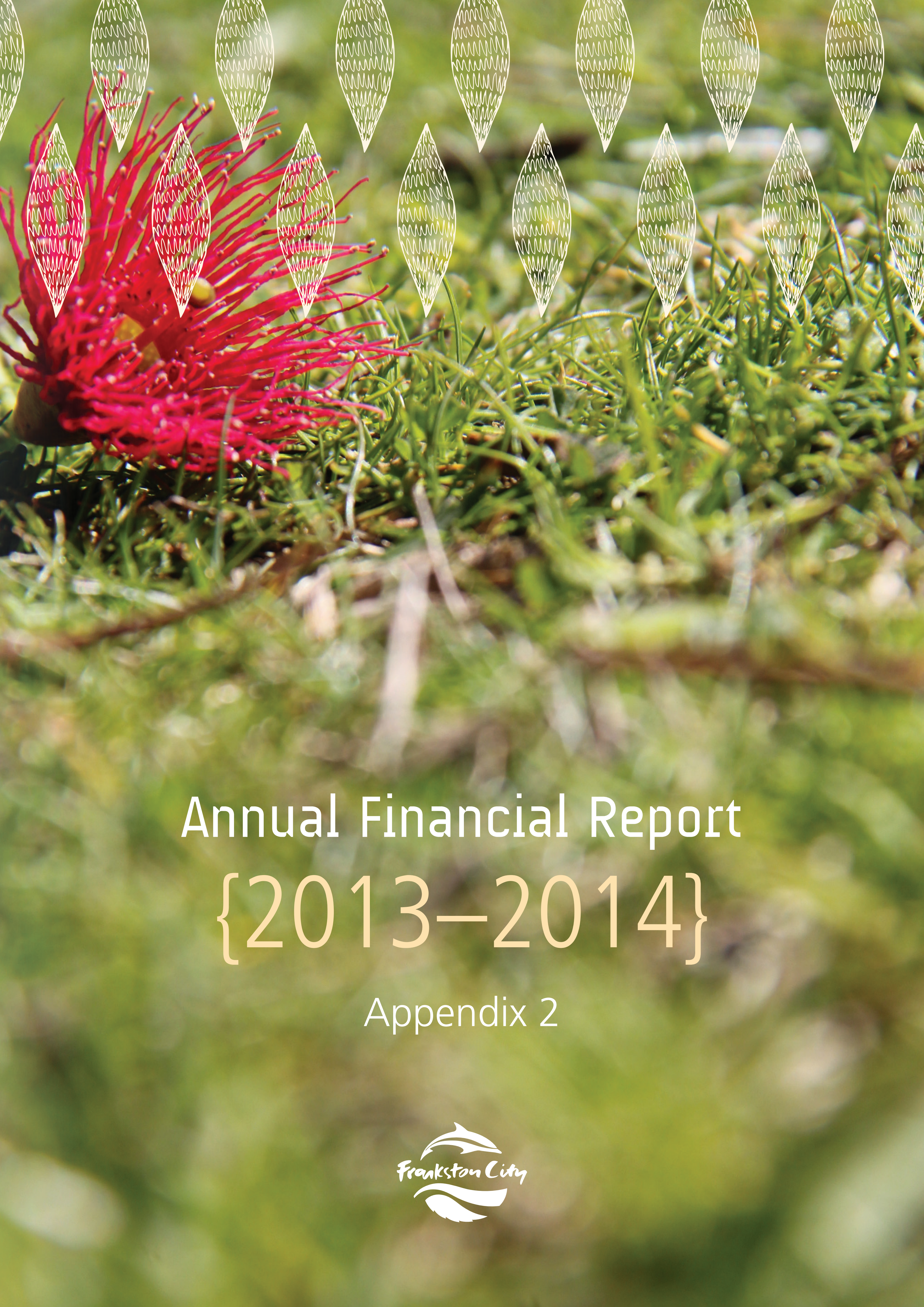


Annual Financial Report

{2013–2014}

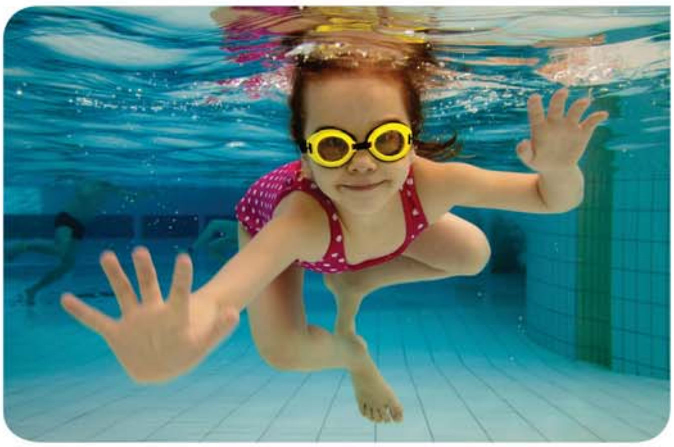
Appendix 2

Frankston City

Frankston City Council

opportunity growth lifestyle

2013- 2014 Consolidated Annual Financial Statements



CONTENTS

1 Financial Report

Comprehensive Income Statement

For the Year Ended 30 June 2014

	Note	2014 $'000	2013 $'000
Income			
Rates and charges	*3*	95,067	88,548
Grants - operating (recurrent)	*4(a)*	13,994	17,764
Grants - operating (non-recurrent)	*4(b)*	1,388	1,521
User fees	*6*	12,184	12,124
Statutory fees and fines	*5*	3,193	2,917
Interest	*8*	1,846	1,685
Other income	*9*	399	376
Total income		**128,071**	**124,935**
Expenses			
Employee costs	*11(a)*	58,874	54,543
Superannuation defined benefits call-up	*11(b)*	-	(132)
Materials and services	*14*	35,372	34,711
Finance costs	*12*	686	-
Depreciation	*13*	22,712	22,058
Other expenses	*15*	7,500	8,435
Total expenses		**125,144**	**119,615**
Net result prior to capital income and asset items	*2*	**2,927**	**5,320**
Grants - capital (non-recurrent)	*4(c)*	17,820	8,329
Contributions - non-monetary assets	*7(a)*	238	4,846
Contributions - capital (cash)	*7(b)*	1,812	1,355
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	*10*	(73)	(64)
Net result for the year		**22,724**	**19,786**
Other comprehensive income			
Net asset revaluation increment	*27(a)*	30,893	4,051
Total comprehensive result		**53,617**	**23,837**

The above Comprehensive income statement should be read with the accompanying notes.

Balance Sheet
As at 30 June 2014

	Note	2014 $'000	2013 $'000
Assets			
Current assets			
Cash and cash equivalents	*16*	42,063	31,494
Financial assets	*17*	2,023	-
Trade and other receivables	*18*	20,796	12,674
Inventories	*19*	271	281
Other assets	*20*	339	1,430
Non-current assets classified as held for sale		470	-
Total current assets		**65,962**	**45,879**
Non-current assets			
Property, infrastructure, plant and equipment	*21*	1,220,692	1,153,769
Intangible assets	*22*	35	-
Trade and other receivables	*18*	172	300
Total non-current assets		**1,220,899**	**1,154,069**
Total assets		**1,286,861**	**1,199,948**
Liabilities			
Current liabilities			
Trade and other payables	*23*	19,736	15,816
Trust funds and deposits	*24*	3,068	2,441
Provisions	*25*	10,874	9,868
Interest-bearing loans and borrowings	*26*	2,957	-
Total current liabilities		**36,635**	**28,125**
Non-current liabilities			
Provisions	*25*	1,484	1,443
Interest-bearing loans and borrowings	*26*	24,745	-
Total non-current liabilities		**26,229**	**1,443**
Total liabilities		**62,864**	**29,568**
Net assets		**1,223,997**	**1,170,380**
Equity			
Accumulated surplus		580,465	562,682
Asset revaluation reserve	*27(a)*	622,681	591,788
Other reserves	*27(b)*	20,851	15,910
Total equity		**1,223,997**	**1,170,380**

The above Balance sheet should be read with the accompanying notes.

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		**1,170,380**	**562,682**	**591,788**	**15,910**
Comprehensive result		53,617	22,724	30,893	-
Transfers to other reserves	*27(b)*	-	(26,998)	-	26,998
Transfers from other reserves	*27(b)*	-	22,057	-	(22,057)
Balance at end of the financial year		**1,223,997**	**580,465**	**622,681**	**20,851**

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		**1,146,543**	**544,299**	**587,737**	**14,507**
Comprehensive result		23,837	19,786	4,051	-
Transfers to other reserves	*27(b)*	-	(12,448)	-	12,448
Transfers from other reserves	*27(b)*	-	11,045	-	(11,045)
Balance at end of the financial year		**1,170,380**	**562,682**	**591,788**	**15,910**

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

Statement of Cash Flows

For the Year Ended 30 June 2014

	Note	2014 Inflows / (Outflows) $'000	2013 Inflows / (Outflows) $'000
Cash flows from operating activities			
Receipts			
Rates and charges		94,784	87,172
Grants - operating		15,307	19,340
Grants - capital		16,516	5,629
Statutory fees and fines		2,360	2,784
User fees		10,512	14,889
Interest		1,759	1,679
Other receipts		399	376
GST on receipts		1,596	1,539
Fire servies levy received		11,940	-
Net GST received		7,439	5,100
		162,612	138,508
Payments			
Employees costs		(56,681)	(59,618)
Payments to suppliers		(33,383)	(31,134)
Other payments		(7,261)	(8,509)
Fireservices levy payments to State Revenue Office		(11,080)	-
GST on payments		(9,906)	(6,864)
		(118,311)	(106,125)
Net cash provided by operating activities	*28*	44,301	32,383
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment	*21*	(60,111)	(33,322)
Proceeds from sale of property, infrastructure, plant and equipment	*10*	1,047	4,904
Net cash used in investing activities		(59,064)	(28,418)
Cash flows from financing activities			
Finance costs		(629)	-
Proceeds from investments with greater than three months maturity		(2,023)	4,365
Proceeds from borrowings		29,840	-
Repayment of borrowings		(2,137)	-
Trust funds and deposits		281	(81)
Net cash provided by financing activities		25,332	4,284
Net increase in cash and cash equivalents		10,569	8,249
Cash and cash equivalents at the beginning of the financial year		31,494	23,245
Cash and cash equivalents at the end of the financial year	*16*	42,063	31,494
Financing arrangements	*29*		
Restricted assets	*30*		

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

Introduction

(a) Frankston City Council was established by an Order of the Governor in Council on 15 December 1994 and is a body corporate. The Council's main office is located at 30 Davey Street, Frankston, Victoria.

(b) The purpose of the Council is to:

- provide for the peace, order and good government of its municipal district;
- promote the social, economic and environmental viability and sustainability of the municipal district;
- 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;
- improve the overall quality of life of people in the local community;
- promote appropriate business and employment opportunities;
- ensure that services and facilities provided by the Council are accessible and equitable;
- ensure the equitable imposition of rates and charges; and
- ensure transparency and accountability in Council decision making.

External Auditor - Auditor-General of Victoria

Internal Auditor - Pitcher Partners

Bankers - Commonwealth Bank of Australia

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

This financial report is a general purpose financial report 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 report complies with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, the *Local Government Act 1989* , and the *Local Government (Finance and Reporting) Regulations 2004.*

Note 1 Significant accounting policies

(a) Basis of accounting

This general purpose financial report has been prepared on an accrual and going concern basis.
This financial report has been prepared under the historical cost convention, except where specifically stated in notes 1(g), and 1(k).

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.
The Frankston Cemetery Trust has been specifically excluded from this report by virtue of the *Cemeteries Trust Act (1958*).

(b) Principles of consolidation

The consolidated results in this Financial Report include all funds through which the Council controls resources to carry on its functions. In the process of reporting on the Council as a consolidated unit, all intra and inter entity balances and transactions were eliminated.
In the Council's financial statements, investments in subsidiaries are carried at cost.
Frankston Regional Aquatic Centre Pty Ltd is a wholly-owned subsidiary of the Council incorporated in Australia and is included in the consolidated Financial Report.

Note 1 Significant accounting policies (cont.)

(c) Change in accounting policies

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 117 Leases, and measurements that have some similarities to fair value but not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

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

AASB 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, Council has not made any new disclosures required by AASB 13 for the 2012 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.

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 Councils measurement of the annual leave provision.

Note 1 Significant accounting policies (cont.)

(d) Revenue recognition

Rates, grants and contributions

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

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

Unpaid rates at balance date are treated as a current receivable. A provision for doubtful debts on rates has not been established as unpaid rates represents a charge against the rateable property that will be recovered when the property is next sold.

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

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in note 4. 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.

User fees and fines

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

User fees and fines (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.

User fees are paid by individuals or groups to Council for the provision of various services. Fines are imposed on individuals or groups who breach Council's local laws.

Sale of property, plant and equipment, infrastructure

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

Rental

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

Interest

Interest is recognised as it is earned.

Other income

Other income is measured at the fair value of the consideration received or receivable and is recognised when Council gains control over the right to receive the income.

(e) Trade and other receivables and inventories

Government grants receivable

Government grants receivable are carried at nominal amounts and are recognised when control is obtained over the funds.

Note 1 Significant accounting policies (cont.)

(e) Trade and other receivables and inventories (cont.)

Ratepayer receivables

Rates are carried at nominal amounts due plus interest. As these rates are secured by a charge over the rateable property a provision for doubtful debts is unnecessary. Rates are levied annually and are payable by February 15 each year if paying in full, or quarterly instalments payable at the end of September, November, February and May. Arrears, including deferred rates, attract interest. The interest rate was 10.50 per cent at balance date for general rates.

Other receivables

Other receivables are carried at nominal amounts due, less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable. Other receivables are payable within 30 days. Collectability of outstanding amounts is assessed on an ongoing basis.

Inventories

Inventories held for distribution have been valued at the lower of cost and net realisable value.

(f) Depreciation and amortisation of property, infrastructure, plant and equipment

Buildings, land improvements, plant and equipment, infrastructure, and other assets having limited useful lives are systematically depreciated over their useful lives to 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 infrastructure assets have separate identifiable components that are subject to regular replacement, these components are assigned distinct useful lives and residual values and a separate depreciation rate is determined for each component.

Road earthworks are not depreciated on the basis that they are assessed as not having a limited useful life.
Straight line depreciation is charged based on the residual useful life as determined each year.
Major depreciation periods used are listed below and are consistent with the prior year unless otherwise stated:

	Asset useful life	Threshold limit
Buildings	40-60 years	$15,000
Roads:		
Sealed road pavement foundation	No depreciation applied	$15,000
Sealed road pavement base	100 years	$15,000
Unsealed roads	20 years	$15,000
Kerb and channel	70 years	$15,000
Footpaths	70 years	$15,000
Bridges	70 years - 100 years	$15,000
Traffic management devices	50 years	$15,000
Carparks	50 years	$15,000
Bicycle paths	20 years	$15,000
Drainage	80 years	$5,000
Plant and machinery	5 years - 10 years	$15,000
Other structures (incl. playground equipment)	10 years	$1,000
Furniture and equipment	5 years	$15,000
Land improvements	10 years	$1,000
Library books	5 years	Nil
Intantible Assets	3 years	$15,000

Note 1 Significant accounting policies (cont.)

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

Acquisition

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

Where assets are constructed by Council, cost includes all materials used in construction, direct labour, borrowing costs incurred during construction, and an appropriate share of directly attributable variable and fixed overheads. Assets under construction are included in the Balance Sheet as works in progress.

The above classes of assets have been recognised in note 21. In accordance with Council's policy, the threshold limits detailed above have been applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year.

Revaluation

Subsequent to the initial recognition of assets, non-current assets, other than plant and machinery, other structures, furniture and equipment, land improvements and library books, are measured at fair value, being the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. At balance date, the Council reviewed the carrying value of the individual classes of assets measured at fair value to ensure that each asset materially approximated its fair value. Where the carrying value materially differed from the fair value at balance date the class of asset was revalued. In addition, Council undertakes a formal revaluation at the following intervals:

- Infrastructure assets every three years
- Land and buildings every two years.

The valuation is performed either by experienced Council officers or independent experts.

The major infrastructure assets, of roads, kerbs and channel, bridges and drainage were valued in terms of their fair value as at 30 June 2014, using replacement cost adjusted for their age and condition.

Land was valued on the basis of fair value using market value of the land taking into account existing usage and zoning as at 30 June 2014. Buildings were valued at fair value as at 30 June 2014, based on replacement cost allowing for the age and remaining useful life of the asset.

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.

Land under roads

Land under roads acquired after 30 June 2008 are brought to account using the cost basis. Council does not recognise land under roads that were controlled prior to that period in its financial report.

Roads received from developers are valued based on the base block value for the area in which they are located. The base block value is determined by reference to the biennial valuations performed by Council. The rate determined is applied to the area of the land. The base block value is then discounted by 92.50 per cent to determine fair value.

Note 1 Significant accounting policies (cont.)

(h) Impairment of assets

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

(i) Borrowing costs

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

(j) Repairs and maintenance

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

(k) Non-current assets held for sale

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

(l) Cash and cash equivalents

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

(m) Financial assets

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

(n) Financial liabilities

Bank overdraft facility

The bank overdraft is carried at the principal amount. Interest is charged as an expense as it accrues. Details of security held over the overdraft is set out in note 29.

Accounts payable

Accounts payable are carried at amounts to be paid in future for goods and services received, whether or not those goods have been invoiced to Council. Council's normal payment terms are net 30 days.

Trust Deposits

Amounts received as tender deposits and retention amounts controlled by Council are included in the amount disclosed as “trust funds and deposits” within current liabilities until they are refunded or forfeited.

Note 1 Significant accounting policies (cont.)

(o) Employee costs

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

Wages and salaries and annual leave

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

Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits.
Current Liability - unconditional LSL representing seven 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 seven 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. Gain or loss following revaluation of the present value of non-current LSL liability due to changes in bond interest rates is recognised as an other economic flow.

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.

Employee benefits on-costs

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

Retirement Gratuities

Employees engaged prior to 1 April, 1992 have as a right entitlement to payment of a gratuity on resignation or retirement based on the number of years service with Council (minimum five years). The scheme entitlements were frozen as at 30 October, 1995 with the balance of entitlements increasing annually by CPI.

Superannuation

The amount charged to the Comprehensive Income Statement in respect of superannuation represents contributions made or due by Frankston City Council to the relevant superannuation plans in respect to the services of Frankston City 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 Frankston City Council is required to comply with.

Note 1 Significant accounting policies (cont.)

(p) Leases

Operating leases

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

(q) 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 12 months, being the Council's operational cycle, or if Council does not have an unconditional right to defer settlement of a liability for at least 12 months after the reporting date.

(r) Website costs

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

(s) Goods and Services Tax (GST)

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

(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) 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.

(v) Frankston Regional Aquatic Centre Pty Ltd

In August 2012, Council resolved to establish a separate wholly owned company to manage the Peninsula Aquatic Recreation Centre upon its completion. On 6 September 2012 Frankston Regional Aquatic Centre Pty Ltd (ACN: 160 239 770) was registered under the *Corporations Act 2001* .

(w) Intangibles

Purchased intangible assets are initially recognised at cost. Subsequently, intangible assets with finite lives are carried at cost less accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will follow to the company.

Note 1 Significant accounting policies (cont.)

(x) Pending Accounting Standards

The following Australian Accounting Standards have been issued or amended and are applicable to Council but are not yet effective.

They have not been adopted in preparation of the financial statements at reporting date.

Pronouncement	Summary	Impact on Council	Application date
AASB 9 Financial Instruments	AASB 9 standard is one of a series of amendments that are expected to eventually completely replace AASB 139. During 2010-11, the standard will be expanded to include new rules on measurement of financial liabilities and hedge accounting. Currently the existing provisions of AASB 139 will continue to apply in these areas. 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. The new categories of financial assets are: • 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. The following changes also apply: • 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. 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.	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. This will also create a requirement to measure some instruments annually that has not previously existed.	1 July 2015

Note 1 Significant accounting policies (cont.)

Pronouncement	Summary	Impact on Council	Application date
AASB 10 Consolidated Financial Statements	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. 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. 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. 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.	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.	1 July 2014
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.	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.	1 July 2014
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.	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.	1 July 2014

Note 1 Significant accounting policies (cont.)

Pronouncement	Summary	Impact on Council	Application date
AASB 127 Separate Financial Statements	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 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.	1 July 2014
AASB 128 Investments in Associates and 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.	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.	1 July 2014
AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounts Standard arising from Reduced Disclosure Requirements	This revised Standard prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.	Council has yet to determine the impact of this standard,.	1 July 2014

Note 2 Underlying result

	Note	2014 $'000	2013 $'000
Comprehensive result		53,617	23,837
Less non-operating income and expenditure			
Net gain/loss on disposal of property and infrastructure	*10*	(73)	(64)
Grants - capital (non-recurrent)	*4(c)*	17,820	8,329
Contributions - capital (cash)	*7(b)*	1,812	1,355
Contributions - non-monetary assets	*7(a)*	238	4,846
Less other comprehensive income			
Net asset revaluation increment	*26(a)*	30,893	4,051
Underlying operational surplus*		2,927	5,320

The Council measures its underlying operational result** to assist in the determination of whether it is operating in a sustainable fashion or not. The underlying result is an important indicator of Council's long-term financial sustainability, together with other indicators as shown in note 34 Financial ratios (Performance indicators). Whilst an underlying deficit in one financial year may not be significant, the continued recording of deficits over a sustained period from Council's operations gradually erodes the net assets of Council.

The underlying result from operations excludes a number of transactions which are either 'non-recurring' or Council determined not operational in nature. These items can be unpredictable and can change from one year to the next. The best examples of these items are assets (roads, footpaths etc) that are given to Council by developers once a new subdivision is completed. There are also other accounting adjustments for 'found assets' (when assets that have not been previously recognised by Council are identified), 'lost assets' (when existing assets are written off) or when existing ones are revalued.

The aim of an underlying result is to determine whether Council's operational costs/income result is in a surplus or deficit outcome. In this way Council can, in its long-term financial plan, aim for an outcome where pure operational outcomes assist Council in achieving a sustainable organisation.

** The underlying operational surplus is the same outcome as the 'Net result prior to capital income and asset items' as displayed on the Comprehensive Income Statement*
*** The concept and measurement methodology of an underlying operational result is not defined by Australian Accounting Standards.*

		2014 $'000	2013 $'000

Note 3 Rates and charges

Council uses capital improved value as the basis of valuation of all properties within the municipal district. The capital improved value of a property is its site value plus the value of any structures on the property (excluding goods and chattels).

The valuation base used to calculate general rates for 2013/2014 was $23,588 million (2012/2013 $23,716 million). The 2013/2014 rate in the capital improved value dollar was 0.002801 (2012/2013 0.002645).

The municipal charge is levied at the rate of $133.75 (2012/2013 $126.30) per rateable property.

	2014 $'000	2013 $'000
Residential	55,034	52,038
Commercial	6,903	6,544
Industrial	3,711	3,696
Rural/farm	2,012	1,928
Supplementary rates and rate adjustments	2,094	658
Garbage charge	17,418	16,266
Municipal charge	7,895	7,418
Total rates and charges	95,067	88,548

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2012, and the valuation will be first applied in the rating year commencing 1 July 2012.

The date of the previous general revaluation of land for rating purposes within the municipal district was 1 January 2010, and the valuation first applied to the rating period commencing 1 July 2010.

Valuations were prepared by registered valuers Patel Dore Pty Ltd under contract to Council.

Note 4 Grants

Grants were received in respect of the following:

	2014 $'000	2013 $'000
State funded grants	22,605	19,414
Federally funded grants	10,597	8,200
Total grant funding received	33,202	27,614

		2014 $'000	2013 $'000
Note 4	Grants (cont.)		
(a)	Operating recurrent		
	Community development and support		
	Aged and disability		
	- Home care	4,215	4,037
	- Home maintenance	352	345
	- Meals on wheels	218	108
	- Social support	81	62
	- Senior citizens	23	24
	Maternal and child health	1,154	1,151
	Family day care	1,282	1,113
	Child care centre	715	737
	Out of school hours programs	251	316
	School crossing supervision	235	221
	Immunisation	123	115
	Youth services	122	8
	Financial/family counselling	107	193
		8,878	8,430
	Transportation		
	Victoria Grants Commission - Roads	511	1,030
	Compliance and community safety		
	Compliance and community safety	22	177
	Recreation and culture		
	Library	818	785
	Foreshores	59	65
	Recreation and community development	13	15
		890	865
	Victoria Grants Commission - General purpose	3,693	7,262
	Total recurrent operating grants	13,994	17,764

		2014 $'000	2013 $'000
Note 4	Grants (cont.)		
(b)	Operating non-recurrent		
	Community development and support		
	Community support	475	324
	Maternal and child health	252	202
	Youth services	32	125
	Financial/family counselling	15	16
		774	667
	Law, order and public safety		
	Community safety	31	38
	Environment	-	164
	Health	-	40
		31	242
	Recreation and culture		
	Recreation and community development	532	561
	Parks and gardens	43	-
	Community arts	8	31
	Library	-	20
		583	612
	Total non-recurrent operating grants	1,388	1,521
(c)	Capital non-recurrent		
	Transportation		
	Streetscapes	1,623	-
	Roads	280	1,439
		1,903	1,439
	Recreation and Culture		
	Recreation and community development	14,590	5,508
	Foreshore	699	-
	Community safety	147	51
	Community arts	131	25
		15,567	5,584
	Community development and support		
	Maternal and child health	350	1,306
	Total non-recurrent capital grants	17,820	8,329

		2014 $'000	2013 $'000
Note 5	**Statutory fees and fines**		
	Infringements and costs	2,121	1,953
	Building and town planning fees	883	814
	Land information certificates	99	88
	Permits	90	62
	Total statutory fees and fines	3,193	2,917
Note 6	**User fees**		
	Recreation and leisure fees	2,461	3,080
	Frankston Arts Centre	2,018	1,937
	Registrations and other permits	1,448	1,387
	Parking fees	1,167	1,161
	Transportation and developments	1,089	309
	Other fees and charges	873	867
	Aged and disability services fees	842	823
	Child care/children's program fees	657	663
	Rental/lease	568	465
	Debt collection recovery charges	353	580
	Library fees and fines	229	159
	Waste management	194	184
	Events and festivals	122	76
	Valuation fees/supplementary charges	83	337
	Building permits and other charges	80	96
	Total user fees	12,184	12,124

Ageing analysis of contractual receivables

Please refer to table in note 35 (e) entitled Ageing of trade and other receivables for the ageing analysis of contractual receivables.

		2014 $'000	2013 $'000
Note 7	**Contributions**		
(a)	**Non-monetary assets**		
	Roads	90	1,985
	Drainage	119	1,715
	Land under roads	29	491
	Building	-	80
	Other	-	575
	Total non-monetary assets	238	4,846
(b)	**Capital - cash**		
	Parks, open space and streetscapes *	817	1,099
	Local organisations	995	256
	Total capital contributions	1,812	1,355
	Total contributions	2,050	6,201

* Resort and recreation fees received during the year are transferred to other reserves pursuant to section 18 of the *Subdivision Act* 1988 (Resort and Recreation Reserve) (refer note 27)

		2014 $'000	2013 $'000
Note 8	**Interest**		
	Interest	1,273	857
	Interest on rates	543	764
	Interest on special charges	30	64
	Total interest	1,846	1,685
Note 9	**Other income**		
	Sundry income	146	98
	Reimbursements	143	169
	Telecommunication leases	90	88
	Rentals/leases	20	21
	Total other income	399	376
Note 10	**Net gain/(loss) on disposal of property, infrastructure, plant and equipment**		
(a)	**Plant and equipment**		
	Proceeds from sale	1,026	885
	Written down value of assets sold	(723)	(662)
	Total net gain/(loss) on disposal of plant and equipment	303	223
(b)	**Property and infrastructure**		
	Roads		
	Written down value of assets sold	(307)	(481)
	Net	(307)	(481)
	Land and buildings		
	Proceeds from sale	21	4,019
	Written down value of assets sold	(90)	(3,825)
	Net	(69)	194
	Total net gain/(loss) on disposal of property and infrastructure	(376)	(287)
	Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	(73)	(64)

		2014 $'000	2013 $'000
Note 11	**Employee costs**		
(a)	**Employee costs**		
	Salaries and wages	49,646	46,980
	Superannuation	5,024	4,228
	Workcover	1,755	1,506
	Annual leave and long service leave	1,705	1,592
	Redundancies	553	99
	Fringe benefits tax	123	72
	Other employee related benefits	68	66
	Total employee costs	58,874	54,543
	Capitalised salaries	993	641
(b)	**Superannuation defined benefits call-up**		
	Superannuation - additional contribution*	-	(132)
	Total superannuation defined benefits call-up	-	(132)

* During the prior period (2012) Council was required to make an additional contribution to Vision Super to meet its obligations in relation to members of the defined benefit plan.

		2014 $'000	2013 $'000
Note 12	**Finance costs**		
	Interest - borrowings	1,299	-
		1,299	-
	Less capitalised borrowing costs on qualifying assets	(613)	-
	Total finance costs	686	-
	Rate used to capitalise borrowing costs	6.95%	

		2014 $'000	2013 $'000
Note 13	**Depreciation**		
	Property		
	Buildings		
	Buildings	3,919	3,952
	Land		
	Land improvements	2,699	2,715
	Infrastructure		
	Roads	7,883	7,683
	Drainage	3,232	3,147
	Other structures	920	803
	Plant and equipment		
	Plant and machinery	1,940	1,826
	Furniture and equipment	1,513	1,339
	Library books	606	593
	Total depreciation	22,712	22,058

			2014 $'000		2013 $'000
Note 14	**Materials and services**				
	Council/Chief Executive Officer		351		671
	Corporate				
	System software maintenance	1,115		1,107	
	Contract valuations - revaluations	518		325	
	Other	421		302	
	Human resources	218	2,272	335	2,069
	Communities				
	Family day care	1,113		991	
	Car parking	653		734	
	Other	458		436	
	Aged and disability services	351		359	
	Domestic companion animals	324		348	
	Library	225		201	
	Community development	201		188	
	Community safety	174		159	
	Fire safety	145		374	
	Youth services	119	3,763	113	3,903
	Assets				
	Waste collection	9,469		8,896	
	Building and facility maintenance	3,586		3,686	
	Road and drainage maintenance	2,535		2,350	
	Parks and reserves	2,120		1,942	
	Tree maintenance	1,562		1,463	
	Other	738		540	
	Graffiti management	293		393	
	Aquatic centres	241		132	
	Central Activities Area maintenance	243		213	
	Centenary Park Golf Course	227		206	
	Environmental planning	198		200	
	Traffic and transport	191	21,403	140	20,161
	Development				
	Frankston Arts Centre	819		841	
	Tourism and events	677		564	
	Other	471		163	
	Business development	241	2,208	302	1,870
	Miscellaneous				
	Utilities	2,653		2,764	
	Capital works	973		1,623	
	Plant and vehicle costs	1,509		1,437	
	Other	240	5,375	213	6,037
	Total materials and services		35,372		34,711

		2014 $'000	2013 $'000
Note 15	**Other expenses**		
	Solicitor fees	1,461	1,684
	Insurance (incl. excess)	915	885
	Grants and contributions	794	1,362
	Stationery and printing	672	704
	Conferences, seminars and training	582	796
	Other	584	764
	Bank fees and charges	422	386
	Postage	380	364
	Advertising	404	388
	Councillors expenses (incl. charge for Mayoral vehicle)	326	325
	Court lodgement fees	247	299
	Memberships and subscriptions	190	269
	Directors fees	154	-
	Rent	123	142
	Fire service levy	111	-
	External auditor remuneration	79	67
	Bad and doubtful debts expense	56	-
	Total other expenses	7,500	8,435
Note 16	**Cash and cash equivalents**		
	Cash on hand	15	15
	Cash at bank	1,530	2,011
	Term deposits	40,518	29,468
	Total cash and cash equivalents	42,063	31,494

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:

	2014 $'000	2013 $'000
- Capital loan reserve (note 27b)	10,500	-
- Statutory reserves (note 27b)	4,968	5,088
- Unexpended grants (note 27b)	4,358	8,603
- Monies held in trust (note 24)	3,068	2,178
- Strategic asset reserve (note 27b)	928	2,148
- Resource efficiency reserve (note 27b)	97	71
Total restricted funds	23,919	18,088
Total unrestricted cash and cash equivalents	18,144	13,406

		2014 $'000	2013 $'000
Note 17	**Financial assets**		
	Term deposit - (maturing > three months)	2,023	-
	Total financial assets	2,023	-
Note 18	**Trade and other receivables**		
	Current		
	Ratepayer receivables	6,371	5,184
	Other receivables	5,916	2,376
	Government grants	5,014	2,965
	Net GST receivable	2,263	1,391
	Infringements	998	330
	Interest on rates	469	412
	Special rates and charges	146	146
	Provision for doubtful debts - other debtors	(381)	(130)
	Total current trade and other receivables	20,796	12,674
	Non-current		
	Special charge receivables	172	300
	Total non-current trade and other receivables	172	300
Note 19	**Inventories**		
	Inventories held for distribution	271	281
	Total inventories	271	281
Note 20	**Other assets**		
	Prepayments	334	1,425
	Share investments	5	5
	Total other assets	339	1,430

		2014 $'000	2013 $'000
Note 21	**Property, infrastructure, plant and equipment**		
	Summary		
	At cost	63,343	62,426
	Less accumulated depreciation	(28,462)	(27,954)
		34,881	34,472
	At fair value as at 30 June 2014	1,426,632	1,292,048
	At fair value as at 30 June 2013	103,054	99,042
	Less accumulated depreciation	(401,438)	(291,455)
		1,128,248	1,099,635
	Assets in course of construction	57,563	19,662
	Total property, infrastructure, plant and equipment	1,220,692	1,153,769
	Property		
	Land under roads		
	At deemed cost	3,122	3,093
	Total land - under roads	3,122	3,093

Fair value of land was determined by Emina Pekaric AAPI of Patel Dore Pty Ltd Qualified Valuers as at 30 June 2014.

Land		
At fair value as at 30 June 2014	507,225	510,197
Total land	507,225	510,197

Fair value of land was determined by Emina Pekaric AAPI of Patel Dore Pty Ltd Qualified Valuers as at 30 June 2014.

Land improvements		
At cost	26,024	27,472
Less accumulated depreciation	(11,807)	(12,050)
Total land improvements	14,217	15,422

Land improvements include landscaping, earthworks not integral to other assets and external playing surfaces on recreation reserves.

	2014 $'000	2013 $'000

Note 21 Property, infrastructure, plant and equipment (cont.)

Buildings

	2014 $'000	2013 $'000
At fair value as at 30 June 2014	219,841	214,495
Less accumulated depreciation	(99,231)	(95,799)
Total buildings	120,610	118,696

Fair value of land was determined by Emina Pekaric AAPI of Patel Dore Pty Ltd Qualified Valuers as at 30 June 2014.

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 $'000	Level 2 $'000	Level 3 $'000
Land – non specialised	-	60,997	-
Land – specialised	-	-	446,228
Land held for re-sale	-	-	471
Land under roads	-	-	3,122
Land improvements	-	-	14,217
Buildings – non specialised	-	112,914	-
Buildings – specialised	-	-	7,696
Total	-	173,911	471,734

No transfers between levels occurred during the year

Drainage

	2014 $'000	2013 $'000
At fair value at 30 June 2014	259,841	258,522
Less accumulated depreciation	(107,876)	(104,651)
Total drainage	151,965	153,871

Planning Engineer) as at 31 May 2014

Other structures

	2014 $'000	2013 $'000
Other structures - at cost	10,167	8,363
Less accumulated depreciation	(3,881)	(3,899)
Total other structures	6,286	4,464

Plant and equipment

Plant and machinery

	2014 $'000	2013 $'000
At cost	12,870	12,830
Less accumulated depreciation	(7,429)	(7,467)
Total plant and machinery	5,441	5,363

Furniture and equipment

	2014 $'000	2013 $'000
At cost	8,077	7,698
Less accumulated depreciation	(3,850)	(3,164)
Total furniture and equipment	4,227	4,534

		2014 $'000	2013 $'000
Note 21	**Property, infrastructure, plant and equipment (cont.)**		
	Library books		
	At cost	3,083	2,970
	Less accumulated depreciation	(1,495)	(1,374)
	Total library books	1,588	1,596
	Infrastructure		
	Roads		
	Roads - substructure and seals - at fair value as at 30 June 2014	371,818	236,229
	Kerb and channel - at fair value as at 30 June 2014	67,907	72,605
	Footpath - at fair value as at 30 June 2013	66,231	64,798
	Other - at fair value as at 30 June 2013	36,823	34,244
	Sub total	542,779	407,876
	Less accumulated depreciation	(194,331)	(91,005)
	Total roads	348,448	316,871

2014.

Infrastructure valuation

Under Council's program of rolling revaluations, the Roads asset class was formally re-valued for current year valuations. This entailed a complete review of data, valuation rates, asset useful and remaining lives and method of depreciation to best fit the pattern of consumption. The categories affected by the revaluation is; roads earthworks, pavement (base & sub base), road surfaces (asphalt, concrete and unmade), and kerb and channel.
It was determined that the current depreciation method for roads does not comply with straight line depreciation (based on residual life), as stated per notes to the financial statements. The method previously used, constitutes "Condition Based Depreciation", and does not comply with AASB 116 (Interpretation 1030). This depreciation method has been corrected and has no material effect on the accounts.

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

	Level 1 $'000	Level 2 $'000	Level 3 $'000
Roads	-		348,448
Drainage		-	151,965
Total	-	-	500,413

No transfers between levels occurred during the year

	2014 $'000	2013 $'000
Library books		
At cost	3,083	2,970
Less accumulated depreciation	(1,495)	(1,374)
Total library books	1,588	1,596
Work in progress		
Property	57,563	19,662
Total work in progress	57,563	19,662
Total property, infrastructure, plant and equipment	1,220,692	1,153,769

	2014	2013
	$'000	$'000

Note 21 Property, infrastructure, plant and equipment (cont.)

Valuation basis

Non-specialised land, non-specialised buildings

Non-specialised land and non-specialised buildings are valued using valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

For non-specialised land and non-specialised buildings, as independent valuation was performed by Emina Pekaric AAPI of Patel Dore Pty Ltd to determine the fair value using the market based direct comparison method. Valuation of the assets was determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the asset being valued. From the sales analysed, an appropriate rate per square metre has been applied to the subject asset. The effective date of the valuation is 30 June 2014. To the extent that non-specialised land and non-specialised buildings do not contain significant, unobservable adjustments, these assets are classified as Level 2 under the market based direct comparison approach.

Specialised-land, specialised buildings

The market based direct comparison method is also used for specialised land although is adjusted to reflect the specialised nature of the assets being valued. For Council specialised buildings, the depreciated replacement cost method is used, adjusting for the associated depreciations. Specialised assets contain significant, unobservable adjustments, therefore these assets are classified as Level 3 fair value measurements.

An adjustment is made to reflect a restriction on the sale or use of an asset by Council. The adjustment is an allowance made to reflect the difference in value between unrestricted assets and those held by the Council which are impacted by external restraints on their use.
An independent valuation of Council's specialised land and specialised buildings was performed by Emina Pekaric AAPI of Patel Dore Pty Ltd. The valuation was performed using either the market based direct comparison method or depreciated replacement cost, adjusted for restrictions in use. The effective date of the valuation is 30 June 2014.

Land under roads

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

Infrastructure

Infrastructure is valued using the depreciated replacement cost method. This cost represents the replacement cost of the
Where it has not been possible to examine hidden works such as structural frames and floors, the use of reasonable materials
A valuation of Council's infrastructure assets was performed by Markus Vorster (B.Comm.) of Frankston City Council, (Asset
There were no changes in valuation techniques throughout the period to 30 June 2014. For all assets measured at fair value,

	2014	2013
	$'000	$'000

Note 21 Property, infrastructure, plant and equipment (cont.)

Description of significant unobservable inputs into level 3 valuations

	Valuation Technique	Signficant Unobservable Inputs	Range	Sensitivity
Specialised Land and Land Improvements	Market based direct comparison approach (refer above)	Extent and impact of restriction of use	10% - 95%	Increase or decrease in the extent of restriction would result in a significantly lower or higher fair value.
		Direct cost per	6 – 4,000	
Specialised Buildings	Depreciated Replacement Cost	Direct cost per square metre	320 – 60,000	Increase or decrease in the direct cost per square metre adjustment would result in a significantly lower or higher fair value.
		Useful life of specialised buildings	30 – 100 years	Increase or decrease in the estimated useful life of the asset would result in a significantly lower or higher 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 lower or higher fair value.
Infrastructure:	Depreciated Replacement Cost	Useful life of infrastructure	10 – 100 years	Increase or decrease in the cost per unit would result in a significantly lower or higher fair value.
Roads		Direct cost per cubic metre	20.61 – 646.74	Increase or decrease in the cost per unit would result in a significantly lower or higher fair value.
Kerb & Channel		Direct cost per square metre	49.91 – 72.67	Increase or decrease in the cost per unit would result in a significantly lower or higher fair value.

	2014	2013
	$'000	$'000

Note 21 Property, infrastructure, plant and equipment (cont.)

Description of significant unobservable inputs into level 3 valuations

	Valuation Technique	Significant Unobservable Inputs	Range	Sensitivity
Footpaths		Direct cost per square metre	17.27 – 113.25	Increase or decrease in the cost per unit would result in a significantly lower or higher fair value.
Drainage Pits		Direct cost per unit	1,299.86 – 5,935.84	Increase or decrease in the cost per unit would result in a significantly lower or higher fair value.
Drainage Piping		Direct cost per metre	45.43 -645.59	Increase or decrease in the cost per unit would result in a significantly lower or higher fair value.
Drainage Pits		Direct cost per unit	1,299.86 – 5,935.84	Increase or decrease in the cost per unit would result in a significantly lower or higher fair value.
Traffic Management Devices		Direct cost per square metre	92.23 – 561.78	Increase or decrease in the cost per unit would result in a significantly lower or higher fair value.
Bridges & Pedestrian Structures		Direct cost per square metre	385.22 -3,834.89	Increase or decrease in the cost per unit would result in a significantly lower or higher fair value.
Carparks		Direct cost per square metre	30.61 – 86.54	Cost per unit would result in a significantly lower or higher fair value.

Note 21 Property, infrastructure, plant and equipment (cont.)

2014	Opening Written down value	Adjustments	Gifted assets	Acquisitions of assets	Revaluation increments (decrements)	Transfer to/from assets held for resale	Written down value of disposals	Depreciation	Closing Written down value
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Land - specialised	447,616		-	-	(917)	(470)	-	-	446,229
Land - non specialised	62,581				(1,585)				60,996
Land under roads	3,093		29	-	-	-	-	-	3,122
Land improvements	15,422		-	1,494		-	-	(2,699)	14,217
Buildings - specialised	7,342		-	823	(129)	-	(90)	(250)	7,696
Buildings - non specialised	111,354			4,185	1,044			(3,669)	112,914
Roads	316,871		90	7,959	31,718	-	(307)	(7,883)	348,448
Other structures	4,464	(30)	-	2,772	-	-	-	(920)	6,286
Plant and machinery	5,363	352		2,389	-	-	(723)	(1,940)	5,441
Furniture and equipment	4,534	(322)	-	1,528	-	-	-	(1,513)	4,227
Drainage	153,871		119	445	762	-	-	(3,232)	151,965
Library books	1,596		-	598	-	-	-	(606)	1,588
Work in progress	19,662		-	37,901	-	-	-	-	57,563
Total property, infrastructure, plant and equipment	1,153,769	-	238	60,094	30,893	(470)	(1,120)	(22,712)	1,220,692

Note 21 Property, infrastructure, plant and equipment (cont.)

2013	Opening Written down value $'000	Gifted assets $'000	Acquisitions of assets $'000	Revaluation increments (decrements) $'000	Transfer to/from assets held for resale $'000	Written down value of disposals $'000	Depreciation $'000	Closing Written down value $'000
Land	509,574	575	173	-	2,806	(2,931)	-	510,197
Land under roads	2,602	491	-	-	-	-	-	3,093
Land improvements	15,125	-	3,012		-	-	(2,715)	15,422
Buildings	120,774	80	2,688	-	-	(894)	(3,952)	118,696
Roads	311,637	1,986	9,853	1,559	-	(481)	(7,683)	316,871
Other structures	3,452	-	1,815	-	-	-	(803)	4,464
Plant and machinery	5,814		2,037	-	-	(662)	(1,826)	5,363
Furniture and equipment	3,182	-	2,691	-	-	-	(1,339)	4,534
Drainage	152,139	1,715	672	2,492	-	-	(3,147)	153,871
Library books	1,544	-	645	-	-	-	(593)	1,596
Work in progress	9,926	-	9,736	-	-	-	-	19,662
Total property, infrastructure, plant and equipment	1,135,769	4,847	33,322	4,051	2,806	(4,968)	(22,058)	1,153,769

		2014 $'000	2013 $'000
Note 22	**Intangible assets**		
	Software		
	At cost	35	-
	Less accumulated depreciation	-	-
		35	-
	Movement in carrying amounts		
	Movement in carrying amounts for each class of intangibles between the beginning and the end of the current financial year		
	Balance at 1 July 2013	-	-
	Additions	35	-
	Disposals and write downs	-	-
	Amortisation expense	-	-
	Balance at 30 June 2014	35	-
Note 23	**Trade and other payables**		
	Trade payables	16,713	13,567
	Accruals and provisions	3,023	2,249
	Total trade and other payables	19,736	15,816
Note 24	**Trust funds and deposits**		
	Refundable deposits and bonds	1,827	1,586
	Prepaid income	1,081	736
	Unclaimed moneys	98	95
	Trust deposits	62	24
	Total trust funds and deposits	3,068	2,441

Note 25 **Provisions**

	Balance at beginning of financial year	Additional provisions	Amounts used	Balance at the end of the financial year
2014				
Annual leave	3,704	4,226	(3,970)	3,960
Long service leave	7,459	1,905	(1,118)	8,246
Gratuity	148	4		152
Total	11,311	6,135	(5,088)	12,358
2013				
Annual leave	3,690	3,655	(3,641)	3,704
Long service leave	6,478	1,977	(996)	7,459
Gratuity	149	3	(4)	148
Total	10,317	5,635	(4,641)	11,311

		2014 $'000	2013 $'000
Note 25	**Provisions (cont.)**		
(a)	**Current**		
	Annual leave	3,960	3,704
	Long service leave	6,762	6,016
	Gratuity	152	148
	Total current	10,874	9,868
(b)	**Non-current**		
	Long service leave	1,484	1,443
	Total non-current	1,484	1,443
	Total employee provisions	12,358	11,311
	Aggregate carrying amount of employee provisions:		
	Current	10,874	9,868
	Non-current	1,484	1,443
		12,358	11,311
	The following assumptions were adopted in measuring the present value of employee benefits:		
	Weighted average increase in employee costs	4.25%	4.50%
	Weighted average discount rates	3.37%	3.89%
	Weighted average settlement period	22 years	22 years
(a)	**Current**		
	All annual leave and long service leave entitlements representing seven or more years of continuous service		
	- Short-term employee provisions, that fall due within 12 months after the end of the period measured at nominal value	5,654	5,131
	- Other long-term employee provisions that do not fall due within 12 months after the end of the period measured at present value	5,220	4,737
		10,874	9,868
(b)	**Non-current**		
	Long service leave representing less than seven years of continuous service measured at present value	1,484	1,443
	Total employee provisions	12,358	11,311

	2014 $'000	2013 $'000
Note 26 Interest-bearing loans and borrowings		
Current		
Borrowings - secured	2,957	-
Total current	2,957	-
Non-current		
Borrowings - secured	24,745	-
Total non-current	24,745	-
Total interest-bearing loans and borrowings	27,702	-

Borrowings are secured over the general rate of Council as per section 141 of the *Local Government Act* 1989

The maturity profile for Council's borrowings is:

	2014 $'000	2013 $'000
Not later than one year	2,957	-
Later than one year and not later than five years	6,015	-
Later than five years	18,730	-
	27,702	-
Aggregate carrying amount of interest-bearing loans and borrowings:		
Current	2,957	-
Non-current	24,745	-
	27,702	-

Note 27 Reserves

(a) Asset revaluation reserves

	Balance at beginning of reporting period $'000	Transfer to accumulated surplus $'000	Transfer from accumulated reserves $'000	Balance at end of reporting period $'000
2014				
Property				
Land revaluation	428,397	-	(2,502)	425,895
Building revaluation	49,221	-	915	50,136
Plant and machinery revaluation	614	-	-	614
	478,232	-	(1,587)	476,645
Infrastructure				
Drainage revaluation	81,836	-	762	82,598
Roads revaluation	31,720	-	31,718	63,438
	113,556	-	32,480	146,036
Total asset revaluation reserves	591,788	-	30,893	622,681
2013				
Property				
Land revaluation	428,397	-	-	428,397
Building revaluation	49,221	-	-	49,221
Plant and machinery revaluation	614	-	-	614
	478,232	-	-	478,232
Infrastructure				
Drainage revaluation	79,344	-	2,492	81,836
Roads revaluation	30,161	-	1,559	31,720
	109,505	-	4,051	113,556
Total asset revaluation reserves	587,737	-	4,051	591,788

Nature and purpose of reserves

Asset revaluation reserves have been established and account for the increment in the carrying cost of each fixed asset class following their revaluation.

Note 27 Reserves (cont.)

(b) Other reserves

	Balance at beginning of reporting period $'000	Transfer to accumulated surplus $'000	Transfer from accumulated reserves $'000	Balance at end of reporting period $'000
2014				
Statutory				
Public resort and recreation	4,871	817	(937)	4,751
Subdivision roadworks	133	-	-	133
Infrastructure assets	74	-	-	74
Carparking	10	-	-	10
Total statutory reserves	5,088	817	(937)	4,968
Discretionary				
Strategic asset	2,148	54	(1,274)	928
Unexpended grant	8,603	2,360	(6,605)	4,358
Resource efficiency	71	62	(36)	97
Capital loan reserve	-	23,705	(13,205)	10,500
Total discretionary reserves	10,822	26,181	(21,120)	15,883
Total other reserves	15,910	26,998	(22,057)	20,851
2013				
Statutory				
Public resort and recreation	4,887	1,062	(1,078)	4,871
Subdivision roadworks	96	37	-	133
Infrastructure assets	101	-	(27)	74
Carparking	10	-	-	10
Total statutory reserves	5,094	1,099	(1,105)	5,088
Discretionary				
Strategic asset	1,312	4,003	(3,167)	2,148
Unexpended grant	4,741	7,292	(3,430)	8,603
Resource efficiency	91	54	(74)	71
Major project reserve - Aquatic centre	3,269	-	(3,269)	-
Total discretionary reserves	9,413	11,349	(9,940)	10,822
Total other reserves	14,507	12,448	(11,045)	15,910

Nature and purpose of reserves

Statutory reserves have been established to record revenues received from developers that are to be applied specifically to undertaking future capital works for carparking, public open space and recreation, subdivision roadwork's and community infrastructure.

Strategic asset reserve has been established by Council and is funded by sales of land in the municipality with the proceeds to fund works considered by Council to be of a strategic nature.

Unexpended grant reserve has been established by Council to quarantine unexpended grant funding.

Resource efficiency reserves has been established by Council to re-invest savings in energy costs to be reinvested in further works to minimise energy consumption.

Major projects reserve - Aquatic centre has been established by Council to quarantine specific purpose grant funding relating to the Peninsula Aquatic Recreation Centre

Capital Loan Reserve - has been established to quarantine specific purpose funding for the delivery of capital projects.

		2014 $'000	2013 $'000
Note 28	**Reconciliation of cash flows from operating activities to surplus (deficit)**		
	Surplus/(deficit) for the year	22,724	19,786
	Items not involving cash		
	Depreciation	22,712	22,058
	Net gain/(loss) on disposal of property, infrastructure, plant and equipment	1,120	4,969
	Provision for doubtful debts	251	54
	Contributions - non-monetary assets	(238)	(4,846)
	Sale of assets	(1,048)	(4,905)
	Change in assets and liabilities:		
	(Increase) in net rates receivable	(1,187)	(1,449)
	(Increase) in trade and other receivables	(6,118)	(1,086)
	Decrease / (increase) in other operating assets	1,108	(453)
	(Increase) in GST control	(872)	(226)
	Increase in payables	3,897	3,573
	Increase in provisions	1,040	996
	Increase / (decrease) in other liabilities	912	(6,089)
	Net Cash provide by/(used in) operating activities	44,301	32,382

For a reconciliation of cash and cash equivalents, see note 16.

		2014 $'000	2013 $'000
Note 29	**Financing arrangements**		
	Unused facilities	2,500	2,500
	Total unrestricted access was available to an overdraft limit of:	2,500	2,500

Council has a bank overdraft facility secured over rates with the Commonwealth Bank.

		2014 $'000	2013 $'000
Note 30	**Restricted assets**		
(a)	**Restricted assets with offsetting liability**		
	Monies held in trust (note 24)	3,068	2,441
	Total restricted assets with offsetting liability	3,068	2,441
(b)	**Restricted assets without offsetting liability**		
	- Capital loan reserve (note 27b)	10,500	-
	- Statutory reserves (note 27b)	4,968	5,088
	- Unexpended grants (note 27b)	4,358	8,603
	- Strategic asset reserve (note 27b)	928	2,148
	- Resource efficiency reserve (note 27b)	97	71
	Total restricted assets without offsetting liability	20,851	15,910
	Total restricted assets	23,919	18,351

		2014 $'000	2013 $'000
Note 31	**Commitments**		
	The Council has entered into the following commitments		
(a)	**Lease commitment**		
	Leased equipment and property		
	Photocopiers	1,100	1,100
	Computer equipment and hardware	720	362
	Property rentals	39	163
	Total	1,859	1,625
	No later than one year	1,024	593
	Later than one year and not later than two years	285	347
	Later than two years and not later than five years	550	685
	Greater than five years	-	-
	Total	1,859	1,625
(b)	**Commitments for capital and other expenditure**		
	Capital		
	Buildings - Peninsula Aquatic Recreation Centre	2,448	39,435
	Buildings	678	247
	Public infrastructure	192	1,491
	Other	36	10
	Total	3,354	41,183
	No commitment for capital expenditure exists greater than one year		
	Operating		
	Recycling / waste collection	29,754	21,506
	Council building maintenance	13,070	7,842
	Other	6,188	7,180
	Cleaning	4,248	141
	Utilities	2,082	1,810
	Street lighting (public lighting)	1,056	1,056
	Security	859	55
	Tree maintenance	219	875
	Tree planting	109	1,311
	Total	57,585	41,776
	No later than one year	16,651	17,940
	Later than one year and not later than two years	13,205	11,162
	Later than two years and not later than five years	27,729	12,674
	Total	57,585	41,776

Note 32 Superannuation

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

Accumulation

The Fund's accumulation category, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2014, this was 9.25% required under Superannuation Guarantee legislation). Our commitment to defined contribution plans is limited to making contributions in accordance with our minimum statutory requirements. No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.
Effective from 1 July 2014, the Superannuation Guarantee contribution rate is legislated to increase to 9.5%, and will progressively increase to 12% by 2019. Based on announcements included in the May 2014 Federal Budget, this progressive increase to 12% will be delayed until 2022.

Defined Benefit

As provided under Paragraph 34 of AASB 119, Frankston City Council does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a multi-employer sponsored plan.
As a multi-employer sponsored plan, the Fund was established as a mutual scheme to allow for the mobility of the workforce between the participating employers without attaching a specific liability to particular employees and their current employer. Therefore, there is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of Frankston City Council in the Fund cannot be measured as a percentage compared with other participating employer. While there is an agreed methodology to allocate any shortfalls identified by the Fund Actuary for funding purposes, there is no agreed methodology to allocate benefit liabilities, assets and costs between the participating employers for accounting purposes. Therefore, the Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

Funding arrangements

Frankston City Council makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund's Actuary. The Fund’s employer funding arrangements comprise of three components (which are detailed below) are:
1. Regular contributions - which are ongoing contributions needed to fund the balance of benefits for current members and pensioners;
2. Funding calls – which are contributions in respect of each participating employer’s share of any funding shortfalls that arise; and
3. Retrenchment increments – which are additional contributions to cover the increase in liability arising from retrenchments.
Frankston City 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 makes 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.

Note 32 Superannuation (cont.)

Employer contributions

Regular contributions

On the basis of the results of the most recent full actuarial investigation conducted by the Fund's Actuary as at 31 December 2011, Frankston City Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2014, this rate was 9.25% of members' salaries. This rate increased to 9.5% on 1 July 2014 and is expected to increase in line with the required Superannuation Guarantee contribution rate.

In addition, Frankston City 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).

The Fund is required to comply with the superannuation prudential standards. Under the superannuation prudential standard SPS 160, the Fund is required to target full 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 its shortfall limit at any time other than at the date of the actuarial investigations.

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

The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%.

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Frankston City Council) are required to make an employer contribution to cover the shortfall. The methodology used to allocate the shortfall was agreed in 1997 to fairly and reasonably apportion the shortfall between the participating employers.

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

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up. In the unlikely event that the Fund is wound up and there is a surplus in the Fund, the surplus cannot be applied for the benefit of the defined benefit employers where there are on-going defined benefit obligations. The surplus would be transferred to the fund accepting those defined benefit obligations (including the lifetime pension obligations) of the Fund.

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

Differences between calculations

The Fund surplus or deficit (i.e. the difference between fund assets and liabilities) is calculated differently for funding purposes (i.e. calculating required contributions), for the calculation of accrued benefits as required in AAS 25 and for the values needed for the AASB 119 disclosure in the Frankston City Council's financial statements. AAS 25 requires that the present value of the defined benefit liability be calculated based on benefits that have accrued in respect of membership of the plan up to the measurement date, with no allowance for future benefits that may accrue.

Retrenchment increments

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

Note 32 Superannuation (cont.)

Shortfall amounts

The Local Authorities Superannuation Fund's latest actuarial investigation as at 31 December 2011 identified an unfunded liability of $406 million (excluding contributions tax) in the defined benefit category of which Frankston City Council is a contributing employer.

Frankston City was made aware of the expected shortfall during the 2011/12 year and was informed of its share of the shortfall on 2 August 2012. Frankston City Council has not been advised of any further adjustments.

Frankston City Council's share of the shortfall amounted to $7.05 million (excluding contributions tax) which was accounted for in the 2011/2012 Comprehensive Income Statement within Employee costs and in the Balance Sheet in Current liabilities provisions. No further amount has been accounted for in the 2013/2014 Comprehensive Income Statement within Employee costs (see note 11) and in the Balance Sheet in Current liabilities provisions (see note 25) (2012/2013 nil in the 2012/2013 Comprehensive Income Statement with Employee costs and (2012/2013, nil) in the 2012/2013 Balance Sheet in Current liabilities provisions).
Frankston City Council received an early payment discount of $0.13 million which was accounted for in the 2012/2013 Comprehensive Income Statement within Employee costs (see note 11).

Accrued benefits

The Fund's liability for accrued benefits was determined in the 31 December 2011 actuarial investigation pursuant to the requirements of Australian Accounting Standard Board AAS25 follows:

	31-Dec-11 $'000
Net market value of assets	4,315,324
Accrued benefits (per accounting standards)	4,642,133
Difference between assets and accrued benefits	(326,809)
Vested benefits (Minimum sum which must be paid to members when they leave the fund)	4,838,503

The financial assumptions used to calculate the accrued benefits for the defined benefit category of the Fund were:

Net investment return	7.50% p.a.
Salary inflation	4.25% p.a.
Price inflation	2.75% p.a.

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

Council made contributions to the following funds:

Scheme	Type of scheme	Rate	2014 $'000	2013 $'000
Vision Super	Defined benefits	9.25%	817	735
Vision Super	Accumulation	9.25%	4,202	4,210

Note 33 Contingent liabilities and contingent assets

(a) Contingent liabilities arising from MAV Insurance public liability and Professional indemnity insurance scheme

The Council is a member of the MAV Insurance Public Liability and Professional Indemnity Insurance Scheme. Each participant in these schemes remains liable, whether it continues to be a participant of the schemes or not, to make further contributions to the schemes in respect of any insurance year during which it was a participant. The Boards of Management of the Scheme will determine if and when any further contributions are necessary and will advise participants accordingly. Further contributions will be required where the actuary of the schemes confirms that money held in the schemes to meet indemnity claims in respect of any insurance year is insufficient to meet claims made in respect of that insurance year.

(b) Contingent liabilities arising from restoration of land

Council continues to be involved in the Supreme Court litigation with the City of Casey and the Metropolitan Waste Management Group. Attempts to resolve the matter through mediation have not succeeded. The litigation concerns the interpretation of the Waste Disposal Agreement signed in 1995 by Frankston, Casey and the Group. Legal opinion previously obtained by Council remains unaltered, that is, Council is not liable under the Agreement to make payment to either Casey or the Group.

(c) Contingent assets arising from developer contributions

In accordance with AASB 137, Council is required to recognise an asset for which it is probable that a future economic benefit will eventuate and the amount of this asset can be reliably measured. The Council anticipates developer contributions to be received in respect of estates currently under development. Council estimates the total of these contributions for 2014/2015 to be $0.763 million ($0.763 million 2013/2014).

(d) Defined benefit scheme

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

Note 34 Financial ratios (Performance indicators)

		2014	2013	2012
(a)	**Debt servicing ratio** (to identify the capacity of Council to service its outstanding debt)	1.01%	0.00%	0.00%
	Debt servicing costs	1,299	-	-
	Total revenue	128,071	124,935	119,927

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

		2014	2013	2012
(b)	**Debt commitment ratio** (to identify Council's debt redemption strategy)	3.61%	0.00%	0.00%
	Debt servicing and redemption costs	3,436	-	-
	Rate revenue	95,067	88,548	81,438

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

Note 34 Financial ratios (Performance indicators) (cont.)

	2014	2013	2012 Restated *
(c) **Revenue ratio** (to identify Council's dependence on non-rate income)	74.23%	70.88%	67.91%
Rate revenue	95,067	88,548	81,438
Total revenue	128,071	124,935	119,927

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

	2014	2013	2012 Restated *
(d) **Debt exposure ratio** (to identify Council's exposure to debt)	25.79%	12.94%	13.69%
Total indebtedness	62,864	29,568	30,589
Total realisable assets	243,723	228,466	223,453

For the purpose of the calculation of financial ratios, realisable assets are those assets which can be sold and which are not subject to any restriction on realisation or use.
Any liability represented by a restricted asset (note 30) is excluded from total indebtedness.
The following assets are excluded from total assets when calculating Council's realisable assets:

* Land and buildings on Crown land; restricted assets; and total infrastructure assets;

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

	2014	2013	2012 Restated *
(e) **Working capital ratio** (to assess Council's ability to meet current commitments)	180.05%	163.13%	137.27%
Current assets	65,962	45,879	41,216
Current liabilities	36,635	28,125	30,025

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

	2014	2013	2012 Restated *
(f) **Adjusted working capital ratio** (to assess Council's ability to meet current commitments)	209.97%	196.16%	160.62%
Current assets	65,962	45,879	41,216
Current liabilities	31,415	23,388	25,662

The ratio expresses the level of current assets the Council has available to meet its current liabilities.
Current liabilities have been reduced to reflect the long service leave and gratuity entitlement that is shown as a current liability because Council does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, but is not likely to fall due within 12 months after the end of the period.

Note 34 Financial ratios (Performance indicators) (cont.)

	2014	2013	2012
(g) **Indebtedness** (this is a longer term indebtedness measure)			
	23.29%	1.37%	1.16%
Non current liabilities	26,229	1,443	1,145
Own source revenue	112,616	105,586	98,994

This measure indicates Council's ability to cover its non-current liabilities from own sourced revenue rather than total revenue as this excludes grants and non cash revenue that cannot be used to retire debt.

Definitions

Total revenue means total revenue as shown in the Comprehensive Income Statement.

Debt redemption includes the principal component of repayments on loans and financial leases and capital items purchased on vendor terms.

Rate revenue includes revenue from general rates, municipal charges, special rates, special charges, service rates and service charges. Interest on rates are not included.

Total indebtedness means total liabilities, both current and non-current, as shown in the Balance Sheet. Any liability represented by a restricted asset is excluded from total indebtedness.

Current assets means the total current assets as shown in the Balance Sheet.

Current liabilities means the total current liabilities as shown in the Balance sheet.

Note 35 Financial instruments

(a) Accounting Policy, terms and conditions

Recognised Financial Instrument	Note	Accounting Policy	Terms and Conditions
Financial assets			
Cash and cash equivalents	16	Cash on hand, at bank and money market call account are valued at face value.	On call deposits returned a floating interest rate of 2.425% (3.04% in 2012/2013). The interest rate at balance date was 2.45% (2.65% in 2012/2013).
		Interest is recognised as it accrues.	Funds returned fixed interest rate of between 3.00% and 4.10% net of fees (3.20% and 5.87% in 2012/2013).
		Investments and bills are valued at cost. Investments are held to maximise interest returns of surplus cash. Interest revenues are recognised as they accrue.	
Trade and other receivables and other debtors	18	Receivables are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection in full is no longer probable. Collectability of overdue accounts is assessed on an ongoing basis.	General debtors are unsecured. Credit Terms are based on 30 days.
Financial liabilities			
Trade and other payables	23	Liabilities are recognised for amounts to be paid in the future for goods and services provided to Council as at balance date whether or not invoices have been received.	General creditors are unsecured, not subject to interest charges and are normally settled within 30 days of invoice receipt.
Trust funds and deposits	24	Trust funds are carried at the principal amount.	Terms and conditions depend on the nature of the trust fund.
Interest-bearing loans and borrowings	26	Loans are carried at their principal amounts, which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and recognised as part of payables.	Borrowings are secured by way of mortgages over the general rates of the Council. The weighted average interest rate on borrowings is 5.80% (2012/2013, Nil).

Note 35 Financial instruments (cont.)

(b) Interest rate risk

(i) The Council's 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	Weighted Average Effective Interest Rate %	Floating Interest Rate	Fixed Interest Rate Matures in 1 Year or Less $'000	1 to 5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
Financial assets							
Cash and cash equivalents	3.53%	42,063	-	-	-	-	42,063
Other financial assets	3.55%	2,023	-	-	-	-	2,023
Share investments	N/A	-	-	-	-	305	305
Government grants	N/A	-	-	-	-	5,014	5,014
Special charge receivables	7.29%	-	146	172	-	-	318
Other receivables	N/A	-	-	-	-	9,563	9,563
Total financial assets		44,086	146	172	-	14,882	59,286
Financial liabilities	N/A						
Accounts payable	N/A	-	-	-	-	19,736	19,736
Trust deposits	N/A	-	-	-	-	3,068	3,068
Interest-bearing loans and borrowings	580.00%	-	2,957	6,015	18,730	-	27,702
Total financial liabilities		-	2,957	6,015	18,730	22,804	50,506
Net financial assets/(liabilities)		44,086	(2,811)	(5,843)	(18,730)	(7,922)	8,780

N/A - not applicable for non-interest bearing financial instruments

Comparative figures for financial assets and liabilities for 2012/13 financial year.

2013	Weighted Average Effective Interest Rate %	Floating Interest Rate	Fixed Interest Rate Matures in 1 Year or Less $'000	1 to 5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
Financial assets							
Cash and cash equivalents	3.26%	31,494	-	-	-	-	31,494
Share investments	N/A	-	-	-	-	5	5
Government grants	N/A	-	-	-	-	2,965	2,965
Special charge receivables	7.29%	-	146	246	54	-	446
Other receivables	N/A	-	-	-	-	9,563	9,563
Total financial assets		31,494	146	246	54	12,533	44,473
Financial liabilities							
Accounts payable	N/A	-	-	-	-	15,816	15,816
Trust deposits	N/A	-	-	-	-	2,441	2,441
Total financial liabilities		-	-	-	-	18,257	18,257
Net financial assets/(liabilities)		31,494	146	246	54	(5,724)	26,216

Note 35 Financial instruments (cont.)

(c) Net fair values

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

Financial Instruments	Carrying Amount as per the Balance Sheet		Aggregate Net Fair Value	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Financial assets				
Cash and cash equivalents	42,063	31,494	42,063	31,494
Other financial assets	2,023	-	2,023	-
Government grants	5,014	2,965	5,014	2,965
Other receivables (incl. special charge)	318	10,009	318	10,009
Share investments	305	5	305	5
Total financial assets	49,723	44,473	49,723	44,473
Financial liabilities				
Accounts payable	19,736	15,816	19,736	15,816
Trust deposits	3,068	2,441	3,068	2,441
Interest-bearing loans and borrowings	27,702	-	27,702	-
Total financial liabilities	50,506	18,257	50,506	18,257

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities.

Recognised financial instruments

Other receivables: The carrying amount less provision for doubtful debts approximates fair value.

Interest bearing liabilities: The carrying amount is adjusted to reflect current market interest rates of loans with similar maturities as at 30 June.

(d) Credit risk

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

(e) Risks and mitigation

The risks associated with Council's main financial instruments and 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 on the following page.

Note 35 Financial instruments (cont.)

(e) Risks and mitigation (cont.)

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.

Council's loan borrowings are sourced from major Australian banks by a tender process. Overdrafts are arranged with major Australian banks. We manage interest rate risk on our net debt portfolio by:

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

Council manages the interest rate exposure on its debt portfolio through appropriate budgeting strategies.

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

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

Maturity is 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:

- Council has a policy for establishing credit limits for the entities it deals with;
- Council may require collateral where appropriate; and
- Council only invests surplus funds with financial institutions which have a recognised credit rating specified in its investment policy.

Trade and other receivables consist of a large number of customers, spread across the consumer, business and government sectors. Credit risk associated with the Council's financial assets is minimal because the main debtor is the Victorian Government. Apart from the Victorian Government, Council does 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.

Note 35 Financial instruments (cont.)

(e) Risks and mitigation (cont.)

Council may also be subject to credit risk for transactions which are not included in the Balance Sheet, such as Council providing a guarantee for another party. Details of our contingent liabilities are disclosed in note 33.

Movement in provisions for doubtful debts	2014 $'000	2013 $'000
Balance at the beginning of the year	130	75
New provisions recognised during the year	283	55
Amounts provided for but recovered during the year	(32)	-
Balance at end of year	381	130

Ageing of trade and other receivables

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

	2014 $'000	2013 $'000
Current (not yet due)	12,391	5,697
Past due greater than 30 days	476	129
Past due greater than 60 days	81	2,776
Past due greater than 90 days	732	272
	13,680	8,874

Liquidity risk

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

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

To help reduce these risks Council:

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

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

Note 35 Financial instruments (cont.)

(f) Sensitivity disclosure analysis

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

- A parallel shift of +2% and -1% in market interest rates (AUD) from year-end rates of 4%.

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

2014	Carrying amount subject to interest	Interest rate risk -1.00% 100 basis points		2.00% 200 basis points	
		Profit	Equity	Profit	Equity
	$'000	$'000	$'000	$'000	$'000
Financial assets:					
Cash and cash equivalents	42,063	(421)	(421)	841	841
Trade and other receivables	5,332	(53)	(53)	107	107

2013	Carrying amount subject to interest	Interest rate risk -1.00% 100 basis points		2.00% 200 basis points	
		Profit	Equity	Profit	Equity
	$'000	$'000	$'000	$'000	$'000
Financial assets:					
Cash and cash equivalents	31,494	(315)	(315)	630	630
Trade and other receivables	10,009	(100)	(100)	200	200

Note 36 Related party transactions

(i) Responsible Persons

Names of persons holding the position of a Responsible Person at Frankston City Council during the reported year are:

Councillors	Councillor Darrel Taylor (Mayor)	(27 October 2012 to current. Mayor from 11 November 2013 to current)
	Councillor Sandra Mayer (Mayor)	(1 July 2011 to current. Mayor from 27 October 2012 to 11 November 2013)
	Councillor Brian Cunial	(1 July 2011 to current)
	Councillor Glen Aitken	(1 July 2011 to current)
	Councillor Colin Hampton	(1 July 2011 to current)
	Councillor James Dooley	(27 October 2012 to current)
	Councillor Michael O'Reilly	(27 October 2012 to current)
	Councillor Rebekah Spelman	(27 October 2012 to current)
	Councillor Suzette Tayler	(27 October 2012 to current)
Chief Executive Officer	Dennis Hovenden	(29 October 2012 to current)

Names of persons holding the position of a Responsible Person at Frankston Regional Aquatic Centre during the reported year are:

Directors	Penelope Jane Homewood	(appointed 6 September 2012, resigned 1 November 2013)
	Roseanne Celeste Healy	(appointed 1 November 2013)
	Barbara Louise Crook	(appointed 1 November 2013)
	Simon Douglas Allatson	(appointed 1 November 2013)
	David Shilbury	(appointed 1 November 2013)
	Peter Boehm	(appointed 1 November 2013)

(ii) Remuneration of Responsible persons

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

	2014 No.	2013 No.
Under $ 9,999	-	5
$ 10,000 - $ 19,999	2	5
$ 20,000 - $ 29,999	9	2
$ 30,000 - $ 39,999	1	-
$ 40,000 - $ 49,999	-	1
$ 50,000 - $ 59,999	1	-
$ 60,000 - $ 69,999	-	-
$ 70,000 - $ 79,999	1	1
$100,000 - $109,999	-	1
$180,000 - $189,999	-	1
$280,000 - $289,999	1	-
	15	16

	2014 $'000	2013 $'000
Total remuneration for the reporting year for Responsible Persons included above amounted to:	621	616

Note: Remuneration for all Responsible Persons above includes salaries, superannuation, vehicle benefits, termination payouts, accrued leave and other benefits deemed suitable to class as remuneration for the year.

Note 36 Related party transactions (cont.)

(iii) No retirement benefits have been made by the Council to a Responsible Person (2012/2013, Nil)

(iv) No loans have been made, guaranteed or secured by the Council to a Responsible Person during the reporting year (2012/2013, 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 (2012/2013, nil).

(vi) Senior officers remuneration

A Senior officer other than a Responsible Person is an officer of Council who has management responsibilities and reports directly to the Chief Executive Officer or whose total annual remuneration exceeds $133,000.

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

Income Range:	2014 $'000	2013 $'000
Under $132,999	1	6
$133,000 - $139,999	2	2
$140,000 - $149,999	1	5
$150,000 - $159,999	6	2
$160,000 - $169,999	3	2
$170,000 - $179,999	2	-
$180,000 - $189,999	4	1
$210,000 - $219,999	-	1
$220,000 - $229,999	-	1
$230,000 - $239,999	1	-
$240,000 - $249,999	2	-
$320,000 - $329,999	1	-
	23	**20**

	2014 $'000	2013 $'000
Total Remuneration for the reporting year for Senior officers included above, amounted to:	4,104	2,848

Note 37 Auditors' remuneration

	2014 $'000	2013 $'000
Audit fee to conduct external audit - Victorian Auditor General	66	66
Internal audit fees - KPMG	-	41
Internal audit fees - UHY Haines Norton	9	-
Audit fees to conduct external audit - PKF Lawler	4	-
	79	**107**

Note 38 Events occurring after balance date

No matters have occurred since reporting date that require disclosure in the financial report.

Note 39 Income, expenses and assets by function/activities

Actual 2014	Grant Income $'000	Other Income $'000	Income $'000	Expenses $'000	Net Cost $'000	Assets $'000
CEO, Council and Corporate	26	1,486	1,512	(15,954)	(14,442)	77,684
Communities	10,774	6,886	17,660	(30,548)	(12,888)	84,676
Assets	230	2,938	3,168	(41,734)	(38,566)	1,123,489
Development	220	3,344	3,564	(10,873)	(7,309)	943
Other	21,952	100,085	122,037	(26,035)	96,002	-
Total	33,202	114,739	147,941	(125,144)	22,797	1,286,792
Net gain (loss) on disposal of property, infrastructure, plant and equipment					(73)	
Surplus/ (deficit) for the period					22,724	

Actual 2013	Grant Income $'000	Other Income $'000	Income $'000	Expenses $'000	Net Cost $'000	Assets $'000
CEO, Council and Corporate	15	1,936	1,951	(15,378)	(13,427)	60,582
Communities	10,454	6,409	16,863	(30,137)	(13,274)	85,304
Assets	218	3,670	3,888	(39,425)	(35,537)	1,053,392
Development	271	3,180	3,451	(10,296)	(6,845)	670
Other	16,660	96,655	113,315	(24,382)	88,933	-
Total	27,618	111,850	139,468	(119,618)	19,850	1,199,948
Net gain (loss) on disposal of property, infrastructure, plant and equipment					(64)	
Surplus (deficit) for the period					19,786	

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

CEO, Council and Corporate

Building strong partnerships with our community that will develop pride and a vital community identity.

The division includes: CEO, Council, Human Resources, Finance, Information Services, Media and Communications, Internal Audit, Governance and Customer Relations, Sale of Assets, Developer Contributions, Overheads and Operational Surplus Adjustments.

Communities

Develop a strong image of greater Frankston as a prosperous and thriving regional capital.

The division includes: Family and Youth, Community Development, Active Aging & Disability, Compliance and Safety and Libraries and Learning.

Assets

Work with our community to lead the preservation and enhancement of our natural environment for current and future generations.

The division includes: Infrastructure, Physical Services, Parks and Leisure and Environment.

Development

Plan and deliver a unique built environment for current and future generation that reflects excellence.

The division includes: Urban Design and Development, Planning, Economic Development, Events and Tourism and Frankston Arts Centre.

Other

This category represents items of a corporate nature such as rates income, grants commission funding and depreciation.

	2014 $'000	2013 $'000
Note 40 Capital expenditure		
Capital expenditure areas		
Buildings - Peninsula Aquatic Recreation Centre *	33,282	11,532
Plant and equipment and other	8,867	8,777
Roads	9,014	8,453
Buildings	9,175	5,498
Drainage	729	687
Land	-	-
Total capital works	61,067	34,947
Represented by:		
Renewal of infrastructure	15,611	13,995
Upgrade of infrastructure	6,041	4,312
Expansion of infrastructure	70	32
New infrastructure	6,063	5,076
Major projects	33,282	11,532
Total capital works	61,067	34,947

Property, plant and equipment, infrastructure movement

The movement between the previous year and the current year in property, plant and equipment, infrastructure as shown in the Balance Sheet links to the net of the following items:

	2014 $'000	2013 $'000
Total capital works	61,067	34,947
Capital works expensed	(973)	(1,625)
Assets held for resale	(470)	2,806
Contributions - non-monetary assets	238	4,846
Asset revaluation movement	30,893	4,051
Depreciation/amortisation	(22,712)	(22,058)
Written down value of assets sold	(1,120)	(4,968)
Net movement in property, plant and equipment, infrastructure	66,923	17,999

*** Peninsula Aquatic Recreation Centre**

Council endorsed the Peninsula Aquatic Recreation Centre project at a full cost of $49.705 million over a three year period. Funding for this project includes $12.50 million from State Government and $13.50 million from Federal Government with the balance from loan borrowings and rate income.

(a) **Renewal**

Expenditure on an existing asset which returns the service potential or the life of the asset up to that which it had originally. It is periodically required expenditure, relatively large (material) in value compared with the value of the components or sub-components of the asset being renewed. As it reinstates existing service potential, it has no impact on revenue, but may reduce future operating and maintenance expenditure if completed at the optimum time.

Note 40 Capital expenditure (cont.)

(b) Upgrade

Expenditure which enhances an existing asset to provide a higher level of service or expenditure that will increase the life of the asset beyond that which it had originally. Upgrade expenditure is discretional 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) Expansion

Expenditure which extends an existing asset, at the same standard as is currently enjoyed by residents, to a new group of users. It is discretional 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.

Certification of Financial Report

Statement by Principal Accounting Officer

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

Kim Jaensch CPA MBA
PRINCIPAL ACCOUNTING OFFICER
Dated: 11th September 2014

Statement by Councillors and Chief Executive Officer

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

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

We have been authorised by the Council on 8 September, 2014 to certify the financial statements in their final form.

Cr. Darrel Taylor
Dated: 11th September 2014

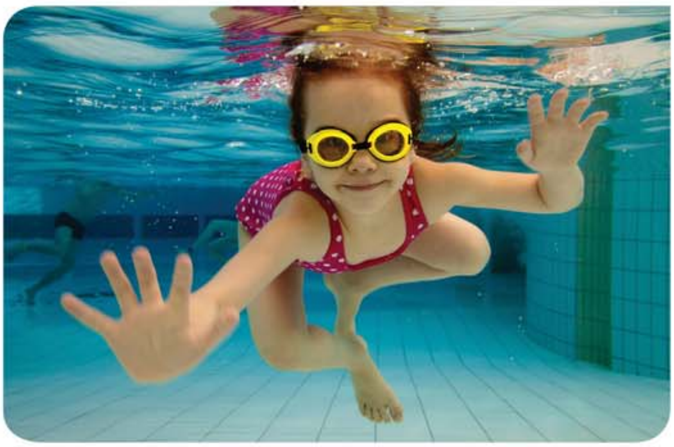
Cr. Rebekah Spelman
Dated: 11th September 2014

Dennis Hovenden
CHIEF EXECUTIVE OFFICER
Dated: 11th September 2014

Frankston City Council

opportunity growth lifestyle

2013- 2014 Consolidated Standard Statements



Standard Statements

Note 1. Basis of preparation

The Standard Income Statement, Balance Sheet, Cash Flow Statement, Statement of Capital Works and explanatory notes for the Annual Financial Report (the Comparison Report) form a special purpose financial report prepared specifically to meet the requirements of the *Local Government Act* 1989 and the *Local Government (Finance and Reporting) Regulations* 2004.

The Standard Statements have been prepared on accounting basis consistent with those used for the General Purpose Financial Statements, but not prepared in accordance with Australian Accounting Standards or other authoritative professional pronouncements. The Standard Statements are not a substitute for the General Purpose Financial Statements, which are also included in a separate section of this Annual Report.

The Standard Statements compare Council's financial plan through original budget targets, with actual performance against those targets. Any material variances between actual results and budget are explained in the notes that follow. Any variances between the original budget and actual results in excess of 10% on the original budget have been commented on.

The budget figures reported are those adopted by Council on 24 July 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 does not envisage any changes to equity resulting from asset revaluations as their impacts are not predictable.

Detailed information on the actual results is contained in the General Purpose Financial Statements in the Annual Report. The detailed budget can be obtained by contacting Council or through Council's website. The Standard Statements must be read with reference to these documents.

Standard Income Statement

The Income Statement shows what has happened during the year in terms of revenue, expenses and other adjustments from all activities. The 'Surplus/(Deficit)' or 'bottom line' reflects the net contribution towards the financial position for the reporting period.
The Income Statement requires revenues to be separately disclosed where the item is of such a size, nature or incidence that its disclosure is relevant in explaining the performance of the Council.

	Budget 2014 $'000	Actual 2014 $'000	Variances $'000	%	Notes
Income					
Rates and charges	94,143	95,067	924	1%	
Statutory fees and fines	2,700	3,193	493	18%	1.
User fees	11,907	12,184	277	2%	
Grants - operating (recurrent)	18,152	13,994	(4,158)	(23%)	2.
Grants - operating (non recurrent)	7	1,388	1,381	19729%	3.
Interest received	1,248	1,846	598	48%	4.
Net gain/(loss) on disposal of assets	214	-	(214)	(100%)	5.
Other income	388	399	11	3%	
Total revenue	128,759	128,071	(688)		
Expenses					
Employee costs	56,535	58,874	(2,339)	(4%)	
Materials and services	33,595	32,719	876	3%	
Depreciation	25,615	22,712	2,903	11%	6.
Utility payments	2,977	2,653	324	11%	7.
Finance costs	1,542	686	856	56%	8.
Other expense	6,659	7,500	(841)	(13%)	9.
Total expenses	126,923	125,144	1,779		
Underlying surplus/(deficit)	1,836	2,927	1,091		
Grants - capital (non recurrent)	16,344	17,820	1,476	9%	
Contributions - capital	1,502	995	(507)	(34%)	11
Contributions - non-monetary assets	800	238	(562)	(70%)	12
Contributions - cash	763	817	54	7%	
Net gain/(loss) on disposal of assets	45	(73)	(118)	(262%)	13
Surplus (deficit) for the year	21,290	22,724	1,434		
Other comprehensive income					
Net asset revaluation incr. (dec.) reversals	52,596	30,893	(21,703)		
Comprehensive result	73,886	53,617	(20,269)		

Variance Explanation - Income Statement

1. Statutory fees and fines - Statutory fees and fines has exceeded the budget by $0.49 million due to $0.25 million increase in car parking infringements; $0.13 million increase in domestic animals and local law infringements issued as a result of increased enforcement focus in these areas; and $0.08 million received in non voting fines from the Council election held in 2012/2013.

2. Grants - operating (recurrent) - Grants - operating (recurrent) has an unfavourable variance against budget of $4.16 million due to the Victorian Grants Commission no longer bringing forward six months of grant funding.

3. Grants - operating (non-recurrent) - Grants - operating (non-recurrent) has exceeded budget by $1.38 million due to a number of non-recurrent grants received for community development and recreation, and business development which were not included in the budget. The budget is based on a conservative estimate of non recurrent grants being received.

4 Interest received - Interest received has exceeded budget by $0.59 million as a result of excess funds being available for investment from the earlier draw down of loan borrowings.

5. Please refer to note 13.

6. Depreciation - Depreciation has a favourable variance of $2.90 million which is a result of a delay in the completion a number of capital works projects.

7. Utilities payments- Utilities has a favourable variance of $0.32 million due to savings associated with moving the telephones to a Voice-over-Internet Protocol system, therefore reducing line rental charges. Efficiencies were also identified in gas and electricity usage which lead to further savings.

8. Finance costs - Finance costs has a favourable variance of $0.86 million as a result of $0.61 million interest being capitalised for the construction cost of Peninsula Aquatic Recreation Centre.

9. Other expenses - Other expenses has an unfavourable variance of $0.84 million as a result of additional legal fees incurred in relation to the Supreme Court litigation with the City of Casey and the Metropolitan Waste Management Group.

10. Contributions capital - Contributions capital has an unfavourable variance of $0.51 million as a result of a contribution from South East Water for public realm not received. This project has been deferred to 2014/2015.

11. Contributions - non monetary assets - Developer contributions has an unfavourable variance to budget of $0.56 million due to a reduction in the number of subdivisions in the municipality. The contributions of (non-monetary) assets are transferred to Council's ownership at the completion of subdivisions. The timing of this transfer of assets is outside of Council's control. The budget is based on prior history and is forecast conservatively.

13. Net gain on sale of assets - Net gain on sale of assets has an unfavourable variance of $0.12 million due to a write off of road surfacing, footpaths, kerb and channel and drains (earlier than expected replacement).

Standard Balance Sheet Statement

The Standard Balance Sheet for the Annual Report shows a snap shot of the financial situation as at the end of the year. It shows the total of what is owned (assets) less what is owed (liabilities). The bottom line of this statement is net assets, which is the net worth of Council. The Standard Balance Sheet must be presented in the same format as that which was presented in Council's budget.
The assets and liabilities are separated into current and non-current. Current means those assets or liabilities which will fall due in the next twelve months.

	Budget 2014 $'000	Actual 2014 $'000	Variances $'000	%	Notes
Current assets					
Cash and cash equivalents	24,423	42,063	17,640	72%	14.
Other financial assets	6,158	2,023	(4,135)	(67%)	15.
Trade and other receivables	8,593	20,796	12,203	142%	16.
Inventories	289	271	(18)	(6%)	
Other assets	1,383	339	(1,044)	(75%)	17.
Non current assets classified for sale	-	470	470		18.
Total current assets	40,846	65,962	24,646		
Non-current assets					
Trade and other receivables	1,056	172	(884)	(84%)	19.
Plant, infrastructure, property and equipment	1,451,475	1,220,692	(230,783)	(16%)	20.
Intangible assets	-	35	35		
Total non-current assets	1,452,531	1,220,899	(231,632)		
Total assets	1,493,377	1,286,861	(206,986)		
Current liabilities					
Trade and other payables	9,324	22,804	13,480	145%	21.
Provisions	13,181	10,874	(2,307)	(18%)	22.
Interest-bearing loans and borrowings	2,739	2,957	218	8%	
Total current liabilities	25,244	36,635	11,391		
Non-current liabilities					
Provisions	1,236	1,484	248	20%	22.
Interest-bearing loans and borrowings	24,761	24,745	(16)	(0%)	
Total non-current liabilities	25,997	26,229	232		
Total liabilities	51,241	62,864	11,623		
Net Assets	1,442,136	1,223,997	(218,609)		
Represented by:					
Accumulated surplus	576,094	580,465	4,371	1%	
Asset revaluation reserve	848,398	622,681	(225,717)	(27%)	23.
Other reserves	17,644	20,851	3,207	18%	24.
Equity	1,442,136	1,223,997	(218,139)		

Variance Explanation - Balance Sheet

14. Cash and cash equivalents - Cash and cash equivalents has a favourable variance of $17.64 million due to a higher than expected cash balance brought forward from 2012/2013 of $20.77 million.

15. Other financial assets - Other financial assets had an unfavourable variance of $ 4.14 million, as term deposits were redeemed over the course of the year to maintain more liquid cash in anticipation of high capital works expenditure.

16. Trade and other receivable - Trade and other receivables exceed budget by $12.20 million as a result of capital grants of $4.10 million outstanding for the Peninsula Aquatic Recreation Centre, $2.30 million outstanding in GST to be paid by the Australian Taxation Office and a higher amount of property rate instalments outstanding and infringements than originally budgeted.

17 Other assets - Other assets has an unfavourable variance of $1.04 million as there was a reduction in the amount of prepayments for software maintenance and insurance which relate to the 2014/2015 financial year. This was not anticipated in the 2013/2014 Budget.

18. Non-current assets classified for sale - Non-current assets classified for sale has a favourable variance of $0.47 million as a result of a Council decision to sell a small parcel of land which was not anticipated in the 2013/2014 Budget.

19. Trade and other receivables non-current - Trade and other receivables non-current was lower than expected by $0.89 million as the special charge scheme for Cranhaven Road was deferred to the 2014/2015 financial year.

20. Property plant and equipment - An unfavourable variance of $230.78 million as a result of:
a) $209.91 million is due to a lower than expected property, infrastructure, plant and equipment balance brought forward from 2012/2013
b) $21.70 million is due to a lower than anticipated valuation increase in the revaluation of our land, buildings and roads assets.

21 Trade and other payables - Trade and other payables were higher than anticipated by $13.48 million due to unbudgeted year end payables for the capital works program, and materials and services expenditure. Payment for these payables will occur within the maximum 30 day terms.

22. Provision for employee benefits current and non-current - The overall decrease in the current and non-current provision of $2.59 million is attributable to a reduction in long service leave and annual leave entitlements, which was not accounted for when the 2013/2014 Budget was adopted.

23. Asset revaluation reserve - Asset revaluation reserve has an unfavourable variance of $225.72 million as a result of:
a) $204.02 million is due to a lower than expected asset revaluation reserve balance brought forward from 2012/2013
b) $21.70 million is due to a lower than anticipated valuation increase in the revaluation of our land, buildings and roads assets.

24 Other Reserves - Other reserves is favourable to budget by $3.21 million due to a higher than expected other reserve balance brought forward from 2012/2013.

Standard Cash Flow Statement

A Standard Cash Flow Statement for the Annual Report shows what has happened during the year in terms of cash. It explains what cash movements have resulted in the difference in the cash balance at the beginning and the end of the year.
The net cash flows from operating activities, shows how much cash remains, after paying for providing services to the community, which may be invested in things such as capital works. The Standard Cash Flow Statement must be presented in the same format as that which was presented in Council's budget.
The information in the Standard Cash Flow Statement assists users in the assessment of Council 's ability to generate cash flows, meet financial commitments as they fall due including the servicing of borrowings, fund changes in the scope or nature of activities and obtain external finance.

	Budget 2014 $'000	Actual 2014 $'000	Variances $'000	%	Notes
Cash flows from operating activities					
Receipts					
General rates	94,143	94,784	641	1%	
User fees and charges	14,607	11,061	(3,546)	(24%)	25.
Grants - operating	18,159	15,307	(2,852)	(16%)	26.
Grants - capital	16,344	16,516	172	1%	
Contributions	2,265	1,811	(454)	(20%)	27.
Interest	1,248	1,759	511	41%	28.
Other revenue	498	399	(99)	(20%)	29.
Fire service levy received	-	11,940	11,940		
Movement in working capital	-	(871)	(871)		
Payments					
Employee costs	(56,535)	(56,681)	(146)	0%	
Materials and contracts	(33,595)	(30,730)	2,865	(9%)	
Utility payments	(2,977)	(2,653)	324	(11%)	30.
Other expenses	(6,659)	(7,261)	(602)	9%	31.
Fire service levy paid to State Revenue Office	-	(11,080)	(11,080)		
Net cash provided by operating activities	47,498	44,301	(3,197)	(0)	-
Cash flows from investing activities					
Payments for fixed assets	(60,927)	(60,111)	816	(1%)	
Proceeds from sale of assets	1,167	1,047	(120)	(10%)	33.
Net cash used in investing activities	(59,760)	(59,064)	696		
Cash flow from financing activities					
Finance costs	(1,542)	(629)	913	100%	34.
Payments for investments with greater than three months maturity	-	(2,023)	(2,023)	100%	35.
Trust funds and deposits	-	281	281	100%	36.
Proceeds from borrowings	29,840	29,840	-	0%	
Repayment of borrowings	(2,339)	(2,137)	202	(9%)	
Net cash used in financing activities	25,959	25,332	(627)		
Net increase in cash held	13,697	10,569			
Add cash at the beginning of the year	10,726	31,494			
Cash at the end of the year	24,423	42,063			

Variance Explanation - Cash Flow Statement

25. User fees and charges - lower than budgeted cash was received for fees and charges, which in turn has seen an increase in our trade and other receivables.

26. Grants - operating - lower than budget due to delay in the receipt of the Victorian Grants Commission funding ($4.16 million) which is offset by a $1.38 million increase in non-recurrent grants funding.

27. Contributions - Contributions has an unfavourable variance of $0.45 million as a result of a contribution from South East Water for public realm not received. This project has been deferred to 2014/2015.

28. Interest - Interest received has exceeded budget by $0.51 million as a result of excess funds being available for investment from the earlier draw down of loan borrowings.

29. Other revenue - lower than budgeted cash was received for other, which in turn has seen an increase in our trade and other receivables.

30. Utilities payments- Utilities has a favourable variance of $0.32 million due to savings associated with moving the telephones to a Voice-over-Internet Protocol system, therefore reducing line rental charges. Efficiencies were also identified in gas and electricity usage which lead to further savings.

31. Other expenses - Other expenses has an unfavourable variance of $0.70 million as a result of additional legal fees incurred in relation to the Supreme Court litigation with the City of Casey and the Metropolitan Waste Management Group.

32. Investment in subsidiary - When the budget was compiled, Council did not anticipate movements in investment in subsidiary

33. Proceeds from sale of assets - Proceeds from sale of assets has an unfavourable variance of $0.12 million as Council received lower returns on the disposal of land and buildings than anticipated in the budget.

34. Finance costs - Finance costs has a favourable variance of $0.91 million as a result of $0.61 million worth of interest being capitalised as a part of the construction cost for the Peninsula Regional Aquatic Centre.

35. Payments for investments with greater than three months maturity - When the budget was compiled, Council did not anticipate movements in investments with greater than three months maturity.

36. Trust funds and deposits - When the budget was compiled, Council did not anticipate movements in trust and deposit funds held.

Standard Capital Works Statement

The Standard Capital Works Statement for the Annual Report sets out all the actual capital expenditure in relation to non-current assets for the year. It also shows the amount of capital works expenditure which is expected to be renewing, upgrading, expanding or creating new assets. This is important because each of these categories has a different impact on Council’s future costs.

• Capital expansion expenditure extends an existing asset to a new group of 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.

• Capital 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.

• Capital upgrade expenditure enhances an existing asset to provide a higher level of service or expenditure that will increase the life of the asset beyond that which it had originally. Upgrade expenditure is discretional 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.

• New capital 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.

The property, plant and equipment movement reconciliation worksheet is included to show how the Standard Capital Works Statement figures relate to the Standard Balance Sheet movement in property, plant and equipment.

	Budget 2014 $'000	Actual 2014 $'000	Variances $'000	%	Notes
Capital Works Areas					
Bridges	885	763	122	14%	41.
Transportation	5,174	8,249	(3,075)	(59%)	40.
Facilities	46,028	42,457	3,571	8%	37.
Parks and leisure	5,564	4,131	1,433	26%	39.
Stormwater management	570	731	(161)	(28%)	
Plant, equipment, furniture and artworks	4,206	4,736	(530)	(13%)	38.
Total capital works	62,427	61,067	1,360		
Represented by:					
Renewal	15,787	15,609	178	1%	
Asset expansion / upgrade	4,449	6,127	(1,678)	(38%)	
New assets	6,755	6,047	708	10%	
Major projects	35,436	33,282	2,154	6%	37.
Total capital works	62,427	61,065	1,362		

Variance Explanation - Capital Works Statement

37 $3.00 million variance in the Facilities area for Major Projects due to a delay in the construction costs associated with the Peninsula Aquatic Recreation Centre project. All is expected to be spent in 2014/2015.

38 $0.50 millin underspend in the Plant, equipment, furniture and artworks area as a result of savings identified in the plant replacement program.

39 $1.40 million underspend in the Parks and Leisure area due to not receiving funding for the South East Water Public Realm works and the implementation of the Memorial Park Masterplan $0.26 million did not progress.

40 $3.00 million additional spend in Transportation as a result of $1.00 million carry forward from 2012/2013 in relation to Beach Street reconstruction, $0.53 million carry forward from 2012/13 for the Cranhaven Road Charge Scheme, $0.35 million of budgeted funds transferred from Major Projects to bring forward the works on Olive Grove and $1.10 million funded additional works on the Principal Pedestrian Network Demonstration.

41 $0.12 million underspend in the Bridges renewal program mainly due to the deferral of the McCulloch Avenue Boardwalk project to 2014/2015.

Certification of Standard Statements

STATEMENT BY PRINCIPAL ACCOUNTING OFFICER

In my opinion the accompanying Standard Statements have been prepared on accounting bases consistent with the financial statements and in accordance with the *Local Government Act 1989* and the *Local Government (Finance and Reporting) Regulation 2004.*

Kim Jaensch CPA MBA
PRINCIPAL ACCOUNTING OFFICER
Dated: 11th September 2014

Statement by Councillors and Chief Executive Officer

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

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

We have been authorised by the Council on 8th of September, 2014 to certify the financial statements in their final form.

Cr. Darrel Taylor
Dated: 11th September 2014

Cr. Rebekah Spelman
Dated: 11th September 2014

Dennis Hovenden
CHIEF EXECUTIVE OFFICER
Dated: 11th September 2014

VAGO
Victorian Auditor-General's Office

Level 24, 35 Collins Street
Melbourne VIC 3000
Telephone 61 3 8601 7000
Facsimile 61 3 8601 7010
Email comments@audit.vic.gov.au
Website www.audit.vic.gov.au

INDEPENDENT AUDITOR'S REPORT

To the Councillors, Frankston City Council

The Financial Report and Standard Statements

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

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

The Councillors' Responsibility for the Financial Report and Standard Statements

The Councillors of the Frankston City Council are responsible for the preparation and the fair presentation of:

- the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Local Government Act 1989*
- the standard statements in accordance with the basis of preparation as described in note 1 to the statements and the requirements of the *Local Government Act 1989*.

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

Auditor's Responsibility

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

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

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

Independent Auditor's Report (continued)

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

Independence

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

Opinion

In my opinion:

(a) the financial report presents fairly, in all material respects, the financial position of the Frankston City Council as at 30 June 2014 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Local Government Act 1989*

(b) the standard statements present fairly, in all material respects, in accordance with the basis of preparation as described in note 1 to the statements and the requirements of the *Local Government Act 1989*.

Basis of Accounting for Standard Statements

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

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

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

MELBOURNE
19 September 2014

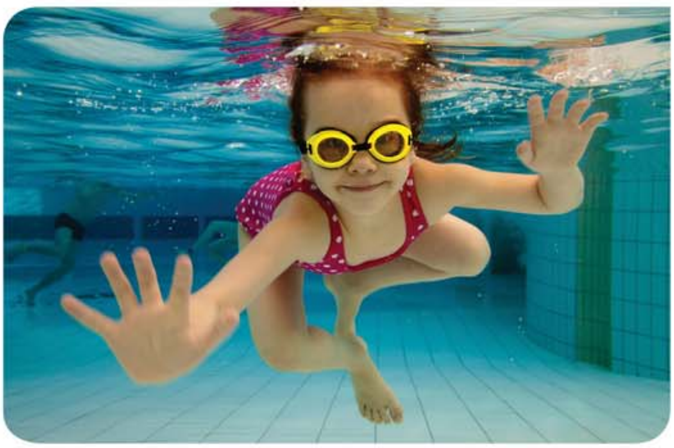
for Dr Peter Frost
Acting Auditor-General

Frankston City Council

opportunity growth lifestyle

2013- 2014
Performance Statement


Artist impression only



Performance Statement

Explanatory Information

The 2013-2014 Budget was required by section 127 of the *Local Government Act 1989* to identify a set of Key Strategic Activities (KSAs) to measure performance against the Council Plan. Each KSA must have associated measures and targets to monitor their achievement. Council developed the following set of KSAs to monitor the achievement of the three Long Term Community Outcomes in the Council Plan. This Performance Statement reviews Council's performance against the KSAs and their associated measures and targets as at 30 June 2014. Of the ten KSAs, nine were achieved and one was not achieved.

Key Strategic Activity	Measure	Target	Achieved or Not Achieved	Actual
Planned city for future growth				
1. Attract and promote more industry, small business and large employers into Frankston City to grow more jobs.	Jobs in Frankston City	≥ 36,800	Achieved	> 38,243 (an estimate based on Council's economic modelling system, REMPLAN).
2. Pursue State and Federal infrastructure and digital grants to support Frankston City's priorities.	Government grants received for capital works infrastructure	≥ $16 M	Achieved	$17.82M, comprising $7.4 M from the Australian government and $10.42 M from the Victorian government, $13.17 M of which related to the Regional Aquatic Centre.
3. Work with the State Government and local communities to accommodate more adaptable, affordable and accessible housing that meets individual needs over time (and ageing in place).	New dwellings in Frankston City	≥ 550	Achieved	923, based on new rateable residential assessments.
A liveable city				
4. Attract more mixed use development in the city centre.	Occupancy rate in the city centre	≥ 86.5%	Achieved	86.7%, based on the results of an occupancy audit.
5. Expand Council and the community's involvement in planning priorities to support community based projects.	Community Satisfaction with Council's consultation and engagement	≥ 73% / Index score 58	Achieved	71% / Index score of 58. The percentage result has a statistical margin of error of 4.9%, so the result of 71% falls within the acceptable range.
6. Increase community participation in leisure activities including libraries, arts and culture.	Attendance numbers	≥ 930,000	Achieved	≥ 946,616 comprising Library visits: 407,163; Sand Sculpting: 131,455; Frankston Arts Centre: 181,930; Visitor Information Centre walk-ins: 76,681; Ventana festival: over 18,000; Major events: 95,000; Community events: 27,000; Best Start events: 1,007; Youth events: 1,754; Positive ageing activities: 3,845; Community development activities: 2,781.

Key Strategic Activity	Measure	Target	Achieved or Not Achieved	Actual
A sustainable city				
7. Deliver key infrastructure projects (Capital Works Program) adopted by Council for 2013-2017.	Capital Works Program delivered on schedule and within budget.	≥ 80%	Achieved	Within budget: 95%. On time: 81%. The 33 "key" projects included the Peninsula Aquatic Recreation Centre, Carrum Downs Early Learning Centre and Frankston Yacht Club. Two projects were deferred by Council. Of the remainder, 25 projects were completed according to the planned stages of the program and six were completed a few months later than scheduled.
8. Educate industry and residents on ways to reduce waste to landfill and energy and water usage.	Household waste to landfill per household per week	< 7.9 kg	Not achieved	8.7kg. While household waste to landfill per household per week reduced by 0.9% (or 0.08kg) compared to last year, this did not meet the target reduction. Council is developing a new Waste Minimisation and Management Strategy in 2014-2015 to guide activities for 2015-2019 in an effort to further reduce household waste to landfill. Council is also advocating for a new Waste Transfer Station following closure of the previous facility, which was associated with an increase in waste to landfill.
9. Ensure the organisation is financially sustainable.	Underlying operating result	$0.5M surplus	Achieved	Council's underlying surplus is $2.927M
10. Ensure the organisation is financially sustainable.	Council's liquidity	1.5 : 1	Achieved	Council owns $1.80 in current assets for every $1 it owes in current liabilities, indicating strong ability to pay liabilities within one year.

Certification of Performance Statement

STATEMENT BY COUNCILLORS

In our opinion, the accompanying Performance Statement of the Frankston City Council in respect of 2013/2014 financial year 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 and describes the extent to which the Business Plan was met in that year, having regard to those target measures.

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

Cr. Darrel Taylor
Dated: 11th September 2014

Cr. Rebekah Spelman
Dated: 11th September 2014

VAGO
Victorian Auditor-General's Office

Level 24, 35 Collins Street
Melbourne VIC 3000
Telephone 61 3 8601 7000
Facsimile 61 3 8601 7010
Email comments@audit.vic.gov.au
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INDEPENDENT AUDITOR'S REPORT

To the Councillors, Frankston City Council

The Performance Statement

The accompanying performance statement for the year ended 30 June 2014 of the Frankston City Council which comprises the statement, the related notes and the certification of performance statement has been audited.

The Councillors' Responsibility for the Performance Statement

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

Auditor's Responsibility

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

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

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

Independence

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

Independent Auditor's Report (continued)

Auditor's Opinion

In my opinion, the performance statement of the Frankston City Council in respect of the 30 June 2014 financial year presents fairly, in all material respects, in accordance with the *Local Government Act 1989.*

Matters Relating to the Electronic Publication of the Audited Performance Statement

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

MELBOURNE
19 September 2014

Dr Peter Frost
Acting Auditor-General