



***HEPBURN SHIRE COUNCIL  
SPECIAL MEETING OF COUNCIL***

***TUESDAY 25 AUGUST 2009, 6pm***

**CLUNES TOWN HALL  
BAILEY STREET  
CLUNES**

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# Hepburn Shire Council Special Meeting



## MINUTES

TUESDAY 25 AUGUST 2009

Clunes Town Hall  
Bailey Street, Clunes  
Commencing 6PM

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KAYLENE CONRICK  
CHIEF EXECUTIVE OFFICER  
21 AUGUST 2009

**1. ACKNOWLEDGEMENT OF TRADITIONAL OWNERS:**

We would like to acknowledge we are meeting on Jaara people country, of which members and elders of the Dja Dja Wurrung community and their forebears have been custodians for many centuries.

On this land the Jaara people have performed age old ceremonies of celebration, initiation and renewal.

We acknowledge their living culture and their unique role in the life of this region.

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**2. OPENING OF MEETING: The Meeting opened at 6.06pm**

**PRESENT:** Cr Bill McClenaghan, Mayor; Cr Janine Booth, Deputy Mayor; Cr Jon Barrell; Cr Rod May; Cr Tim Hayes; Cr Sebastian Klein; Cr Don Henderson;

**IN ATTENDANCE:** Kaylene Conrick, Chief Executive Officer; Lucy Roffey, General Manager Corporate Services; John Traill, Manager Finance.

**STATEMENT OF COMMITMENT**

“WE THE COUNCILLORS OF HEPBURN SHIRE  
DECLARE THAT WE WILL UNDERTAKE ON EVERY OCCASION  
TO CARRY OUT OUR DUTIES IN THE BEST INTERESTS  
OF THE COMMUNITY  
AND THAT OUR CONDUCT SHALL MAINTAIN THE STANDARDS  
OF THE CODE OF GOOD GOVERNANCE  
SO THAT WE MAY FAITHFULLY REPRESENT  
AND UPHOLD THE TRUST PLACED IN THIS COUNCIL BY THE  
PEOPLE OF HEPBURN SHIRE”

**3. APOLOGIES: Nil.**

**4. DECLARATION OF CONFLICTS OF INTEREST: Nil.**

## 5 CORPORATE SERVICES:

### 5.1 2008/2009 FINANCIAL REPORTS – ADOPTION IN PRINCIPLE

(Action Officer – Manager Finance)

File Ref: 30/08/17

#### Introduction

The audit of the financial statements, standard statements and performance statement for 2008/09 has commenced. One of the statutory steps in the audit process is for the statements to be officially accepted by Council before they are sent to the Auditor General by Council's auditors, McLean Delmo. Council is asked to give in principle approval to these statements on the understanding that the auditors may still require changes to be made.

#### Report

Attached are the draft financial statements (*refer attachment 1*) and the draft standard statements (*refer attachment 2*).

A copy of the statements has also been forwarded to the members of the Audit and Risk Advisory Committee which is scheduled to meet on Monday the 24 August 2009 to consider these items.

#### Draft Financial Statements

The Income Statement which is page 1 of the Financial Statements shows a strong surplus of \$12.8m which is \$12.1m higher than what was projected when the budget was developed. The key factors that contributed to this substantially higher result were:-

- Hepburn Bathhouse transfer (\$9.0m)

The control of the Hepburn Bathhouse was transferred back to the Council during the year resulting in a net increase in contributed assets of just under \$9m details of which are contained in note 6(c) of the Financial Statements.

- The receipt of substantial unbudgeted federal grants (\$2.4m)

In response to the economic downturn the Federal Government made a number of grants available to Council firstly through a direct grant for infrastructure works of \$425k, secondly through an application process that was successful in respect to the Doug Lindsay reserve of which \$1.1m was paid in advance in late June 2009 and thirdly through the early payment of the first quarter of 2009/10 Grants Commission allocation of \$858k, see note 5 of the Financial Statements.

- The delay in completing some capital works projects (\$0.9m)

There were a number of capital works projects totaling \$890k which represents 13.3% of the capital works program that were not completed at year end and will therefore be carried forward refer notes 33 to 28 in the Capital Works section of the Standard Statements.

As a result of the surplus achieved the Balance Sheet is quite strong with a substantial cash balance however it should be noted that this includes significant grant funds that will be expended during the 2009/10 financial year.

### **Draft Standard Statements**

The Standard Statements are in some ways a summarised version of the Financial Statements in that they take the information contained in the three key financial statements being the Income Statement, Balance Sheet and Cash Flow and compare this to Councils adopted budget for the year. In addition they include a summary of the capital works also compared to budget. Against each of the statements notes provided where there are material differences.

### **Performance Statement**

One of the Annual Reporting requirements is the preparation of a Performance Statement. The Performance Statement reports on the targets set in the Annual Budget. In 2008-09, targets were not included in the Annual Budget and consequently there is nothing on which to report in the Performance Statement. The Councils external auditors have consulted the Auditor General on the matter and have advised that the Minister should be notified of the breach. A letter from the CEO to the Minister is currently being drafted. This issue will not arise in 2009-10 as targets have been included in the 2009-10 budget.

### **Relevant Policies**

Local Government Act 1989 – Sect 131

### **Community Engagement**

Not applicable

### **Financial Implications**

Not applicable

#### **Motion:**

*5.1.1 That Council approve in principle the financial statements and standard statements for 2008/09 for submission to the Auditor General*

**Moved: Cr Tim Hayes**

**Seconded: Cr Jon Barrell**

**Carried.**

***HEPBURN SHIRE COUNCIL  
STANDARD STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009***

Hepburn Shire Council  
**Standard Statement of Financial Performance**  
 For the year ended 30 June 2009

	<i>Budget</i> 2008/2009 \$'000	<i>Variances</i> \$'000      %		<i>Ref</i>	<i>Actual</i> 2008/2009 \$'000
<b>Revenues from ordinary activities</b>					
Rates and charges	11,061	191	1.7%		11,252
User charges and other fines	1,080	337	31.2%	1	1,417
Contributions	13	397	100.0%	2	410
Grants - operating	4,686	1,565	33.4%	3	6,251
Grants - capital	1,392	1,826	131.2%	4	3,218
Other revenue	1,384	(212)	-15.3%	5	1,172
<b>Revenues from outside the operating activities</b>					
Transfer of land & buildings	-	8,945	100.0%	6	8,945
Share of net profit of associates	-	72	100.0%	7	72
<b>Total revenues</b>	<b>19,616</b>	<b>13,121</b>	<b>66.9%</b>		<b>32,737</b>
<b>Expenses from ordinary activities</b>					
Employee benefits	7,799	356	4.6%		8,155
Materials and services	5,364	904	16.9%	8	6,268
Bad and doubtful debts	4	(4)	-100.0%		-
Depreciation	4,477	(40)	-0.9%		4,437
Finance costs	204	(9)	-4.4%		195
Other expenses	1,104	(292)	-26.4%	9	812
Net loss on disposal of plant	-	103	100.0%	10	103
<b>Total expenses</b>	<b>18,952</b>	<b>1,018</b>	<b>5.4%</b>		<b>19,970</b>
<b>Net surplus (deficit) from operations</b>	<b>664</b>	<b>12,103</b>			<b>12,767</b>
<b>Movements in equity</b>					
Net increase (decrease) in asset revaluation reserves	-	-			-
Impairment losses on land held for sale	-	-			-
<b>Total changes in equity</b>	<b>664</b>	<b>12,103</b>			<b>12,767</b>

Hepburn Shire Council  
**Standard Statement of Financial Performance**  
 For the year ended 30 June 2009

**Variance Explanation Report**

<u>Ref.</u>	<u>Item</u>	<u>Commentary</u>
1	User Charges and Fines	The increase is due to a substantial increase in the provision of contract care , building services, animal registration and a number of other services to a lesser extent.
2	Contributions	Represents non monetary assets received that were not budgeted for. Land under roads \$49K and road construction \$328K .
3	Grants - operating	This variance is due to the early payment of part of the 2009/10 Grants Commission allocation, a grant received for the construction of the Springs Medical Centre and a number of smaller grants relating to the bush fires that occurred in the area earlier this year.
4	Grants - capital	The increased capital grants relate to the payment of the unbudgeted Federal Government stimulus package and the early payment of the Doug Lindsay Development project.
5	Other revenue	The shortfall is primarily as a result of lower than budgeted rent from the Hepburn Bathhouse which is partly based on turnover.
6	Transfer of Land & Buildings	Hepburn Springs Bathhouse transferred back to Council.
7	Share of net profit of associates	Council does not budget for a profit or loss for the Central Highlands Regional Library Service.
8	Materials & services	The increased expenditure has resulted from payments made towards the Springs Medical Centre (see note 3), the bush fires and a number of smaller grants received during the year (see also note 9).
9	Other Expenses	Included in the original budget for other expenses was \$311K that was re-allocated to Materials & services. Consequently the actual variance is only \$19k or 2.4%.
10	Net loss on disposal of plant	Council does not budget for a profit or loss on the disposal of plant during the year as it is difficult to reliably estimate.



Hepburn Shire Council  
Standard Statement of Financial Position  
As at 30 June 2009

	Budget 2008/2009 \$'000	Variances		Ref	Actual 2008/2009 \$'000
		\$'000	%		
<b>Current assets</b>					
Cash assets	760	4,901	644.9%	11	5,661
Receivables	2,032	(293)	-14.4%	12	1,739
Other	307	(188)	-61.2%	13	119
<b>Total current assets</b>	<b>3,099</b>	<b>4,420</b>	<b>142.6%</b>		<b>7,519</b>
<b>Non-current assets</b>					
Receivables	5	(4)	-80.0%		1
Financial assets	1,109	(210)	-18.9%	14	899
Investments in associates	397	50	12.6%	15	447
Property, plant and equipment	143,408	17,198	12.0%	16	160,606
<b>Total non-current assets</b>	<b>144,919</b>	<b>17,034</b>	<b>11.8%</b>		<b>161,953</b>
<b>Total assets</b>	<b>148,018</b>	<b>21,454</b>	<b>14.5%</b>		<b>169,472</b>
<b>Current liabilities</b>					
Payables	1,354	340	25.1%	17	1,694
Interest bearing liabilities	336	83	24.7%	18	419
Provisions	1,262	398	31.5%	19	1,660
<b>Total current liabilities</b>	<b>2,952</b>	<b>821</b>	<b>27.8%</b>		<b>3,773</b>
<b>Non-current liabilities</b>					
Interest bearing liabilities	3,276	(83)	-2.5%		3,193
Provisions	1,214	(478)	-39.4%	19	736
<b>Total non-current liabilities</b>	<b>4,490</b>	<b>(561)</b>	<b>-12.5%</b>		<b>3,929</b>
<b>Total liabilities</b>	<b>7,442</b>	<b>260</b>	<b>3.5%</b>		<b>7,702</b>
<b>Net assets</b>	<b>140,576</b>	<b>21,194</b>	<b>15.1%</b>		<b>161,770</b>
<b>Equity</b>					
Accumulated surplus	83,392	12,919	15.5%		96,311
Asset revaluation reserve	56,190	8,414	15.0%	20	64,604
Other reserves	994	(139)	-14.0%	21	855
<b>Total equity</b>	<b>140,576</b>	<b>21,194</b>	<b>15.1%</b>		<b>161,770</b>

Hepburn Shire Council  
Standard Statement of Financial Position  
As at 30 June 2009

**Variance Explanation Report**

<u>Ref.</u>	<u>Item</u>	<u>Commentary</u>
11	Cash Assets	Cash assets are substantially higher than forecast due to the prepayment of government grants a reduction in the level of debtors (see note 12) and the delay in completing some of the projects in the capital works program.
12	Receivables	The decrease in receivables is due to debtors being closely monitored and all major grant claims paid prior to 30 June 2009.
13	Other	Lower than forecast because of a reduction in inventories and non current assets held for resale.
14	Financial Assets	Investment reclassified as current
15	Investments in Associates	Council does not budget for the movement in value for the Central Highlands Regional Library Service as it is difficult to estimate (see note 7).
16	Property Plant and Equipment	Relates to the reappointment of the Council as committee of management of the Hepburn Springs Bathhouse and the revaluation of assets at 30 June 2008 (see note 20).
17	Payables	Increase in the level of trade creditors at year end.
19	Interest Bearing Liabilities	Due to the reduced level of interest rates the loan for the construction of the Council depot was taken out over 10 years and not 20 years increasing the amount of Principal due in 2009/10.
19	Provisions	Relates to the split between current and non current assessment for long service leave overall the total provisions are comparable. The budget was compiled based on the standards that applied pre the introduction of the International Financial Reporting Standards (IFRS) which changed the methodology for calculating the allocation of long service leave between current and non current.
20	Asset Revaluation Reserve	The budget did not reflect any changes to equity resulting from asset revaluations as their impacts were not considered predictable. When preparing the 2007/08 annual accounts an asset revaluation was required resulting in a higher asset valuation total. This was not known at the time of compiling the 2008/09 budget.
21	Other Reserves	Decrease represents higher than anticipated transfer from the waste management reserve in 2007/08 financial year. This was not known at the time the of compiling to 2008/0-9 budget.

Hepburn Shire Council  
**Standard Statement of Cash Flows**  
 For the year ended 30 June 2009

	<b>Budget 2008/2009 \$'000</b>	<b>Variences</b>		<b>Ref</b>	<b>Actual 2008/2009 \$'000</b>
		<b>\$'000</b>	<b>%</b>		
<b>Cash flows from operating activities</b>					
Rates	11,061	13	0.1%		11,074
User charges and other fines (inclusive of GST)	1,130	204	18.1%	22	1,334
Grants operating (inclusive of GST)	4,930	1,518	30.8%	23	6,448
Grants capital (inclusive of GST)	1,517	1,701	112.1%	24	3,218
Contributions (inclusive of GST)	14	23	164.3%	25	37
Interest	215	75	34.9%	26	290
Other receipts (inclusive of GST)	873	67	7.7%		940
Net GST refund	177	273	154.2%	27	450
Payments to suppliers (inclusive of GST)	(5,901)	(1,446)	24.5%	28	(7,347)
Payments to employees (including redundancies)	(7,799)	(415)	5.3%		(8,214)
Other payments	(872)	(21)	2.4%		(893)
<b>Net cash inflow (outflow) from operating activities</b>	<b>5,345</b>	<b>1,992</b>	<b>37.3%</b>		<b>7,337</b>
<b>Cash flows from investing activities</b>					
Proceeds from sale of property, plant and equipment	312	(75)	-24.0%	29	237
Proceeds from investments	-	6	100.0%		6
Repayment of loans and advances	-	3	100.0%		3
Payments for property, plant and equipment	(6,694)	889	-13.3%	30	(5,805)
<b>Net cash inflow (outflow) from investing activities</b>	<b>(6,382)</b>	<b>823</b>	<b>-12.9%</b>		<b>(5,559)</b>
<b>Cash flows from financing activities</b>					
Finance costs	(204)	33	-16.2%	31	(171)
Deposits	-	(5)	100.0%		(5)
Proceeds from borrowings	1,450	-	0.0%		1,450
Repayment of borrowings	(373)	-	0.0%		(373)
<b>Net cash inflow (outflow) from financing activities</b>	<b>873</b>	<b>28</b>	<b>3.2%</b>		<b>901</b>
<b>Net increase (decrease) in cash held</b>	<b>(164)</b>	<b>2,843</b>	<b>100.0%</b>		<b>2,679</b>
Cash at the beginning of the year	924	2,058	222.7%	32	2,982
<b>Cash at the end of the year</b>	<b>760</b>	<b>4,901</b>	<b>644.9%</b>		<b>5,661</b>
<b>Reconciliation of Operating Result and Net Cash Flows from Operating Activities</b>					
<b>For the year ending 30 June 2009</b>					
<b>Net surplus (deficit) from operations</b>	<b>664</b>	<b>12,103</b>			<b>12,767</b>
Depreciation	4,477	(40)	-0.9%		4,437
(Profit) Loss on sale of property, plant and equipment	-	103	100.0%	10	103
Finance Costs	204	(33)	-16.2%	31	171
Net movement in current assets and liabilities		(10,141)	100.0%		(10,141)
<b>Net cash inflow (outflow) from operating activities</b>	<b>5,345</b>	<b>1,992</b>	<b>37.3%</b>		<b>7,337</b>

Hepburn Shire Council  
Standard Statement of Cash Flows  
For the year ended 30 June 2009

**Variance Explanation Report**

<u>Ref.</u>	<u>Item</u>	<u>Commentary</u>
22	User Charges & Other fines (inclusive of GST)	The increase is due to a substantial increase in the provision of contract care , building services, animal registration and a number of other services to a lesser extent.
23	Grants - operating (inclusive of GST)	This variance is due to the early payment of part of the 2009/10 Grants Commission allocation, a grant received for the construction of the Springs Medical Centre and a number of smaller grants relating to the bush fires that occurred in the area earlier this year.
24	Grants - capital (inclusive of GST)	The increased capital grants relate to the payment of the unbudgeted Federal Government stimulus package and the early payment of the Doug Lindsay Development project.
25	Contributions (inclusive of GST)	Represents unbudgeted contributions from local groups towards projects undertaken by Council.
26	Interest	Budgeted inflows from interest was exceeded due to higher level of cash and investment holdings through out the year.
27	Net GST refund	Budgeted cash inflows from GST refund was exceeded due to higher than expected payments to suppliers made during the year.
28	Payments to suppliers (inclusive of GST)	The increased expenditure has resulted from payments made towards the Springs Medical Centre (see note 3), the bush fires and a number of smaller grants received during the year (see also note 9).
29	Proceeds from sale of property, plant and equipment	Fewer vehicles changed over than budgeted for due to previous years decision to extend Council's fleet vehicles change over policy.
30	Payments for property plant and equipment	Delay in completing some projects within the capital works program see specific notes to Capital section.
31	Finance costs	Finance costs down due to lower than anticipated interest rates at time of negotiating the Depot loan taken out during the year..
32	Cash at beginning of year	Better than budgeted cash position achieved than predicted when budget was prepared.

Hepburn Shire Council  
Standard Statement of Capital Works  
For the year ended 30 June 2009

Capital Works Areas	Budget	Variances		Ref	Actual
	2008/2009	\$'000	%		2008/2009
	\$'000	\$'000	%		\$'000
Roads, Drainage, Footpath, Bridges	2,528	(159)	-6.3%		2,369
Recreation	343	(116)	-33.8%	33	227
Buildings	2,621	(339)	-12.9%	34	2,282
Plant and equipment	1,182	(273)	-23.1%	35	909
Other	20	(3)	-15.0%		17
<b>Total capital works</b>	<b>6,694</b>	<b>(890)</b>	<b>-13.3%</b>		<b>5,804</b>
<b>Represented by:</b>					
Renewal	3,445	(432)	-12.5%	36	3,013
Expansion/upgrade	2,893	(343)	-11.9%	37	2,550
New assets	356	(115)	-32.3%	38	241
<b>Total capital works</b>	<b>6,694</b>	<b>(890)</b>	<b>-13.3%</b>		<b>5,804</b>

Hepburn Shire Council  
**Standard Statement of Capital Works**  
 For the year ended 30 June 2009

**Variance Explanation Report**

<u>Ref.</u>	<u>Item</u>	<u>Commentary</u>
33	Recreation	Delay in undertaking works on diving tower at Calembreen Lake
34	Buildings	Delay in completing the construction of the Council depot and Rotunda at Collins Place Clunes
35	Plant & equipment	Fewer vehicles changed over than budgeted for due to previous years decision to extend Council's fleet vehicles change over policy.
36	Renewal	The replacement of some plant items which have been carried forward, replacement of the diving tower at Calembreen Lake, along with the delay in finalising the tender for the replacement of Gooch's bridge have resulted in this target not being met.
37	Expansion/upgrade	The shortfall relates to the construction of the Council depot which was not completed on schedule in 2008/09 and will be completed in the 2009/10 financial year
38	New assets	This variance is due to the deferral of the construction of the rotunda in Collins Place Clunes to coincide with works scheduled in 2009/10 in this reserve

## Hepburn Shire Council

### **Note to Standard Statements**

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

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

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

The Standard Statements are not a substitute for the General Purpose Financial Report, which is included in the Annual Report. They have not been prepared in accordance with all Australian Accounting Standards or other authoritative professional pronouncements. The Standard Statements compare Hepburn Shire Council's Strategic Resource Plan, expressed through its annual budget, with actual performance. The Local Government Act 1989 requires explanation of any material variances. Hepburn Shire Council has adopted a materiality threshold of greater than 10% per cent or more than \$10,000. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures included in the Standard Statements are those adopted by Hepburn Shire Council on 29 July 2008. The budget was based on assumptions that were relevant at the time of adoption of the budget. Hepburn Shire Council set guidelines and parameters for revenue and expense targets in this budget in order to meet Hepburn Shire Council's business plan and financial performance targets for both the short and long term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

Detailed information on the actual financial results are contained in the Annual Financial Report for the year ended 30 June 2009. The detailed budget for 2008/2009 can be obtained by contacting Hepburn Shire Council or through the Council's web site. The Standard Statements must be read with reference to these documents.

Hepburn Shire Council  
Statement by Councillors and Principal Accounting Officer  
For the year ended 30 June 2009

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) Regulations 2004.

Lucy Roffey CA  
Principal Accounting Officer

Date

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

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

We have been authorised by the Council on 25 August 2009 to certify the standard statements in their final form.

Don Henderson  
Councillor

Date

Bill McClenaghan  
Councillor

Date

Kaylene Conrick  
Chief Executive Officer

Date



HEPBURN SHIRE COUNCIL  
2008/2009 Financial Report

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### Certification of the Financial Report

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

0

**Principal Accounting Officer**

**Date :** <Date>  
Daylesford

In our opinion the accompanying financial statements present fairly the financial transactions of <Name> for the year ended 30 June 2008 and the financial position of the Council as at that date.

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

We have been authorised by the Council on <date> to certify the financial statements in their final form.

0

**Councillor**

**Date :** <Date>  
Daylesford

0

**Councillor**

**Date :** <Date>  
Daylesford

*Kaylene Conrick*  
**Chief Executive Officer**

**Date :** <Date>  
Daylesford

**Attachment 2**

**HEPBURN SHIRE COUNCIL  
ANNUAL FINANCIAL REPORT  
For the Year Ended 30 June 2009**

**HEPBURN SHIRE COUNCIL  
Financial Report  
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HEPBURN SHIRE COUNCIL  
2008/2009 Financial Report

**Income Statement**  
**For the Year Ended 30 June 2009**

	Note	2009 \$	2008 \$
<b>Revenue</b>			
Rates and charges	2	11,251,994	10,107,596
Statutory fees and fines	3	240,329	249,346
User fees	4	1,177,049	1,015,055
Contributions - Cash	6 (a)	33,317	362,959
Contributions - Non-monetary assets	6 (b)	377,050	-
Grants - Recurrent	5	5,363,046	5,259,147
Grants - Recurrent Grants Commission 2009 - 2010	5	859,342	-
Grants - Non-recurrent	5	3,216,189	1,174,870
Reimbursements	7	126,746	135,930
Other revenue	8	1,040,898	612,022
<b>Total revenue</b>		<b>23,719,960</b>	<b>18,936,917</b>
<b>Expenses</b>			
Employee benefits	10	(8,154,804)	(7,653,746)
Materials and services	11	(6,268,552)	(6,441,446)
Depreciation and amortisation	12	(4,436,911)	(4,326,505)
Finance costs	13	(195,158)	(136,608)
Other expenses	14	(811,563)	(751,334)
<b>Total expenses</b>		<b>(19,866,788)</b>	<b>(19,309,639)</b>
Net gain/(loss) on disposal of property, plant and equipment, infrastructure	9	(102,893)	31,906
Transfer of land & buildings (bathhouse redevelopment)	6 (c)	8,945,424	-
Share of net profits/(losses) of associates and joint ventures accounted for by the equity method	15	72,000	(22,000)
<b>Surplus/(deficit) for the year</b>		<b>12,766,703</b>	<b>(363,016)</b>

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

HEPBURN SHIRE COUNCIL  
2008/2009 Financial Report

Balance Sheet  
As at 30 June 2009

	Note	2009 \$'000	2008 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	16	5,661,182	2,982,218
Trade and other receivables	17	1,739,330	1,411,127
Inventories	19	24,603	61,134
Non-current assets classified as held for sale	20	-	66,100
Other assets	21	93,783	13,601
<b>Total current assets</b>		<b>7,518,898</b>	<b>4,534,180</b>
<b>Non-current assets</b>			
Trade and other receivables	17	1,558	2,359
Financial assets	18	899,196	955,055
Investments in associates accounted for using the equity method	15	447,000	375,000
Property, plant and equipment, infrastructure	22	160,605,531	150,160,328
<b>Total non-current assets</b>		<b>161,953,285</b>	<b>151,492,742</b>
<b>Total assets</b>		<b>169,472,181</b>	<b>156,026,922</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	23	896,609	1,207,481
Trust funds and deposits	24	795,120	800,696
Provisions	25	1,660,474	1,714,623
Interest-bearing loans and borrowings	26	418,601	372,853
<b>Total current liabilities</b>		<b>3,772,804</b>	<b>4,095,653</b>
<b>Non-current liabilities</b>			
Provisions	25	735,742	715,559
Interest-bearing loans and borrowings	26	3,193,164	2,161,764
<b>Total non-current liabilities</b>		<b>3,928,906</b>	<b>2,877,343</b>
<b>Total liabilities</b>		<b>7,701,710</b>	<b>6,972,996</b>
<b>Net Assets</b>		<b>161,770,471</b>	<b>149,053,927</b>
<b>Equity</b>			
Accumulated surplus		96,310,981	83,640,371
Reserves	27	65,459,490	65,413,556
<b>Total Equity</b>		<b>161,770,471</b>	<b>149,053,927</b>

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

HEPBURN SHIRE COUNCIL  
2008/2009 Financial Report

Statement of Changes in Equity  
For the Year Ended 30 June 2009

	Note	Total 2009	Accumulated Surplus 2009	Asset	Other
				Revaluation Reserve 2009	Reserves 2009
		\$	\$	\$	\$
<b>2009</b>					
Balance at beginning of the financial year		149,053,927	83,640,371	64,803,782	809,774
Surplus(deficit) for the year		12,766,703	12,766,703	-	-
Transfers to other reserves	27 (a)	-	32,559	-	(32,559)
Transfers from other reserves	27 (b)	-	(128,652)	-	128,652
Gains (losses) from re-measuring available-for-sale financial assets to fair value:					
Recognised during the year	28	(50,159)	-	-	(50,159)
<b>Balance at end of the financial year</b>		<b>161,770,471</b>	<b>96,310,981</b>	<b>64,803,782</b>	<b>855,708</b>
		Total 2008	Accumulated Surplus 2008	Asset Revaluation Reserve 2008	Other Reserves 2008
		\$	\$	\$	\$
<b>2008</b>					
Balance at beginning of the financial year		140,852,990	83,668,504	56,190,526	993,960
Surplus(deficit) for the year		(363,016)	(363,016)	-	-
Net asset revaluation increment(decrement)	27 (a)	8,603,248	175,492	8,427,756	-
Transfers to other reserves	27 (b)	-	244,811	-	(244,811)
Transfers from other reserves	27 (b)	-	(85,420)	-	85,420
Impairment losses on revalued assets	28	(14,500)	-	(14,500)	-
Gains (losses) from re-measuring available-for-sale financial assets to fair value:					
Recognised during the year	28	(24,795)	-	-	(24,795)
<b>Balance at end of the financial year</b>		<b>149,053,927</b>	<b>83,640,371</b>	<b>64,803,782</b>	<b>809,774</b>

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

HEPBURN SHIRE COUNCIL  
2008/2009 Financial Report

**Cash Flow Statement**  
**For the Year Ended 30 June 2009**

	Note	2009 Inflows/ (Outflows) \$	2008 Inflows/ (Outflows) \$
<b>Cash flows from operating activities</b>			
Rates		11,073,785	10,052,029
Statutory fees and fines		240,329	249,346
User charges and other fines (inclusive of GST)		1,093,634	1,058,363
Grants (inclusive of GST)		9,666,477	7,331,489
Contributions (inclusive of GST)		36,649	421,255
Reimbursements (inclusive of GST)		141,621	149,523
Interest		250,484	302,314
Rents (inclusive of GST)		691,203	206,193
Other receipts (inclusive of GST)		106,191	127,636
Net GST refund/payment		450,428	269,436
Payments to suppliers (inclusive of GST)		(7,347,020)	(7,563,831)
Payments to employees (including redundancies)		(8,213,817)	(6,436,399)
Other payments		(662,719)	(626,467)
<b>Net cash provided by (used in) operating activities</b>	29	<u>7,337,445</u>	<u>5,340,980</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment, infrastructure	22	(5,804,425)	(6,429,701)
Proceeds from sale of property, plant and equipment, infrastructure		236,928	221,461
Proceeds from sale of other financial assets		5,700	128,761
Repayment of loans and advances from community organisations		3,000	-
<b>Net cash provided by (used in) investing activities</b>		<u>(5,558,797)</u>	<u>(6,079,479)</u>
<b>Cash flows from financing activities</b>			
Finance costs		(171,236)	(108,181)
Trust funds and deposits		(5,576)	195,104
Proceeds from interest bearing loans and borrowings		1,450,000	1,200,000
Repayment of interest bearing loans and borrowings		(372,872)	(407,855)
<b>Net cash provided by (used in) financing activities</b>		<u>900,316</u>	<u>869,068</u>
Net increase (decrease) in cash and cash equivalents		2,678,964	130,569
Cash and cash equivalents at the beginning of the financial year		2,982,218	2,851,649
	30	<u>5,661,182</u>	<u>2,982,218</u>
Restrictions on cash assets	31		

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



HEPBURN SHIRE COUNCIL  
2008/2009 Financial Report

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**Notes to the Financial Report  
For the Year Ended 30 June 2009**

**Introduction**

The Hepburn Shire Council was established by an Order of the Governor in Council on 19 January 1995 and is a body corporate. The Council's main office is located at 76 Vincent Street Daylesford 3480.

This financial report is a general purpose financial report that consists of an Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, and notes accompanying these financial statements. The general purpose financial report complies with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, the *Local Government Act* 1989, and the Local Government (Finance and Reporting) Regulations 2004.

**Note 1 Significant accounting policies**

**(a) Basis of accounting**

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

This financial report has been prepared under the historical cost convention, except where specifically stated in notes 1(g), 1(i), 1(k) and 1(t).

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

All entities controlled by Council that have material assets or liabilities, such as Special Committees of Management, have been included in this financial report. All transactions between these entities and the Council have been eliminated in full. Details of entities not included in this financial report based on their materiality are detailed in note 41.

HEPBURN SHIRE COUNCIL  
2008/2009 Financial Report

Notes to the Financial Report  
For the Year Ended 30 June 2009

Note 1 Significant accounting policies (cont.)

(b) Revenue recognition

*Rates, grants and contributions*

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

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

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

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

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in note 5. The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

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

*User fees and fines*

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

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

*Sale of property, plant and equipment, infrastructure*

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

*Interest and rents*

Interest and rents are recognised as revenue on a proportional basis when the payment is due, the value of the payment is notified, or the payment is received, whichever first occurs.

(c) Inventories

Inventories held for distribution are measured at cost adjusted when applicable for any loss of service potential. Other inventories are measured at the lower of cost and net realisable value.

HEPBURN SHIRE COUNCIL  
2008/2009 Financial Report

**Notes to the Financial Report  
For the Year Ended 30 June 2009**

**Note 1 Significant accounting policies (cont.)**

**(d) Depreciation of non-current assets**

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

Where 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.

Artworks are not depreciated.

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:

	<b>Period</b>
<b>Property</b>	
Land	
land improvements	20 - 100 years
Buildings	
buildings	25 - 150 years
<b>Plant and Equipment</b>	
plant, machinery and equipment	3 - 10 years
fixtures, fittings and furniture	3 - 20 years
<b>Infrastructure</b>	
Roads	
road pavements and seals	10 - 80 years
road substructure	10 - 80 years
road formation and earthworks	nil
road kerb, channel and minor culverts	10 - 65 years
Bridges	
bridges deck	5 - 80 years
bridges other	5 - 80 years
Footpaths & cycle ways	10 - 65 years
Drainage	5 - 80 years
Street Furniture	5 - 80 years
Playground Equipment	5 - 80 years
Monuments	5 - 80 years
Other structures	5 - 80 years

HEPBURN SHIRE COUNCIL  
2008/2009 Financial Report

**Notes to the Financial Report  
For the Year Ended 30 June 2009**

**Note 1 Significant accounting policies (cont.)**

**(e) 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.

**(f) 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.

**(g) Recognition and measurement of assets**

*Acquisition*

The purchase method of accounting is used for all acquisitions of assets, being the fair value of assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition. Fair value is the 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.

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

	Threshold Limit
	\$'000
<b>Property</b>	
Land	
land	1
land improvements	1
Buildings	
buildings	1
<b>Plant and Equipment</b>	
plant, machinery and equipment	1
fixtures, fittings and furniture	0.5
<b>Infrastructure</b>	
Roads	
road pavements and seals	5
road substructure	5
road formation and earthworks	5
road kerb, channel and minor culverts	5
Bridges	
bridges deck	5
bridges substructure	5
footpaths and cycle ways	5
drainage	5
Other	
street furniture	0.5
playground equipment	0.5
monuments	0.5
other structures	0.5
artworks	0.5

HEPBURN SHIRE COUNCIL  
2008/2009 Financial Report

**Notes to the Financial Report  
For the Year Ended 30 June 2009**

**Note 1 Significant accounting policies (cont.)**

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

*Revaluation*

Subsequent to the initial recognition of assets, non-current physical assets, other than plant and equipment (and other structures), are measured at their fair value, being the amount for which the assets could be exchanged between knowledgeable willing parties in an arms length transaction. 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 of land, buildings, and infrastructure assets on a regular basis ranging from 2 to 5 years. The valuation is performed either by experienced council officers or independent experts.

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

*Land under roads*

The Council has elected not to recognise Land Under Roads acquired prior to July 2008. Land Under Roads acquired post 1 July 2008 will be measured at cost (being the fair value at the date of acquisition).

**(h) Cash and cash equivalents**

For the purposes of the statement of cash flows, 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.

**(i) Other financial assets**

Managed funds 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.

**(j) Investments**

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

**(k) Accounting for investments in associates**

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

HEPBURN SHIRE COUNCIL  
2008/2009 Financial Report

Notes to the Financial Report  
For the Year Ended 30 June 2009

Note 1 Significant accounting policies (cont.)

(l) Tender deposits

Amounts received as tender deposits and retention amounts controlled by Council are recognised as Trust funds until they are returned or forfeited (refer to note 24).

(m) Employee benefits

Wages and salaries

Liabilities for wages and salaries and rostered days off are recognised and measured as the amount unpaid at balance date and include appropriate oncosts such as workers compensation and payroll costs.

Annual leave

Annual leave entitlements are accrued on a pro rata basis in respect of services provided by employees up to balance date and are measured at the amount expected to be paid, including appropriate oncosts, when the accrued obligation is settled.

Long service leave

Long service leave entitlements payable are assessed at balance date having regard to expected employee remuneration rates on settlement, employment related oncosts and other factors including accumulated years of employment, on settlement, and experience of employee departure per year of service. Long service leave expected to be paid within 12 months is measured at nominal value based on the amount expected to be paid when settled. Long service leave expected to be paid later than one year has been measured at the present value of the estimated future cash outflows to be made for these accrued entitlements. Commonwealth bond rates are used for discounting future cash flows.

Classification of employee benefits

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

Current - Non Current Classification

Long service leave for employees with 10 or more years continuous service and all annual leave and wages and salaries is classified as current. Long service leave for employees with less than 10 years service is classified as non current.

Superannuation

A liability is recognised in respect of Council's present obligation to meet the unfunded obligations of defined benefit superannuation schemes to which its employees are members. The liability is defined as the Council's share of the scheme's unfunded position, being the difference between the present value of employees' accrued benefits and the net market value of the scheme's assets at balance date. The liability includes applicable contributions tax of 15%.

The superannuation expense for the reporting year is the amount of the statutory contribution the Council makes to the superannuation plan which provides benefits to its employees together with any movements (favourable/unfavourable) in the position of any defined benefits schemes. Details of these arrangements are recorded in note 32.

HEPBURN SHIRE COUNCIL  
2008/2009 Financial Report

**Notes to the Financial Report  
For the Year Ended 30 June 2009**

**Note 1 Significant accounting policies (cont.)**

**(n) Leases**

Operating leases

Lease payments for operating leases are recognised as an expense in the years in which they are incurred as this reflects the pattern of benefits derived by the Council.

**(o) Allocation between current and non-current**

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

**(p) Agreements equally proportionately unperformed**

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

**(q) Web site costs**

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

**(r) Goods and Services Tax (GST)**

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

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

**(s) Impairment of assets**

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

**(t) 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.

HEPBURN SHIRE COUNCIL  
2008/2009 Financial Report

**Notes to the Financial Report  
For the Year Ended 30 June 2009**

(u) Pending Accounting Standards

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

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

AASB amendment	Standards Affected	Outline of amendment	App. date of Std	App. date for Council
AASB 2008 - 11	AASB 3 Business Combinations	Amends an earlier version of AASB 3 issued in July 2004. However, before the mandatory application of this Standard the Australian Accounting Standards Board will consider the suitability of this Standard for combinations in the not for profit sector. This may result in further amendments to this Standard or an additional scope exclusion. Consequently, it is not possible to assess the likely impact of this Standard on Council.	1-Jul-09	Year Ending 30/06/10
AASB 2007 - 06	AASB 101 Presentation of Financial Statements	Amends an earlier version of AASB 101 issued in July 2006. This Standard introduces the concept of a "complete set of financial statements" and amends the title of some statements in the accounts. The other change of some relevance to Council relates to reporting owner changes in equity and comprehensive income. No significant impacts are expected to arise from this Standard.	1-Jan-09	Year Ending 30/06/10
AASB 2007 - 08	AASB 123 Borrowing Costs	Amends an earlier version of AASB 123 issued in July 2004. This Standard requires borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset to be capitalised. Previously, entities had the option of expensing such costs. Subject to the existence of borrowings for the purpose of funding capital expenditure, this standard will require related borrowing costs to be capitalised rather than expensed. It is not expected that this will have a material impact on the reported financial performance or position of Council.	1-Jan-09	Year Ending 30/06/10
AASB 2008 - 5	AASB 127 Consolidated and Separate Financial Statements	Amends an earlier version of AASB 127 issued in July 2004. This standard makes various relatively minor changes. This Standard is not expected to have any impact on Council.	1-Jul-09	Year Ending 30/06/10
AASB 2008-1, AASB 2008-2, AASB 2008-3, AASB 2008-5, AASB 2008-GAASB 2008-7.	Various	These standards make revisions, which are generally minor, to a range of other accounting standards. It is not expected that these Standards will have any significant impact on Council.	1-Jan-09	Year Ending 30/06/10



HEPBURN SHIRE COUNCIL  
2008/2009 Financial Report

Notes to the Financial Report  
For the Year Ended 30 June 2009

	2009 \$	2008 \$
<b>Note 2 Rates and charges</b>		
Council uses capital improved value (CIV) as the basis of valuation of all properties within the municipal district. The CIV of a property is its market value.		
The valuation base used to calculate general rates for 2008/2009 was \$2,720 million (2007-2008 \$2,348 million). The 2008/2009 rate in the CIV dollar was 0.3524 (2007-2008, 0.3599).		
Residential	6,036,591	5,445,682
Commercial	991,290	845,579
Industrial	56,007	49,284
Mixed Use	154,014	145,642
Farm	1,214,652	1,128,783
Recreational	8,659	9,628
Vacant Land	650,324	653,200
Trust For Nature	10,346	7,777
Supplementary rates and rate adjustments	296,806	28,008
Municipal charge	210,751	414,694
Garbage charge	360,749	353,992
Waste Management Charge	777,676	747,333
Recycling Charge	263,930	278,684
	<u>11,251,994</u>	<u>10,107,586</u>

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2008, and the valuation will be first applied in the rating year commencing 1 July 2008.

The date of the previous general revaluation of land for rating purposes within the municipal district was 1 January 2006, and the valuation first applied to the rating period commencing 1 July 2006.

**Note 3 Statutory fees and fines**

Infringements and costs	47,510	28,658
Infringements court recoveries	8,345	5,704
Town planning fees	146,914	178,504
Land information certificates	13,883	17,112
Permits	23,037	18,387
Other	640	983
	<u>240,329</u>	<u>249,348</u>

**Note 4 User fees**

Resort and recreation fees*	122,125	73,250
Car parking fees*	917	1,000
Aged services fees	496,537	399,693
Registration fees	214,800	201,369
Building services fees	149,620	144,051
Valuation fees/supplementary charges:	8,693	81,916
Waste services fees	108,122	82,762
Other fees and charges	78,235	42,114
	<u>1,177,049</u>	<u>1,015,055</u>

\* Resort and recreation fees and car parking fees received during the year are transferred to other reserves pursuant to section 19 of the *Subdivision Act 1988* (Resort and Recreation Reserve and Car Parking Reserve) (refer note 27).

HEPBURN SHIRE COUNCIL  
2008/2009 Financial Report

Notes to the Financial Report  
For the Year Ended 30 June 2009

	2009 \$	2008 \$
<b>Note 5 Grants</b>		
Grants were received in respect of the following :		
<b>Summary of grants</b>		
Federally funded grants	1,480,425	638,903
State funded grants	7,869,152	5,795,114
<b>Total</b>	<b>9,469,577</b>	<b>6,434,017</b>
<b>Recurrent</b>		
Commonwealth Government - roads to recovery	567,568	622,453
Commonwealth Government - family and children	17,857	16,450
Victoria Grants Commission - unallocated	2,218,503	2,123,702
Victoria Grants Commission - unallocated early payment	567,845	-
Victoria Grants Commission - local roads	1,163,454	1,073,402
Victoria Grants Commission - local roads early payment	290,497	-
Community health	73,221	115,751
School crossing supervisors	7,815	7,815
Planning and development	5,710	12,955
Maternal and child health	142,578	96,822
Family and children	500	500
Food services	31,245	31,244
Home help/linkages	626,782	596,858
Senior citizen centres	25,802	25,162
Transport	104,673	127,072
Adult day care	181,236	184,320
Assessment/welfare support	129,030	131,530
Heritage and culture	12,000	12,000
Local government improvement incentives	-	8,385
Youth	21,450	21,450
Other	43,622	51,278
<b>Total recurrent</b>	<b>6,251,388</b>	<b>6,259,147</b>
<b>Non-recurrent</b>		
Community health	260,000	58,983
Commerce and tourism	1,113,360	-
Roads	169,587	40,000
Recreation	1,405,544	887,828
Heritage and culture	96,500	134,883
Waste and environment	10,000	7,776
Emergency management	107,598	-
Other	15,600	45,300
<b>Total non-recurrent</b>	<b>3,218,189</b>	<b>1,174,870</b>

HEPBURN SHIRE COUNCIL  
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Notes to the Financial Report  
For the Year Ended 30 June 2009

	2009 \$	2008 \$
<b>Note 5 Grants (cont)</b>		
<b>Conditions on Grants</b>		
Grants recognised as revenue during the year that were obtained on condition that they be expended in a specified manner that had not occurred at balance date were:		
Federal Government stimulus package	277,946	
Grant for Smeaton bowling club sustainable greens (recreation)	60,000	
Grant for Jubilee lake fishing platforms (recreation)	60,612	
Grant for Clunes bowling club sustainable greens (recreation)	9,559	
Grant for Doug Lindsay recreation reserve	1,122,950	
Grant for HMSR risk mitigation & pathway improvement (recreation)	-	3,900
Grant for Transport connections front SEEAT program (community services)	66,816	74,838
Grant for Community strengthening (community services)	-	5,000
Grant for Noxious weeds (environment management)	-	11,300
Grant for Bus shelter (transport)	-	5,000
Grant for Economic development officer (economic development)	-	12,955
Grant for Creswick town hall refurbishment	-	25,000
Grant for Wombat hill gardens recycling plan (recreation)	-	50,000
Grant for Trentham training facility (recreation)	-	40,000
	<u>1,637,893</u>	<u>227,993</u>
Grants which were recognised as revenue in prior years and were expended during the current year in the manner specified by the grantor were:		
Grant HMSR Risk Mitigation & Pathway Improvement (recreation)	3,900	
Grant Transport Connections Front SEEAT Program (community services)	74,838	
Grant for Community Strengthening (community services)	5,000	
Grant Noxious Weeds (environment management)	11,300	
Grant for Bus Shelter (transport)	5,000	
Grant for Economic Development Officer (economic development)	12,955	
Grant for Creswick Town Hall refurbishment	25,000	
Grant for Trentham training facility (recreation)	40,000	
Grant for drought initiatives (economic development)		266,400
Grant for repairs to Kingston grandstand (recreation)		10,000
Grant Clunes town hall drop curtain (recreation)		10,000
Grant Creswick WW2 memorial (heritage)		7,000
Grant HMSR Risk Mitigation & Pathway Improvement (recreation)		46,100
Grant Creswick & District Motor Cycle Club (recreation)		23,600
Grant Mt Prospect Tennis Association & Park Lake (recreation)		48,000
Grant Sport & Recreation Drought (recreation)		56,450
Grant Hepburn Pool Risk Works (recreation)		85,000
Grant Noxious Weeds (environmental management)		10,000
HACC Minor Capital (community services)		40,000
	<u>177,993</u>	<u>622,550</u>
Net increase (decrease) in restricted assets resulting from grant revenues for the year:	<u>1,459,899</u>	<u>(394,557)</u>

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	2009 \$	2008 \$
<b>Note 6 Contributions</b>		
<b>(a) Cash</b>		
Roads	3,700	44,765
Recreational, leisure and community facilities	29,617	336,944
Other	-	1,250
	<u>33,317</u>	<u>382,959</u>
<b>(b) Non-monetary assets</b>		
Land under roads	49,000	-
Roads	328,050	-
	<u>377,050</u>	<u>-</u>
<b>(c) Significant non-monetary assets</b>		
Transfer of land & buildings (bathhouse redevelopment)	8,945,424	-
	<u>8,945,424</u>	<u>-</u>
<b>Total</b>	<u>9,355,791</u>	<u>382,959</u>
<p>The Council has for many years been the Committee of Management of the Hepburn Springs Bathhouse which is situated on Crown land and as such controlled the facility and the reserve within which the bath house is located.</p> <p>Substantial refurbishment works were commenced in October 2006 at the expiry of the lease. Under an agreement reached with the State Government in 2006 - 2007 the Council handed control of the facility back to the Crown who appointed Major Projects Victoria (MPV) to manage the redevelopment. On completion of the project the Council's Committee of Management status was reinstated on the 15th August 2008.</p> <p>The redeveloped bathhouse has been valued by Council's valuer Mr. Vincent Bourke at \$12,000,000 and has been brought to account as a significant contribution of \$8,945,424 being the balance of the valuation after deducting Council's contribution to the project of \$3,054,576 previously held as Works in Progress.</p>		
<b>Note 7 Reimbursements</b>		
Other	128,746	135,930
	<u>128,746</u>	<u>135,930</u>
<b>Note 8 Other revenue</b>		
Interest	201,000	222,102
Interest on rates	87,376	79,703
Rent	635,218	194,184
Sale of materials	39,890	26,342
Supervision and administration fees	60,055	65,811
Reduction in provision for doubtful debts	14,035	14,768
Other	13,324	9,114
	<u>1,040,898</u>	<u>612,022</u>
<b>Note 9 Proceeds from disposal of plant and equipment</b>		
<b>Plant and equipment</b>		
Proceeds from disposal of assets	138,947	221,461
Written down value of assets sold	(244,784)	(189,555)
Profit/(loss) on disposal of plant and equipment	<u>(105,837)</u>	<u>31,906</u>
<b>Land and buildings</b>		
Proceeds from sale of land	97,981	-
Written down value of land sold	(66,100)	-
Selling expenses	(28,937)	-
Profit/(loss) on sale of land and buildings	<u>2,944</u>	<u>-</u>
<b>Summary</b>		
Proceeds from disposal of assets	236,928	221,461
Written down value of assets sold	(310,884)	(189,555)
Selling expenses	(28,937)	-
Profit/(loss) on disposal of assets	<u>(102,893)</u>	<u>31,906</u>

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Notes to the Financial Report  
For the Year Ended 30 June 2009

	2009 \$	2008 \$
<b>Note 10 Employee benefits</b>		
Wages and salaries	7,266,283	6,832,283
Annual leave and long service leave	45,467	43,396
Superannuation	577,468	539,350
Fringe benefits tax and work cover	245,386	238,717
	<u>8,154,604</u>	<u>7,653,746</u>
<b>Note 11 Materials and services</b>		
Waste management	1,429,157	1,469,160
Road construction	1,354,799	1,473,044
Home & community care	318,407	297,090
Building maintenance	17,690	35,964
Cleaning	142,900	139,784
Swimming pools	177,582	178,922
Other	127,773	106,199
Materials	2,427,163	2,468,076
Utility payments	273,082	273,207
	<u>6,208,552</u>	<u>6,441,448</u>
<b>Note 12 Depreciation and amortisation</b>		
<i>Property</i>		
Land		
Land improvements	151,950	145,400
Buildings		
Buildings	412,228	509,495
<i>Plant and Equipment</i>		
Plant, machinery and equipment	517,299	535,139
Fixtures, fittings and furniture	44,160	44,738
Computers and telecommunications	106,853	107,853
<i>Infrastructure</i>		
Roads	2,713,508	2,541,481
Bridges	115,168	100,139
Footpaths and cycleways	57,136	51,257
Kerb and channel	134,991	127,428
Drainage	90,780	85,567
Other infrastructure	92,840	78,009
	<u>4,436,911</u>	<u>4,326,505</u>

HEPBURN SHIRE COUNCIL  
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Notes to the Financial Report  
For the Year Ended 30 June 2009

	2009 \$	2008 \$
<b>Note 13 Finance costs</b>		
Interest - Borrowings	195,159	136,608
Finance costs	<u>195,159</u>	<u>136,608</u>

**Note 14 Other expenses**

Auditors' remuneration	44,015	41,185
Councillors' allowances	110,865	72,401
Insurances	192,798	226,436
Risk management	2,725	22,317
Grants and donations	49,155	39,790
Contribution to Central Highlands Regional Library Service	315,632	253,698
Other	96,373	95,517
	<u>811,563</u>	<u>751,334</u>

**Note 15 Investment in associates**

Investments in associates accounted for by the equity method are:

Central Highlands Regional Library Corporation		
- Council's share of net profit/(loss)	72,000	(22,000)
	<u>72,000</u>	<u>(22,000)</u>

**Central Highlands Regional Library Corporation**

*Background*

Central Highlands Regional Library Corporation established in April 1997 provides library services across 6 municipalities with Hepburn Shire Council having a 10.59% share in ownership (10.07% 2008)

*Council's share of accumulated surplus(deficit)*

Council's share of accumulated surplus(deficit) at start of year	210,000	232,000
Reported surplus(deficit) for year	72,000	(22,000)
Council's share of accumulated surplus(deficit) at end of year	<u>282,000</u>	<u>210,000</u>

*Council's share of reserves*

Council's share of reserves at start of year	165,000	165,000
Council's share of reserves at end of year	<u>165,000</u>	<u>165,000</u>

*Movement in carrying value of specific investment*

Carrying value of investment at start of year	375,000	397,000
Share of surplus(deficit) for year	72,000	(22,000)
Carrying value of investment at end of year	<u>447,000</u>	<u>375,000</u>

*Council's share of expenditure commitments*

Operating commitments	58,000	42,000
	<u>58,000</u>	<u>42,000</u>

HEPBURN SHIRE COUNCIL  
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Notes to the Financial Report  
For the Year Ended 30 June 2009

	2009 \$	2008 \$
<b>Note 16 Cash and cash equivalents</b>		
Cash on hand	4,950	4,150
Cash at bank	818,274	436,183
Money market call account	1,184,294	1,870,530
Bank bills	3,663,664	671,355
	<u>5,661,182</u>	<u>2,982,218</u>
Users of the financial report should refer to Note 31 for details of restrictions on cash assets and note 33 for details of existing Council commitments		
<b>Note 17 Trade and other receivables</b>		
<b>Current</b>		
Rates debtors	995,347	816,334
Parking infringement debtors	8,282	5,626
Provision for doubtful debts - parking infringements	(3,476)	(1,979)
Government grants	164,388	209,043
Other debtors	519,343	368,114
Provision for doubtful debts - other debtors	(12,888)	(35,131)
Power or community extensions	3,731	8,980
Heritage loans	-	870
Loans and advances to community organisations	-	3,000
Special charge schemes	2,262	2,262
Net GST receivable	62,321	34,007
	<u>1,739,330</u>	<u>1,411,127</u>
<b>Non-current</b>		
Special charge scheme	1,556	2,359
	<u>1,556</u>	<u>2,359</u>
<b>Total</b>	<u>1,740,886</u>	<u>1,413,486</u>
<b>Note 18 Financial assets</b>		
<b>Non-current</b>		
Financial asset available for sale	959,196	955,055
	<u>959,196</u>	<u>955,055</u>
<b>Note 19 Inventories</b>		
Depot materials	24,603	61,134
	<u>24,603</u>	<u>61,134</u>
<b>Note 20 Assets held for sale</b>		
Land at Council valuation 30 June 2008	-	66,100
	<u>-</u>	<u>66,100</u>
<b>Note 21 Other assets</b>		
<b>Current</b>		
Prepayments	87,765	5,475
Accrued income	6,018	8,126
	<u>93,783</u>	<u>13,601</u>

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Notes to the Financial Report  
For the Year Ended 30 June 2009

Note 22 Property, plant, equipment and infrastructure

	2009 \$'000	2008 \$'000
<b>Summary</b>		
at cost	23,976,465	21,276,298
Less accumulated depreciation	(3,335,606)	(3,369,637)
	<u>20,640,877</u>	<u>17,896,661</u>
at Council valuation as at 30 June 2009	250,002,215	238,002,215
Less accumulated depreciation	(110,037,561)	(105,728,549)
	<u>139,964,654</u>	<u>132,273,667</u>
Total	<u>160,605,531</u>	<u>150,160,328</u>
<b>Property</b>		
<b>Land</b>		
at Council valuation as at 30 June 2009	21,779,500	21,119,500
	<u>21,779,500</u>	<u>21,119,500</u>
<b>Land under roads</b>		
at deemed cost	49,000	-
	<u>49,000</u>	<u>-</u>
<b>Land improvements</b>		
at cost	4,582,379	4,582,379
Less accumulated depreciation	(809,803)	(657,853)
	<u>3,772,576</u>	<u>3,924,526</u>
<b>Total Land</b>	<u>25,601,076</u>	<u>25,044,026</u>
<b>Buildings</b>		
at cost	1,510,930	355,905
Less accumulated depreciation	(11,667)	(2,974)
	<u>1,499,263</u>	<u>352,931</u>
at Council valuation as at 30 June 2009	50,791,100	39,441,100
Less Accumulated depreciation	(25,407,264)	(25,003,749)
	<u>25,373,816</u>	<u>14,437,351</u>
<b>Total Buildings</b>	<u>26,873,079</u>	<u>14,790,282</u>
<b>Total Property</b>	<u>52,474,155</u>	<u>39,834,308</u>

Valuation of land and buildings were undertaken by a qualified independent valuer Vincent Bourke AAPI of Rating Valuation Services. The valuation of buildings is at fair value based on current replacement cost less accumulated depreciation at the date of valuation. The valuation of land is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Other lands which could not be sold due to zoning restrictions are normally valued at 30% of full value.

Land under roads is valued at deemed cost. Deemed cost at the date acquired is calculated using site values adjusted for englobo (undeveloped and/or unserviced) characteristics, access rights and private interests of other parties and entitlements of infrastructure assets and services.



HEPBURN SHIRE COUNCIL  
2008/2009 Financial Report

Notes to the Financial Report  
For the Year Ended 30 June 2009

Note 22 Property, plant, equipment and infrastructure (cont)	2009 \$'000	2008 \$'000
<b>Plant and Equipment</b>		
<b>Plant, machinery and equipment</b>		
at cost	5,030,537	4,675,590
Less accumulated depreciation	(2,229,465)	(1,894,095)
	<u>2,801,072</u>	<u>2,781,495</u>
<b>Fixtures, fittings and furniture</b>		
at cost	603,617	543,754
Less accumulated depreciation	(357,411)	(323,251)
	<u>246,206</u>	<u>220,503</u>
<b>Computers and telecommunications</b>		
at cost	596,722	529,117
Less accumulated depreciation	(518,549)	(401,895)
	<u>78,173</u>	<u>127,222</u>
<b>Art Works</b>		
at cost	341,085	341,085
	<u>341,085</u>	<u>341,085</u>
<b>Total Plant and Equipment</b>	<u>3,466,536</u>	<u>3,470,505</u>
<b>Infrastructure</b>		
<b>Roads</b>		
at cost	7,017,366	4,692,405
Less accumulated depreciation	(117,314)	(58,658)
	<u>6,900,042</u>	<u>4,633,747</u>
at Council valuation as at 30 June 2008	146,142,623	146,142,623
Less accumulated depreciation	(71,038,342)	(68,983,489)
	<u>75,104,281</u>	<u>77,159,134</u>
<b>Bridges</b>		
at cost	1,049,938	907,445
Less accumulated depreciation	(9,074)	-
	<u>1,040,864</u>	<u>907,445</u>
at Council valuation as at 30 June 2008	10,809,322	10,809,322
Less accumulated depreciation	(4,290,641)	(4,184,548)
	<u>6,318,681</u>	<u>6,424,774</u>
<b>Footpaths and cycleways</b>		
at cost	596,521	493,841
Less accumulated depreciation	(19,461)	(9,784)
	<u>576,060</u>	<u>474,057</u>
at Council valuation as at 30 June 2008	2,372,968	2,372,968
Less accumulated depreciation	(1,088,141)	(1,040,682)
	<u>1,284,817</u>	<u>1,332,276</u>
<b>Drainage</b>		
at cost	207,728	207,728
Less accumulated depreciation	(9,309)	(6,132)
	<u>198,400</u>	<u>201,596</u>
at Council valuation as at 30 June 2008	7,006,710	7,006,710
Less accumulated depreciation	(2,576,288)	(2,488,704)
	<u>4,430,422</u>	<u>4,518,006</u>
<b>Kerb &amp; Channel</b>		
at cost	12,511	12,511
Less accumulated depreciation	(634)	(626)
	<u>11,877</u>	<u>11,885</u>
at Council valuation as at 30 June 2008	8,086,965	8,086,965
Less accumulated depreciation	(3,706,673)	(3,571,890)
	<u>4,380,292</u>	<u>4,515,075</u>

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Notes to the Financial Report  
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Note 22 Property, plant, equipment and infrastructure (cont)	2009 \$'000	2008 \$'000
<b>Street Furniture</b>		
at Council valuation as at 30 June 2009	2,278,742	2,278,742
Less accumulated depreciation	(568,120)	(534,254)
	<u>1,710,622</u>	<u>1,744,488</u>
<b>Monuments</b>		
at Council valuation as at 30 June 2008	539,263	539,263
Less accumulated depreciation	(240,888)	(230,103)
	<u>298,375</u>	<u>309,160</u>
<b>Playground Equipment</b>		
at cost	84,622	65,784
Less accumulated depreciation	(7,892)	(4,046)
	<u>76,740</u>	<u>61,738</u>
at Council valuation as at 30 June 2008	405,032	405,032
Less accumulated depreciation	(311,381)	(291,129)
	<u>93,651</u>	<u>113,903</u>
<b>Other Structures</b>		
at cost	534,425	468,691
Less accumulated depreciation	(54,623)	(30,523)
	<u>479,802</u>	<u>438,168</u>
<b>Total Infrastructure</b>	<u>102,604,726</u>	<u>103,445,452</u>
<p>The valuation of infrastructure assets and street furniture has been undertaken by Richard Russell B.Eng. (Civil Hons), BA (Ceramics Hons), Graduate Diploma in Management (Technology).</p> <p>The valuation is at fair value based on replacement cost less accumulated depreciation as at the date of valuation.</p>		
<b>Works in progress</b>		
Buildings at cost	1,200,697	195,189
Bathhouse	-	2,948,736
Roads at cost	66,211	46,118
Bridges at cost	49,559	-
Infrastructure	234,136	65,665
Other	209,511	154,167
<b>Total Works in progress</b>	<u>1,760,114</u>	<u>3,410,063</u>
<b>Total Property, Plant and Equipment, Infrastructure</b>	<u>160,605,531</u>	<u>150,180,328</u>

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Notes to the Financial Report  
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Note : 22 Property, plant and equipment, infrastructure (cont.)

2009	Balance at beginning of financial year	Acquisition of assets	Revaluation increments (decrements) (note 27)	Depreciation and amortisation (note 12)	Written down value of disposals	Impairment losses recognised in profit or loss (a)	Transfers	Balance at end of financial year
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Property</b>								
land	21,119,500	660,000	-	-	-	(17,012)	17,012	21,779,500
land under roads	-	49,000	-	-	-	-	-	49,000
land improvements	3,924,526	-	-	151,950	-	-	-	3,772,576
<b>Total land</b>	<b>25,044,026</b>	<b>709,000</b>	<b>-</b>	<b>151,950</b>	<b>-</b>	<b>(17,012)</b>	<b>17,012</b>	<b>25,601,076</b>
buildings	14,790,262	9,427,553	-	412,228	-	-	3,067,472	26,673,079
<b>Total buildings</b>	<b>14,790,262</b>	<b>9,427,553</b>	<b>-</b>	<b>412,228</b>	<b>-</b>	<b>-</b>	<b>3,067,472</b>	<b>26,673,079</b>
<b>Total property</b>	<b>39,834,308</b>	<b>10,136,553</b>	<b>-</b>	<b>564,178</b>	<b>-</b>	<b>(17,012)</b>	<b>3,084,484</b>	<b>52,474,155</b>
<b>Plant and Equipment</b>								
plant, machinery and equipment	2,781,495	781,660	-	517,299	244,784	-	-	2,801,072
fixtures, fittings and furniture	220,503	69,863	-	44,160	-	-	-	246,206
computers and telecommunications	127,422	57,604	-	106,853	-	-	-	78,173
Art Works	341,065	-	-	-	-	-	-	341,065
<b>Total plant and equipment</b>	<b>3,470,505</b>	<b>909,127</b>	<b>-</b>	<b>668,312</b>	<b>244,784</b>	<b>-</b>	<b>-</b>	<b>3,466,536</b>
<b>Infrastructure</b>								
roads	62,392,881	2,324,948	-	2,713,506	-	-	-	62,004,323
bridges	7,332,219	142,494	-	115,168	-	-	-	7,359,545
footpaths and cycleways	1,808,333	111,680	-	57,136	-	-	-	1,860,877
drainage	4,719,602	-	-	90,780	-	-	-	4,628,822
kerb & channel	4,526,960	-	-	134,991	-	-	-	4,391,969
street furniture	1,744,488	-	-	33,866	-	-	-	1,710,622
monuments	309,160	-	-	10,785	-	-	-	298,375
playground equipment	175,641	18,839	-	24,069	-	-	-	170,391
other structures skate parks etc.	438,168	62,104	-	24,100	-	-	3,630	479,802
<b>Total infrastructure</b>	<b>103,445,452</b>	<b>2,660,065</b>	<b>-</b>	<b>3,204,421</b>	<b>-</b>	<b>-</b>	<b>3,630</b>	<b>102,904,726</b>
<b>Works in progress</b>								
buildings	195,168	1,124,246	-	-	-	-	(118,737)	1,200,697
bathhouse	2,948,735	-	-	-	-	-	(2,948,735)	-
roads	46,118	20,093	-	-	-	-	-	66,211
bridges	-	49,559	-	-	-	-	-	49,559
infrastructure	65,855	168,281	-	-	-	-	-	234,136
other	154,167	75,986	-	-	-	-	(20,642)	209,511
<b>Total works in progress</b>	<b>3,410,063</b>	<b>1,438,165</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,088,114)</b>	<b>1,760,114</b>
<b>Infrastructure</b>	<b>150,160,328</b>	<b>15,143,910</b>	<b>-</b>	<b>4,436,911</b>	<b>244,784</b>	<b>(17,012)</b>	<b>-</b>	<b>160,605,531</b>

(a) Impairment losses

Impairment losses are recognised in the income statement under other expenses.

Reversals of impairment losses are recognised in the income statement under other revenue.

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

2008	Balance at beginning of financial year	Acquisition of assets	Revaluation increments (decrements) (note 27)	Depreciation and amortisation (note 12)	Written down value of disposals	Impairment losses recognised in profit or loss (a)	Transfers	Balance at end of financial year
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Property</b>								
land	18,692,250	-	2,427,250	-	-	-	-	21,119,500
land improvements	3,448,395	92,239	-	145,400	-	-	531,292	3,924,526
<b>Total land</b>	<b>22,139,645</b>	<b>92,239</b>	<b>2,427,250</b>	<b>145,400</b>	<b>-</b>	<b>-</b>	<b>531,292</b>	<b>25,044,028</b>
buildings	14,182,413	221,018	761,459	509,495	-	-	134,899	14,790,282
<b>Total buildings</b>	<b>14,182,413</b>	<b>221,018</b>	<b>761,459</b>	<b>509,495</b>	<b>-</b>	<b>-</b>	<b>134,899</b>	<b>14,790,282</b>
<b>Total property</b>	<b>36,321,059</b>	<b>313,257</b>	<b>3,188,709</b>	<b>654,895</b>	<b>-</b>	<b>-</b>	<b>666,191</b>	<b>39,634,309</b>
<b>Plant and Equipment</b>								
plant, machinery and equipment	2,898,997	617,193	-	535,139	189,556	-	-	2,781,495
fixtures, fittings and furniture	240,774	24,466	-	44,737	-	-	-	220,503
computers and telecommunications	169,737	65,538	-	107,853	-	-	-	127,422
Art Works	341,065	-	-	-	-	-	-	341,065
<b>Total plant and equipment</b>	<b>3,649,573</b>	<b>707,197</b>	<b>-</b>	<b>687,729</b>	<b>189,556</b>	<b>-</b>	<b>-</b>	<b>3,470,505</b>
<b>Infrastructure</b>								
roads	78,509,675	2,026,716	4,363,765	2,541,481	-	-	34,206	82,392,891
bridges	6,177,473	372,034	347,440	100,139	-	-	535,411	7,332,219
footpaths and cycleways	1,507,085	243,413	74,785	51,258	-	-	32,308	1,808,333
drainage	4,525,831	3,091	253,546	85,567	-	-	22,701	4,719,602
kerb & channel	4,401,007	-	253,381	127,428	-	-	-	4,526,960
street furniture	1,678,545	-	97,899	31,958	-	-	-	1,744,498
monuments	301,990	-	17,350	10,160	-	-	-	309,160
playground equipment	167,818	22,980	6,392	21,349	-	-	-	175,841
other structures skate parks etc.	245,832	173,577	-	14,513	-	-	33,272	438,166
<b>Total infrastructure</b>	<b>97,515,056</b>	<b>2,841,811</b>	<b>5,414,558</b>	<b>2,983,871</b>	<b>-</b>	<b>-</b>	<b>657,898</b>	<b>103,445,452</b>
<b>Works in progress</b>								
buildings	194,564	135,512	-	-	-	-	(134,899)	195,188
bathhouse	711,736	2,236,999	-	-	-	-	-	2,948,735
roads	89,215	46,118	-	-	-	-	(89,215)	46,118
bridges	535,411	-	-	-	-	-	(535,411)	-
infrastructure	84,826	14,301	-	-	-	-	(33,272)	65,855
other	550,953	134,506	-	-	-	-	(531,292)	154,167
<b>Total works in progress</b>	<b>2,166,705</b>	<b>2,567,436</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,324,078)</b>	<b>3,410,063</b>
<b>Total property, plant and equipment, infrastructure</b>	<b>139,643,412</b>	<b>6,429,701</b>	<b>8,603,266</b>	<b>4,326,495</b>	<b>189,556</b>	<b>-</b>	<b>-</b>	<b>150,160,328</b>

(a) Impairment losses

Impairment losses are recognised in the income statement under other expenses

Reversals of impairment losses are recognised in the income statement under other revenue.

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	2009 \$	2008 \$
<b>Note :23 Trade and other payables</b>		
Trade payables	829,573	1,162,367
Accrued expenses	69,036	45,114
	<u>898,609</u>	<u>1,207,481</u>
<b>Note :24 Trust funds and deposits</b>		
Refundable building deposits	99,508	111,824
Refundable contract deposits	2,500	2,500
Refundable civic facilities deposits	9,400	6,900
Retention amounts	29,013	26,970
Other refundable deposits	112,587	111,199
Non refundable deposits	542,112	541,303
	<u>795,120</u>	<u>600,696</u>
(Disclose the purposes for which trust funds are held and the nature of any restriction imposed on the manner in which these can be applied)		
<b>Details of non refundable deposits:</b>		
Litherland bequest (Preservation of art collection at Creswick museum)	90,400	90,400
Medlyn estate (Preservation of bottle collection at Clunes)	21,600	21,600
VicRoads agency & signage account (Money collected on behalf of VicRoads)	600	429
Community playground appeal	1,083	1,083
Mayoral ball		
F. Shaw bequest (Preservation of art collection at Creswick museum)	10,000	10,000
Mineral water trust	396,130	396,130
James Jasper Strachan appeal - commemoration	6,345	6,345
Dress down day - charity donation	530	331
McGinty trust (General support for Daylesford day activity centre)	3,785	3,785
Friends of the library	-	1,111
Creswick Development Committee	11,631	9,449
Various small trust accounts(5)	-	640
	<u>542,112</u>	<u>541,303</u>

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Note 25 Provisions

	Annual leave	Long service leave	Landfill restoration	Other	Total
	\$	\$	\$	\$	\$
<b>2009</b>					
Balance at beginning of the financial year	690,895	949,938	516,200	27,000	2,184,033
Additional provisions	485,567	252,675	-	-	738,242
Amounts used	(479,607)	(209,196)	(20,220)	-	(709,023)
Balance at the end of the financial year	696,855	993,417	495,980	27,000	2,213,252
<b>2008</b>					
Balance at beginning of the financial year	616,702	869,997	651,420	27,000	2,165,119
Additional provisions	493,798	187,693	-	-	681,491
Amounts used	(419,606)	(127,762)	(136,220)	-	(683,577)
Balance at the end of the financial year	690,895	949,938	516,200	27,000	2,184,033
				<b>2009</b>	<b>2008</b>
				\$	\$
<b>(a) Employee benefits</b>					
<b>Current</b>					
Annual leave				696,855	651,399
Long service leave				760,435	706,464
Accrued salaries and wages				182,964	336,551
				<u>1,640,254</u>	<u>1,694,403</u>
<b>Non-current</b>					
Long service leave				232,982	192,579
				<u>232,982</u>	<u>192,579</u>
Aggregate carrying amount of employee benefits:					
Current				1,640,254	1,694,403
Non-current				232,982	192,579
				<u>1,873,236</u>	<u>1,886,982</u>
The following assumptions were adopted in measuring the present value of employee benefits:					
Weighted average increase in employee costs				3.50%	4.75%
Weighted average discount rates				3.61%	6.58%
Weighted average settlement period				10	10
The amount of long service leave estimated to be taken in 2009/10 is \$240,000 (\$209,196 in 2008/09).					
<b>(b) Provisions</b>					
Pit Restoration Reserve					
Non-current				27,000	27,000
Total				<u>27,000</u>	<u>27,000</u>
Creswick Tip Rehabilitation Reserve					
Current				9,520	9,520
Non-current				218,960	228,480
Total				<u>228,480</u>	<u>238,000</u>
Daylesford Tip Rehabilitation Reserve					
Current				10,700	10,700
Non-current				256,800	267,500
Total				<u>267,500</u>	<u>278,200</u>
Total Provisions					
Current				20,220	20,220
Non-current				502,760	522,960
Total				<u>522,980</u>	<u>543,200</u>

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	2009	2008
	\$	\$
<b>Note 26 Interest-bearing loans and borrowings</b>		
<i>Current</i>		
Borrowings - secured	418,601	372,853
	<u>418,601</u>	<u>372,853</u>
<i>Non-current</i>		
Borrowings - secured	3,193,164	2,161,784
	<u>3,193,164</u>	<u>2,161,784</u>
Total	<u>3,611,765</u>	<u>2,534,637</u>
The maturity profile for Council's borrowings is:		
Not later than one year	418,601	372,853
Later than one year and not later than five years	1,618,135	1,118,203
Later than five years	1,575,029	1,043,581
	<u>3,611,765</u>	<u>2,534,637</u>
Aggregate carrying amount of interest-bearing loans and borrowings:		
Current	418,601	372,853
Non-current	3,193,164	2,161,784
	<u>3,611,765</u>	<u>2,534,637</u>

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Note :27 Reserves

	Balance at beginning of reporting period	Transfer from accumulated surplus	Transfer to accumulated surplus	Increment (decrement)	Balance at end of reporting period
	\$	\$	\$	\$	\$
<b>(a) Asset revaluation reserves</b>					
<b>2009</b>					
<b>Property</b>					
Land	14,599,786	-	-	-	14,599,786
Land improvements	89,974	-	-	-	89,974
Buildings	11,883,947	-	-	-	11,883,947
Roads	28,186,754	-	-	-	28,186,754
Other infrastructure	9,843,321	-	-	-	9,843,321
	38,030,075	-	-	-	38,030,075
<b>Total Asset revaluation reserves</b>	<b>64,603,782</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>64,603,782</b>
<b>2008</b>					
<b>Property</b>					
Land	12,187,036	2,412,750	-	-	14,599,786
Land improvements	89,974	-	-	-	89,974
Buildings	11,122,489	761,468	-	-	11,883,947
Equity in CHRLS	171,642	-	(171,642)	-	-
Art Works	3,850	-	(3,850)	-	-
	23,574,991	3,174,208	(175,492)	-	26,573,707
<b>Infrastructure</b>					
Roads	23,494,842	4,691,912	-	-	28,186,754
Other infrastructure	9,120,693	722,628	-	-	9,843,321
	32,615,535	5,414,540	-	-	38,030,075
<b>Total Asset revaluation reserves</b>	<b>56,190,526</b>	<b>8,588,748</b>	<b>(175,492)</b>	<b>-</b>	<b>64,603,782</b>



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Note :27 Reserves

	Balance at beginning of reporting period \$	Transfer from accumulated surplus \$	Transfer to accumulated surplus \$	Increment (decrement) \$	Balance at end of reporting period \$
<b>(b) Other reserves</b>					
<b>2009</b>					
<b>Heritage Advisory Fund</b>	20,000	-	-	-	20,000
The purpose of this reserve is to provide low interest loans for heritage renovations					
<b>Car Parking Reserve</b>	20,250	917	-	-	21,167
The purpose of this reserve is to provide for future car parking					
<b>Drainage Reserve</b>	300	-	-	-	300
The purpose of this reserve is to provide future drainage					
<b>Smeaton Hill Pit Reserve</b>	68,809	5,610	-	-	74,419
The purpose of this reserve is to provide future reinstatement of Smeaton Hill gravel pit					
<b>Mt Beckworth Pit Reserve</b>	27,772	-	-	-	27,772
The purpose of this reserve is to provide future reinstatement of Mt Beckworth gravel pit					
<b>Plant Replacement Reserve</b>	37,425	-	-	-	37,425
The purpose of this reserve is to provide future replacement of plant					
<b>Clunes Caravan Park Reserve</b>	10,500	-	-	-	10,500
The purpose of this reserve is to provide future improvements at Clunes Caravan Park					
<b>Waste Management Reserve</b>	120,800	-	(28,000)	-	92,800
The purpose of this reserve is to provide future waste management improvements					
<b>Resort and recreation reserve</b>	529,913	122,125	(4,559)	-	646,479
The purpose of this reserve is to provide future recreation					
<b>Financial Asset Valuation Reserve</b>	(24,795)	-	-	(50,159)	(74,954)
To allow for the movement in valuation of financial assets available for sale					
<b>Total Other reserves</b>	<b>809,774</b>	<b>128,852</b>	<b>(32,559)</b>	<b>(50,159)</b>	<b>855,708</b>

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Note :27 Reserves

	Balance at beginning of reporting period	Transfer from accumulated surplus	Transfer to accumulated surplus	Increment (decrement)	Balance at end of reporting period
	\$	\$	\$	\$	\$
<b>(b) Other reserves (Continued)</b>					
<b>2008</b>					
<b>Heritage Advisory Fund</b>	20,000	-	-	-	20,000
The purpose of this reserve is to provide low interest loans for heritage renovations					
<b>Mineral Springs Reserve</b>	17,250	-	(17,250)	-	-
spa complex					
<b>Car Parking Reserve</b>	19,250	1,000	-	-	20,250
parking					
<b>Drainage Reserve</b>	300	-	-	-	300
The purpose of this reserve is to provide future drainage					
<b>Smeaton Hill Pit Reserve</b>	57,639	11,170	-	-	68,809
reinstatement of Smeaton Hill gravel pit					
<b>Mt Beckworth Pit Reserve</b>	27,772	-	-	-	27,772
The purpose of this reserve is to provide future reinstatement of Mt Beckworth gravel pit					
<b>Plant Replacement Reserve</b>	85,000	-	(47,575)	-	37,425
The purpose of this reserve is to provide future replacement of plant					
<b>Clunes Caravan Park Reserve</b>	10,500	-	-	-	10,500
The purpose of this reserve is to provide future improvements at Clunes Caravan Park					
<b>Waste Management Reserve</b>	284,100	-	(163,500)	-	120,600
The purpose of this reserve is to provide future waste management improvements					
<b>Resort and recreation reserve</b>	472,149	73,250	(16,486)	-	528,913
The purpose of this reserve is to provide future recreation					
<b>Financial Asset Valuation Reserve</b>	-	-	-	(24,795)	(24,795)
To allow for the movement in valuation of financial assets available for sale					
<b>Total Other reserves</b>	<b>983,960</b>	<b>65,420</b>	<b>(244,811)</b>	<b>(24,795)</b>	<b>809,774</b>

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	2009 \$	2008 \$
<b>Note 28 Adjustments directly to equity</b>		
Impairment losses on revalued assets	-	(14,500)
Gains (losses) from remeasuring available-for-sale financial assets to fair value: Recognised during the year	(50,150)	(24,795)
<b>Note 29 Reconciliation of cash flows from operating activities to surplus (deficit)</b>		
Surplus/(deficit) for the year	12,766,703	(363,016)
Depreciation/amortisation	4,436,911	4,326,505
(Profit)/loss on disposal of property, plant and equipment, infrastructure	102,893	(31,906)
Finance Costs	171,236	108,181
Contributions - Non-monetary assets	(9,322,474)	-
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	(383,166)	620,523
Increase/(decrease) in accrued income	(129,665)	56,310
Increase/(decrease) in trade and other payables	(380,312)	468,597
(Decrease)/increase in other liabilities	45,467	34,686
(Decrease) in provisions	74,154	(126,174)
(Increase)/decrease in other assets	(44,302)	257,274
Net cash provided by/(used in) operating activities	<u>7,337,445</u>	<u>5,340,990</u>
<b>Note 30 Reconciliation of cash and cash equivalents</b>		
Cash and cash equivalents (see note 16)	<u>5,661,182</u>	<u>2,982,218</u>
	<u>5,661,182</u>	<u>2,982,218</u>
<b>Note 31 Restricted assets</b>		
Council has cash and cash equivalents (note 16) and financial assets (note 18) that are subject to restrictions. As at the reporting date, Council had legislative restrictions in relation to employee entitlements (Long Service Leave) and reserve funds (Car Parking, Drainage and Resort and Recreation Reserves).		
Long service leave (note 25)	831,570	763,782
Reserve funds (note 27)	667,946	549,463
	<u>1,499,516</u>	<u>1,313,245</u>

\* Restricted asset for long service leave is based on the Local Government (Long Service Leave) Regulations 2002 and does not necessarily equate to the long service leave liability disclosed in note 25 due to a different basis of calculation prescribed by the regulation.

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Note : 32

**Superannuation**

**Post-employment benefit**

Council makes employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). Obligations for contributions are recognised as an expense in profit or loss when they are due. The Fund has two categories of membership, each of which is funded differently.

The Fund's accumulation category, 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 (9% required under Superannuation Guarantee Legislation). 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.

**Defined benefit**

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

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. On the basis of the results of the most recent full actuarial investigation conducted by the Fund's actuary as at 31 December 2008, Council makes the following contributions:-

- 9.25% of members' salaries (9.25% 2008);
- the difference between resignation and retrenchment benefits paid to any retrenched employees, plus contribution tax (same as previous year);

Fund surplus or deficit (i.e. the difference between fund assets and liabilities) are calculated differently for funding purposes (i.e. calculating required contributions) and for the calculation of accrued benefits as required in AAS 25 to provide the values needed for the AASB 119 disclosure in a council's financial statements. AAS 25 requires that the present value of the benefit liability which is calculated in respect of membership completed at the calculation date makes no allowance for future benefits that may accrue. The actuarial investigation concluded that although the **Net Market Value of Assets was in excess of Accrued Benefits at 31 December 2008, based on the assumptions adopted, there was a shortfall of \$71 million when the funding of future benefits was also considered. However, the council has been advised that no additional contributions will be required as at 30 June 2009. The Actuary will undertake the next actuarial investigation as at 30 June 2010 to ascertain if additional contributions are required.**

**Accounting standard disclosure**

The Fund's liability for accrued benefits was determined by the Actuary at 31 December 2008 pursuant to the requirements of Australian Accounting Standard AAS25 follows:

	30-Jun-08
	\$'000
Net Market Value of Assets	3,630,432
Accrued Benefits (per accounting standards)	3,616,422
Difference between Assets and Accrued Benefits	14,010
Vested Benefits (Minimum sum which must be paid to members when they leave the fund)	3,561,598

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

Net Investment Return	8.50% p.a.
Salary Inflation	4.25% p.a.
Price Inflation	2.75% p.a.

Council also makes employer superannuation contributions in respect of its employees to 15 (2007-2008), 15) other superannuation funds.

These Funds are accumulation funds that receive both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (9% required under Superannuation Guarantee Legislation). 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.

Details of contributions to superannuation funds during the year and contributions payable at 30 June are as follows:

	2009	2008
	\$	\$
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	499,091	490,629
Employer contributions payable to Local Authorities Superannuation Fund (Vision Super) at reporting date	-	-
Employer contributions to 13 (15 in 2007-2008) other Superannuation Funds	78,377	48,722

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Note 33 Commitments

The Council has entered into the following commitments

2009	Not later than 1	Later than 1	Later than 2	Later than 5	Total
	year	year and not later than 2 years	years and not later than 5 years	years	
	\$	\$	\$	\$	\$
<b>Operating</b>					
Recycling	78,244	-	-	-	78,244
Garbage collection	111,848	-	-	-	111,848
Painting maintenance for council buildings	14,870	14,870	7,434	-	37,174
Maternal & child health services	246,400	-	-	-	246,400
Transfer stations	228,286	162,783	-	-	391,069
Cleaning contracts for council buildings	108,000	-	-	-	108,000
Meals for delivery	54,792	-	-	-	54,792
Planning studies	19,250	-	-	-	19,250
Recreation facilities management	162,542	30,000	30,000	-	242,542
Valuations	144,000	-	-	-	144,000
<b>Total</b>	<b>1,186,232</b>	<b>207,653</b>	<b>37,434</b>	<b>-</b>	<b>1,431,319</b>
<b>Capital</b>					
Buildings	563,483	-	-	-	563,483
Roads and bridges	967,218	-	-	-	967,218
<b>Total</b>	<b>1,530,701</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,530,701</b>
<b>2008</b>					
	Not later than 1	Later than 1	Later than 2	Later than 5	Total
	year	year and not later than 2 years	years and not later than 5 years	years	\$
	\$	\$	\$	\$	\$
<b>Operating</b>					
Recycling	198,122	204,085	-	-	402,187
Garbage collection	304,316	304,316	-	-	608,632
Painting maintenance for council buildings	24,813	24,813	74,439	11,456	135,521
Maternal & child health services	262,300	292,000	-	-	574,300
Transfer stations	245,000	245,000	245,000	-	735,000
Cleaning contracts for council buildings	145,000	-	-	-	145,000
Recreation facilities management	138,000	145,000	-	-	283,000
<b>Total</b>	<b>1,337,551</b>	<b>1,215,194</b>	<b>319,439</b>	<b>11,456</b>	<b>2,883,640</b>
<b>Capital</b>					
Roads and bridges	693,864	693,864	-	-	1,387,728
<b>Total</b>	<b>693,864</b>	<b>693,864</b>	<b>-</b>	<b>-</b>	<b>1,387,728</b>

HEPBURN SHIRE COUNCIL  
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Notes to the Financial Report  
For the Year Ended 30 June 2009

	2009 \$	2008 \$
<b>Note 34</b>		
<b>Operating leases</b>		
<b>(a) Operating lease commitments</b>		
At the reporting date, the Council had the following obligations under non-cancellable operating leases for the lease of equipment and land and buildings for use within Council's activities (these obligations are not recognised as liabilities):		
Not later than one year	38,784	38,784
Later than one year and not later than five years	9,696	48,480
	48,480	87,264
<b>(b) Operating lease receivables</b>		
The Council has entered into commercial property leases on some property partly owned and partly managed on behalf of the government, consisting mainly of caravan parks and some buildings located on Crown Land for which the Council is committee of management. These properties held under operating leases have remaining non-cancellable lease terms of between 1 and 20 years. These leases include either a CPI based revision of the rental charge annually or set rental increases included in the lease. The substantial increase in 2008 - 2009 is primarily due to the new 20 year lease for the refurbished Hepburn Bath House.		
Future minimum rentals receivable under non-cancellable operating leases are as:		
Not later than one year	623,812	144,584
Later than one year and not later than five years	2,693,745	521,120
Later than five years	9,114,295	952,351
	12,431,852	1,618,055
<b>Note 35</b>		
<b>Contingent liabilities and contingent assets</b>		
<b>Contingent liabilities</b>		
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.		
The Fund has performed exceptionally well in comparative terms and from a regulatory perspective remained adequately funded as at 31 December 2008. However as a result of the increased volatility in financial markets the likelihood of making such contributions in future periods has increased.		
A further actuarial investigation will be carried out on 30 June 2010 and should a shortfall exist at that time a call will be made in respect to the 2011/12 financial year. At this point in time it is not known if additional contributions will be required or the potential amount.		

HEPBURN SHIRE COUNCIL  
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**Notes to the Financial Report  
For the Year Ended 30 June 2009**

**Note 36 Financial Instruments**

**(a) Accounting Policy, terms and conditions**

**Recognised  
financial  
instruments**

	Note	Accounting Policy	Terms and Conditions
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**Financial assets**

<b>Cash and cash equivalents</b>	16	Cash on hand and at bank and money market call account are valued at face value.  Investments and bills are valued at cost.	On call deposits returned a floating interest rate of 2.27% (6.61% in 2007/2008). The interest rate at balance date was 2.00% (7.00% in 2007/2008).  Funds returned fixed interest rate of between 3.80% (6.00% in 2007/2008), and 7.65% (9.30% in 2007/2008) net of fees.
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<b>Financial assets</b>	18	Managed funds are measured at market value.  Floating rate notes are measured at market value.  Investments are held to maximise interest returns of surplus cash. Interest revenues are recognised as they accrue.	Managed fund provided return of Nil (1.73% in 2007/2008) excluding unrealised gains/losses  Floating rate notes provided return of 4.56% (6.50% in 2007/2008) excluding unrealised gains/losses
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**Trade and other receivables**

<b>Other debtors</b>	17	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. Collectibility of overdue accounts is assessed on an ongoing basis.	General debtors are unsecured, credit terms are based on 30 days.
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**Financial Liabilities**

<b>Trade and other payables</b>	25	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 21 days of invoice receipt.
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<b>Interest-bearing loans and borrowings</b>	29	Loans are carried at their principal amounts, which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and recognised as part of payables.	Borrowings are secured by way of mortgages over the general rates of the Council. The weighted average interest rate on borrowings is 6.74% (6.67% in 2007/2008).
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HEPBURN SHIRE COUNCIL  
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Notes to the Financial Report  
For the Year Ended 30 June 2009

Note 36 Financial Instruments (cont.)

(b) Interest Rate Risk

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

2009

	Floating interest rate	Fixed interest maturing in:			Non-interest bearing	Total
		1 year or less	Over 1 to 5 years	More than 5 years		
	\$	\$	\$	\$	\$	\$
<b>Financial assets</b>						
Cash and cash equivalents	2,002,688	3,853,664	-	-	4,950	5,861,182
Other financial assets	899,196	-	-	-	-	899,196
Trade and other receivables	-	7,549	-	-	733,184	740,733
<b>Total financial assets</b>	<b>2,901,764</b>	<b>3,861,213</b>	<b>-</b>	<b>-</b>	<b>738,134</b>	<b>7,301,111</b>
Weighted average interest rate	2.27%	3.90%				
<b>Financial liabilities</b>						
Trade and other payables	-	-	-	-	899,609	899,609
Trust funds and deposits	-	-	-	-	795,120	795,120
Interest-bearing loans and borrowings	-	418,601	1,618,135	1,575,029	-	3,611,765
<b>Total financial liabilities</b>	<b>-</b>	<b>418,601</b>	<b>1,618,135</b>	<b>1,575,029</b>	<b>1,694,729</b>	<b>5,306,494</b>
Weighted average interest rate		6.74%	6.54%	6.90%		
Net financial assets (liabilities)	2,901,764	3,242,612	(1,618,135)	(1,575,029)	(956,595)	1,995,617

2008

	Floating interest rate	Fixed interest maturing in:			Non-interest bearing	Total
		1 year or less	Over 1 to 5 years	More than 5 years		
	\$	\$	\$	\$	\$	\$
<b>Financial assets</b>						
Cash and cash equivalents	2,301,856	671,355	-	-	9,007	2,982,218
Other financial assets	955,055	-	-	-	-	955,055
Trade and other receivables	-	6,132	2,359	-	595,013	593,504
Other assets	-	-	-	-	-	-
<b>Total financial assets</b>	<b>3,256,911</b>	<b>677,487</b>	<b>2,359</b>	<b>-</b>	<b>594,020</b>	<b>4,530,777</b>
Weighted average interest rate	6.89%	4.72%				
<b>Financial liabilities</b>						
Trade and other payables	-	-	-	-	1,207,481	1,207,481
Trust funds and deposits	-	-	-	-	800,696	800,696
Interest-bearing loans and borrowings	-	372,853	1,118,203	1,043,591	-	2,534,637
<b>Total financial liabilities</b>	<b>-</b>	<b>372,853</b>	<b>1,118,203</b>	<b>1,043,591</b>	<b>2,008,177</b>	<b>4,542,814</b>
Weighted average interest rate		7.11%	7.59%	7.63%		
Net financial assets (liabilities)	3,256,911	304,634	(1,115,844)	(1,043,591)	(1,414,157)	(12,037)



HEPBURN SHIRE COUNCIL  
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**Notes to the Financial Report  
For the Year Ended 30 June 2009**

Note 36 Financial Instruments (cont.)

**(c) Net Fair Values**

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

Financial Instruments	Total carrying amount as per Balance Sheet		Aggregate net fair value	
	2009 \$	2008 \$	2009 \$	2008 \$
<i>Financial assets</i>				
Cash and cash equivalents	5,661,162	2,992,219	5,661,162	2,992,219
Other financial assets	899,196	955,055	899,196	955,055
Trade and other receivables	740,733	593,504	740,733	593,504
<i>Total financial assets</i>	<u>7,301,111</u>	<u>4,530,777</u>	<u>7,301,111</u>	<u>4,530,777</u>
<i>Financial liabilities</i>				
Trade and other payables	898,609	1,207,481	898,609	1,207,481
Trust funds and deposits	795,120	800,696	795,120	800,696
Interest-bearing loans and borrowings	3,611,765	2,534,637	3,611,765	2,534,637
<i>Total financial liabilities</i>	<u>5,305,494</u>	<u>4,542,814</u>	<u>5,305,494</u>	<u>4,542,814</u>

**(d) Credit Risk**

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

**(e) Risks and mitigation**

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

**Market risk**

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

**Interest rate risk**

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

Our loan borrowings are sourced from major Australian banks by a tender process. Council does not currently have an overdraft. We manage interest rate risk on our net debt portfolio by:

- ensuring access to diverse sources of funding,
- setting prudential limits on interest repayments as a percentage of rate revenue.

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

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

- conformity with State and Federal regulations and standards,
- capital protection,
- monitoring of return on investment,

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

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Notes to the Financial Report  
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**Credit risk**

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

- we have a policy for establishing credit limits for the entities we deal with;
- we only invest surplus funds with financial institutions which have a recognised credit rating specified in our investment policy.

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

**Liquidity risk**

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

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

To help reduce these risks we:

- have a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- monitor budget to actual performance on a regular basis; and
- set limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate.

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

**(f) Sensitivity disclosure analysis**

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

- A parallel shift of + 1% and -2% in market interest rates (AUD) from year-end rates of 4.4%.

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:

Market risk exposure	Interest rate risk				
	Carrying amount subject to interest	-1% 100 basis points		2% 200 basis points	
		Profit	Equity	Profit	Equity
<b>2009</b>	\$	\$	\$	\$	\$
<b>Financial assets:</b>					
Cash and cash equivalents	5,856,232	(56,562)	(56,562)	113,125	113,125
Financial assets	899,196	(8,992)	(8,992)	17,984	17,984
Trade and other receivables	7,549	(75)	(75)	151	151
<b>Financial liabilities:</b>					
Interest-bearing loans and borrowings	3,611,765	36,118	36,118	(72,235)	(72,235)
<b>2008</b>					
<b>Financial assets:</b>					
Cash and cash equivalents	2,973,211	(29,732)	(29,732)	59,464	59,464
Financial assets	955,055	(9,551)	(9,551)	19,101	19,101
Trade and other receivables	8,491	(85)	(85)	170	170
<b>Financial liabilities:</b>					
Interest-bearing loans and borrowings	2,534,637	25,346	25,346	(50,693)	(50,693)

HEPBURN SHIRE COUNCIL  
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**Notes to the Financial Report  
For the Year Ended 30 June 2009**

<b>Note 37 Auditor's remuneration</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Audit fee to conduct external audit - Victorian Auditor-General	25,240	23,500
Internal audit fees - WHK Horwath	16,140	17,365
Minor acquittal and compliance audits	2,635	300
	<u>44,015</u>	<u>41,165</u>

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**Notes to the Financial Report  
For the Year Ended 30 June 2009**

**Note 38 Related party transactions**

**(i) Responsible Persons**

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

<b>Councillors</b>	Councillor Bill McClenaghan (Mayor > 01/12/08 to current)
	Councillor Tim Hayes (Mayor 07/12/07 to 30/11/08)
	Councillor David Smith (to 28/11/08)
	Councillor Heather Mulmer (to 28/11/08)
	Councillor Janine Booth (Current)
	Councillor Donald Henderson (01/12/08 to current)
	Councillor Rod May (1/12/08 to current)
	Councillor Jonathon Barrell (1/12/08 to current)
	Councillor Sebastian Klein (1/12/08 to current)

<b>Chief Executive Officer</b>	Kaylene Connick (11/08/08 to current)
	Philip Shanahan (01/07/08 to 08/08/08)

**(ii) Remuneration of Responsible Persons**

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

	2009 No.	2008 No.
\$10,000 - \$19,999	7	4
\$20,000 - \$29,999	2	1
\$30,000 - \$39,999	1	-
\$160,000 - \$169,999	1	-
	11	5
	<b>\$</b>	<b>\$</b>

Total Remuneration for the reporting year for Responsible Persons included above amounted to:	305,124	256,559
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(iii) No retirement benefits have been made by the Council to a Responsible Person. (2008/09, Nil).

(iv) No loans have been made, guaranteed or secured by the Council to a Responsible Person during the reporting year (2007/08, 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 (2007/08, 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 \$100,000.

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

Income Range:	2009 No.	2008 No.
<\$100,000	7	4
\$100,000 - \$109,999	1	-
\$110,000 - \$119,999	-	1
\$120,000 - \$129,999	1	-
	9	5
	<b>\$</b>	<b>\$</b>

Total Remuneration for the reporting year for Senior Officers included above, amounted to	642,719	439,106
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Notes to the Financial Report  
For the Year Ended 30 June 2009

Note 39 Income, expenses and assets by function/activities

	Administration		Community Services		Commerce & tourism		Heritage & culture		Public Safety	
	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$
<b>REVENUE</b>										
Grants	2,795,448	2,126,702	1,735,775	1,444,933	1,119,070	44,818	108,500	146,883	21,343	20,299
Other	10,861,989	9,354,669	732,973	480,846	490,611	457,327	19,639	27,744	294,251	263,344
<b>TOTAL</b>	<b>13,657,437</b>	<b>11,481,371</b>	<b>2,468,748</b>	<b>1,925,779</b>	<b>1,609,681</b>	<b>502,145</b>	<b>128,139</b>	<b>174,627</b>	<b>315,594</b>	<b>283,643</b>
<b>EXPENSES</b>	<b>5,235,431</b>	<b>4,619,575</b>	<b>3,503,992</b>	<b>2,812,474</b>	<b>1,739,777</b>	<b>1,633,513</b>	<b>819,864</b>	<b>765,789</b>	<b>747,283</b>	<b>735,934</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>8,422,006</b>	<b>6,861,796</b>	<b>(1,035,244)</b>	<b>(886,695)</b>	<b>(130,096)</b>	<b>(1,131,368)</b>	<b>(691,725)</b>	<b>(591,162)</b>	<b>(431,689)</b>	<b>(452,291)</b>
<b>ASSETS ATTRIBUTED TO FUNCTIONS/ACTIVITIES*</b>	<b>15,326,939</b>	<b>13,053,534</b>	<b>4,552,036</b>	<b>4,732,482</b>	<b>8,973,365</b>	<b>8,912,630</b>	<b>3,146,655</b>	<b>3,131,465</b>	<b>2,353,811</b>	<b>2,369,167</b>

	Recreation		Transport		Waste & Environment Management		Unclassified		Total	
	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$
<b>REVENUE</b>										
Grants	1,405,544	856,065	2,239,806	1,735,855	10,000	7,778	34,291	50,886	9,469,577	6,434,017
Other	9,385,052	406,238	2,112,971	80,807	1,530,476	1,464,232	-	-	25,427,962	12,534,805
<b>TOTAL</b>	<b>10,790,596</b>	<b>1,262,301</b>	<b>4,352,777</b>	<b>1,816,662</b>	<b>1,540,476</b>	<b>1,472,008</b>	<b>34,291</b>	<b>50,886</b>	<b>34,897,539</b>	<b>18,968,822</b>
<b>EXPENSES</b>	<b>1,970,314</b>	<b>2,506,216</b>	<b>6,435,748</b>	<b>4,924,702</b>	<b>1,599,660</b>	<b>1,515,723</b>	<b>78,767</b>	<b>42,708</b>	<b>22,130,836</b>	<b>19,356,634</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>8,820,282</b>	<b>(1,243,915)</b>	<b>(2,083,171)</b>	<b>(3,108,240)</b>	<b>(59,184)</b>	<b>(43,715)</b>	<b>(44,476)</b>	<b>7,978</b>	<b>12,766,703</b>	<b>(387,812)</b>
<b>ASSETS ATTRIBUTED TO FUNCTIONS/ACTIVITIES*</b>	<b>26,370,963</b>	<b>16,441,126</b>	<b>106,836,038</b>	<b>105,346,133</b>	<b>1,912,334</b>	<b>2,020,365</b>	<b>-</b>	<b>-</b>	<b>169,472,181</b>	<b>156,026,922</b>

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

Functions/activities of council

**Administration**

General operations, Council operations, municipal offices, valuations and supervision, income collection, payroll, accounts payable, financial

**Community Services**

Maternal and child health, home help, meals on wheels, home maintenance, housing, senior citizens services.

**Commerce and Tourism**

Community and regional development, tourism and area promotion, community amenities and building control.

**Heritage and Culture**

Public halls, library services and other cultural activities.

**Public Safety**

Public health and consumer protection, law, order and public safety.

**Recreation**

Swimming areas, passive and active recreation.

**Transport**

Main roads, local roads, traffic control, street furniture and bus shelters, street beautification, street lighting and other transport.

**Waste and Environment Management**

Drainage, sanitation, street cleaning, sewerage and other environment management.

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Notes to the Financial Report  
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Note 40 Financial ratios (Performance indicators)	2009 \$	2009 (%)	2008 \$	2008 (%)	2007 \$	2007 (%)
<b>(a) Debt servicing ratio</b> (to identify the capacity of Council to service its outstanding debt)						
<u>Debt servicing costs</u>	195,158		136,808		107,214	
Total revenue	23,718,960	= 0.82%	18,936,917	= 0.72%	18,766,870	= 0.57%
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.						
<b>(b) Debt commitment ratio</b> (to identify Council's debt redemption strategy)						
<u>Debt servicing &amp; redemption costs</u>	568,030		544,663		474,039	
Rate revenue	11,251,994	= 5.05%	10,107,566	= 5.39%	9,233,999	= 5.13%
The strategy involves the payment of loan principal and interest, finance lease principal and interest.						
The ratio expresses the percentage of rate revenue utilised to pay interest and redeem debt principal.						
<b>(c) Revenue ratio</b> (to identify Council's dependence on non-rate income)						
<u>Rate revenue</u>	11,251,994		10,107,566		9,233,999	
Total revenue	23,718,960	= 47.44%	18,936,917	= 53.36%	18,766,870	= 40.20%
The level of Council's reliance on rate revenue is determined by assessing rate revenue as a proportion of the total revenue of Council.						
<b>(d) Debt exposure ratio</b> (to identify Council's exposure to debt)						
<u>Total indebtedness</u>	6,870,140		6,209,214		4,811,941	
Total realisable assets	65,067,939	= 10.56%	65,067,939	= 9.54%	46,870,647	= 10.27%
For the purposes of the calculation of financial ratios, realisable assets are those assets which can be sold and which are not subject to any restriction on realisation or use.						
Any liability represented by a restricted asset (note 35) is excluded from total indebtedness.						
The following assets are excluded from total assets when calculating Council's realisable assets: land and buildings on Crown land, restricted assets, heritage assets, total infrastructure assets, and Council's investment in associate.						
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.						

HEPBURN SHIRE COUNCIL  
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Notes to the Financial Report  
For the Year Ended 30 June 2009

**Note 40 Financial ratios (Performance indicators) (cont.)**

	2009	2009	2008	2008	2007	2007
	\$	(%)	\$	(%)	\$	(%)

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

Current assets	7,518,698		4,634,180		5,271,234	
Current liabilities	3,772,604	= 199.29%	4,066,663	= 110.71%	3,623,794	= 149.59%

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

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

Current assets	7,518,698		4,634,180		5,271,234	
Current liabilities	3,252,369	= 231.18%	3,668,366	= 126.01%	2,992,168	= 176.17%

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

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

**Note 41 Special committees and other activities**

**Special committees and other activities**

Section 86 committee of management included in financial statements:

Clunes community housing committee

Section 86 committees of management not included in financial statements as they were not considered material:

Clunes museum committee  
Creswick museum committee  
Lyonville hall committee  
Dean recreation reserve committee  
Clunes historic medlyn complex committee  
Clunes town hall committee  
Glenlyon recreation reserve committee  
Drummond hall committee  
Lindsay park recreation reserve committee  
Clunes community centre committee  
Woolnoughs crossing reserve committee  
Campbelltown school ground committee

## **5.2 APPOINTMENT OF COUNCILLORS TO SIGN THE FINANCIAL STATEMENTS AND STANDARD STATEMENTS**

(Action Officer – Manager Finance)

File Ref: 30/08/17

### **Introduction**

This report deals with the appointment of two Councillors to approve the financial statements and standard statements for the year ending 30 June 2009.

### **Report**

Section 16 of the Local Government (Finance and Reporting) Regulations 2004 states that:

“For the purposes of section 131(3)(c) of the Act, the Principal Accounting Officer, two Councillors and the Chief Executive Officer must certify the financial statements contained in the annual report.”

As required by section 131(8) of the Local Government Act 1989, the Council must authorise two Councillors to sign and approve the standard statements and financial statements in their final form.

Council’s usual convention is that the two Audit Committee members be nominated to sign the financial and performance statements.

In past years John Traill as Manager Finance has signed the accounts however as John will most likely be on leave when they are expected to be ready for signing Lucy Roffey General Manager Corporate Services will sign the statements as Council’s Principal Accounting Officer.

### **Relevant Policies**

Local Government Act 1989 – Sect 131

Local Government (Finance and Reporting) regulations 2004 – Sect 16

### **Community Engagement**

Not applicable

### **Financial Implications**

Not applicable



**Motion:**

5.2.1 *That Council appoint Councillors Henderson and McClenaghan to sign the financial statements and standard statements.*

**Moved:** Cr Tim Hayes

**Seconded:** Cr Rod May

**Carried.**

**CLOSE OF MEETING: The meeting closed at 6.50pm.**