



- ANNUAL FINANCIAL REPORT
- Independent Auditor's Report

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- Independent Auditor's Report

For the Year Ended 30 June 2015



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Hepburn Shire Council

Financial Report

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Comprehensive Income Statement For the Year Ended 30 June 2015

	Note	2015 \$	2014 \$
Income			
Rates and charges	3	17,118,204	16,178,811
Statutory fees and fines	4	514,625	466,074
User fees	5	804,779	897,839
Grants - operating	6	6,337,701	3,746,167
Grants - capital	6	5,322,704	5,019,662
Contributions - monetary	7	219,959	281,943
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	8	172,042	17,588
Other income	9	1,880,148	1,902,888
Total income		32,370,162	28,510,973
Expenses			
Employee costs	10	10,180,837	10,787,845
Materials and services	11	9,398,070	9,189,277
Bad and doubtful debts	12	195,720	181,626
Depreciation and amortisation	13	6,488,659	6,506,547
Borrowing costs	14	259,185	270,176
Other expenses	15	629,705	1,572,544
Total expenses		27,152,175	28,508,016
Surplus/(deficit) for the year		5,217,987	2,957
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment/(decrement)	21(a)	-	7,757,699
Total comprehensive result		5,217,987	7,760,656

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

Balance Sheet As at 30 June 2015

	Note	2015 \$	2014 \$
Assets			
Current assets			
Cash and cash equivalents	16	13,439,262	12,319,696
Trade and other receivables	17	2,093,868	2,182,614
Other financial assets	18	1,313,000	250,000
Inventories	19	16,652	20,297
Other assets	20	68,010	46,347
Total current assets		<u>16,930,792</u>	<u>14,818,953</u>
Non-current assets			
Property, infrastructure, plant and equipment	21	214,851,999	212,653,005
Intangible assets	22	707,385	801,728
Total non-current assets		<u>215,559,384</u>	<u>213,454,733</u>
Total assets		<u>232,490,176</u>	<u>228,273,685</u>
Liabilities			
Current liabilities			
Trade and other payables	23	2,207,493	2,655,918
Trust funds and deposits	24	1,472,886	1,066,239
Provisions	25	1,959,612	1,916,279
Interest-bearing loans and borrowings	26	388,770	1,822,859
Other Liabilities	27	39,445	17,857
Total current liabilities		<u>6,068,205</u>	<u>7,479,153</u>
Non-current liabilities			
Provisions	25	499,797	496,227
Interest-bearing loans and borrowings	26	2,716,511	2,292,773
Other Liabilities	27	133,929	151,786
Total non-current liabilities		<u>3,350,237</u>	<u>2,940,786</u>
Total liabilities		<u>9,418,442</u>	<u>10,419,939</u>
Net assets		<u>223,071,733</u>	<u>217,853,746</u>
Equity			
Accumulated surplus		137,067,319	132,462,762
Reserves	28	86,004,415	85,390,984
Total Equity		<u>223,071,733</u>	<u>217,853,746</u>

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

Statement of Changes in Equity For the Year Ended 30 June 2015

2015	Note	Total \$	Accumulated Surplus \$	Revaluation Reserve \$	Other Reserves \$
Balance at beginning of the financial year		217,853,746	132,462,762	84,190,881	1,200,103
Surplus/(deficit) for the year		5,217,987	5,217,987	-	-
Net asset revaluation increment/(decrement)	28(a)	-	-	-	-
Transfers to other reserves	28(b)	-	(634,126)	-	634,126
Transfers from other reserves	28(b)	-	20,695	-	(20,695)
Balance at end of the financial year		223,071,733	137,067,319	84,190,881	1,813,534

2014		Total \$	Accumulated Surplus \$	Revaluation Reserve \$	Other Reserves \$
Balance at beginning of the financial year		210,132,290	132,611,945	76,433,182	1,087,163
Surplus/(deficit) for the year		2,957	2,957	-	-
Measurement adjustment to employee Leave entitlements per AASB119 changes		(18,640)	(18,640)	-	-
Net asset revaluation increment/(decrement)	28(a)	7,757,699	-	7,757,699	-
Transfers to other reserves	28(b)	-	(133,500)	-	133,500
Transfers from other reserves	28(b)	(20,560)	-	-	(20,560)
Balance at end of the financial year		217,853,746	132,462,762	84,190,881	1,200,103

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

Statement of Cash Flows For the Year Ended 30 June 2015

	Note	2015 Inflows/ (Outflows) \$	2014 Inflows/ (Outflows) \$
Cash flows from operating activities			
Rates and charges		17,200,590	15,906,719
Statutory fees and fines		509,406	322,570
User fees		667,097	1,014,247
Grants - operating		6,337,701	9,149,727
Grants - capital		5,322,704	-
Contributions - monetary		219,959	281,943
Interest received		416,277	407,128
Trust funds and deposits taken		1,884,959	1,723,342
Rental Income		1,072,707	929,460
Other receipts		371,665	472,241
GST refund		18,073	1,673,899
Employee costs		(10,041,034)	(11,693,213)
Materials and services		(9,020,248)	(10,035,607)
Trust funds and deposits repaid		(1,466,085)	(1,738,871)
Other payments		(1,619,489)	(2,107,356)
Net cash provided by/(used in) operating activities	29	<u>11,874,282</u>	<u>6,306,229</u>
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment	21	(8,807,665)	(11,141,207)
Proceeds from sale of property, infrastructure, plant and equipment		385,484	166,580
Payments for investments		(1,313,000)	-
Proceeds from sale of investments		250,000	494,845
Loans and advances made		-	-
Payments of loans and advances		-	-
Net cash provided by/(used in) investing activities		<u>(9,485,181)</u>	<u>(10,479,782)</u>
Cash flows from financing activities			
Finance costs		(259,185)	(270,176)
Proceeds from borrowings		1,419,000	1,423,099
Repayment of borrowings		(2,429,351)	(944,313)
Net cash provided by/(used in) financing activities		<u>(1,269,535)</u>	<u>208,610</u>
Net increase / (decrease) in cash and cash equivalents		1,119,566	(3,964,944)
Cash and cash equivalents at the beginning of the financial year		12,319,696	16,284,640
Cash and cash equivalents at the end of the financial year	16	<u>13,439,262</u>	<u>12,319,696</u>
Restrictions on cash assets	16		

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

Statement of Capital Works For the Year Ended 30 June 2015

	Note	2015 \$	2014 \$
Property			
Land		-	-
Land improvements		43,038	1,043,875
Total land		<u>43,038</u>	<u>1,043,875</u>
Buildings		1,044,208	819,641
Building improvements		565,629	195,959
Total buildings		<u>1,609,837</u>	<u>1,015,600</u>
Total property		<u>1,652,875</u>	<u>2,059,475</u>
Plant and equipment			
Plant, machinery and equipment		691,807	785,611
Fixtures, fittings and furniture		-	30,703
Computers and telecommunications		54,337	55,915
Library books		36,330	57,010
Total plant and equipment		<u>782,475</u>	<u>929,239</u>
Infrastructure			
Roads		4,055,572	3,545,733
Bridges		1,181,229	726,660
Footpaths and cycleways		288,134	269,764
Drainage		145,485	191,201
Recreational, leisure and community facilities		273,468	23,808
Parks, open space and streetscapes		336,619	214,827
Off street car parks		44,358	-
Other infrastructure		47,449	151,433
Total infrastructure		<u>6,372,315</u>	<u>5,123,426</u>
Total capital works expenditure		<u>8,807,665</u>	<u>8,112,140</u>
Represented by:			
New asset expenditure		662,721	407,617
Asset renewal expenditure		6,710,695	7,044,238
Asset upgrade/expansion expenditure		1,434,249	660,285
Total capital works expenditure		<u>8,807,665</u>	<u>8,112,140</u>

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

Notes to the Financial Report For the Year Ended 30 June 2015

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.

Statement of compliance

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

Note 1 Significant accounting policies

(a) Basis of accounting

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

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

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

- the fair value of land, buildings, infrastructure, plant and equipment (refer to note 1 (m))
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to note 1 (n))
- the determination of employee provisions (refer to note 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.

(b) Changes in accounting policies

There have been no changes in accounting policies from the previous period.

(c) Principles of consolidation

The consolidated financial statements of Council incorporate all entities controlled by Council as at 30 June 2015, and their income and expenses for that part of the reporting period in which control existed.

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

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

In the process of preparing consolidated financial statements all material transactions and balances between consolidated entities are eliminated.

(d) Committees of management

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

Note 1 Significant accounting policies (cont.)

(e) Accounting for investments in associates and joint arrangements

Associates

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

Joint arrangements

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

(i) Joint operations

Council recognises its direct right to the, and its share of jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate headings.

(ii) Joint ventures

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

(f) Revenue recognition

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.

Rates and Charges

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

Statutory fees and fines

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

User fees

User fees are recognised as revenue when the service has been provided or the payment is received, whichever first occurs.

Grants

Grant income is recognised when Council obtains control of the contribution. This 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.

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

Contributions

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

Sale of property, infrastructure, plant and equipment

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

Interest

Interest is recognised as it is earned.

Dividends

Dividend revenue is recognised when the Council's right to receive payment is established.

Other Income

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

Notes to the Financial Report For the Year Ended 30 June 2015

Note 1 Significant accounting policies (cont.)

(g) Fair value measurement

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

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

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

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

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

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

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

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

(h) Cash and cash equivalents

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

(i) Trade and other receivables

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

(j) Other financial assets

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

(k) Inventories

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

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

(l) Non-current assets classified as held for sale

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

(m) Recognition and measurement of property, plant and equipment, infrastructure, intangibles

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.

In accordance with Council's policy, the threshold limits detailed in Note 1 (n) have applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year.

Note 1 Significant accounting policies (cont.)

(m) Recognition and measurement of property, plant and equipment, infrastructure, intangibles (cont'd)

Revaluation

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

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use on an asset result in changes to the permissible or practical highest and best use of the asset. Further details regarding the fair value hierarchy are disclosed at Note 21, Property, infrastructure, plant and equipment, and infrastructure.

In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from two to five 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

Council recognises land under roads acquired after 30 June 2008 at fair value. Council does not recognise land under roads that it controlled prior to that period in this financial report.

(n) Depreciation and amortisation of property, infrastructure, plant and equipment and intangibles

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

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

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

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

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

Notes to the Financial Report For the Year Ended 30 June 2015

Note 1 Significant accounting policies (cont.)

(n) Depreciation and amortisation of property, infrastructure plant and equipment and intangibles (cont'd)

<i>Asset recognition thresholds and depreciation periods</i>	Depreciation Period	Threshold Limit \$
Property		
land	-	1,000
land improvements	20-100 years	1,000
Buildings		
heritage buildings	25-150 years	1,000
buildings	25-150 years	1,000
building improvements	25-150 years	1,000
leasehold improvements	25-150 years	1,000
Plant and Equipment		
plant, machinery and equipment	3-10 years	1,000
fixtures, fittings and furniture	3-20 years	1,000
computers and telecommunications	3-10 years	1,000
library books	10 years	1,000
Infrastructure		
road pavements and seals	10-80 years	1,000
road substructure	10-80 years	1,000
road formation and earthworks	10-80 years	1,000
road kerb, channel and minor culverts	10-65 years	1,000
bridges deck	50-100 years	1,000
bridges substructure	50-100 years	1,000
footpaths and cycleways	10-65 years	1,000
drainage	5-80 years	1,000
recreational, leisure and community facilities	5-80 years	1,000
waste management	5-80 years	1,000
parks, open space and streetscapes	5-80 years	1,000
off street car parks	5-80 years	1,000
art works	-	1,000
Intangible assets		
intangible assets	10 years	1,000

(o) 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.

(p) Investment property

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

(q) 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 comprehensive income statement, unless the asset is carried at the revalued amount in which case, the impairment loss is recognised directly against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

Notes to the Financial Report For the Year Ended 30 June 2015

Note 1 Significant accounting policies (cont.)

(r) Trust funds and deposits

Amounts received as deposits and retention amounts controlled by Council are recognised as trust funds until they are returned, transferred in accordance with the purpose of the receipt, or forfeited (refer to Note 24).

(s) Borrowings

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

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

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.

(t) Employee costs and benefits

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

Wages and salaries and annual leave

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

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

Long service leave

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

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

The components of this current liability are measured at :

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

Classification of employee costs

Non-current liability - conditional LSL that has been accrued, where an employee is yet to reach a qualifying term of employment, is disclosed as a non - current liability. There is an unconditional right to defer settlement of the entitlement until the employee has completed the requisite years of service.

This non-current LSL liability is measured at present value.

(u) Landfill rehabilitation provision

Council is obligated to restore landfill sites to a particular standard. Hepburn Shire Council currently does not have any landfill sites in operation. The provision for landfill restoration has been calculated based on the present value of the expected cost of aftercare works to be undertaken. The expected cost of aftercare works has been based on EPA financial assurance liability calculations. Accordingly, the estimation of the provision required is dependent on the accuracy of the work required and related costs.

Notes to the Financial Report For the Year Ended 30 June 2015

Note 1 Significant accounting policies (cont.)

(v) Leases

Operating leases

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

(w) 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 Statement of Cash flows on a net basis, with the GST component of investing and financing activities disclosed as operating cash flows.

(x) Financial guarantees

Financial guarantee contracts are not recognised as a liability in the balance sheet unless the lender has exercised their right to call on the guarantee or Council has other reasons to believe that it is probable that that right will be exercised. Details of guarantees that Council has provided, that are not recognised in the balance sheet are disclosed at Note 32 Contingent Liabilities and Contingent Assets.

(y) Contingent assets and contingent liabilities and commitments

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

(z) Pending accounting standards

Certain new AAS's have been issued that are not mandatory for the 30 June 2015 reporting period. Council has assessed these pending standards and has identified that no material impact will flow from the application of these standards in future reporting periods.

(aa) Rounding

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

Notes to the Financial Report For the Year Ended 30 June 2015

Note 2 Budget comparison

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

The budget figures detailed below are those adopted by Council on 17 June 2014. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for revenue and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

a) Income and Expenditure

	Budget 2015 \$'000	Actual 2015 \$'000	Variance 2015 \$'000	Ref
Income				
Rates and charges	17,088	17,118	30	
Statutory fees and fines	444	515	71	1
User fees	910	805	(105)	2
Grants - operating	4,657	6,338	1,681	3
Grants - capital	3,999	5,323	1,324	4
Contributions - monetary	185	220	35	5
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	52	172	120	6
Other income	1,520	1,880	360	7
Total income	28,855	32,370	3,515	
Expenses				
Employee costs	11,192	10,181	1,011	8
Materials and services	8,213	9,398	(1,185)	9
Bad and doubtful debts	105	196	(91)	10
Depreciation and amortisation	6,695	6,489	206	
Borrowing costs	290	259	31	
Other expenses	932	630	302	11
Total expenses	27,427	27,152	275	
Surplus/(deficit) for the year	1,428	5,218	3,790	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Statutory fees and fines	Increased revenue received from infringements, town planning fees and permits
2	User fees	Decreased activity in contract hours for aged care services
3	Grants - operating	Receipt of 50% (\$1,418K) 2015/2016 Victorian Grants Commission received in advance
4	Grants - capital	Receipt of 50% (\$712K) 2015/2016 Victorian Grants Commission received in advance; \$450K Creswick Hub unbudgeted
5	Contributions - monetary	\$42K received from Lyonville Hall Committee towards capital project
6	Net gain/(loss) on disposal	High sales prices received for eight fully depreciated items of plant
7	Other income	Favourable variances in rental income (\$146K), interest (\$138K) and reimbursements (\$92K)
8	Employee costs	Employee cost savings and some vacant positions unfilled throughout year
9	Materials and services	Mid-Year budget increased by \$2 million (\$1.4m carry forward, \$0.6m additional grants), \$1.1 million carry forward to 2015/16 and insurances budget included in Other expenses (refer variance ref 11)
10	Bad and doubtful debts	Unfavourable variance of \$30K in each of Infringement, rental and other debtors
11	Other expenses	Insurances (\$353K) budgeted as Other Expenses but actual reported in Materials and Services as per Model Financial Report

Notes to the Financial Report For the Year Ended 30 June 2015

Note 2 Budget comparison (cont.)

b) Capital Works

	Budget 2015 \$'000	Actual 2015 \$'000	Variance 2015 \$'000	Ref
Property				
Land improvements	365	43	(322)	
Total Land	<u>365</u>	<u>43</u>	<u>(322)</u>	1
Buildings	288	1,044	756	
Building improvements	863	566	(297)	
Total Buildings	<u>1,151</u>	<u>1,610</u>	<u>459</u>	2
Total Property	<u>1,516</u>	<u>1,653</u>	<u>137</u>	
Plant and Equipment				
Plant, machinery and equipment	918	692	(226)	3
Fixtures, fittings and furniture	-	-	-	
Computers and telecommunications	82	54	(28)	
Library books	53	36	(17)	
Total Plant and Equipment	<u>1,053</u>	<u>782</u>	<u>(271)</u>	
Infrastructure				
Roads	4,075	4,056	(19)	
Bridges	370	1,181	811	4
Footpaths and cycleways	244	288	44	
Drainage	125	145	20	
Recreational, leisure and community facilities	122	273	151	5
Parks, open space and streetscapes	400	337	(63)	6
Off street car parks	40	44	4	
Other infrastructure	40	47	7	
Total Infrastructure	<u>5,416</u>	<u>6,372</u>	<u>956</u>	
Total Capital Works Expenditure	<u>7,985</u>	<u>8,808</u>	<u>823</u>	
Represented by:				
New asset expenditure	923	663	(260)	
Asset renewal expenditure	6,459	6,711	252	
Asset expansion/upgrade expenditure	603	1,434	831	
Total Capital Works Expenditure	<u>7,985</u>	<u>8,808</u>	<u>823</u>	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Land	Work not progressed on projects identified in budget and have been carried forward to 2015/16
2	Buildings	Creswick Hub (\$655K) not in original budget, funded from grant funding (\$450K) and carry forward council funds. Expenditure not progressed on Trentham Community Hub and Multipurpose Facility at Victoria Park which have been carried forward to 2015/16
3	Plant	Some budgeted items of plant not purchased during the year
4	Bridges	Revised budget increased by \$800K carried forward from 2013/14
5	Recreation	Mt Prospect Tennis Courts (\$147K) carried forward from 2013/14
6	Streetscapes	Implementation of budgeted streetscape plans for Clunes and Creswick not completed pending funding outcomes. Completion of Daylesford streetscape implementation from carry forward funds.

Notes to the Financial Report
For the Year Ended 30 June 2015

	2015 \$	2014 \$
Note 3 Rates and charges		
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 2014/15 was \$3,718,395 million (2013/14 \$3,424,487 million). The 2014/15 dollar rate in the CIV dollar was 0.004057 (2013/14, 0.004254).		
General Rate	9,476,830	8,935,138
Commercial Rate	1,988,915	1,917,437
Farm Rate	1,596,187	1,631,374
Vacant Land Rate - Other	610,643	570,908
Vacant Land Rate - Township	546,045	490,784
Mixed Use Rate	273,273	270,024
Industrial Rate	85,353	80,464
Trust for Nature Rate	15,331	15,238
Recreational Rate	12,245	11,894
Waste management charge	1,341,081	1,237,580
Garbage and recycling charges	982,227	929,516
Supplementary rates and rate adjustments	190,076	88,455
Total rates and charges	<u>17,118,204</u>	<u>16,178,811</u>

The date of the latest general revaluation of land for rating purposes within the municipal district was 01/01/2014, and the valuation was first applied in the rating year commencing 01/07/2014

Note 4 Statutory fees and fines

Infringements and costs	57,518	65,193
Permits	74,768	54,585
Registration fees	188,793	185,782
Town planning fees	185,154	152,932
Other fees and fines	8,392	7,581
Total statutory fees and fines	<u>514,625</u>	<u>466,074</u>

Note 5 User fees

Aged and health services	365,063	465,735
Building services	154,827	198,350
Facility hire	38,711	22,283
Visitor information centre memberships	18,268	15,784
Waste management services	150,453	147,382
Other fees and charges	77,457	48,306
Total user fees	<u>804,779</u>	<u>897,839</u>

Notes to the Financial Report
For the Year Ended 30 June 2015

	2015 \$	2014 \$
Note 6 Grants		
Grants were received in respect of the following :		
Summary of grants		
Commonwealth funded grants	7,586,638	3,248,731
State funded grants	4,073,767	5,517,099
Total	11,660,405	8,765,829
Operating Grants		
<i>Recurrent - Commonwealth Government</i>		
Victoria Grants Commission	4,265,187	1,432,750
<i>Recurrent - State Government</i>		
Aged care	1,263,383	1,260,073
Community health	54,843	53,941
Emergency management	13,253	12,853
Libraries	149,813	137,286
Maternal and child health	133,239	136,781
School crossing supervisors	16,413	13,110
Youth	27,500	24,500
Other	46,107	44,764
Total recurrent operating grants	5,969,739	3,116,059
<i>Non-recurrent - State Government</i>		
Community health	3,000	32,000
Commerce and tourism	33,550	44,500
Emergency management	131,800	135,142
Recreation	3,000	40,990
Transport	54,000	103,591
Waste and environment	96,230	27,266
Youth	7,882	54,000
Other	38,500	192,619
Total non-recurrent operating grants	367,962	630,108
Total operating grants	6,337,701	3,746,167
Capital Grants		
<i>Recurrent - Commonwealth Government</i>		
Victoria Grants Commission - Local Roads	2,143,445	715,604
Roads to recovery	754,633	686,821
<i>Recurrent - State Government</i>		
Flood Recovery	423,373	413,556
Total recurrent capital grants	3,321,451	1,815,981
<i>Non-recurrent - State Government</i>		
Buildings	450,000	-
Bushfire recovery	-	7,965
Commerce and tourism	10,000	916,000
Infrastructure	1,339,000	1,771,926
Recreation	202,253	250,155
Other	-	257,636
Total non-recurrent capital grants	2,001,253	3,203,681
Total capital grants	5,322,704	5,019,662
Conditions on grants		
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:	2,317,822	1,212,853
Grants which were recognised as revenue in prior years and were expended during the current year in the manner specified by the grantor were:	1,209,794	264,286
Net increase/(decrease) in restricted assets resulting from grant revenues for the year:	1,108,028	948,567

Notes to the Financial Report
For the Year Ended 30 June 2015

	2015 \$	2014 \$
Note 7 Contributions		
Monetary	219,959	281,943
Non-monetary	-	-
Total contributions	219,959	281,943
Note 8 Net gain/(loss) on disposal of property, infrastructure, plant and equipment		
Proceeds of sale	385,484	151,436
Write down value of assets disposed	(213,443)	(133,848)
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	172,042	17,588
Note 9 Other income		
Interest	417,918	477,419
Reimbursements	268,258	349,698
Rental income	1,090,564	984,305
Sale of materials	65,938	55,819
Other	37,469	35,647
Total other income	1,880,148	1,902,888
Note 10 (a) Employee costs		
Wages and salaries	8,227,206	8,749,301
WorkCover	122,299	245,611
Contract casual staff	1,004,303	892,954
Superannuation	743,926	772,824
Fringe benefits tax	83,104	127,155
Total employee costs	10,180,837	10,787,845
Note 10 (b) Superannuation		
Council made contributions to the following funds:		
Defined benefit fund		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	65,130	76,322
Employer contributions - other funds	-	-
	<u>65,130</u>	<u>76,322</u>
Employer contributions payable at reporting date.	-	-
Accumulation funds		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	473,098	505,109
Employer contributions - other funds	205,698	191,394
	<u>678,796</u>	<u>696,503</u>
Employer contributions payable at reporting date.	-	-
<p>Hepburn Shire Council makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. Obligations for contributions to the Fund are recognised as an expense in Comprehensive Income Statement when they are made or due.</p>		
Accumulation		
<p>The Fund's accumulation categories, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2015, this was 9.5% required under Superannuation Guarantee legislation (for 2013/14, this was 9.25%)).</p>		
Defined Benefit		
<p>Hepburn Shire Council does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a pooled multi-employer sponsored plan.</p> <p>There is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of Hepburn Shire Council in the Fund cannot be measured as a percentage compared with other participating employers. Therefore, the Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.</p>		

Notes to the Financial Report
For the Year Ended 30 June 2015

	2015	2014
	\$	\$
Note 11 Materials and services		
Materials and services	2,395,815	2,326,552
Contract payments	4,517,639	4,042,643
Building maintenance	45,383	69,516
Utilities	551,068	598,945
Office administration	474,316	498,275
Information technology	209,909	218,920
Insurance	340,057	348,598
Consultants	863,885	1,085,828
Total materials and services	<u>9,398,070</u>	<u>9,189,277</u>
Note 12 Bad and doubtful debts		
Compliance Debtors	32,111	64,957
Rent debtors	133,179	99,815
Other debtors	30,430	16,854
Total bad and doubtful debts	<u>195,720</u>	<u>181,626</u>
Note 13 Depreciation and amortisation		
Property	1,020,048	1,025,853
Plant and equipment	767,774	785,055
Infrastructure	4,606,493	4,601,296
Intangible assets	94,343	94,343
Total depreciation and amortisation	<u>6,488,659</u>	<u>6,506,547</u>
<i>Refer to note 21 for a more detailed breakdown of depreciation and amortisation charges</i>		
Note 14 Borrowing costs		
Interest - Borrowings	259,185	270,176
Total borrowing costs	<u>259,185</u>	<u>270,176</u>
Note 15 Other expenses		
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	42,195	39,800
Auditors' remuneration - Internal	27,201	41,989
Community grants	230,507	181,899
Councillors' allowances	183,815	171,438
Refund NDRRA Reimbursement	-	989,784
Tourism board membership	77,250	75,000
Other	68,737	72,633
Total other expenses	<u>629,705</u>	<u>1,572,544</u>

Notes to the Financial Report
For the Year Ended 30 June 2015

	2015	2014
	\$	\$
Note 16 Cash and cash equivalents		
Cash on hand	6,080	6,030
Cash at bank	4,175,184	2,592,933
Term deposits	9,257,998	9,720,733
	<u>13,439,262</u>	<u>12,319,696</u>
Councils cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:		
- Trust funds and deposits (Note 24)	3,432,498	2,982,519
- Statutory Reserves (Note 28)	1,340,841	1,050,507
Total restricted funds	<u>4,773,339</u>	<u>4,033,026</u>
Total unrestricted cash and cash equivalents	<u>8,665,923</u>	<u>8,286,670</u>
Intended allocations		
Although not externally restricted the following amounts have been allocated for specific future purposes by Council:		
- Cash held to fund carried forward capital works	1,541,000	3,333,000
- Unexpended grants received	2,317,822	1,212,853
- Discretionary Reserves (Note 28)	472,693	149,596
Total funds subject to intended allocations	<u>4,331,515</u>	<u>4,695,449</u>
Note 17 Trade and other receivables		
Current		
Rates debtors	1,157,524	1,239,909
Fire service levy debtors	128,203	124,888
Infringement debtors	51,344	46,125
Provision for doubtful debts - infringements	(3,508)	(38,555)
GST receivable	293,697	311,770
Other debtors - rental	416,034	291,567
Other debtors - government grants	221,108	113,018
Other debtors - miscellaneous	177,667	246,223
Provision for doubtful debts - other debtors	(394,639)	(203,500)
Other	46,438	51,168
Total current trade and other receivables	<u>2,093,868</u>	<u>2,182,614</u>
Non-current		
Special rate scheme	-	-
Loans and advances to community organisations	-	-
Total non-current trade and other receivables	<u>-</u>	<u>-</u>
Total trade and other receivables	<u>2,093,868</u>	<u>2,182,614</u>
a) Ageing of Receivables		
At balance date other debtors representing financial assets were past due but not impaired. These amounts relate to a number of independent customers for whom there is no recent history of default. The ageing of the Council's trade & other receivables (excluding statutory receivables) was:		
Current (not yet due)	192,165	319,832
Past due by up to 30 days	61,417	26,581
Past due between 31 and 180 days	199,131	32,165
Past due between 181 and 365 days	66,568	105,872
Past due by more than 1 year	295,528	166,359
Total trade & other receivables	<u>814,809</u>	<u>650,808</u>
b) Movement in provisions for doubtful debts		
Balance at the beginning of the year	(242,055)	(98,522)
New Provisions recognised during the year	(195,720)	(181,626)
Amounts already provided for and written off as uncollectible	39,628	38,093
Amounts provided for but recovered during the year	-	-
Balance at end of year	<u>(398,147)</u>	<u>(242,055)</u>

Notes to the Financial Report
For the Year Ended 30 June 2015

	2015	2014
	\$	\$
Note 18 Other financial assets		
Term deposits	1,313,000	-
Bank bills	-	250,000
Total other financial assets	<u>1,313,000</u>	<u>250,000</u>
Note 19 Inventories		
Inventories held for sale	16,652	20,297
Total inventories	<u>16,652</u>	<u>20,297</u>
Note 20 Other assets		
Prepayments	46,652	26,630
Accrued income	21,357	19,717
Total other assets	<u>68,010</u>	<u>46,347</u>

Notes to the Financial Report
For the Year Ended 30 June 2015

Note 21 Property, infrastructure plant and equipment

Land and Buildings	Land - specialised	Land - non specialised	Land improvements	Total Land	Heritage Buildings	Buildings - specialised	Buildings - non specialised	Building Improvements	Leasehold Improvements	Total Buildings	Work In Progress	Total Property
At fair value 1 July 2014	16,001,027	11,673,000	11,473,722	39,147,749	-	88,411,691	4,343,630	-	-	92,755,321	1,309,332	133,212,402
Accumulated depreciation at 1 July 2014	-	-	(1,580,931)	(1,580,931)	-	(46,502,044)	(30,448)	-	-	(46,532,492)	-	(48,113,423)
	16,001,027	11,673,000	9,892,791	37,566,818	-	41,909,647	4,313,182	-	-	46,222,829	1,309,332	85,098,979
Movements in fair value												
Acquisition of assets at fair value	-	-	-	-	-	216,630	88,283	564,702	-	869,614	782,621	1,652,235
Revaluation increments/decrements	-	-	-	-	-	-	-	-	-	-	-	-
Fair value of assets disposed	-	(30,000)	-	(30,000)	-	(1,320,000)	-	-	-	(1,320,000)	-	(1,350,000)
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	568,202	568,202	-	344,801	99,246	-	-	444,047	(1,248,013)	(235,764)
	-	(30,000)	568,202	538,202	-	(758,569)	187,528	564,702	-	(6,339)	(465,392)	66,471
Movements in accumulated depreciation												
Depreciation and amortisation	-	-	(455,148)	(455,148)	-	(528,874)	(36,026)	-	-	(564,900)	-	(1,020,048)
Accumulated depreciation of disposals	-	-	-	-	-	1,169,002	-	-	-	1,169,002	-	1,169,002
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	124,412	-	-	-	124,412	-	124,412
	-	-	(455,148)	(455,148)	-	764,540	(36,026)	-	-	728,514	-	273,366
At fair value 30 June 2015	16,001,027	11,643,000	12,041,924	39,685,951	-	87,653,122	4,531,158	564,702	-	92,748,982	843,940	133,278,873
Accumulated depreciation at 30 June 2015	-	-	(2,036,079)	(2,036,079)	-	(45,737,505)	(66,474)	-	-	(45,803,979)	-	(47,840,057)
	16,001,027	11,643,000	10,005,845	37,649,872	-	41,915,617	4,464,684	564,702	-	46,945,003	843,940	85,438,816

Notes to the Financial Report For the Year Ended 30 June 2015

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

Plant and Equipment	Heritage plant and equipment	Plant machinery and equipment	Fixtures fittings and furniture	Computers and telecomms	Library books	Work In Progress	Total plant and equipment
At fair value 1 July 2014	-	5,865,837	813,011	416,835	586,950	-	7,682,633
Accumulated depreciation at 1 July 2014	-	(3,005,518)	(615,221)	(354,620)	(420,428)	-	(4,395,787)
	-	2,860,319	197,790	62,215	166,522	-	3,286,846
Movements in fair value							
Acquisition of assets at fair value	-	691,807	-	52,785	36,330	4,692	785,615
Revaluation increments/decrements	-	-	-	-	-	-	-
Fair value of assets disposed	-	(516,599)	-	(314,868)	-	-	(831,468)
Impairment losses recognised in operating result	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
	-	175,208	-	(262,083)	36,330	4,692	(45,853)
Movements in accumulated depreciation							
Depreciation and amortisation	-	(636,946)	(30,766)	(41,366)	(58,695)	-	(767,774)
Accumulated depreciation of disposals	-	484,155	-	314,868	-	-	799,023
Impairment losses recognised in operating result	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
	-	(152,792)	(30,766)	273,502	(58,695)	-	31,249
At fair value 30 June 2015	-	6,041,045	813,011	154,752	623,280	4,692	7,636,780
Accumulated depreciation at 30 June 2015	-	(3,158,310)	(645,987)	(81,118)	(479,123)	-	(4,364,538)
	-	2,882,735	167,024	73,633	144,157	4,692	3,272,242

Notes to the Financial Report For the Year Ended 30 June 2015

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

Infrastructure	Roads	Bridges	Footpaths and cycleways	Drainage	Recreational, leisure and Community	Waste Management	Parks open spaces and streetscapes	Aerodromes	Off street car parks	Other Infrastructure	Work In Progress	Total Infrastructure
At fair value 1 July 2014	179,517,735	21,818,049	5,678,462	16,490,031	746,448	-	-	-	-	5,817,817	433,860	230,502,402
Accumulated depreciation at 1 July 2014	(83,955,917)	(10,033,647)	(2,531,064)	(7,879,606)	(465,739)	-	-	-	-	(1,369,250)	-	(106,235,223)
	95,561,818	11,784,402	3,147,398	8,610,425	280,709	-	-	-	-	4,448,567	433,860	124,267,179
Movements in fair value												
Acquisition of assets at fair value	4,051,379	1,182,314	288,134	142,990	190,424	-	261,365	-	44,358	18,261	189,678	6,368,904
Revaluation increments/decrements	-	-	-	-	-	-	-	-	-	-	-	-
Fair value of assets disposed	-	-	-	-	-	-	-	-	-	-	-	-
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-	-	-
Transfers	-	150,976	74,192	-	92,943	-	57,726	-	-	1,060	(265,544)	111,352
	4,051,379	1,333,290	362,326	142,990	283,368	-	319,090	-	44,358	19,321	(75,866)	6,480,256
Movements in accumulated depreciation												
Depreciation and amortisation	(3,812,625)	(231,875)	(134,586)	(244,975)	(37,323)	-	-	-	-	(145,109)	-	(4,606,493)
Accumulated depreciation of disposals	-	-	-	-	-	-	-	-	-	-	-	-
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-	-	-
	(3,812,625)	(231,875)	(134,586)	(244,975)	(37,323)	-	-	-	-	(145,109)	-	(4,606,493)
At fair value 30 June 2015	183,569,114	23,151,339	6,040,788	16,633,021	1,029,816	-	319,090	-	44,358	5,837,138	357,994	236,982,658
Accumulated depreciation at 30 June 2015	(87,768,542)	(10,265,522)	(2,665,650)	(8,124,581)	(503,062)	-	-	-	-	(1,514,359)	-	(110,841,716)
	95,800,572	12,885,817	3,375,137	8,508,440	526,754	-	319,090	-	44,358	4,322,779	357,994	126,140,942

Notes to the Financial Report For the Year Ended 30 June 2015

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

Valuation of land and buildings

Valuation of land and buildings were undertaken by a qualified independent valuer, Vincent John Bourke, AAPI, of Rating Valuation Services as at 30 June 2015. The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

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

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

Details of Council's land and buildings and information about the fair value hierarchy as at 30 June 2015 are as follows:

	Level 1	Level 2	Level 3
Land	-	11,643,000	-
Specialised land	-	-	16,001,027
Land improvements	-	-	10,005,845
Heritage buildings	-	-	-
Buildings	-	4,464,684	41,915,617
Building improvements	-	-	564,702
Total	-	26,113,529	58,605,758

Valuation of infrastructure

Valuation of infrastructure assets has been determined in accordance with a valuation undertaken by Peter Maloney (Institution of Engineers Australia registration no. 284058) Peter Maloney & Associates as at 30 June 2014. The valuation is at fair value based on replacement cost less accumulated depreciation as at the date of valuation.

Movement in the valuation of infrastructure assets has been assessed against the ABS Road and Bridge Construction Index (3101) for the twelve months to 30 June 2015 which was 0.3%.

Details of Council's infrastructure and information about the fair value hierarchy as at 30 June 2015 are as follows:

	Level 1	Level 2	Level 3
Roads	-	-	95,800,572
Bridges	-	-	12,885,817
Footpaths and cycleways	-	-	3,375,137
Drainage	-	-	8,508,440
Recreational, leisure and community facilities	-	-	526,754
Waste management	-	-	-
Parks, open space and streetscapes	-	-	319,090
Off street car parks	-	-	44,358
Other infrastructure	-	-	4,322,779
Total	-	-	125,782,947

Notes to the Financial Report For the Year Ended 30 June 2015

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

	2015	2014
	\$	\$

Description of significant unobservable inputs into level 3 valuations

Specialised land and land under roads is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 5% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$0.40 and \$782 per square metre.

Specialised buildings are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs is calculated on a square metre basis and ranges from \$10 to \$10,340 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 15 years to 150 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

Infrastructure assets are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure asses are determined on the basis of the current condition of the asset and vary from 5 years to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

Reconciliation of specialised land

Land under roads	86,327	86,327
Parks and reserves	15,914,700	15,914,700
Total specialised land	16,001,027	16,001,027

Notes to the Financial Report For the Year Ended 30 June 2015

	2015 \$	2014 \$
Note 22 Intangible assets		
Software	707,385	801,728
Landfill air space	-	-
Total intangible assets	707,385	801,728
	Software	Total
	\$	\$
Gross carrying amount		
Balance at 1 July 2013	943,432	943,432
Additions from acquisitions	-	-
Other	-	-
Balance at 1 July 2014	943,432	943,432
Additions from acquisitions	-	-
Other	-	-
Balance at 30 June 2015	943,432	943,432
Accumulated amortisation and impairment		
Balance at 1 July 2013	47,361	47,361
Amortisation expense	94,343	94,343
Balance at 1 July 2014	141,704	141,704
Amortisation expense	94,343	94,343
Balance at 30 June 2015	236,048	236,048
Net book value at 30 June 2014	-	-
Net book value at 30 June 2015	707,385	707,385
	2015	2014
	\$	\$
Note 23 Trade and other payables		
Trade payables	914,457	1,129,294
Accrued expenses	1,293,035	1,526,625
Total trade and other payables	2,207,493	2,655,918
Note 24 Trust funds and deposits		
Refundable deposits	97,771	99,916
Fire services levy	627,046	124,888
Retention amounts	15,417	75,818
Other refundable deposits	2,692,264	2,681,897
Total trust funds and deposits	3,432,498	2,982,519
<i>Purpose and nature of items</i>		
Refundable deposits - Deposits are taken by council as a form of surety in a number of circumstances, including in relation to building works, tender deposits, contract deposits and the Fire Service Levy - Council is the collection agent for fire services levy on behalf of the State Government. Council remits amounts received on a quarterly basis. Amounts disclosed here will be remitted to the state government in line with that process.		
Retention Amounts - Council has a contractual right to retain certain amounts until a contractor has met certain requirements or a related warrant or defect period has elapsed. Subject to the satisfactory completion of the contractual obligations, or the elapsing of time, these amounts will be paid to the relevant contractor in line with Council's contractual obligations.		

Notes to the Financial Report
For the Year Ended 30 June 2015

	2015 \$	2014 \$	
Note 25 Provisions			
	Landfill restoration	Employee provisions	Total
	\$	\$	\$
2015			
Balance at beginning of the financial year	421,880	1,990,627	2,412,507
Additional provisions	-	1,010,085	1,010,085
Amounts used	(20,220)	(949,153)	(969,373)
Increase in the discounted amount arising because of time and the effect of any change in the discount rate	-	6,191	6,191
Balance at the end of the financial year	<u>401,660</u>	<u>2,057,749</u>	<u>2,459,409</u>
2014			
Balance at beginning of the financial year	442,100	1,977,066	2,419,166
Additional provisions	-	836,355	836,355
Amounts used	(20,220)	(860,196)	(880,416)
Increase in the discounted amount arising because of time and the effect of any change in the discount rate	-	37,402	37,402
Balance at the end of the financial year	<u>421,880</u>	<u>1,990,627</u>	<u>2,412,507</u>
	2015	2014	
	\$'000	\$'000	
(a) Employee provisions			
Current provisions expected to be wholly settled within 12 months			
Annual leave	701,744	720,731	
Long service leave	188,818	91,269	
Other	55,881	55,881	
	<u>946,443</u>	<u>867,880</u>	
Current provisions expected to be wholly settled after 12 months			
Annual leave	12,711	32,363	
Long service leave	980,239	995,817	
	<u>992,950</u>	<u>1,028,179</u>	
Total current provisions	<u>1,939,392</u>	<u>1,896,059</u>	
Non-current			
Long service leave	118,357	94,567	
Annual leave	-	-	
Total non-current provisions	<u>118,357</u>	<u>94,567</u>	
Aggregate carrying amount of employee provisions:			
Current	1,939,392	1,896,059	
Non-current	118,357	94,567	
Total aggregate carrying amount of employee provisions	<u>2,057,749</u>	<u>1,990,627</u>	
The following assumptions were adopted in measuring the present value of employee benefits:			
Weighted average increase in employee costs	3.80%	4.30%	
Weighted average discount rates	1.95%	2.46%	
Weighted average settlement period	15 mths	12 mths	
(b) Land fill restoration			
Current	20,220	20,220	
Non-current	381,440	401,660	
	<u>401,660</u>	<u>421,880</u>	
The following assumptions were adopted in measuring the present value of landfill rehabilitation:			
Weighted average increase in costs	1.95%	2.46%	
Weighted average discount rates	1.95%	2.46%	
Weighted average settlement period	9.75 yrs	10.25 yrs	

Notes to the Financial Report
For the Year Ended 30 June 2015

	2015 \$	2014 \$
Note 26 Interest-bearing loans and borrowings		
Current		
Bank overdraft	-	-
Finance leases	-	-
Borrowings - secured	388,770	1,822,859
	<u>388,770</u>	<u>1,822,859</u>
Non-current		
Borrowings - secured	2,716,511	2,292,773
Finance leases	-	-
	<u>2,716,511</u>	<u>2,292,773</u>
Total	<u>3,105,281</u>	<u>4,115,632</u>
The maturity profile for Council's borrowings is:		
Not later than one year	388,770	1,822,859
Later than one year and not later than five years	1,168,591	1,776,737
Later than five years	1,547,920	516,036
	<u>3,105,281</u>	<u>4,115,632</u>
Note 27 Other Liabilities		
Current		
Income in advance	39,445	17,857
	<u>39,445</u>	<u>17,857</u>
Non-current		
Income in advance	133,929	151,786
	<u>133,929</u>	<u>151,786</u>
Total	<u>173,374</u>	<u>169,643</u>

Notes to the Financial Report For the Year Ended 30 June 2015

Note 28 Reserves

	Balance at beginning of reporting period	Balance at beginning of reporting period	Increment (decrement)	Balance at end of reporting period
	\$	\$	\$	\$
(a) Asset revaluation reserves				
2015				
Property				
Land		17,855,537	-	17,855,537
Buildings		26,067,997	-	26,067,997
		43,923,534	-	43,923,534
Infrastructure				
Roads		32,205,774	-	32,205,774
Other infrastructure		8,061,573	-	8,061,573
		40,267,347	-	40,267,347
Total asset revaluation reserves		84,190,881	-	84,190,881

2014

Property				
Land		14,813,537	3,042,000	17,855,537
Buildings		21,123,594	4,944,403	26,067,997
		35,937,131	7,986,403	43,923,534
Infrastructure				
Roads		32,205,774	-	32,205,774
Other infrastructure		8,290,277	(228,704)	8,061,573
		40,496,051	(228,704)	40,267,347
Total asset revaluation reserves		76,433,182	7,757,699	84,190,881

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

	Balance at beginning of reporting period	Transfer from accumulated surplus	Transfer to accumulated surplus	Balance at end of reporting period
	\$	\$	\$	\$
(b) Other reserves				
2015				
Car parking reserve *	21,250	-	-	21,250
Clunes caravan park reserve	6,710	-	-	6,710
Financial asset valuation reserve	20,695	-	(20,695)	-
Heritage advisory fund	20,000	-	-	20,000
Mineral springs financial reserve *	-	226,584	-	226,584
Mt Beckworth pit reserve	27,772	-	-	27,772
Resort and recreation reserve *	1,029,257	63,750	-	1,093,007
Smeaton Hill pit reserve	74,419	-	-	74,419
Waste management reserve	-	343,792	-	343,792
Total Other reserves	1,200,103	634,126	(20,695)	1,813,534

2014

Car parking reserve *	21,250	-	-	21,250
Clunes caravan park reserve	6,710	-	-	6,710
Financial asset valuation reserve	41,255	-	(20,560)	20,695
Heritage advisory fund	20,000	-	-	20,000
Mineral springs financial reserve *	-	-	-	-
Mt Beckworth pit reserve	27,772	-	-	27,772
Resort and recreation reserve *	895,757	133,500	-	1,029,257
Smeaton Hill pit reserve	74,419	-	-	74,419
Waste management reserve	-	-	-	-
Total Other reserves	1,087,163	133,500	(20,560)	1,200,103

* Indicates Statutory Reserves

Notes to the Financial Report
For the Year Ended 30 June 2015

	2015 \$	2014 \$
Note 29 Reconciliation of cash flows from operating activities to surplus/(deficit)		
Surplus/(deficit) for the year	5,217,987	2,957
Depreciation/amortisation	6,488,659	6,506,547
Profit/(loss) on disposal of property, infrastructure, plant and equipment	172,042	17,588
Other	(83,987)	-
Change in assets and liabilities:		
(Increase)/decrease in trade and other receivables	88,745	162,255
(Increase)/decrease in prepayments	(20,022)	13,194
(Increase)/decrease in accrued income	(1,641)	20,050
(Increase)/decrease in inventories	3,644	(4,019)
Increase/(decrease) in trade and other payables	(448,426)	114,506
Increase/(decrease) in trust funds and deposits	406,647	22,559
Increase/(decrease) in provisions	46,902	(6,659)
Increase/(decrease) in other liabilities	3,731	(542,750)
Net cash provided by/(used in) operating activities	11,874,282	6,306,229

Note 30 Commitments

The Council has entered into the following commitments

2015	Not later	Later than 1	Later than 2	Later than 5 years	Total
	than 1 year	year and not later than 2	years and not later than 5		
	\$	\$	\$	\$	\$
Operating					
Recycling	206,887	175,880	-	-	382,767
Garbage collection	303,434	257,957	-	-	561,391
Home care services	-	-	-	-	-
Cleaning contracts for council buildings	160,000	164,152	122,724	-	446,876
Meals for delivery	45,000	-	-	-	45,000
Other	382,785	125,809	-	-	508,594
Total	<u>1,098,106</u>	<u>723,798</u>	<u>122,724</u>	<u>-</u>	<u>1,944,628</u>
Capital					
Buildings	1,424,856	-	-	-	1,424,856
Roads	1,235,300	-	-	-	1,235,300
Other	-	-	-	-	-
Total	<u>2,660,156</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,660,156</u>

2014	Not later	Later than 1	Later than 2	Later than 5 years	Total
	than 1 year	year and not later than 2	years and not later than 5		
	\$	\$	\$	\$	\$
Operating					
Recycling	202,970	208,115	213,516	-	624,601
Garbage collection	297,689	305,235	313,156	-	916,080
Home care services	28,190	24,087	-	-	52,277
Cleaning contracts for council buildings	-	-	-	-	-
Meals for delivery	55,817	-	-	-	55,817
Other	1,185,920	831,843	405,330	-	2,423,093
Total	<u>1,770,586</u>	<u>1,369,280</u>	<u>932,002</u>	<u>-</u>	<u>4,071,868</u>
Capital					
Buildings	384,735	-	-	-	384,735
Roads	1,298,000	1,235,300	-	-	2,533,300
Other	2,200,236	123,000	-	-	2,323,236
Total	<u>3,882,971</u>	<u>1,358,300</u>	<u>-</u>	<u>-</u>	<u>5,241,271</u>

Notes to the Financial Report For the Year Ended 30 June 2015

	2015	2014
	\$	\$
Note 31 Operating leases		
(a) Operating lease commitments		
At the reporting date, the Council had the following obligations under non-cancellable operating leases for the lease of equipment and land and buildings for use within Council's activities (these obligations are not recognised as liabilities):		
Not later than one year	94,106	37,556
Later than one year and not later than five years	26,923	28,320
Later than five years	-	-
	121,029	65,876
(b) Operating lease receivables		
The Council has entered into commercial property leases on its investment property, consisting of surplus freehold office complexes. These properties held under operating leases have remaining non-cancellable lease terms of between 1 and 20 years. All leases include a CPI based revision of the rental charge annually.		
Future minimum rentals receivable under non-cancellable operating leases are as follows:		
Not later than one year	960,880	815,667
Later than one year and not later than five years	3,978,337	3,335,832
Later than five years	9,373,311	9,661,806
	14,312,528	13,813,305

Note 32 Contingent liabilities and contingent assets

Contingent liabilities

Superannuation

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

Funding arrangements

Hepburn Shire Council makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund's Actuary.

The Fund's latest actuarial investigation was held as at 30 June 2014 and it was determined that the vested benefit index (VBI) of the defined benefit category of which Hepburn Shire Council is a contributing employer was 103.4%. To determine the VBI, the fund Actuary used the following long-term assumptions:

Net investment returns	7.5% pa
Salary information	4.25% pa
Price inflation (CPI)	2.75% pa.

Vision Super has advised that the estimated VBI at June 2015 was 105.8%.

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

Employer contributions

Regular contributions

On the basis of the results of the most recent full actuarial investigation conducted by the Fund's Actuary as at 30 June 2014, Hepburn Shire Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2015, this rate was 9.5% of members' salaries. This rate will increase in line with any increase to the Superannuation Guarantee (SG) contribution rate.

In addition, Hepburn Shire Council reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

Notes to the Financial Report For the Year Ended 30 June 2015

Note 32 Contingent liabilities and contingent assets (cont.)

Funding calls

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

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Hepburn Shire Council) are required to make an employer contribution to cover the shortfall.

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

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up.

If there is a surplus in the Fund, the surplus cannot be returned to the participating employers. In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

Latest actuarial investigation surplus amounts

The Fund's latest actuarial investigation as at 30 June 2014 identified the following in the defined benefit category of which Hepburn Shire Council is a contributing employer:

- A VBI surplus of \$77.1 million; and
- A total service liability surplus of \$236 million.

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2014.

The total service liability surplus means that the current value of the assets in the Fund's defined benefit category plus expected future contributions exceeds the value of expected future benefits and expenses.

Hepburn Shire Council was notified of the results of the actuarial investigation during January 2015.

Superannuation contributions

Contributions by Hepburn Shire Council (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2015 are detailed below:

Scheme	Type of Scheme	Rate	2015 \$	2014 \$
Vision Super	Defined benefits	9.5%	65,130	79,663
Vision Super	Accumulation	9.5%	473,092	510,550
Other funds	Accumulation	9.5%	205,698	200,811

In addition to the above contributions, Hepburn Shire Council has paid unfunded liability payments to Vision Super totalling \$ Nil during the 2014/15 year (2013/14 \$1,4223,099).

There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2015.

The expected contributions to be paid to the defined benefit category of Vision Super for the year ending 30 June 2016 is \$66,906.

Guarantees for loans to other entities

Nil

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

Contingent assets

Nil

Notes to the Financial Report For the Year Ended 30 June 2015

Note 33 Financial Instruments

(a) Objectives and policies

The Council's principal financial instruments comprise cash assets, term deposits, receivables (excluding statutory receivables), payables (excluding statutory payables) and bank borrowings. 'Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument is disclosed in Note 1 of the financial statements. 'Risk management is carried out by senior management under policies approved by the Council. These policies include identification and analysis of the risk exposure to Council and appropriate procedures, controls and risk minimisation.

(b) Market risk

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

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. 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. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Council has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating rate.

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:

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

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

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

(c) Credit risk

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

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

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

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

We may also be subject to credit risk for transactions which are not included in the balance sheet, such as when we provide a guarantee for another party. Details of our contingent liabilities are disclosed in note 32.

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

(d) Liquidity risk

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

To help reduce these risks Council:

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

Notes to the Financial Report For the Year Ended 30 June 2015

Note 33 Financial Instruments (cont.)

The Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the balance sheet and the amounts related to financial guarantees disclosed in Note 32, and is deemed insignificant based on prior periods' data and current assessment of risk.

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

With the exception of borrowings, all financial liabilities are expected to be settled within normal terms of trade. Details of the maturity profile for borrowings are disclosed at Note 26.

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

e) Fair value

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

Fair value hierarchy

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

(f) Sensitivity disclosure analysis

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

- A parallel shift of + 2.5% and -1.0% in market interest rates (AUD) from year-end rates of 2.00%.

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

Note 34 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:

Councillors	Councillor Kate Redwood (Mayor 12/11/2014 to 30/06/2015)
	Councillor Don Henderson (Mayor 1/7/2014 to 11/11/2014)
	Councillor Bill McClenaghan
	Councillor Greg May
	Councillor Neil Newitt
	Councillor Pierre Niclas
	Councillor Sebastian Klein

Chief Executive Officer Aaron Van Egmond

(ii) Remuneration of Responsible Persons

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

	0	0
	No.	No.
\$1 - \$9,999	-	-
\$10,000 - \$19,999	-	-
\$20,000 - \$29,999	5	6
\$30,000 - \$39,999	1	-
\$40,000 - \$49,999	1	-
\$60,000 to \$69,999	-	1
\$150,000 - \$159,999	-	-
\$210,000 to \$219,999	1	1
	8	8

Total Remuneration for the reporting year for Responsible Persons included above amounted to:

401,184

391,399

Notes to the Financial Report For the Year Ended 30 June 2015

Note 34 Related party transactions (cont.)

(iii) Senior Officers Remuneration

A Senior Officer other than a Responsible Person, is an officer of Council who:
a) has management responsibilities and reports directly to the Chief Executive;
b) whose total annual remuneration exceeds \$136,000

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

	0	0
Income Range:	No.	No.
< \$136,000	3	2
\$136,000 - \$139,999	-	1
\$140,000 - \$149,999	1	-
\$150,000 - \$159,999	-	1
\$160,000 - \$169,999	-	-
	4	4

Total Remuneration for the reporting year for Senior Officers included above, amounted to

	501,881	521,571
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(iv) Responsible persons retirement benefits

The aggregate amount paid during the reporting period by Council in connection with the retirement of responsible persons was \$0 (2014 - \$0)

(v) Loans to responsible persons

The aggregate amount of loans in existence at balance date that have been made, guaranteed or secured by the council to a responsible person of the council, or a related party of a responsible person are as follows:
Nil

(vi) Transactions with responsible persons

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 (2013/14, \$Nil).

Note 35 Events occurring after balance date

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

Certification of the Financial Statements

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



Trafford Thompson CPA
Principal Accounting Officer

Date : 24 September 2015
Daylesford

In our opinion the accompanying financial statements present fairly the financial transactions of Hepburn Shire Council for the year ended 30 June 2015 and the financial position of the Council as at that date.

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

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



Cr Kate Redwood AM
Councillor

Date : 24 September 2015
Daylesford



Cr Pierre Niclas
Councillor

Date : 24 September 2015
Daylesford



Aaron van Egmond
Chief Executive Officer

Date : 24 September 2015
Daylesford

INDEPENDENT AUDITOR'S REPORT

To the Councillors, Hepburn Shire Council

The Financial Report

The accompanying financial report for the year ended 30 June 2015 of Hepburn Shire Council which comprises the comprehensive income statement, balance sheet, statement of changes in equity, statement of cash flows, statement of capital works, notes comprising a summary of the significant accounting policies and other explanatory information, and the certification of the financial statements has been audited.

The Councillors' Responsibility for the Financial Report

The Councillors of Hepburn Shire Council are responsible for the preparation and the fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Local Government Act 1989*.

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

Auditor's Responsibility

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

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

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

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

Independent Auditor's Report (continued)

Independence

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

Opinion

In my opinion the financial report presents fairly, in all material respects, the financial position of Hepburn Shire Council as at 30 June 2015 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Local Government Act 1989*.

MELBOURNE
25 September 2015



Dr Peter Frost
Acting Auditor-General



PERFORMANCE STATEMENT
For the Year Ended 30 June 2015

Description of Municipality

Hepburn Shire was created in January 1995 by the amalgamation of the former Shires of Creswick, Daylesford and Glenlyon, the Clunes portion of the Shire of Talbot and Clunes and the Trentham portion of the Shire of Kyneton.

Hepburn Shire is located in the Central Highlands region of Victoria, about 110 kilometres north-west of Melbourne. It is bounded by Central Goldfields and Mount Alexander Shires in the north, Macedon Ranges Shire in the east, Moorabool Shire in the south, and the City of Ballarat and Pyrenees Shire in the west

Hepburn Shire is a predominantly rural area, with many townships, villages and rural-residential areas. The main townships are Daylesford, Hepburn Springs, Creswick, Clunes and Trentham. The shire encompasses a total land area of about 1,470 square kilometres. rural land is used largely for agriculture (particularly sheep and cattle grazing and potato and crop growing) and forestry, with some viticulture. Tourism is important to the region, with the Shire containing 80% of Australia's mineral spring reserves.

Hepburn is named after Captain John Hepburn, an overlander and pastoralist who founded the rural town of Smeaton and also established the Smeaton Hill Run on 15 April 1838.

The original inhabitants of the Hepburn area were the Jaara (Dja Dja Wurrung) Aboriginal people. European settlement dates from the late 1830's, with land used mainly for grazing and crop growing. Gold was first discovered in the area in 1851, prompting the establishment of many townships and rapid growth. When gold supplies waned and many mines were closed, some population loss was experienced in the region. land was then used mainly for timber milling and grazing. The townships of Daylesford and Hepburn Springs benefited from tourism during the late 1800s and early 1900's', due to the mineral springs and spa resorts.

Gradual growth took place during the 1970's and 1980's, due largely to resurgence in tourism and people seeking alternative lifestyles. The Shire's population increased marginally during the 1990's, rising from about 13,300 in 1991 to about 13,800 in 2001. The resident population of Hepburn Shire at 30 June 2014 was 14,888.

Performance Statement
For the Year Ended 30 June 2015

Sustainable Capacity Indicators

<i>Indicator / measure</i>		Results 2015	Material Variations / Comments
Population			
C1	68 <i>Expenses per head of municipal population</i> [Total expenses / Municipal population]	\$1,814	
C2	69 <i>Infrastructure per head of municipal population</i> [Value of infrastructure / Municipal population]	\$11,837	
C3	70 <i>Population density per length of road</i> [Municipal population / Kilometres of local roads]	10	
Own-source revenue			
C4	66 <i>Own-source revenue per head of municipal population</i> [Own-source revenue / Municipal population]	\$1,369	
Recurrent grants			
C5	67 <i>Recurrent grants per head of municipal population</i> [Recurrent grants / Municipal population]	\$621	
Disadvantage			
C6	71 <i>Relative Socio-Economic Disadvantage</i> [Index of Relative Socio-Economic Disadvantage by decile]	4	

Definitions

"adjusted underlying revenue" means total income other than

-
- (a) non-recurrent grants used to fund capital expenditure; and
- (b) non-monetary asset contributions; and
- (c) contributions to fund capital expenditure from sources other than those referred to in paragraphs (a) and (b)

"infrastructure" means non-current property, plant and equipment excluding land

"local road" means a sealed or unsealed road for which the council is the responsible road authority under the Road Management Act 2004

"population" means the resident population estimated by council

"own-source revenue" means adjusted underlying revenue other than revenue that is not under the control of council (including government grants)

"relative socio-economic disadvantage", in relation to a municipality, means the relative socio-economic disadvantage, expressed as a decile for the relevant financial year, of the area in which the municipality is located according to the Index of Relative Socio-Economic Disadvantage (Catalogue Number 2033.0.55.001) of SEIFA

"SEIFA" means the Socio-Economic Indexes for Areas published from time to time by the Australian Bureau of Statistics on its Internet website

"unrestricted cash" means all cash and cash equivalents other than restricted cash.

Performance Statement
For the Year Ended 30 June 2015

Service Performance Indicators		
Service/indicator/measure	Results 2015	Material Variations / Comments
<p>Aquatic Facilities Utilisation</p> <p>AF6 33 <i>Utilisation of aquatic facilities</i></p> <p>[Number of visits to aquatic facilities / Municipal population]</p>	0.4	Pool attendance is largely weather dependant. Attendance decreased significantly from 15,734 in 13/14 to 6,213 in 14/15.
<p>Animal Management Health and safety</p> <p>AM4 37 <i>Animal management prosecutions</i></p> <p>[Number of successful animal management prosecutions]</p>	0	There were no successful or unsuccessful animal management prosecutions
<p>Food Safety Health and safety</p> <p>FS4 41 <i>Critical and major non-compliance outcome notifications</i></p> <p>[Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises] x100</p>	29%	No critical non-compliances were identified.
<p>Governance Satisfaction</p> <p>G5 5 <i>Satisfaction with council decisions</i></p> <p>[Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]</p>	43	
<p>Home and Community Care (HACC) Participation</p> <p>HC6 47 <i>Participation in HACC service</i></p> <p>[Number of people that received a HACC service / Municipal target population for HACC services] x100</p>	24%	
<p>Participation</p> <p>HC7 48 <i>Participation in HACC service by CALD people</i></p> <p>[Number of CALD people who receive a HACC service / Municipal target population in relation to CALD people for HACC services] x100</p>	15%	
<p>Libraries Participation</p> <p>LB4 22 <i>Active library members</i></p> <p>[Number of active library members / Municipal population] x100</p>	25%	Members who only borrowed an e-book have been included in the calculation of the measure. The current library member management system is not able to differentiate between books and e-books.
<p>Maternal and Child Health (MCH) Participation</p> <p>MC4 52 <i>Participation in the MCH service</i></p> <p>[Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100</p>	83%	
<p>Participation</p> <p>MC5 53 <i>Participation in the MCH service by Aboriginal children</i></p> <p>[Number of Aboriginal children who attend the MCH service at least once (in the year) / Number of Aboriginal children enrolled in the MCH service] x100</p>	88%	
<p>Roads Satisfaction</p> <p>R5 18 <i>Satisfaction with sealed local roads</i></p> <p>[Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]</p>	43	

Service Performance Indicators

Service/indicator/measure	Results 2015	Material Variations / Comments
Statutory Planning Decision making SP4 9 Council planning decisions upheld at VCAT [Number of VCAT decisions that did not set aside council's decision in relation to a planning application / Number of VCAT decisions in relation to planning applications] x100	86%	One Council planning decision set aside by VCAT
Waste Collection Waste diversion WC5 27 Kerbside collection waste diverted from landfill [Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100	40%	

Definitions

"Aboriginal child" means a child who is an Aboriginal person
 "Aboriginal person" has the same meaning as in the Aboriginal Heritage Act 2006
 "active library member" means a member of a library who has borrowed a book from the library
 "annual report" means an annual report prepared by a council under sections 131, 132 and 133 of the Act
 "Community Care Common Standards" means the Community Care Common Standards for the delivery of HACC services, published from time to time by the Commonwealth
 "critical non-compliance outcome notification" means a notification received by council under section 19N(3) or (4) of the Food Act 1984, or advice given to council by an authorized officer under that Act, of a deficiency that poses an immediate serious threat to public health
 "food premises" has the same meaning as in the Food Act 1984
 "HACC program" means the Home and Community Care program established under the Agreement entered into for the purpose of the Home and Community Care Act 1985 of the Commonwealth

"HACC service" means home help, personal care or community respite provided under the HACC program
 "local road" means a sealed or unsealed road for which the council is the responsible road authority under the Road Management Act 2004
 "major non-compliance outcome notification" means a notification received by a council under section 19N(3) or (4) of the Food Act 1984, or advice given to council by an authorized officer under that Act, of a deficiency that does not pose an immediate serious threat to public health but may do so if no remedial action is taken
 "MCH" means the Maternal and Child Health Service provided by a council to support the health and development of children within the municipality from birth until school age
 "population" means the resident population estimated by council
 "target population" has the same meaning as in the Agreement entered into for the purposes of the Home and Community Care Act 1985 of the Commonwealth

Performance Statement
For the Year Ended 30 June 2015

Financial Performance Indicators							
Dimension/ <i>indicator</i> / <i>measure</i>		Results 2015	Forecasts				Material Variations / Comments
			2016	2017	2018	2019	
Efficiency							
Revenue level							
E1	64 <i>Average residential rate per residential property assessment</i> [Residential rate revenue / Number of residential property assessments]	\$1,589	\$1,661	\$1,728	\$1,797	\$1,869	The expected increase for this measure provides for a constant 4% rate increase
Expenditure level							
E2	63 <i>Expenses per property assessment</i> [Total expenses / Number of property assessments]	\$2,501	\$2,562	\$2,556	\$2,617	\$2,680	The result for this measure is expected to increase by 2% p.a.
Workforce turnover							
E3	65 <i>Resignations and terminations compared to average staff</i> [Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100	15%	13%	12%	12%	12%	No material variations
Liquidity							
Working capital							
L1	55 <i>Current assets compared to current liabilities</i> [Current assets / Current liabilities] x100	279%	181%	184%	181%	186%	Current assets increased significantly by an advanced payment of \$2.1 million of 2015/16 Financial Assistance Grants received on 30 June 2015.
Unrestricted cash							
L2	56 <i>Unrestricted cash compared to current liabilities</i> [Unrestricted cash / Current liabilities] x100	133%	114%	119%	120%	125%	No material variations
Obligations							
Asset renewal							
O1	60 <i>Asset renewal compared to depreciation</i> [Asset renewal expense / Asset depreciation] x100	105%	93%	95%	90%	83%	Conservative depreciation estimates for forecast years may need to be reconsidered
Loans and borrowings							
O2	57 <i>Loans and borrowings compared to rates</i> [Interest bearing loans and borrowings / Rate revenue] x100	18%	18%	23%	20%	16%	No material variations
O3	58 <i>Loans and borrowings repayments compared to rates</i> [Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100	16%	4%	3%	4%	4%	Refinancing of a short term loan for the \$1.4m Defined Benefits Superannuation call is included in the current year 'repayments', although this was not a cost to Council as a new loan was provided (see Cash Flow Statement). Without this amount, actual would have been 8%.

Financial Performance Indicators

Dimension/indicator/measure		Results 2015	Forecasts			Material Variations / Comments			
			2016	2017	2018		2019		
O4	59	Indebtedness <i>Non-current liabilities compared to own source revenue</i> [Non-current liabilities / Own source revenue] x100		16%	17%	21%	17%	15%	No material variations
OP1	54	Operating position Adjusted underlying result <i>Adjusted underlying surplus (or deficit)</i> [Adjusted underlying surplus (deficit) / Adjusted underlying revenue] x100		9.9%	1.3%	-0.3%	0.8%	-2.3%	2015 result inflated by \$2.1m receipt of 2015/16 financial assistance grant. Without this amount, actual would have been 3.1%.
S1	61	Stability Rates concentration <i>Rates compared to adjusted underlying revenue</i> [Rate revenue / Adjusted underlying revenue] x100		57%	63%	67%	67%	71%	The paused indexation of Commonwealth financial assistance grants has contributed to the increase in this measure.
S2	62	Rates effort <i>Rates compared to property values</i> [Rate revenue / Capital improved value of rateable properties in the municipality] x100		0.45%	0.48%	0.48%	0.48%	0.48%	No material variations

Definitions

"adjusted underlying revenue" means total income other than—

- (a) non-recurrent grants used to fund capital expenditure; and
- (b) non-monetary asset contributions; and
- (c) contributions to fund capital expenditure from sources other than those referred to in paragraphs (a) and (b)

"adjusted underlying surplus (or deficit)" means adjusted underlying revenue less total expenditure

"asset renewal expenditure" means expenditure on an existing asset or on replacing an existing asset that returns the service capability of the asset to its original capability

"current assets" has the same meaning as in the AAS

"current liabilities" has the same meaning as in the AAS

"non-current assets" means all assets other than current assets

"non-current liabilities" means all liabilities other than current liabilities

"non-recurrent grant" means a grant obtained on the condition that it be expended in a specified manner and is not expected to be received again during the period covered by a council's Strategic Resource Plan

"own-source revenue" means adjusted underlying revenue other than revenue that is not under the control of council (including government grants)

"population" means the resident population estimated by council

"rate revenue" means revenue from general rates, municipal charges, service rates and service charges

"recurrent grant" means a grant other than a non-recurrent grant

"residential rates" means revenue from general rates, municipal charges, service rates and service charges levied on residential properties

"restricted cash" means cash and cash equivalents, within the meaning of the AAS, that are not available for use other than for a purpose for which it is restricted, and includes cash to be used to fund capital works expenditure from the previous financial year

"unrestricted cash" means all cash and cash equivalents other than restricted cash.

Other Information

1. Basis of preparation

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

The Victorian Government developed the new performance reporting framework to ensure that all councils are measuring and reporting on their performance in a consistent way. The framework became mandatory from 1 July 2014 and all councils will need to report results as part of their 2014-15 annual report at the end of September 2015. This is the first year for reporting in this manner and as such there is no trend data to compare to. It is intended that in future years, the previous years results will be used to compare and also highlight any material variations. By 2017/18 we will be comparing our results to the previous three years.

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

The performance statement presents the actual results for the current year and for the prescribed financial performance indicators and measures, the results forecast by the council's strategic resource plan. The Local Government (Planning and Reporting) Regulations 2014 requires explanation of any material variations in the results contained in the performance statement. Council has adopted materiality thresholds relevant to each indicator and measure and explanations have not been provided for variations below the materiality thresholds unless the variance is considered to be material because of its nature.

The forecast figures included in the performance statement are those adopted by council in its strategic resource plan on 23 June 2015 and which forms part of the council plan. The strategic resource plan includes estimates based on key assumptions about the future that were relevant at the time of adoption and aimed at achieving sustainability over the long term. Detailed information on the actual financial results is contained in the General Purpose Financial Statements. The strategic resource plan can be obtained by contacting council.

Performance Statement
For the Year Ended 30 June 2015

Certification of the performance statement

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



Trafford Thompson CPA
Principal Accounting Officer

Date : 24 September 2015

In our opinion, the accompanying performance statement of the (council name) for the year ended 30 June 2015 presents fairly the results of council's performance in accordance with the *Local Government Act 1989* and the *Local Government (Planning and Reporting) Regulations 2014*.

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

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

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



Cr Kate Redwood AM
Councillor

Date : 24 September 2015



Cr Pierre Niclas
Councillor

Date : 24 September 2015



Aaron van Egmond
Chief Executive Officer

Date : 24 September 2015

INDEPENDENT AUDITOR'S REPORT

To the Councillors, Hepburn Shire Council

The Performance Statement

The accompanying performance statement for the year ended 30 June 2015 of Hepburn Shire Council which comprises the statement, the related notes and the certification of the performance statement has been audited.

The Councillors' Responsibility for the Performance Statement

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

Auditor's Responsibility

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

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

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

Independent Auditor's Report (continued)

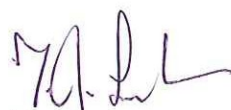
Independence

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

Auditor's Opinion

In my opinion, the performance statement of Hepburn Shire Council in respect of the 30 June 2015 financial year presents fairly, in all material respects, in accordance with the *Local Government Act 1989*.

MELBOURNE
25 September 2015



R Dr Peter Frost
Acting Auditor-General