

Hepburn Shire Council
ANNUAL FINANCIAL REPORT
For the Year Ended 30 June 2013

Hepburn Shire Council

Financial Report

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Hepburn Shire Council
STANDARD STATEMENTS
For the Year Ended 30 June 2013

Note to Standard Statements For the Year Ended 30 June 2013

Note 1 Basis of Preparation of Standard Statements

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

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

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

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

The budget figures included in the Standard Statements are those adopted by Hepburn Shire Council in June 2012. The budget was based on assumptions that were relevant at the time of adoption of the budget. Hepburn Shire Council set guidelines and parameters for revenue and expense targets in this budget in order to meet Hepburn Shire Council's business plan and financial performance targets for both the short and long term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

Detailed information on the actual financial results are contained in the Annual Financial Report for the year ended 30 June 2013. The detailed budget for 2012/2013 can be obtained by contacting Hepburn Shire Council or through the Council's web site. The Standard Statements must be read with reference to these documents.

Hepburn Shire Council
Standard Income Statement
For the Year Ended 30 June 2013

	Budget	Variances		Ref	Actual
	2012/2013	\$'000	%		2012/2013
	\$'000	\$'000			\$'000
Revenues from ordinary activities					
Rates and charges	15,719	57	0%		15,776
Statutory fees and fines	308	(12)	-4%		296
User fees	932	28	3%		960
Contributions	71	52	73%	1	123
Grants - Recurrent	6,251	90	1%		6,341
Grants - Non recurrent	2,251	2,868	127%	2	5,119
Other revenue	1,364	14,984	1099%	3	16,348
Total revenues	26,897	18,067			44,963
Expenses from ordinary activities					
Employee benefits	10,335	326	3%		10,661
Materials and services	7,983	3,256	41%	4	11,239
Bad and change in doubtful debts	5	94	1880%	5	99
Depreciation	5,150	1,018	20%	6	6,168
Finance costs	271	19	7%		290
Other expenses	1,084	164	15%	7	1,248
Total expenses	24,828	4,877			29,705
Net profit from operations	2,069	13,190			15,258

Ref.	Item	Commentary
1	Contributions	Council received two significant additional monetary contributions. These were for the Clunes Community Interpretive Centre (\$50,000 received against a budget of \$20,000) and an unbudgetted \$27,000 for flood recovery works at Victoria Park.
		Clunes Community Interpretive Centre \$30,000
		Flood Recovery Works at Victoria Park \$27,000
	Total	\$57,000
2	Grants - non recurrent	Actual grants received are greater than budget as a result of additional grants received that were not budgeted for, or were significantly greater than budget:
		Wombat Hill Botanic Gardens \$52,500
		Daylesford Streetscape \$27,860
		Clunes Community Interpretive Centre \$1,915,750
		Investigate Conversion of Heavy Fleet Vehicles to Biodiesel \$64,600
		Advancing Country Towns \$150,400
		Creswick Flood Mitigation Plan Implementation \$275,000
		Footpath Improvement and Renewal \$126,000
	Total	\$2,612,110

Hepburn Shire Council
Standard Income Statement
For the Year Ended 30 June 2013

Ref.	Item	Commentary
3	Other revenue	Actual income is greater than budget as a result of income received that was not budgeted for:
		Flood Recovery Reimbursement \$14,316,659
		Total \$14,316,659
4	Materials and services	Actual material expenses are greater than budget as a result of the following items that were not budgeted for:
		Flood Recovery Works \$2,394,282
		Total \$2,394,282
5	Bad and change in doubtful debts	The level of provision for doubtful debts against infringement debtors reduced at year end. Council has raised a major provision against a rental debtor arising from a dispute between the tenant, Council and the State Government (which is a third party in the lease agreement).
		Infringement debtors -\$8,929
		Rental Income \$107,798
		Total \$98,869
6	Depreciation	Actual depreciation expenses are greater than budget as a result of asset revaluations being greater than budgeted.
		Property, Plant and Equipment Depreciation greater than budget \$1,002,096
		Total \$1,002,096
7	Other expenses	Council received a Transport Connections Grant that covered a number of other Councils. Council paid \$148,000 of this grant to other Councils as an unbudgeted expense.
		Transport Connection Grants \$148,000
		Total \$148,000

Hepburn Shire Council
Standard Balance Sheet
For the Year Ended 30 June 2013

	<i>Budget</i> 2012/2013 \$'000	<i>Variances</i> \$'000		%	<i>Ref</i>	<i>Actual</i> 2012/2013 \$'000
Current assets						
Cash assets	3,486	13,314		382%	8	16,800
Receivables	1,205	1,140		95%	9	2,345
Other assets	140	(44)		-31%	10	96
Total current assets	4,831	14,410				19,241
Non-current assets						
Financial assets	999	(749)		-75%	11	250
Property, plant and equipment	202,270	(170)		0%		202,100
Total non-current assets	203,269	(919)				202,350
Total assets	208,100	13,491				221,591
Current liabilities						
Payables	2,667	(125)		-5%		2,542
Interest bearing liabilities	583	5		1%		588
Other Liabilities	1,764	2,803		159%	12	4,567
Total current liabilities	5,014	2,683				7,697
Non-current liabilities						
Interest bearing liabilities	3,002	46		2%		3,048
Other Liabilities	943	(230)		-24%	13	713
Total non-current liabilities	3,945	(184)				3,761
Total liabilities	8,959	2,499				11,458
Net assets	199,141	10,992				210,133
Equity						
Accumulated surplus	126,025	6,586		5%		132,611
Asset revaluation reserve	72,097	4,336		6%	14	76,433
Other reserves	1,019	68		7%		1,087
Total equity	199,141	10,990				210,131

Hepburn Shire Council
Standard Balance Sheet
For the Year Ended 30 June 2013

Ref.	Item	Commentary
8	Cash	Actual cash at year end is greater than budget as a result of the following items:
		Unbudgeted Flood Recovery Reimbursements \$14,316,659
		Less Unbudgeted Flood Recovery Works Expensed -\$2,394,282
		Less Unbudgeted Flood Recovery Works Capitalised -\$9,455,760
		Budgeted Capital Works Unspent \$4,397,776
		Victorian Grant Commission General and Local Roads Grant for the 2013-14 year was prepaid in June 2013 and not recognised in the budget \$2,057,620
	Total	\$8,922,013
9	Receivables	Collectability of Rate Debtors was budgeted to improve in 2012-13, however this is not reflected in the 30 June balance. Rate Debtors were \$421,000 greater at 30 June 2013 than the previous balance date. The GST Receivable balance at year end was \$376,000 which is abnormally high due to the increased flood recovery purchases.
10	Other Assets	Prepayments, Accrued Income and Inventories Held for Distribution are all significantly lower than budget
11	Finanacial Assets	Legislation changed during 2011-12 and cash funds are no longer required to be held separately for long service leave provision. After the 2012-13 budget was adopted \$500,000 held previously in a bond expired and the funds have been reallocated in the balance sheet to cash.
12	Other Current Liabilities	Other Current Liabilites was significantly above budget. The Defined Benefits Superannuation Contribution of \$1,423,099 was not included in the budget. Trust Funds, Deposits, Prepaid Income, Provision for Annual Leave and Provision for Long Service Leave were all above budget.
13	Other Non-Current Liabilities	Other Non-Current Liabilites was under budget, as Prepaid Income and Provision for Long Service Leave were both under budget.
14	Asset Revaluation Reserve	Infrastructure assets were revalued during the year and the revaluation increment was greater than budgeted.

Hepburn Shire Council
Standard Capital Works Statement
For the Year Ended 30 June 2013

Capital Works Areas	Budget	Variances		Ref	Actual
	2012/2013 \$'000	\$'000	%		2012/2013 \$'000
Roads, Drainage, Footpath, Bridges	4,385	6,610	150.7%	15	10,995
Recreation	1,012	1,400	138.3%	16	2,412
Buildings	250	2,695	1078.0%	17	2,945
Plant and equipment	1,108	(251)	-22.7%	18	857
Total capital works	6,755	10,454			17,209
Represented by:					
New assets	774	13,146	1698.4%	19	13,920
Expansion/upgrade	366	2,612	713.7%	20	2,978
Renewal	5,615	(5,303)	-94.4%	21	312
Total capital works	6,755	10,455			17,210

Ref.	Item	Commentary
15	Roads, Drainage, Footpath, Bridges	Council undertook unbudgeted Flood Recovery capital expenditure on Roads, Drainage, Footpaths and Bridges during the year as follows:
		Unbudgeted Flood Recovery Works Capitalised \$9,455,760
		Total \$9,455,760
16	Recreation	During the year Council undertook significant unbudgeted capital expenditure on Recreation Infrastructure projects as follows:
		Flood Recovery Works \$314,606
		Doug Lindsay Recreation Reserve Resurfacing \$276,129
		Unbudgeted Flood Recovery Works Capitalised \$1,241,560
		During the year Council did not undertake two budgeted Recreation Infrastructure projects, creating expenditure savings as follows:
		Creswick Creek Path -\$250,000
		Lindsay Arts Trail - Stage 4 Construction -\$200,000
		Total \$1,382,295
17	Buildings	During the year Council undertook three unbudgeted grant funded building projects, incurring additional expenditure as follows:
		Clunes Community Interperative Centre \$2,260,369
		Victoria Park Netball Pavilion \$129,625
		Hepburn Springs Neighbourhood Safer Places Shelter \$224,454
		Total \$2,614,448

Hepburn Shire Council
Standard Capital Works Statement
For the Year Ended 30 June 2013

Ref.	Item	Commentary
18	Plant and Equipment	During the year Council over/under spent the budget for plant and equipment as follows:
		Heavy Plant \$97,976
		Fleet Vehicles -\$283,494
		Information Technology Equipment -\$65,094
		Total -\$250,612
19	New Assets	During the year Council undertook three unbudgeted new projects, incurring additional expenditure as follows:
		Clunes Community Interperative Centre \$2,260,369
		Victoria Park Netball Pavilion \$129,625
		Hepburn Springs Neighbourhood Safer Places Shelter \$224,454
		During the year Council did not undertake two budgeted new projects, creating expenditure savings as follows:
		Creswick Creek Path -\$250,000
		Lindsay Arts Trial - Stage 4 Construction -\$200,000
		Total \$2,164,448
20	Expansion	During the year Council did not undertake a major budgeted expansion project, creating expenditure savings as follows:
		Hepburn Netball Court Upgrade -\$65,740
		Total -\$65,740
21	Renewal	Council undertook significant unbudgeted flood recovery renewal expenditure during the year, and completed a significant road reconstruction project carried forwards from the previous year.
		Flood Recovery Renewal Works \$7,544,530
		Blackmores Road reconstruction Clunes \$365,730
		Total \$7,910,260

Hepburn Shire Council
Standard Statement of Cash Flows
For the Year Ended 30 June 2013

	<i>Budget</i>	<i>Variances</i>		<i>Ref</i>	<i>Actual</i>
	<i>2012/2013</i>	<i>\$'000</i>	<i>%</i>		<i>2012/2013</i>
	<i>\$'000</i>	<i>\$'000</i>			<i>\$'000</i>
<i>Cash flows from operating activities</i>					
Rates and charges	15,719	(262)	-2%		15,457
Grants recurrent (inclusive of GST)	6,251	407	7%		6,658
Grants non recurrent and contributions (inclusive of GST)	2,322	3,486	150%	22	5,808
Interest	300	284	95%	23	584
User fees	932	21	2%		953
Statutory fees	308	(13)	-4%		295
Other receipts (inclusive of GST)	1,064	17,211	1618%	24	18,275
Payments to suppliers (inclusive of GST)	(7,983)	(5,034)	63%	25	(13,017)
Payments to employees	(10,335)	(570)	6%		(10,905)
Other payments	(1,085)	(270)	25%	26	(1,355)
Net cash inflow (outflow) from operating activities	7,494	15,260			22,753
<i>Cash flows from investing activities</i>					
Proceeds from sale of property, plant and equipment	379	(179)	-47%	27	200
Proceeds from sale of investments	-	271		28	271
Payments for property, plant and equipment	(6,755)	(12,303)	182%	29	(19,058)
Net cash inflow (outflow) from investing activities	(6,375)	(12,211)			(18,587)
<i>Cash flows from financing activities</i>					
Interest paid	(281)	(9)	3%		(290)
Repayment of borrowings	(589)	-	0%		(548)
Net cash inflow (outflow) from financing activities	(870)	(9)			(838)
Net increase (decrease) in cash held	249	3,079			3,328
Cash at the beginning of the year	3,237	10,236			13,473
<i>Cash at the end of the year</i>	3,486	13,315			16,801

Hepburn Shire Council
Standard Statement of Cash Flows
For the Year Ended 30 June 2013

<u>Ref.</u>	<u>Item</u>	<u>Commentary</u>
22	Grants - non recurrent (inclusive of GST) and contributions	Refer to commentary in the Standard Income Statement regarding non-recurrent grants.
23	Interest received	Interest income in the Budget is set at conservative levels. Additional interest on investments was earned as a result of Capital Works program not being completed as budgeted, as the associated cash remained in the bank. Further, flood recovery funds were received in advance and held on investment.
24	Other receipts (inclusive of GST)	Refer to commentary in the Standard Income Statement regarding other revenue.
25	Payments to suppliers (inclusive of GST)	Refer to commentary in the Standard Income Statement regarding materials and services expenses.
26	Other payments	Refer to commentary in the Standard Income Statement regarding other expenses.
27	Proceeds from sale of property, plant and equipment	Refer to commentary in the Standard Capital Works Statement regarding plant and equipment.
28	Proceeds from sale of investments	Investments with a maturity date greater than 12 months from balance date decreased by \$271,000 during the year.
29	Payments for property plant and equipment	Refer to commentary in the Standard Capital Works Statement regarding additional capital works undertaken.

Hepburn Shire Council

Standard Statements, Variances and Statement by Councillors and Principal Accounting Officer For the Year Ended 30 June 2013

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

Paul Brumby

Principal Accounting Officer

Date

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

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

We have been authorised by the Council on 17 September 2013 to certify the standard statements in their final form.

Councillor

Date

Councillor

Date

Aaron Van Egmond

Chief Executive Officer

Date

Hepburn Shire Council
FINANCIAL STATEMENTS
For the Year Ended 30 June 2013

Comprehensive Income Statement For the Year Ended 30 June 2013

	Note	2013 \$	2012 \$
Income			
Rates and charges	2	15,776,253	14,645,225
Statutory fees and fines	3	296,280	335,664
User fees	4	959,319	934,212
Contributions - cash	6 (a)	123,177	306,328
Contributions - non-monetary assets	6 (b)	-	603,700
Grants - recurrent	5	6,341,189	7,345,944
Grants - non-recurrent	5	5,118,731	3,174,150
Reimbursements	7	14,633,135	8,177,390
Other income	8	1,714,428	1,728,117
Total income		44,962,512	37,250,730
Expenses			
Employee costs	9	(10,660,606)	(11,461,552)
Materials and services	10	(11,239,204)	(10,829,554)
Bad debts and change in doubtful debts	11	(98,869)	(7,644)
Depreciation and amortisation	12	(6,167,883)	(4,967,449)
Finance costs	13	(290,245)	(281,034)
Other expenses	14	(1,247,771)	(1,425,769)
Total expenses		(29,704,578)	(28,973,002)
Profit/(loss)		15,257,934	8,277,728
Other comprehensive income			
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	15	52,558	(214,939)
Impairment of property and infrastructure	22	-	(5,773,281)
Gains on revaluation of property and infrastructure	22	2,342,544	14,252,395
Other comprehensive income		2,395,102	8,264,175
Comprehensive result		17,653,036	16,541,903

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

Balance Sheet

For the Year Ended 30 June 2013

Assets	Note	2013	2012
Current assets		\$	\$
Cash and cash equivalents	17	16,800,045	13,473,365
Trade and other receivables	18	2,344,869	2,259,946
Inventories	20	16,278	22,319
Other assets	21	79,591	57,981
Total current assets		19,240,783	15,813,611
Non-current assets			
Financial assets	19	250,000	520,560
Investments in associates	16	-	120,188
Property, infrastructure, plant and equipment	22	201,203,798	187,962,046
Intangible assets	23	896,071	625,866
Total non-current assets		202,349,869	189,228,660
Total assets		221,590,652	205,042,271
Liabilities			
Current liabilities			
Trade and other payables	24	2,541,412	3,127,070
Trust funds and deposits	25	1,043,680	965,056
Provisions	26	3,316,867	2,084,284
Interest-bearing loans and borrowings	27	588,481	544,282
Other liabilities	28	206,658	87,573
Total current liabilities		7,697,098	6,808,265
Non-current liabilities			
Provisions	26	525,398	2,002,714
Interest-bearing loans and borrowings	27	3,048,365	3,640,627
Other liabilities	28	187,500	205,357
Total non-current liabilities		3,761,263	5,848,698
Total liabilities		11,458,361	12,656,963
Net Assets		210,132,291	192,385,308
Equity			
Accumulated surplus		132,611,945	117,301,453
Reserves	29	77,520,345	75,083,855
Total Equity		210,132,290	192,385,308

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

Statement of Changes in Equity

For the Year Ended 30 June 2013

	Note	Total 2013 \$	Accumulated Surplus 2013 \$	Asset Revaluation Reserve 2013 \$	Other Reserves 2013 \$
2013					
Balance at beginning of the financial year		192,385,308	117,301,453	74,090,638	993,217
Comprehensive result for the year		17,653,036	15,310,492	2,342,544	-
Transfers to other reserves	29(b)	99,100	-	-	99,100
Transfers from other reserves	29(b)	(5,154)	-	-	(5,154)
Adjustments made directly to the Asset Revaluation Reserve during the year	29(a)	-	-	-	-
Balance at end of the financial year		210,132,290	132,611,945	76,433,182	1,087,163

		Total 2012 \$	Accumulated Surplus 2012 \$	Asset Revaluation Reserve 2012 \$	Other Reserves 2012 \$
2012					
Balance at beginning of the financial year		176,136,905	109,020,474	66,097,266	1,019,165
Comprehensive result for the year		16,541,903	2,289,508	14,252,395	-
Transfers to other reserves	29(b)	170,250	-	-	170,250
Transfers from other reserves	29(b)	-	218,190	-	(218,190)
Adjustments made directly to the Asset Revaluation Reserve during the year	29(a)	(485,742)	5,773,281	(6,259,023)	-
Adjustments directly to equity recognised during the year		21,992	-	-	21,992
Balance at end of the financial year		192,385,308	117,301,453	74,090,638	993,217

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

Cash Flow Statement

For the Year Ended 30 June 2013

	2013	2012
	Inflows/ (Outflows)	Inflows/ (Outflows)
Note	\$	\$
Cash flows from operating activities		
Rates and charges	15,456,884	14,635,920
Statutory fees and fines	294,866	335,663
User charges and other fines (inclusive of GST)	952,652	915,621
Grants (inclusive of GST)	12,243,589	11,583,561
Developer contributions (inclusive of GST)	222,277	476,578
Reimbursements (inclusive of GST)	14,711,759	7,702,429
Interest	584,218	552,136
Rents (inclusive of GST)	927,933	847,246
Other receipts (inclusive of GST)	222,124	396,354
Net GST refund/payment	2,413,052	295,099
Payments to suppliers (inclusive of GST)	(13,017,139)	(10,935,739)
Employee costs	(10,905,339)	(9,628,909)
Other payments	(1,354,642)	(1,438,418)
Net cash provided by operating activities	30 22,752,233	15,737,541
Cash flows from investing activities		
Payments for property, infrastructure, plant and equipment	22 (19,058,725)	(15,206,789)
Proceeds from sale of investments	271,127	-
Proceeds from sale of property, infrastructure, plant and equipment	15 200,353	153,720
Net cash provided by (used in) investing activities	(18,587,245)	(15,053,069)
Cash flows from financing activities		
Finance costs	(290,245)	(256,617)
Proceeds from sale of financial asset	-	500,000
Proceeds from interest bearing loans and borrowings	-	1,200,000
Repayment of interest bearing loans and borrowings	(548,063)	(472,758)
Net cash provided by (used in) financing activities	(838,308)	970,625
Net increase (decrease) in cash and cash equivalents	3,326,680	1,655,097
Cash and cash equivalents at the beginning of the financial year	13,473,365	11,818,269
Cash and cash equivalents at the end of the financial year	31 16,800,045	13,473,365
The above cash flow statement should be read with the accompanying notes.		
Restrictions on cash assets	32	

Notes to the Financial Report For the Year Ended 30 June 2013

Introduction

- (a) 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 3460.
- (b) The purpose of the Council is to:
- provide for the peace, order and good government of its municipal district;
 - to promote the social, economic and environmental viability and sustainability of the municipal district;
 - to ensure that resources are used efficiently and effectively and services are provided in accordance with the Best Value Principles to best meet the needs of the local community;
 - to improve the overall quality of life of people in the local community;
 - to promote appropriate business and employment opportunities;
 - to ensure that services and facilities provided by the Council are accessible and equitable;
 - to ensure the equitable imposition of rates and charges; and
 - to ensure transparency and accountability in Council decision making.

External Auditor - Auditor-General of Victoria

Internal Auditor - ASF & Associates

Bankers - Commonwealth Bank

Website - www.hepburn.vic.gov.au

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

Note 1 Significant accounting policies

(a) Basis of accounting

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

Notes to the Financial Report For the Year Ended 30 June 2013

Note 1 Significant accounting policies (cont.)

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

All entities controlled by Council that have material assets or liabilities, such as Special Committees of Management, have been included in this financial report. All transactions between these entities and the Council have been eliminated in full. Details of entities not included in this financial report based on their materiality are detailed in note 42.

(b) Revenue recognition

Rates, grants and contributions

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

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

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

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

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

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

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

Notes to the Financial Report For the Year Ended 30 June 2013

Note 1 Significant accounting policies (cont.)

User fees and fines

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

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

Sale of property, plant and equipment, infrastructure

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

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 loss has occurred.

Interest and rents

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

(c) Inventories

Inventories held for distribution are measured at cost adjusted when applicable for any loss of service potential.

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

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

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

Notes to the Financial Report For the Year Ended 30 June 2013

Note 1 Significant accounting policies (cont.)

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.

Artworks are not depreciated.

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

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

	Period (Years)
Property	
Land improvements	20 - 100
Buildings and Leasehold improvements	25 - 150
Plant and Equipment	
Plant	
plant, machinery and equipment	3 - 10
Machinery	
fixtures, fittings and furniture	3 - 20
Library books	10
Infrastructure	
Roads	
road pavements, seals and road substructure	10 - 80
road kerb, channel and minor culverts	10 - 65
Bridges	5 - 100
Footpaths and cycle ways	10 - 65
Drainage	5 - 80
Street Furniture	5 - 80
Playground Equipment	5 - 80
Monuments	5 - 80
Other structures	5 - 80
Intangible Assets	10

Notes to the Financial Report For the Year Ended 30 June 2013

Note 1 Significant accounting policies (cont.)

(e) Repairs and maintenance

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

(f) Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

(g) Recognition and measurement of assets

Acquisition

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

Where assets are constructed by Council, cost includes all materials used in construction and direct labour.

In accordance with Council's policy, the threshold limits of \$1,000 has applied when recognising assets within an applicable asset class and are consistent with the prior year:

Revaluation

Subsequent to the initial recognition of assets, non-current physical assets, other than plant and equipment (and other structures), are measured at their fair value, being the amount for which the assets could be exchanged between knowledgeable willing parties in an arms length transaction. At balance date, the Council reviewed the carrying value of the individual classes of assets measured at fair value to ensure that each asset materially approximated its fair value. Where the carrying value materially differed from the fair value at balance date the class of asset was revalued.

In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from two to five years. The valuation is performed either by experienced council officers or independent experts.

Notes to the Financial Report For the Year Ended 30 June 2013

Note 1 Significant accounting policies (cont.)

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

Land under roads

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

(h) Cash and cash equivalents

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

(i) Other financial assets

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

(j) Investments

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

(k) Accounting for investments in associates

As a result of the wind up of the Central Highlands Regional Library Corporation, Council's investment in associates is accounted for using final expected distributions. Refer to note 16. Council's investment in associates was formerly accounted for by the equity method.

(l) Tender deposits

Amounts received as tender deposits and retention amounts controlled by Council are recognised as Trust funds until they are returned or forfeited (refer to note 25).

Notes to the Financial Report For the Year Ended 30 June 2013

Note 1 Significant accounting policies (cont.)

(m) Employee costs

Wages and salaries

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

Annual leave

Annual leave entitlements are accrued on a pro rata basis in respect of services provided by employees up to balance date.

Annual leave expected to be paid within 12 months is measured at nominal value based on the amount, including appropriate oncosts, expected to be paid when settled.

Long service leave

Long service leave entitlements payable are assessed at balance date having regard to expected employee remuneration rates on settlement, employment related oncosts and other factors including accumulated years of employment on settlement, and experience of employee departure per year of service.

Long service leave expected to be paid within 12 months is measured at nominal value based on the amount expected to be paid when settled.

Long service leave expected to be paid later than one year has been measured at the present value of the estimated future cash outflows to be made for these accrued entitlements. Commonwealth bond rates are used for discounting future cash flows.

Classification of employee costs

An employee benefit liability is classified as a current liability if the Council does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the period. Long service leave for employees with seven or more years continuous service and all annual leave and wages and salaries is classified as current. Long service leave for employees with less than seven years service is classified as non current.

Notes to the Financial Report For the Year Ended 30 June 2013

Note 1 Significant accounting policies (cont.)

Superannuation

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

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

The superannuation expense for the reporting year is the amount of the statutory contribution the Council makes to the superannuation plans which provides benefits to its employees together with any movements (favourable/unfavourable) in the position of any defined benefits schemes. Details of these arrangements are recorded in note 33.

(n) 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.

(o) Allocation between current and non-current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next twelve months, being the Council's operational cycle, or if the Council does not have an unconditional right to defer settlement of a liability for at least 12 months after the reporting date.

(p) Web site costs

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

Notes to the Financial Report For the Year Ended 30 June 2013

Note 1 Significant accounting policies (cont.)

(q) Goods and Services Tax (GST)

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

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

(r) 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.

(s) 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.

(t) Financial guarantees

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

(u) Contingent assets and contingent liabilities and commitments

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

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

**Notes to the Financial Report
For the Year Ended 30 June 2013**

Note 1 Significant accounting policies (cont.)

(v) Pending Accounting Standards

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

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

Pronouncement	What's new?	Impact/Action	Transition	Effective date
AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements	The standards require the recognition of all re-measurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called "corridor" method), the immediate recognition of all past service cost in profit or loss and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset.	As there is inadequate information available, the entity is unable to assess the full impact. Where adequate information is available, the entity will apply the new standard from 1 July 2013 when the new standard applies to Council.		Periods beginning on or after 1 July 2013

Notes to the Financial Report For the Year Ended 30 June 2013

Note 2	Rates and charges	2013	2012
		\$	\$
	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 2012/2013 was \$3,341 million (2011-2012 \$3,092 million). The 2012/2013 rate in the CIV dollar was 0.004090 (2011-2012: 0.004180).		
	Residential	8,370,840	7,804,379
	Commercial	1,887,818	1,699,032
	Mixed Use	254,459	268,465
	Industrial	76,881	73,986
	Farm	1,541,536	1,562,049
	Vacant Land - township	486,029	458,990
	Vacant Land - other	567,194	538,283
	Recreational	11,434	11,729
	Trust For Nature	14,650	14,316
	Supplementary rates and rate adjustments	125,109	149,370
	Garbage charge	623,000	512,704
	Waste Management Charge	1,332,240	1,110,510
	Recycling Charge	485,063	441,412
	Total rates and charges	15,776,253	14,645,225

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2012, and the valuation was applied in the rating year commencing 1 July 2012. A revaluation will be undertaken again during 2014, these valuations will be effective for the 2014-15 and 2015-16 financial years.

Note 3	Statutory fees and fines		
	Infringements and costs	52,226	47,248
	Town planning fees	159,392	200,630
	Land information certificates	48,229	43,367
	Permits	29,189	36,215
	Other	7,244	8,204
	Total statutory fees and fines	296,280	335,664

**Notes to the Financial Report
For the Year Ended 30 June 2013**

Note 4	User fees and charges	2013	2012
		\$	\$
	Aged services fees	482,813	464,057
	Registration fees	209,757	181,159
	Building services fees	110,701	125,460
	Waste services charges	128,975	97,151
	Other fees and charges	27,073	66,385
	Total user fees and charges	959,319	934,212

Note 5 Grants

Grants were received in respect of the following :

Summary of grants

Federally funded grants	1,810,750	710,902
State funded grants	9,649,170	9,704,619
Total	11,459,920	10,415,521

Recurrent

Commonwealth Government - roads to recovery	690,000	692,250
Victoria Grants Commission - unallocated*	2,586,748	3,334,138
Victoria Grants Commission - local roads **	1,297,262	1,659,498
Community health	51,177	51,481
School crossing supervisors	12,796	12,484
Maternal and child health	133,362	119,899
Food services	36,416	35,013
Home help/linkages	716,327	645,425
Senior citizen centres	77,593	55,914
Transport	199,532	175,414
Adult day care	208,118	203,593
Assessment/welfare support	170,888	179,804
Heritage and culture	-	14,000
Youth	24,400	39,112
Libraries	136,570	127,919
Total recurrent	6,341,189	7,345,944

* This amount includes \$1,371,001 pre-payment of 2013/14 Victoria Grants Commission unallocated grant.

**This amount includes \$686,619 pre-payment of 2013/14 Victoria Grants commission - local roads grant.

**Notes to the Financial Report
For the Year Ended 30 June 2013**

Note 5	Grants (cont.)	2013	2012
	<i>Non-recurrent</i>	\$	\$
	Community health	10,000	3,722
	Youth	31,091	2,500
	Home help	-	12,950
	Commerce and tourism	2,221,110	347,907
	Roads and bridges	1,126,000	1,000,000
	Recreation	334,401	58,426
	Heritage and culture	-	594,900
	Waste and environment	110,330	86,125
	Emergency management and preparation	341,814	123,628
	Flood recovery	30,000	80,000
	Other infrastructure	809,000	553,000
	Libraries	15,000	56,734
	Other	89,985	254,258
	Total non-recurrent	5,118,731	3,174,150

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:

Accord Round 5 Project: Sustainable Building Management Plan	-	5,000
Country Roads & Bridges Initiative Grant	-	532,850
Local Government Infrastructure Program Grant	102,718	130,690
Clunes Community and Interpretive Centre Project	-	406,350
Living Libraries - Trentham	-	35,200
Transport Connections	-	175,400
HACC Growth Funding	-	35,761
HACC Bushfire Preparedness Grant	-	12,500

**Notes to the Financial Report
For the Year Ended 30 June 2013**

Note 5	Grants (cont.)	2013	2012
		\$	\$
	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:		
	Clunes Cluster Small Towns Adaptation Project	-	190,000
	Flood Recovery Position Business & Community Development Officer	-	12,855
	Creswick Flood Mitigation Plan Implementation	124,639	-
	Industrial Land Study	27,000	-
	Preschools Project	9,929	-
	Total	264,286	1,536,606
	Grants which were recognised as revenue in prior years and were expended during the current year in the manner specified by the grantor were:		
	HACC Bushfire Preparedness Grant	-	12,150
	Clunes Cluster Small Towns Adaptation Project	-	169,000
	Victorian Mineral Water DVD Grant	-	18,000
	Bushfire Planning Provisions	-	19,190
	Noxious Weeds Gorse Task Force	-	22,085
	Halls Refurbishment Grant	-	22,025
	Daylesford Community Park Stage 2 (Skate Park)	-	161,000
	Accord Round 5 Project: Sustainable Building Management Plan	5,000	-
	Country Roads & Bridges Initiative Grant	532,850	-
	Local Government Infrastructure Program Grant	130,690	-
	Clunes Community and Interpretive Centre Project	406,350	-
	Living Libraries - Trentham	35,200	-
	Transport Connections	175,400	-
	HACC Growth Funding	35,761	-
	HACC Bushfire Preparedness Grant	12,500	-
	Clunes Cluster Small Towns Adaptation Project	190,000	-
	Flood Recovery Position Business & Community Development Officer	12,855	-
		1,536,606	423,450
	Net increase (decrease) in restricted assets resulting from grant revenues for the year:	(1,272,320)	1,113,156

**Notes to the Financial Report
For the Year Ended 30 June 2013**

Note 6	Contributions	2013	2012
	(a) Cash	\$	\$
	Roads	31,591	71,637
	Recreational, leisure and community facilities	50,900	222,843
	Other	40,686	11,848
	Total cash contributions	123,177	306,328
	(b) Non-monetary assets		
	Land & Buildings	-	603,700
	Total non-monetary contributions	-	603,700
	Total contributions	123,177	910,028
Note 7	Reimbursements		
	Flood recovery	14,316,659	7,982,090
	Other	316,476	195,300
	Total	14,633,135	8,177,390
Note 8	Other income		
	Interest	584,218	585,236
	Interest on rates	92,756	89,054
	Rent	928,279	847,246
	Sale of materials	50,481	53,864
	Supervision and administration fees	1,543	22,546
	Other	57,151	130,171
	Total other income	1,714,428	1,728,117
Note 9	Employee costs		
	Wages and salaries	9,415,859	8,847,830
	Superannuation	770,114	710,353
	Superannuation - additional call*	-	1,423,099
	Fringe benefits tax and work cover	474,633	480,270
	Total employee benefits	10,660,606	11,461,552

* On July 1, 2013, Council will be required to make an additional contribution to Vision Super to meet our obligations in relation to members of the defined benefit plan. Refer Note 33 for further information.

**Notes to the Financial Report
For the Year Ended 30 June 2013**

Note 10	Materials and services	2013	2012
		\$	\$
	Waste management	2,265,045	2,193,052
	Road construction	2,550,787	2,250,790
	Flood recovery	2,394,282	1,969,760
	Materials	3,411,951	3,961,643
	Utility payments	617,139	454,309
	Total materials and services	11,239,204	10,829,554
Note 11	Bad debts and change in doubtful debts		
	Infringement debtors	(8,929)	7,644
	Rent	107,798	-
	Total bad debts and change in doubtful debts	98,869	7,644
Note 12	Depreciation and amortisation		
	<i>Property</i>		
	Land		
	Land improvements	234,928	155,167
	Buildings		
	Buildings	663,990	608,997
	<i>Plant and Equipment</i>		
	Plant, machinery and equipment	639,256	598,190
	Fixtures, fittings and furniture	49,350	52,746
	Computers and telecommunications	45,363	45,567
	Library books	52,994	52,994
	<i>Infrastructure</i>		
	Roads	3,761,747	2,821,864
	Bridges	243,101	215,268
	Footpaths and cycleways	63,532	59,715
	Drainage	103,577	90,780
	Kerb & Channel	144,459	134,992
	Street furniture	33,866	33,866
	Monuments	10,785	10,785
	Playground equipment	34,063	26,483
	Other infrastructure	71,085	44,248
	<i>Intangibles</i>		
	Computer software	15,787	15,787
	Total depreciation and amortisation	6,167,883	4,967,449

**Notes to the Financial Report
For the Year Ended 30 June 2013**

	2013	2012
	\$	\$
Note 13		
Finance costs		
Interest - Borrowings	290,245	281,034
Total finance costs	290,245	281,034
Note 14		
Other expenses		
Auditors' remuneration (see Note 38)	75,470	65,324
Councillors' allowances	161,677	108,955
Insurances	372,755	347,220
Community grants	331,435	138,887
Contribution to Central Highlands Regional Library Corporation	-	262,707
Contribution to City of Ballarat for Library Services	154,835	162,119
Write down of Investment in Associates	16,278	118,150
Other	135,321	222,407
Total other expenses	1,247,771	1,425,769
Note 15		
Net gain/(loss) on disposal of property, infrastructure, plant and equipment		
Proceeds from disposal of assets	182,139	153,720
Write off assets not under Council's control	-	484,320
Written down value of assets sold	(129,581)	(852,979)
Profit/(loss) on disposal of assets	52,558	(214,939)
Note 16		
Investment in associates		
Central highlands regional library corporation		
<i>Movement in carrying value of specific investment</i>		
Carrying value of investment at start of year	120,188	453,154
Capital return	(5,721)	-
Reallocation to Book Assets (see Note 22)	-	(214,816)
Reallocation to Receivable (see Note 18)	(98,189)	-
Write down of investment *	(16,278)	(118,150)
Carrying value of investment at end of year	-	120,188

Central Highlands Regional Library Corporation was established in April 1997 and provided library services across 6 municipalities. Hepburn Shire Council had a 11.62% share in ownership in the Corporation as at 30 June 2011.

As of 1 July 2011, Hepburn Shire Council employed their library staff and commenced purchasing some library services from the City of Ballarat.

Notes to the Financial Report For the Year Ended 30 June 2013

Note 16	Investment in associates (cont.)		
	The Board of the Central Highlands Regional Library Corporation resolved to wind up the Corporation on 10 October 2011 and appointed Dennis M Foley and Associates as the liquidator. On 17 July 2012, Hepburn Shire Council authorised the signing and sealing of the Agreement for the Winding Up of the Central Highlands Regional Library Corporation.		
	On 26 November 2012 the liquidator of th Central Highlands Regional Library Corporation made a final cash distribution to Council.		
	As at balance date the Ballarat City Council had a contractual agreement to provide Council with books and or services to the value of \$98,189 and this amount is shown as a receivable in note 18.		
		2013	2012
Note 17	Cash and cash equivalents	\$	\$
	Cash on hand	6,267	6,167
	Cash at bank	834,710	454,182
	Money market call account and term deposits	15,959,068	13,013,016
	Total cash and cash equivalents	16,800,045	13,473,365
	Users of the financial report should refer to Note 32 for details of restrictions on cash assets and note 34 for details of existing Council commitments		
Note 18	Trade and other receivables		
	Current		
	Rates debtors	1,317,220	896,623
	Infringement debtors	33,696	32,282
	Provision for doubtful debts - Rent & infringements	(115,274)	(16,751)
	Other debtors, including government grants	634,849	1,052,693
	Net GST receivable	376,189	295,099
	Ballarat City Council - Library services	98,189	-
	Total trade and other receivables	2,344,869	2,259,946
Note 19	Financial assets		
	Non-current		
	Bank bills	250,000	520,560
	Total financial assets	250,000	520,560
Note 20	Inventories		
	Inventories held for distribution	16,278	22,319
	Total inventories	16,278	22,319
Note 21	Other assets		
	Current		
	Prepayments	39,824	24,881
	Accrued income	39,767	33,100
	Total	79,591	57,981

**Notes to the Financial Report
For the Year Ended 30 June 2013**

Note 22 Property, plant and equipment, infrastructure

	2013	2012
	\$	\$
Summary		
at cost	28,616,049	33,166,471
less accumulated depreciation	(6,138,447)	(5,379,967)
	22,477,602	27,786,504
at fair value	323,349,397	310,036,047
less accumulated depreciation	(142,373,369)	(138,154,913)
less accumulated impairment losses	(2,249,832)	(11,705,592)
	178,726,196	160,175,542
Total	201,203,798	187,962,046
Property		
Land		
at fair value as at 30 June 2012	24,545,700	24,545,700
	24,545,700	24,545,700
Land under roads		
at deemed cost	86,327	86,327
	86,327	86,327
Land improvements		
at cost	10,684,487	9,771,398
Less accumulated impairment losses	(2,125,420)	(2,093,481)
Less accumulated depreciation	(1,507,280)	(1,272,352)
	7,051,787	6,405,565
Total Land	31,683,814	31,037,592
Buildings		
at cost	925,924	532,183
Less accumulated depreciation	(28,000)	-
	897,924	532,183
at fair value as at 30 June 2012	79,480,601	79,480,601
Less accumulated depreciation	(41,670,055)	(41,034,065)
Less accumulated impairment losses	(124,412)	(806,224)
	37,686,134	37,640,312
Total Buildings	38,584,058	38,172,495
Total Property	70,267,872	69,210,087

Notes to the Financial Report For the Year Ended 30 June 2013

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

Assets can be valued at cost or at fair value. A revaluation of land and buildings has occurred at 30 June 2012 which has resulted in those buildings above valued at cost at 30 June 2011 now being valued at fair value and are therefore included on a separate line above.

Valuation of land (excluding land under roads) and buildings were undertaken by a qualified independent valuer, Vincent John Bourke, Registered Valuer. The valuation of buildings is at fair value based on current replacement cost less accumulated depreciation at the date of valuation. The valuation of land is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. All freehold land reserved for public open space is valued at a discount of 70 percent to market value based on legal precedents.

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

<i>Plant and Equipment</i>	2013	2012
	\$	\$
Plant, machinery and equipment		
at cost	5,840,989	5,566,471
Less accumulated depreciation	(2,974,742)	(2,762,868)
	<u>2,866,247</u>	<u>2,803,603</u>
Fixtures, fittings and furniture		
at cost	782,308	782,308
Less accumulated depreciation	(575,005)	(525,655)
	<u>207,303</u>	<u>256,653</u>
Computers and telecommunications		
at cost	360,921	335,015
Less accumulated depreciation	(320,466)	(275,103)
	<u>40,455</u>	<u>59,912</u>
Art works		
at cost	341,085	341,085
	<u>341,085</u>	<u>341,085</u>
Library books		
at cost	529,940	529,940
Less accumulated depreciation	(367,434)	(314,440)
	<u>162,506</u>	<u>215,500</u>
Total Plant and Equipment	<u>3,617,596</u>	<u>3,676,753</u>

**Notes to the Financial Report
For the Year Ended 30 June 2013**

Note 22	Property, plant and equipment, infrastructure (cont.)	2013	2012
		\$	\$
	Infrastructure		
	Roads		
	at cost	-	9,318,982
	Less accumulated depreciation	-	-
		<u>-</u>	<u>9,318,982</u>
	at fair value as at 30 June 2011	175,629,274	165,173,638
	Less accumulated depreciation	(80,197,018)	(77,972,785)
	Less accumulated impairment losses	-	(6,520,030)
		<u>95,432,256</u>	<u>80,680,823</u>
	Bridges		
	at cost	1,957,306	1,624,930
	Less accumulated depreciation	(47,596)	(12,544)
		<u>1,909,710</u>	<u>1,612,386</u>
	at fair value as at 30 June 2010	18,843,622	18,843,622
	Less accumulated depreciation	(9,141,167)	(8,933,137)
	Less accumulated impairment losses	-	(840,000)
		<u>9,702,455</u>	<u>9,070,485</u>
	Footpaths and cycleways		
	at cost	-	76,457
	Less accumulated depreciation	-	-
		<u>-</u>	<u>76,457</u>
	at fair value as at 30 June 2011	5,347,098	3,095,228
	Less accumulated depreciation	(2,404,069)	(1,460,331)
	Less accumulated impairment losses	-	(96,800)
		<u>2,943,029</u>	<u>1,538,097</u>
	Drainage		
	at cost	18,765	1,020,397
	Less accumulated depreciation	(34,908)	(18,885)
		<u>(16,143)</u>	<u>1,001,512</u>
	at fair value as at 30 June 2010	7,006,710	7,006,710
	Less accumulated depreciation	(2,926,594)	(2,839,040)
	Less accumulated impairment losses	-	(1,349,057)
		<u>4,080,116</u>	<u>2,818,613</u>

**Notes to the Financial Report
For the Year Ended 30 June 2013**

Note 22	Property, plant and equipment, infrastructure (cont.)	2013	2012
		\$	\$
	Kerb & Channel		
	at Fair value as at 30 June 2011	9,273,355	8,667,511
	Less accumulated depreciation	(4,654,465)	(4,600,457)
		<u>4,618,890</u>	<u>4,067,054</u>
	 Street Furniture		
	at Fair value as at 30 June 2010	2,278,742	2,278,742
	Less accumulated depreciation	(703,584)	(669,718)
		<u>1,575,158</u>	<u>1,609,024</u>
	 Monuments	 \$	 \$
	at Fair value as at 30 June 2010	539,263	539,263
	Less accumulated depreciation	(284,028)	(273,243)
		<u>255,235</u>	<u>266,020</u>
	 Playground Equipment		
	at cost	317,608	275,641
	Less accumulated depreciation	(36,921)	(23,110)
		<u>280,687</u>	<u>252,531</u>
	 at Fair value as at 30 June 2010	 405,032	 405,032
	Less accumulated depreciation	(392,389)	(372,137)
		<u>12,643</u>	<u>32,895</u>
	 Other Structures		
	at cost	2,496,041	1,449,057
	Less accumulated depreciation	(246,095)	(175,010)
		<u>2,249,946</u>	<u>1,274,047</u>
	 Total Infrastructure	 123,043,982	 113,618,926

Notes to the Financial Report For the Year Ended 30 June 2013

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

Assets can be valued at cost or at fair value. A revaluation of roads, footpaths kerb & channel occurred at 30 June 2011 which has resulted in those assets above valued at cost at 30 June 2011 now being valued at fair value and are therefore included on a separate line above.

Valuation of infrastructure assets has been determined in accordance with a valuation undertaken by Council's Manager - Engineering Services, Richard Russell. The valuation is at fair value based on replacement cost less accumulated depreciation as at the date of valuation. A revaluation was undertaken in July 2011 on some infrastructure assets and has been reflected in the valuations as at 30 June 2012.

Works in progress

Land & Buildings at cost	3,685,661	536,927
Roads at cost	526,626	919,353
Other at cost	62,061	-
<i>Total Works in progress</i>	4,274,348	1,456,280
<i>Total property, infrastructure, plant and equipment</i>	201,203,798	187,962,046

**Notes to the Financial Report
For the Year Ended 30 June 2013**

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

2013	Balance at beginning of financial year	Acquisition of assets **	Revaluation increments (decrements) (note 29)	Depreciation and amortisation (note 12)	Written down value of disposals	Restoration of impaired assets	Transfers	Balance at end of financial year
	\$	\$	\$	\$	\$	\$	\$	\$
Property								
land	24,545,700	0	0	0	0	0	0	24,545,700
land under roads	86,327	0	0	0	0	0	0	86,327
land improvements	6,405,565	410,617	0	-234,928	0	514,056	-43,523	7,051,787
Total land	31,037,592	410,617	0	-234,928	0	514,056	-43,523	31,683,814
buildings	38,172,495	851,435	0	-663,990	0	0	224,118	38,584,058
Total buildings	38,172,495	851,435	0	-663,990	0	0	224,118	38,584,058
Total property	69,210,087	1,262,052	0	-898,918	0	514,056	180,595	70,267,872
Plant and Equipment								
plant, machinery and equipment	2,803,603	831,481	0	-639,256	-129,581	0	0	2,866,247
fixtures, fittings and furniture	256,653	0	0	-49,350	0	0	0	207,303
computers and telecommunications	59,912	25,906	0	-45,363	0	0	0	40,455
library books	215,500	0	0	-52,994	0	0	0	162,506
art works	341,085	0	0	0	0	0	0	341,085
Total plant and equipment	3,676,753	857,387	0	-786,963	-129,581	0	0	3,617,596
Infrastructure								
roads	89,999,805	1,816,912	1,668,456	-3,761,747	0	5,882,953	-174,123	95,432,256
bridges	10,682,871	327,394	0	-243,101	0	1,630,743	-785,742	11,612,165
footpaths and cycleways	1,614,554	118,745	-22,207	-63,532	0	123,695	1,171,774	2,943,029
drainage	3,820,125	186,967	0	-103,577	0	121,631	38,827	4,063,973
kerb & channel	4,067,054	0	696,295	-144,459	0	0	0	4,618,890
street furniture	1,609,024	0	0	-33,866	0	0	0	1,575,158
monuments	266,020	0	0	-10,785	0	0	0	255,235
playground equipment	285,426	41,967	0	-34,063	0	0	0	293,330
other Structures	1,274,047	398,491	0	-71,085	0	0	648,493	2,249,946
Total infrastructure	113,618,926	2,890,476	2,342,544	-4,466,215	0	7,759,022	899,229	123,043,982
Works in progress								
land & buildings	536,927	2,355,505	0	0	-21,573	1,155,434	-340,632	3,685,661
roads	71,550	298,031	0	0	0	2,068	-373,518	-1,869
bridges	23,475	78,643	0	0	0	25,180	-5,000	122,298
infrastructure	824,328	0	0	0	-6,650	0	-411,481	406,197
other	0	11,254	0	0	0	0	50,807	62,061
Total works in progress	1,456,280	2,743,433	0	0	-28,223	1,182,682	-1,079,824	4,274,348
Total property, plant and equipment, infrastructure	187,962,046	7,753,348	2,342,544	-6,152,096	-157,804	9,455,760	0	201,203,798

* In September 2010, January 2011 and February 2011, major flooding was experienced in several parts of the Shire resulting in the need for significant repairs to Buildings and Infrastructure. The impairment loss as at 30 June 2011 amounted to \$5.93 million. \$7.23 million in flood recovery works have been undertaken on Council's assets during 2012-13 (\$8.56 million in 2011-12). These costs have been capitalised and are reflected in the "at cost" amounts above. These works have increased the total written down value of assets reflected above.

The repair work has not been completed by 30 June 2013, and impairment of \$2.25 million is reflected in the carrying value of assets (\$11.70 million in 2011-12). The recoverable amount of the asset is its value-in-use.

**Notes to the Financial Report
For the Year Ended 30 June 2013**

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

2012	Balance at beginning of financial year	Acquisition of assets	Revaluation increments (decrements) (note 29)	Depreciation and amortisation (note 12)	Written down value of disposals	Impairment losses recognised in asset revaluation reserve * (a)	Transfers	Balance at end of financial year
	\$	\$	\$	\$	\$	\$	\$	\$
Property								
land	22,456,700	603,700	1,950,800	0	-465,500	0	0	24,545,700
land under roads	86,327	0	0	0	0	0	0	86,327
land improvements	3,626,048	1,668,514	0	-155,167	0	-2,093,481	3,359,652	6,405,566
Total land	26,169,075	2,272,214	1,950,800	-155,167	-465,500	-2,093,481	3,359,652	31,037,593
buildings	34,813,863	503,570	4,106,689	-608,997	-221,242	-450,000	28,613	38,172,496
Total buildings	34,813,863	503,570	4,106,689	-608,997	-221,242	-450,000	28,613	38,172,496
Total property	60,982,938	2,775,784	6,057,489	-764,164	-686,742	-2,543,481	3,388,265	69,210,089
Plant and Equipment								
plant, machinery and equipment	2,950,287	558,582	0	-598,190	-107,076	0	0	2,803,603
fixtures, fittings and furniture	342,290	7,727	0	-52,746	-40,618	0	0	256,653
computers and telecommunications	95,003	29,018	0	-45,567	-18,542	0	0	59,912
library books	0	268,494	0	-52,994	0	0	0	215,500
art works	341,085	0	0	0	0	0	0	341,085
Total plant and equipment	3,728,665	863,821	0	-749,497	-166,236	0	0	3,676,753
Infrastructure								
roads	77,768,379	8,605,811	8,196,476	-2,821,864	0	-1,749,000	0	89,999,802
bridges	9,875,060	1,119,610	0	-215,268	0	-240,000	143,471	10,682,873
footpaths and cycleways	1,759,422	79,631	-81,640	-59,715	0	-96,800	13,656	1,614,554
drainage	4,242,206	812,690	0	-90,780	0	-1,144,000	0	3,820,116
kerb & channel	4,121,986	0	80,070	-134,992	0	0	0	4,067,064
street furniture	1,642,890	0	0	-33,866	0	0	0	1,609,024
monuments	276,805	0	0	-10,785	0	0	0	266,020
playground equipment	160,890	82,455	0	-26,483	0	0	68,564	285,426
other Structures	938,706	136,094	0	-44,248	0	0	243,493	1,274,045
Total infrastructure	100,786,344	10,836,291	8,194,906	-3,438,001	0	-3,229,800	469,184	113,618,924
Works in progress								
buildings	91,566	473,974	0	0	0	0	-28,613	536,927
roads	23,315	61,891	0	0	0	0	-13,656	71,550
bridges	148,471	18,475	0	0	0	0	-143,471	23,475
infrastructure	3,416,007	767,972	0	0	0	0	-3,359,651	824,328
Other	585,955	225,673	0	0	0	0	-811,628	0
Total works in progress	4,265,314	1,547,985	0	0	0	0	-4,357,019	1,456,280
Total property, plant and equipment, infrastructure	169,763,261	16,023,881	14,252,395	-4,951,662	-852,978	-5,773,281	-499,570	187,962,046

**Notes to the Financial Report
For the Year Ended 30 June 2013**

Note 23 Intangible assets

<u>2013</u>	Balance at beginning of financial year	Acquisition of assets	Depreciation and amortisation (note 12)	Transfers	Balance at end of financial year
Computer software					
Computer software at cost	157,870	285,992	-	499,570	943,432
Accumulated amortisation	(31,574)	-	(15,787)	-	(47,361)
Software Work in Progress	499,570	-	-	(499,570)	-
	<u>625,866</u>	<u>285,992</u>	<u>(15,787)</u>	<u>-</u>	<u>896,071</u>

<u>2012</u>	Balance at beginning of financial year	Acquisition of assets	Depreciation and amortisation (note 12)	Transfers	Balance at end of financial year
Computer software					
Computer software at cost	157,870	-	-	-	157,870
Accumulated amortisation	(15,787)	-	(15,787)	-	(31,574)
Software Work in Progress	-	499,570	-	-	499,570
	<u>142,083</u>	<u>499,570</u>	<u>(15,787)</u>	<u>-</u>	<u>625,866</u>

Note 24 Trade and other payables	2013	2012
	\$	\$
Trade payables	2,081,021	2,141,677
Accrued expenses	460,391	985,393
Total trade and other payables	<u>2,541,412</u>	<u>3,127,070</u>

Note 25 Trust funds and deposits	2013	2012
Refundable building deposits	74,508	79,508
Refundable contract deposits	2,500	2,500
Refundable civic facilities deposits	11,429	12,619
Retention amounts	177,181	86,842
Other refundable deposits	192,537	151,413
Trust deposits	585,525	632,174
Total trust funds and deposits	<u>1,043,680</u>	<u>965,056</u>

Notes to the Financial Report For the Year Ended 30 June 2013

Note 25 Trust funds and deposits (cont.)

	2013	2012
	\$	\$
The purposes for which trust funds are held and the nature of any restriction imposed on the manner in which these can be applied:		
Details of trust deposits:		
Litherland bequest - (Preservation of art collection at Creswick museum)	91,400.00	91,400.00
Medlyn estate - (Preservation of bottle collection at Clunes)	21,600.00	21,600.00
Vicroads agency & signage account - (Money collected on behalf of vicroads)	868.00	768.00
Community playground appeal	1,083.00	1,083.00
F. Shaw bequest - (Preservation of art collection at Creswick museum)	10,000	10,000
Mineral water trust	449,830	492,182
James Jasper Strachan appeal - commemoration	6,345	6,344
Dress down day - charity donation	614	1,124
McGinty trust - (General support for Daylesford day activity centre)	3,785	3,785
Creswick development committee	-	3,780
Miscellaneous trust accounts	-	108
	585,525	632,174

Note 26 Provisions

(a) Employee benefits

Current

Annual leave	780,713	872,457
Long service leave	1,034,178	955,902
Superannuation - Defined Benefits	1,423,099	-
Other	58,657	60,205
	3,296,647	1,888,564

Non-current

Superannuation - Defined Benefits	-	1,423,099
Long service leave	103,518	137,515
	103,518	1,560,614

Aggregate carrying amount of employee benefits:

Current	3,296,647	1,888,564
Non-current	103,518	1,560,614
	3,400,165	3,449,178

**Notes to the Financial Report
For the Year Ended 30 June 2013**

(i) Current	2013	2012
All annual leave and the long service leave entitlements representing 7 or more years of continuous service	\$	\$
- Short-term employee benefits, that fall due within 12 months after the end of the period measured at nominal value	2,262,469	750,000
- Other long-term employee benefits that do not fall due within 12 months after the end of the period measured at present value	1,034,178	1,138,564
(ii) Non-current		
Long service leave representing less than 10 years of continuous service measured at present value	103,518	137,515
 (b) Provisions		
Pit restoration reserve		
Current	-	175,500
Non-current	27,000	27,000
Total	<u>27,000</u>	<u>202,500</u>
 Creswick tip EPA monitoring reserve		
Current	9,520	9,520
Non-current	180,880	190,400
Total	<u>190,400</u>	<u>199,920</u>
 Daylesford tip EPA monitoring reserve		
Current	10,700	10,700
Non-current	214,000	224,700
Total	<u>224,700</u>	<u>235,400</u>
 Reserves for Creswick and Daylesford tips relate to a 20 year obligation to monitor landfill leachate. These reserves are expected to be expended over that 20 year period.		
Total provisions		
Current	3,316,867	2,084,284
Non-current	525,398	2,002,714
Total	<u>3,842,265</u>	<u>4,086,998</u>

**Notes to the Financial Report
For the Year Ended 30 June 2013**

Note 27 Interest-bearing loans and borrowings	2013	2012
	\$	\$
Current		
Borrowings - secured	588,481	544,282
Non-current		
Borrowings - secured	3,048,365	3,640,627
Total	<u>3,636,846</u>	<u>4,184,909</u>

The maturity profile for Council's borrowings is:

Not later than one year	588,481	544,282
Later than one year and not later than five years	2,113,608	1,625,814
Later than five years	934,757	2,014,813
Total	<u>3,636,846</u>	<u>4,184,909</u>

Aggregate carrying amount of interest-bearing loans and borrowings:

Current	588,481	544,282
Non-current	3,048,365	3,640,627
Total interest-bearing loans and borrowings	<u>3,636,846</u>	<u>4,184,909</u>

The security for the borrowings is a Deed of Charge over Hepburn Shire Council rates.

Note 28 Other Liabilities

Current		
Prepaid income	206,658	87,573
	<u>206,658</u>	<u>87,573</u>
Non-current		
Prepaid income	187,500	205,357
Total Other Liabilities	<u>394,158</u>	<u>292,930</u>

**Notes to the Financial Report
For the Year Ended 30 June 2013**

Note 29	Reserves	Balance at beginning reporting period	Reinstatement of Impaired Assets	Adjustment	Increment (decrement)	Balance at end of reporting period
		\$		\$	\$	\$
	(a) Asset revaluation surplus					
	2013					
	Property					
	Land	16,817,044	-	-	-	16,817,044
	Land improvements	(2,003,507)	-	-	-	(2,003,507)
	Buildings	21,123,594	-	-	-	21,123,594
		35,937,131	-	-	-	35,937,131
	Infrastructure					
	Roads	29,863,230	-		2,342,544	32,205,774
	Other infrastructure	8,290,277	-	-	-	8,290,277
		38,153,507	-	-	2,342,544	40,496,051
	Total asset revaluation surplus	74,090,638	-	-	2,342,544	76,433,182
	2012					
	Property					
	Land	15,351,986	-	(485,742)	1,950,800	16,817,044
	Land improvements	89,974	-	-	(2,093,481)	(2,003,507)
	Buildings	17,466,905	-	-	3,656,689	21,123,594
		32,908,865	-	(485,742)	3,514,008	35,937,131
	Infrastructure					
	Roads	23,415,754	-	-	6,447,476	29,863,230
	Other infrastructure	9,772,647	-	-	(1,482,370)	8,290,277
		33,188,401	-	-	4,965,106	38,153,507
	Total asset revaluation surplus	66,097,266	-	(485,742)	8,479,114	74,090,638

**Notes to the Financial Report
For the Year Ended 30 June 2013**

Note 29 Reserves (cont.)	Balance at beginning reporting period	Transfers in	Transfer to accumulated surplus	Balance at end of reporting period
	\$	\$	\$	\$
(b) Other reserves				
2013				
Heritage advisory fund	20,000.00	-	-	20,000.00
Car parking reserve	21,250.00	-	-	21,250.00
Smeaton Hill pit reserve	74,419.00	-	-	74,419.00
Mt Beckworth pit reserve	27,772.00	-	-	27,772.00
Clunes caravan park reserve	6,710.00	-	-	6,710.00
Resort and recreation reserve *	796,657.00	99,100.00	-	895,757.00
Financial asset valuation reserve	46,409.00	-	(5,154.00)	41,255.00
Total Other reserves	993,217.00	99,100.00	(5,154.00)	1,087,163.00

* The purpose of this reserve is to provide future recreation

Note 29 Reserves (cont.)	Balance at beginning reporting period	Transfers in	Transfer to accumulated surplus	Balance at end of reporting period
	\$	\$	\$	\$
(b) Other reserves				
2012				
Heritage advisory fund	20,000	-	-	20,000
Car parking reserve	21,250	-	-	21,250
Drainage reserve	300	-	(300)	-
Smeaton Hill pit reserve	74,419	-	-	74,419
Mt Beckworth pit reserve	27,772	-	-	27,772
Clunes caravan park reserve	10,500	-	(3,790)	6,710
Waste management reserve	7,600	-	(7,600)	-
Resort and recreation reserve	832,907	170,250	(206,500)	796,657
Financial asset valuation reserve	24,417	21,992	-	46,409
Total Other reserves	1,019,165	192,242	(218,190)	993,217

**Notes to the Financial Report
For the Year Ended 30 June 2013**

	2013	2012
	\$	\$
Note 30 Reconciliation of cash flows from operating activities to profit/(loss)		
Surplus	15,257,934	8,277,727
Depreciation/amortisation	6,167,883	4,967,448
Write off of investment in associate	16,278	118,116
Contributions - Non-monetary assets	-	(603,700)
Bad Debts	98,869	7,644
Finance costs	290,245	281,035
Net GST received	1,573,634	-
Recreational Land Contributions	99,100	-
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	(85,602)	(243,647)
(Increase)/decrease in other assets	(15,569)	65,499
Increase/(decrease) in trade and other payables	(585,658)	1,213,881
Increase/(decrease) in other liabilities	101,228	77,842
Increase/(decrease) in provisions	(244,733)	1,575,696
Increase/(decrease) in trust funds	78,624	-
Net cash provided by/(used in) operating activities	22,752,233	15,737,541
Note 31 Reconciliation of cash and cash equivalents		
Cash and cash equivalents (see note 17)	16,800,045	13,473,365
Total reconciliation of cash and cash equivalents	16,800,045	13,473,365
Note 32 Restricted assets		
Council has cash and cash equivalents (note 17) that are subject to restrictions. As at the reporting date, Council had legislative restrictions in relation to reserve funds (Car Parking and Resort and Recreation Reserves).		
Reserve funds (note 29)	917,007	817,906
Total restricted assets	917,007	817,906

Notes to the Financial Report For the Year Ended 30 June 2013

Note 33 Superannuation

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

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

Accumulation

The Fund's accumulation category, Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2013 this was 9% as required under Superannuation Guarantee legislation). No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Effective from 1 July 2013, the Superannuation Guarantee contribution rate will increase to 9.25%, and will progressively increase to 12% by 2019.

Defined Benefit

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

Council makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund's Actuary. On the basis of the results of the most recent full actuarial investigation conducted by the Fund's Actuary as at 31 December 2011, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. This rate is currently 9.25% of members' salaries (9.25% in 2011/12).

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

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

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

Notes to the Financial Report For the Year Ended 30 June 2013

Shortfall amounts

The Local Authorities Superannuation Fund's latest actuarial investigation as at 31 December 2011 identified an unfunded liability of \$406 million (excluding contributions tax) in the defined benefit category of which Council is a contributing employer. Council was made aware of the expected shortfall during the 2011/12 year and was informed of its share of the shortfall on 2 August 2012. Council has not been advised of any further adjustments.

The projected value of Council's contribution to the shortfall at 30 June 2012 (including contributions tax) amounted to \$1,423,099 which was accounted for in the 2011/12 Comprehensive Income Statement within Employee Benefits (see Note 9) and in the Balance Sheet in Non-Current Liabilities Provisions (see Note 26). No further amount has been accounted for in the 2012/13 Comprehensive Income Statement within Employee Benefits (see Note 9) and in the Balance Sheet in Current Liabilities Provisions (see Note 26).

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

The amount of the unpaid shortfall at 30 June 2013 is \$1,423,099 (\$1,423,099 for 2011/12). This unpaid amount is included in the Balance Sheet in Current Liabilities Provisions (see Note 26).

Retrenchment increments

During 2012-13, Council was not required to make payments to the Fund in respect of retrenchment increments (\$0 in 2011/12). Council's liability to the Fund as at 30 June 2013, for retrenchment increments, accrued interest and tax is \$0 (\$0 in 2011/12).

Accrued benefits

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

	31-Dec-11
	\$'000
Net Market Value of Assets	4,315,324
Accrued Benefits (per accounting standards)	4,642,133
Difference between Assets and Accrued Benefits	<u><u>-326,809</u></u>
Vested Benefits (Minimum sum which must be paid to members when they leave the fund)	4,838,503

Notes to the Financial Report For the Year Ended 30 June 2013

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

Net Investment Return	7.50% p.a.
Salary Inflation	4.25% p.a.
Price Inflation	2.75% p.a.

Other Superannuation Funds

Council makes the remaining balance of its employer superannuation contributions in respect of its employees to a variety of other Superannuation Funds which provide accumulation benefits. Obligations for contributions to these Funds are recognised as an expense in Comprehensive Income Statement when they are due.

These other Superannuation Funds receive both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2013 this was 9% as required under Superannuation Guarantee legislation). No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund. Effective from 1 July 2013, the Superannuation Guarantee contribution rate will increase to 9.25%, and will progressively increase to 12% by 2019.

Superannuation contributions

Employer contributions by Council (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2013 are detailed below:

Scheme	Type of scheme	Rate	2013 \$	2012 \$
Vision Super	Defined benefits	9.25%	87,436	103,360
Vision Super	Accumulation	9.00%	506,042	431,334
22 Other Funds (18 in 2011/12)	Accumulation	9.00%	176,635	175,659
			<u>770,114</u>	<u>710,353</u>

There were \$0 contributions outstanding (\$145,214 in 2011/12) and no loans (\$0 in 2011/12) issued from or to the above schemes as at 30 June 2013.

**Notes to the Financial Report
For the Year Ended 30 June 2013**

Note 34 Commitments

The Council has entered into the following commitments

2013	Not later than 1 year \$	Later than 1 year and not later than 2 years \$	Later than 2 years and not later than 5 years \$	Total \$
<i>Operating</i>				
Kerbside Recycling	202,970	208,115	396,276	807,361
Garbage collection	297,689	305,235	581,205	1,184,129
Operation of Municipal Recycling Facility	66,000	-	-	66,000
Maternal & child health services	371,446	380,862	195,373	947,681
Transfer stations	176,000	-	-	176,000
Cleaning Council Public Conveniences	131,555	-	-	131,555
Meals for delivery	55,817	-	-	55,817
Home Care Maintenance Services	28,190	24,087	-	52,277
Swimming pools	197,332	202,334	-	399,666
Photocopiers	44,000	44,000	47,667	135,667
Public Litter Collection	199,587	204,647	389,672	793,906
Total	1,770,586	1,369,280	1,610,193	4,750,059
<i>Capital</i>				
Buildings	384,735	-	-	384,735
Plant and equipment	123,000	123,000	-	246,000
Roads	1,298,000	1,235,300	-	2,533,300
Other structures	98,473	-	-	98,473
Flood recovery	1,978,763	-	-	1,978,763
Total	3,882,971	1,358,300	-	5,241,271

**Notes to the Financial Report
For the Year Ended 30 June 2013**

Note 34 Commitments (cont.)

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Total
	\$	\$	\$	\$
2012				
Operating				
Recycling	142,500	-	-	142,500
Garbage collection	195,000	-	-	195,000
Operation of Municipal Recycling Facility	142,500	-	-	142,500
Transfer stations	158,400	-	-	158,400
Cleaning Council Public Conveniences	120,700	-	-	120,700
Meals for delivery	49,500	49,500	-	99,000
Home Care Maintenance Services	25,000	25,000	25,000	75,000
Swimming pools	126,600	-	-	126,600
Photocopiers	36,600	36,600	-	73,200
Total	996,800	111,100	25,000	1,132,900
Capital				
Buildings	246,000	-	-	246,000
Plant and equipment	488,000	-	-	488,000
Roads	756,012	-	-	756,012
Other structures	50,000	-	-	50,000
Flood recovery	956,986	-	-	956,986
Total	2,496,998	-	-	2,496,998

Note 35 Operating leases

(a) Operating lease commitments

At the reporting date, the Council had the following obligations under non-cancellable operating leases for the lease of equipment for use within Council's activities (these obligations are not recognised as liabilities):

	2013	2012
	\$	\$
Not later than one year	46,792	40,177
Later than one year and not later than five years	65,876	148,247
	112,668	188,424

**Notes to the Financial Report
For the Year Ended 30 June 2013**

Note 35 Operating leases (cont.)

(b) Operating lease receivables

The Council has entered into commercial property leases on some property partly owned and partly managed on behalf of the government, consisting mainly of caravan parks and some buildings located on Crown Land for which the Council is committee of management. These properties held under operating leases have remaining non-cancellable lease terms of between 1 and 20 years. These leases include either a CPI based revision of the rental charge annually or set rental increases included in the lease.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	2013	2012
	\$	\$
Not later than one year	830,005	890,573
Later than one year and not later than five years	3,209,665	3,470,374
Later than five years	9,689,865	9,665,451
	13,729,535	14,026,398

Notes to the Financial Report For the Year Ended 30 June 2013

Note 36 Financial Instruments

(a) Accounting Policy, terms and conditions

Recognised financial instruments	Note	Accounting Policy	Terms and Conditions
Financial assets			
Cash and cash equivalents	17	<p>Cash on hand and at bank and money market call account are valued at face value.</p> <p>Interest is recognised as it accrues.</p> <p>Investments and bills are valued at cost.</p> <p>Investments are held to maximise interest returns of surplus cash.</p>	<p>On call deposits returned a floating interest rate of 2.75% (4.07% in 2011/12). The interest rate at balance date was 2.75% (4.07% in 2011/12).</p> <p>Funds returned fixed interest rates of between 3.70% (4.60% in 2011/12), and 5.60% (6.40% in 2011/12).</p>
Financial assets	19	Floating rate notes are measured at market value.	Floating rate notes provided a return of 2.90% (3.50% in 2011/12).
Trade and other receivables	18	<p>Receivables are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection in full is no longer probable. Collectability of overdue accounts is assessed on an ongoing basis.</p>	<p>General debtors are unsecured and rate arrears attract an interest rate of 10.5% (10.5% in 2011/12). Credit terms are based on 30 days.</p>
Financial Liabilities			
Trade and other payables	24	Liabilities are recognised for amounts to be paid in the future for goods and services provided to Council as at balance date whether or not invoices have been received.	General Creditors are unsecured, not subject to interest charges and are normally settled within 14 - 30 days of invoice receipt.
Trust funds and deposits	25	Trust funds and deposits are recognised at cost.	Trust funds and deposits are held by Council until returned or forfeited. They are not subject to interest charges and are normally settled within 1 year of receipt.
Interest-bearing loans and borrowings	27	Loans are carried at their principal amounts, which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and recognised as part of payables.	<p>Borrowings are secured by way of mortgages over the general rates of the Council.</p> <p>The weighted average interest rate on borrowings is 6.84% (7.35% in 2011/12).</p>

Notes to the Financial Report For the Year Ended 30 June 2013

Note 36 Financial instruments (cont.)

(b) Interest Rate Risk

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

2013	Fixed interest maturing in:					Total
	Floating interest rate \$	1 year or less \$	Over 1 to 5 years \$	More than 5 years \$	Non-interest bearing \$	
Financial assets						
Cash and cash equivalents	3,765,564	13,028,214	-	-	6,267	16,800,045
Financial assets	250,000	-	-	-	-	250,000
Trade and other receivables	-	1,317,220	-	-	1,027,649	2,344,869
<i>Total financial assets</i>	<u>4,015,564</u>	<u>14,345,434</u>	<u>-</u>	<u>-</u>	<u>1,033,916</u>	<u>19,394,914</u>
Weighted average interest rate	3.76%	3.82%				
Financial liabilities						
Trade and other payables	-	-	-	-	2,541,412	2,541,412
Trust funds and deposits	-	-	-	-	1,043,680	1,043,680
Interest-bearing loans and borrowings	-	588,481	2,113,608	934,757	-	3,636,846
<i>Total financial liabilities</i>	<u>-</u>	<u>588,481</u>	<u>2,113,608</u>	<u>934,757</u>	<u>3,585,092</u>	<u>7,221,938</u>
Weighted average interest rate		6.64%	6.56%	7.28%		
Net financial assets (liabilities)	<u>4,015,564</u>	<u>13,756,953</u>	<u>(2,113,608)</u>	<u>(934,757)</u>	<u>(2,551,176)</u>	<u>12,172,976</u>

**Notes to the Financial Report
For the Year Ended 30 June 2013**

Note 36 Financial instruments (cont.)

	Fixed interest maturing in:					Total \$
	Floating Interest rate	1 year or less	Over 1 to 5 years	More than 5 years	Non-interest bearing	
	\$	\$	\$	\$	\$	
2012						
Financial assets						
Cash and cash equivalents	3,385,036	10,082,162	-	-	6,167	13,473,365
Financial assets	520,560	-	-	-	-	520,560
Trade and other receivables	-	896,623	-	-	1,363,323	2,259,946
<i>Total financial assets</i>	<u>3,905,596</u>	<u>10,978,785</u>	<u>-</u>	<u>-</u>	<u>1,369,490</u>	<u>16,253,871</u>
Weighted average interest rate	4.38%	5.63%				
Financial liabilities						
Trade and other payables	-	-	-	-	3,127,070	3,127,070
Trust funds and deposits	-	-	-	-	965,056	965,056
Interest-bearing loans and borrowings	-	544,282	1,625,814	2,014,813	-	4,184,909
<i>Total financial liabilities</i>	<u>-</u>	<u>544,282</u>	<u>1,625,814</u>	<u>2,014,813</u>	<u>4,092,126</u>	<u>8,277,035</u>
Weighted average interest rate		6.91%	7.07%	7.10%		
Net financial assets (liabilities)	<u>3,905,596</u>	<u>10,434,503</u>	<u>(1,625,814)</u>	<u>(2,014,813)</u>	<u>(2,722,636)</u>	<u>7,976,836</u>

Notes to the Financial Report For the Year Ended 30 June 2013

Note 36 Financial Instruments (cont.)

(c) Net Fair Values

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

Financial Instruments	Total carrying amount as per Balance Sheet		Aggregate net fair value	
	2013	2012	2013	2012
	\$	\$	\$	\$
<i>Financial assets</i>				
Cash and cash equivalents	16,800,045	13,473,365	16,800,045	13,473,365
Other financial assets	250,000	520,560	250,000	520,560
Trade and other receivables	2,344,869	2,259,946	2,344,869	2,259,946
<i>Total financial assets</i>	<u>19,394,914</u>	<u>16,253,871</u>	<u>19,394,914</u>	<u>16,253,871</u>
<i>Financial liabilities</i>				
Trade and other payables	2,541,412	3,127,070	2,541,412	3,127,070
Trust funds and deposits	1,043,680	965,056	1,043,680	965,056
Interest-bearing loans and borrowings	3,636,846	4,184,909	3,636,846	4,184,909
<i>Total financial liabilities</i>	<u>7,221,938</u>	<u>8,277,035</u>	<u>7,221,938</u>	<u>8,277,035</u>

(d) Credit Risk

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

(e) Risks and mitigation

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

Market risk

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

Notes to the Financial Report For the Year Ended 30 June 2013

Note 36 Financial Instruments (cont.)

Interest rate risk

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

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

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

We manage the interest rate exposure on our debt portfolio by appropriate budgeting strategies and obtaining Council approval for borrowings through the budget process each year.

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

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

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

Credit risk

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

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

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

**Notes to the Financial Report
For the Year Ended 30 June 2013**

Note 36 Financial Instruments (cont.)

Movement in Provisions for Doubtful Debts	2013	2012
	\$	\$
Balance at the beginning of the year	16,751	27,697
Provisions recognised during the year/(Amounts already provided for and written off as uncollectible)	98,523	(10,946)
Balance at end of year	115,274	16,751

Ageing of Trade and Other Receivables

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

Current (not yet due)	771,584	1,864,005
Past due by up to 30 days	408,111	107,501
Past due between 31 and 90 days	359,815	11,131
Past due between 91 and 120 days	319,234	14,357
Past due by more than 121 days	601,399	279,703
Total Trade & Other Receivables	2,460,143	2,276,697

At balance date, debtors representing financial assets with a nominal value of \$115,273 (2012 \$16,751) were impaired. The amount of the provision raised against these debtors was \$115,273 (2012 \$16,751). The individually impaired debtors relate to rent, infringement, general and sundry debtors and have been impaired as a result of their doubtful collection. Infringement debtors sit in the Infringements Court system and many of the long outstanding past due amounts have been lodged with Council's debt collectors or are on payment arrangements. A provision of \$107,798 (2012 \$0) has been raised against a rent receivable, due to a contractual dispute involving the tenant, Council and the State Government.

Liquidity risk

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

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

Notes to the Financial Report For the Year Ended 30 June 2013

Note 36 Financial Instruments (cont.)

To help reduce these risks we:

- have an investment policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- 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 and to income streams from assets funded by specific borrowings.

The Councils exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. Details of our contingent liabilities are disclosed in Note 37.

(f) Sensitivity disclosure analysis

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

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

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

		Interest rate risk			
		-1 %		+1%	
	Balance @ 30.06.2013 \$	-100 basis points Profit \$	Equity \$	+100 basis points Profit \$	Equity \$
2013					
Financial assets:					
Cash and cash equivalents	16,800,045	(84,000)	(84,000)	84,000	84,000
Trade and other receivables	2,344,869	(23,449)	(23,449)	23,449	23,449
Financial liabilities:					
Interest-bearing loans and borrowings	3,636,846	(36,368)	(36,368)	36,368	36,368

		Interest rate risk			
		-1 %		+1%	
	Balance @ 30.06.2012 \$	-100 basis points Profit \$	Equity \$	+100 basis points Profit \$	Equity \$
2012					
Financial assets:					
Cash and cash equivalents	13,473,365	(118,183)	(118,183)	118,183	118,183
Trade and other receivables	2,259,946	(22,599)	(22,599)	22,599	22,599
Financial liabilities:					
Interest-bearing loans and borrowings	4,184,909	(41,849)	(41,849)	41,849	41,849

Notes to the Financial Report For the Year Ended 30 June 2013

Note 37 Contingent liabilities and contingent assets

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. Given the volatile nature of financial markets the likelihood of making such contributions in future periods has high. At this point in time it is not known if additional contributions will be required, their timing or potential amount.

Note 38 Auditors' remuneration	2013	2012
	\$	\$
Audit fee to conduct external audit - Victorian Auditor-General	38,500	37,100
Internal audit fees - Pitcher Partners	-	21,718
Internal audit fees - AFS & Associates	22,500	-
Fees for other services provided by other auditor	14,470	6,506
	<u>75,470</u>	<u>65,324</u>

Notes to the Financial Report For the Year Ended 30 June 2013

Note 39 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 **Bill McClenaghan** (Councillor 01/07/2012 to 30/10/12, Mayor 31/10/2012 to current)

Councillor **Sebastian Klein** (Mayor 01/07/12 to 30/10/2012, Councillor 31/10/2012 to current)

Councillor **Donald Henderson** (current)

Councillor **Neil Newitt** (current)

Councillor **Pierre Niclas** (29/10/2012 to current)

Councillor **Kate Redwood** (29/10/2012 to current)

Councillor **Greg May** (29/10/2012 to current)

Councillor **Rod May** (01/07/2012 to 28/10/2012)

Councillor **Jonathon Barrell** (01/07/2012 to 28/10/2012)

Councillor **Janine Booth** (01/07/2012 to 28/10/2012)

Chief Executive Officer

Aaron van Egmond (current)

(ii) Remuneration of Responsible Persons

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

	2013 No.	2012 No.
\$5,000 - \$9,999	3	0
\$10,000 - \$19,999	5	6
\$20,000 - \$29,999	1	2
\$30,000 - \$39,999	1	0
\$70,000 - \$79,999	0	1
\$190,000 - \$199,999	1	0
\$310,000 - \$319,999	0	1
	11	10
	\$	\$
Total Remuneration for the reporting year for Responsible Persons included above amounted to:	313,330	551,938

(iii) No retirement benefits have been made by the Council to a Responsible Person during the reporting year (2012/13 Nil).

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

**Notes to the Financial Report
For the Year Ended 30 June 2013**

Note 39 Related party transactions (cont.)

(v) Other Transactions

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

(vi) Senior Officers Remuneration

A Senior Officer other than a Responsible Person, is an officer of Council who has management responsibilities and reports directly to the Chief Executive Officer or whose total annual remuneration exceeds \$130,000.

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

	2013	2012
Income Range:	No.	No.
<\$130,000	1	4
\$130,001 - \$139,999	2	1
\$140,000 - \$149,999	1	1
\$160,000 - \$169,999	1	0
	5	6
	5	6
	\$	\$
Total Remuneration for the reporting year for Senior Officers included above, amounted to:	679,223	593,550

**Notes to the Financial Report
For the Year Ended 30 June 2013**

Note 40 Income, expenses and assets by function/activities (cont.)

	CEO Unit		Community Services		Sustainable Development		Infrastructure		Corporate Services	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE										
Grants	7,817	547,814	4,684,619	2,257,006	-		4,143,918	4,338,468	2,586,748	3,377,006
Other	461,524	713,699	773,422	775,044	-		2,635,552	2,989,316	15,209,976	13,531,591
TOTAL	469,341	1,261,513	5,458,041	3,032,050	-		6,779,470	7,327,784	17,796,724	16,908,597
EXPENSES	2,840,309	4,170,441	6,362,542	5,012,832	-	-	6,430,209	6,795,690	4,424,900	4,626,088
SURPLUS/ (DEFICIT) FOR THE YEAR	(2,370,968)	(2,908,928)	(904,501)	(1,980,782)	-	-	349,261	532,094	13,371,824	12,282,509
ASSETS ATTRIBUTED TO FUNCTIONS/ ACTIVITIES*	-	-	503,591	676,773	-	-	183,501,756	179,052,900	1,186,526	706,768
	Flood Recovery		Unclassified		Total					
	2013	2012	2013	2012	2013	2012				
	\$	\$	\$	\$	\$	\$				
REVENUE										
Grants	36,818			-	11,459,920	10,520,294				
Other	14,396,717	8,117,085	-	603,700	33,477,191	26,730,435				
TOTAL	14,433,535	8,117,085	-	603,700	44,937,111	37,250,729				
EXPENSES	(1,432,348)	1,969,760	6,266,752	6,398,191	24,892,364	28,973,002				
SURPLUS/ (DEFICIT) FOR THE YEAR	15,865,883	6,147,325	(6,266,752)	(5,794,491)	20,044,747	8,277,727				
ASSETS ATTRIBUTED TO FUNCTIONS/ ACTIVITIES*	-	8,557,885	19,431,808	16,047,945	204,623,682	205,042,272				

Notes to the Financial Report For the Year Ended 30 June 2013

Note 40 Income, expenses and assets by function/activities (cont.)

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

Functions/activities of council

CEO Unit & Sustainable Development

Governance and communications

Planning, local laws compliance, environmental health, economic development and tourism, sustainability, building.

Corporate Services

Finance, risk, human resources, information technology, customer service and records

Community Services

Aged and disability services, community strengthening, youth, arts and culture, recreation, meal delivery, community visitors

Infrastructure

Assets and engineering services, waste management, infrastructure maintenance.

Notes to the Financial Report For the Year Ended 30 June 2013

Note 41	Capital expenditure	Note	2013 \$	2012 \$
	Capital expenditure areas			
	Roads, Bridges and Drainage		10,994,910	10,756,688
	Parks, open space and streetscapes		2,411,783	2,652,000
	Land and Buildings		2,945,027	699,000
	Plant and equipment & other		857,388	1,044,000
	Total capital works		17,209,108	15,151,688
	Represented by:			
	Renewal	(b)	13,919,578	13,195,688
	Upgrade/Expansion	(a)	2,978,214	1,446,000
	New		311,316	510,000
	Total capital works		17,209,108	15,151,688

Property, plant and equipment, infrastructure movement

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

Total capital works		17,209,108	15,151,688
Asset revaluation movement	29(a)	2,342,544	8,479,114
Depreciation/amortisation	12	(6,152,096)	(4,951,662)
Found assets	22	-	603,700
Transfers in	22	-	268,493
Transfers out	22	-	(499,570)
Written down value of assets sold	22	(157,804)	(852,978)
Net movement in property, plant and equipment, infrastructure	22	13,241,752	18,198,785

(a) Renewal

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

Notes to the Financial Report For the Year Ended 30 June 2013

Note 41 Capital expenditure (cont.)

(b) Upgrade

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

(c) Expansion

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

Note 42 Special committees and other activities

Section 86 committee of management included in financial statements.

Clunes community housing committee

Glenlyon recreation reserve committee

Lyonville hall committee

Section 86 committee of management not included in financial statements as they were not considered material.

Clunes museum committee

Dean recreation reserve committee

Creswick museum committee

Clunes historic medlyn complex

Clunes town hall committee

Drummond hall committee

Lindsay park recreation reserve committee

Clunes community centre committee

Campbelltown school ground committee

Notes to the Financial Report For the Year Ended 30 June 2013

Note 43 Financial ratios (Performance indicators)

	2013	2013	2012	2012	2011	2011
	\$	(%)	\$	(%)	\$	(%)

(a) **Debt servicing ratio** (to identify the capacity of Council to service its outstanding debt)

<u>Debt servicing costs</u>	$\frac{290,245}{44,962,512}$	= 0.6%	$\frac{281,034}{37,250,729}$	= 0.8%	$\frac{214,839}{35,570,318}$	= 0.6%
Total revenue						

Debt servicing costs refer to the payment of interest on loan borrowings.

The ratio expresses the amount of interest paid as a percentage of Council's total revenue.

(b) **Debt commitment ratio** (to identify Council's debt redemption strategy)

<u>Debt servicing & redemption costs</u>	$\frac{838,308}{15,776,253}$	= 5.3%	$\frac{753,792}{14,645,226}$	= 5.1%	$\frac{614,129}{13,507,270}$	= 4.5%
Rate revenue						

The strategy involves the payment of loan principal and interest.

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

(c) **Revenue ratio** (to identify Council's dependence on non-rate

<u>Rate revenue</u>	$\frac{15,776,253}{44,962,512}$	= 35.1%	$\frac{14,645,226}{37,250,729}$	= 39.3%	$\frac{13,507,270}{35,570,318}$	= 38.0%
Total revenue						

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

(d) **Debt exposure ratio** (to identify Council's exposure to debt)

<u>Total indebtedness</u>	$\frac{11,458,361}{97,629,663}$	= 11.7%	$\frac{12,656,963}{90,485,253}$	= 14.0%	$\frac{8,215,429}{82,858,000}$	= 10.0%
Total realisable assets						

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

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

The following assets are excluded from total assets when calculating Council's realisable assets:

Restricted assets; heritage assets; total infrastructure assets; and Council's investment in associates.

**Notes to the Financial Report
For the Year Ended 30 June 2013**

Note 43 Financial ratios (Performance indicators) cont.

	2013	2013	2012	2012	2011	2011
	\$	(%)	\$	(%)	\$	(%)

(d) Debt exposure ratio (to identify Council's exposure to debt) (cont.)

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

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

<u>Current assets</u>	19,240,783	=	2.50	=	2.32	=	2.63
Current liabilities	<u>7,697,098</u>			<u>6,808,265</u>		<u>5,304,478</u>	

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

Note 44 Events occurring after balance date

There were no matters that have occurred after balance date that require disclosure in the financial report.

Certification of the Financial Report

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

Paul Brumby

Principal Accounting Officer

Daylesford - Date :

In our opinion the accompanying financial statements present fairly the financial transactions of Hepburn Shire Council for the year ended 30 June 2013 and the financial position of the Council as at that date.

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

We have been authorised by the Council on 17 September 2013 to certify the financial statements in their final form.

Councillor

Daylesford - Date :

Councillor

Daylesford - Date :

Aaron Van Egmond

Chief Executive Officer

Daylesford - Date :

Hepburn Shire Council
PERFORMANCE STATEMENT
For the Year Ended 30 June 2013

Strategic Objective 1: Good Governance

Performance Measure	Performance Measure Target		Performance Measure as at 30 June 2013
Community satisfaction rating for council's interaction and responsiveness in dealing with the public	Annual customer contact increased to 70%	Unable to measure	<p>The community satisfaction survey was redesigned after the performance measure was set. Due to the changes in the survey the performance measure target is unable to be compared with the new ratings. The revised community satisfaction survey showed improvements in the 5 areas surveyed.</p> <p>Overall Performance improved from 47 to 49 Community Consultation improved from 46 to 52 Advocacy improved from 44 to 49 Customer Service improved from 61 to 65 Overall Council Direction improved from 42 to 51</p>
Council policies outside their review date	No Council policies outside their review date	Not Met	Council has 37 adopted policies. As at 30 June 2013 there were 16 policies outside their review date.
Reduce the reported incidents and injuries	Reduce the reported incidents and injuries to below 39	Met	In 2012-13 there were 28 incidents and accidents that resulted in first aid treatment or medical treatment.
Complete the implementation of OneCouncil	Fully implement the new Corporate Information System by 31 December 2012	Met	<p>The new corporate information system was implemented during the year. The system was implemented in three phases.</p> <p>Phase 1 - Finance, Payroll & Supply Chain Phase 2 - Enterprise Assets Management Phase 3 - Property & Rating</p>

Strategic Objective 2: A More Prosperous Economy

Performance Measure	Performance Target	Performance Measure as at 30 June 2013	
Increased proportion of planning applications processed within 60 days	Issue 85% of planning permits within the statutory 60 day period	Unable to measure	We are currently unable to measure planning application time cycles. A measurement process is currently being developed to drive improved processing times.
Continue to promote the region to increase visitors to the region	2% increase on previous year	Not Met	Major National and State fall in tourism due to high Australian dollar and after-effects of the Global Financial Crisis. The region received 848,000 visitors for the period which was down by 3.1% on last year.
Community satisfaction rating for town planning policy and approval	Satisfaction increased to 50	Unable to measure	<p>The community satisfaction survey was redesigned after the performance measure was set. Due to the changes in the survey the performance measure target is unable to be compared with the new ratings. The revised community satisfaction survey showed improvements in the 5 areas surveyed.</p> <p>Overall Performance improved from 47 to 49 Community Consultation improved from 46 to 52 Advocacy improved from 44 to 49 Customer Service improved from 61 to 65 Overall Council Direction improved from 42 to 51</p>
MSS and local policy rewrite completed	Council endorse the Planning Scheme rewrite by 31 December 2012	Met	Council endorsed the Planning Scheme rewrite at its ordinary meeting of Council held on the 15 May 2012.
Completion of an industrial and commercial land strategy	Industrial and Commercial Land Strategy to be endorsed by Council by 30 June 2013.	Not Met	The Industrial and Commercial Land Strategy was not completed during 2012-13. Progress has been made since the end of the financial year with the appointment of a consultant in July 2013 to complete the review by Nov 2013

Strategic Objective 3: Healthy, Safe and Vibrant Communities			
Performance Measure	Performance Target	Performance Measure as at 30 June 2013	
Number of food premises inspected	80 inspections by 30 June 2013	Not Met	During the year 60 food premises were inspected which was 20 short of our target. The lower than expected inspection rate was due to increased inspection time.
Completion of the Public Health and Wellbeing Plan.	Public Health and Wellbeing Plan completed by 30 June 2013	Not Met	Working in collaboration with Hepburn Health Services and the community to prepare a meaningful plan. Delays have occurred which has resulted in the deadline being missed. The plan is expected to be completed in September.
Community satisfaction rating for local roads and footpaths	Satisfaction increased to 45	Unable to measure	<p>The community satisfaction survey was redesigned after the performance measure was set. Due to the changes in the survey the performance measure target is unable to be compared with the new ratings. The revised community satisfaction survey showed improvements in the 5 areas surveyed.</p> <p>Overall Performance improved from 47 to 49 Community Consultation improved from 46 to 52 Advocacy improved from 44 to 49 Customer Service improved from 61 to 65 Overall Council Direction improved from 42 to 51</p>
Community satisfaction rating for recreation facilities	Satisfaction increased to 58	Unable to measure	<p>The community satisfaction survey was redesigned after the performance measure was set. Due to the changes in the survey the performance measure target is unable to be compared with the new ratings. The revised community satisfaction survey showed improvements in the 5 areas surveyed.</p> <p>Overall Performance improved from 47 to 49 Community Consultation improved from 46 to 52 Advocacy improved from 44 to 49 Customer Service improved from 61 to 65 Overall Council Direction improved from 42 to 51</p>
Increase library loans	Increase library loans by 5%	Met	Library loans were increased by 12.5% during the 2012-13 financial year.
Hours of Home and Community Care	Meet funding agreement targets for: Housekeeping 12,308 hours Personal Care 4,261 hours Respite Care 2,756 hours	Not Met	<p>Personal care increased by 15% from previous year. Respite decreased by 20% - Respite Care referrals are coming in late and clients are then being referred to ACAS for package care requirements. Housekeeping 12,448 hours - 101% of target Personal Care 2,930 hours - 69% of target Respite Care 1,181 hours - 43% of target</p>

Strategic Objective 4: Environmental Sustainability

Performance Measure	Performance Target	Performance Measure as at 30 June 2013	
Purchase of green energy	10% of Council electricity cost to be purchased from renewable sources	Met	Council purchased 250 megat watts of Large Scale Generator Certificates costing \$10,000 from Hepburn Wind during the 2012-13 financial year. These certificates will offset 43% of the greenhouse gas emissions generated by Councils buidings.
Completion of the waste management strategy	Completion of the waste management strategy by December 2012	Met	The Kerbside Collection Waste Strategy was completed during the year wich provided the basis for retendering Council's waste collection services. The retendering of waste collection services has saved Council \$218,000.
Reduction in waste going to landfill	Reduce the proportion of annual residential waste going to landfill to 60%	Not Met	The proportion of waste from residential collections going to landfill was 73%. This percentage is based on the current waste and recycling component collected by Councils waste services. The percentages are estimated based on actual data collected over a four month period.
Increase the proportion of annual residential waste that is recycled	Increase the proportion of annual residential waste that is recycled to 40%	Not Met	The proportion of waste from residential collections being recycled was 27%. This percentage is based on the current waste and recycling component collected by Councils waste services. The percentages are estimated based on actual data collected over a four month period.
Sustainable Building Management Plan completed	Sustainable Building Management Plan completed and endorsed by Council by 30 June 2013	Met	The Sustainable Building Management Plan was completed during the year with the draught proofing of the Daylesford Town Hall completed.

Hepburn Shire Council

Standard Statements, Variances and Statement by Councillors and Principal Accounting Officer For the Year Ended 30 June 2013

In my opinion the accompanying performance statement has been prepared on accounting bases consistent with the financial statements and in accordance with the Local Government Act 1989 and the Local Government (Finance and Reporting) Regulations 2004.

Paul Brumby

Principal Accounting Officer

Date:

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

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

We have been authorised by the Council on 17 September 2013 to certify the performance statement in its final form.

Councillor

Date:

Councillor

Date:

Aaron Van Egmond

Chief Executive Officer

Date: