

BOROUGH OF QUEENSCLIFFE
GENERAL PURPOSE FINANCIAL STATEMENTS
For the year ended 30 June 2012

COMPREHENSIVE INCOME STATEMENT

| | Note | 2012 \$'000 | 2011 \$'000 |
|--|-------------|------------------------|------------------------|
| Income | | | |
| Rates and charges | 2 | 5,357 | 5,099 |
| Statutory fees and fines | 3 | 88 | 108 |
| User fees | 4 | 1,930 | 1,733 |
| Grants - recurrent | 5 | 1,810 | 749 |
| Grants - non-recurrent | 5 | 654 | 668 |
| Contributions - cash | 6 | 26 | 1 |
| Net gain/(loss) on disposal of property, infrastructure, plant and equipment | 7 | (16) | 5 |
| Interest received | 8 | 185 | 149 |
| Other income | 9 | 40 | 68 |
| Share of net profits of associates and joint ventures accounted for by the equity method | 18 | (30) | 5 |
| Total income | | <u>10,044</u> | <u>8,584</u> |
| Expenses | | | |
| Employee benefits | 10 | (2,867) | (2,573) |
| Superannuation - additional call | 15 | (218) | (45) |
| Materials and services | 11 | (3,652) | (3,428) |
| Bad and doubtful debts | 12 | (6) | (2) |
| Depreciation and amortisation | 13 | (799) | (745) |
| Finance costs | 14 | (92) | (115) |
| Other expenses | 16 | (339) | (201) |
| Impairment losses recognised in profit or loss | 17 | - | (116) |
| Total expenses | | <u>(7,973)</u> | <u>(7,226)</u> |
| Profit/(loss) | | <u>2,071</u> | <u>1,358</u> |
| Other comprehensive income | | | |
| Net asset revaluation increment/(decrement) | 28(a) | 4,284 | 4,414 |
| Comprehensive result | | <u>6,355</u> | <u>5,772</u> |

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

STATEMENT OF FINANCIAL POSITION

| | Note | 2012 \$'000 | 2011 \$'000 |
|---|-------------|------------------------|------------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 19 | 3,716 | 2,905 |
| Trade and other receivables | 20 | 430 | 208 |
| Inventories | 21 | 6 | 6 |
| Other assets | 22 | 158 | 157 |
| Total current assets | | <u>4,310</u> | <u>3,276</u> |
| Non-current assets | | | |
| Trade and other receivables | 20 | 19 | 35 |
| Investments in associates accounted for using the equity method | 18 | 246 | 276 |
| Property, infrastructure, plant and equipment | 23 | 65,985 | 60,387 |
| Total non-current assets | | <u>66,250</u> | <u>60,698</u> |
| Total assets | | <u>70,560</u> | <u>63,974</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 24 | 660 | 484 |
| Trust funds and deposits | 25 | 68 | 68 |
| Provisions | 26 | 584 | 408 |
| Interest-bearing loans and borrowings | 27 | 1,085 | 1,429 |
| Total current liabilities | | <u>2,397</u> | <u>2,389</u> |
| Non-current liabilities | | | |
| Provisions | 26 | 264 | 40 |
| Total non-current liabilities | | <u>264</u> | <u>40</u> |
| Total liabilities | | <u>2,661</u> | <u>2,430</u> |
| Net Assets | | <u>67,899</u> | <u>61,544</u> |
| Equity | | | |
| Accumulated surplus | | 30,980 | 29,516 |
| Reserves | 28 | 36,919 | 32,028 |
| Total Equity | | <u>67,899</u> | <u>61,544</u> |

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

STATEMENT OF CHANGES IN EQUITY

| | | Total | Accumulated Surplus | Revaluation Reserve | Other Reserves |
|---|-------|----------------------|------------------------|------------------------|---------------------|
| | Note | 2012 | 2012 | 2012 | 2012 |
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| 2012 | | | | | |
| Balance at beginning of the financial year | | 61,544 | 29,516 | 29,982 | 2,046 |
| Comprehensive result | | 6,355 | 2,071 | 4,284 | - |
| Transfers to other reserves | 28(b) | - | (2,461) | - | 2,461 |
| Transfers from other reserves | 28(b) | - | 1,854 | - | (1,854) |
| Balance at end of the financial year | | <u>67,899</u> | <u>30,980</u> | <u>34,267</u> | <u>2,653</u> |

| | | Total | Accumulated Surplus | Asset Revaluation Reserve | Other Reserves |
|---|-------|----------------------|------------------------|---------------------------------|---------------------|
| | | 2011 | 2011 | 2011 | 2011 |
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| 2011 | | | | | |
| Balance at beginning of the financial year | | 55,772 | 29,189 | 25,568 | 1,015 |
| Comprehensive result | | 5,772 | 1,358 | 4,414 | - |
| Transfers to other reserves | 28(b) | 0 | (1,667) | - | 1,667 |
| Transfers from other reserves | 28(b) | 0 | 636 | - | (636) |
| Balance at end of the financial year | | <u>61,544</u> | <u>29,516</u> | <u>29,982</u> | <u>2,046</u> |

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

CASH FLOW STATEMENT

| | | 2012 Inflows/ (Outflows) \$'000 | 2011 Inflows/ (Outflows) \$'000 |
|---|------|--|--|
| | Note | | |
| Cash flows from operating activities | | | |
| Rates | | 5,291 | 5,092 |
| Statutory fees and fines | | 88 | 108 |
| User charges and other fines (inclusive of GST) | | 2,208 | 1,696 |
| Grants (inclusive of GST) | | 2,464 | 1,617 |
| Contributions - cash (inclusive of GST) | | 29 | 12 |
| Interest | | 199 | 118 |
| Other receipts (inclusive of GST) | | 44 | 180 |
| Net GST refund/payment | | 294 | 314 |
| Payments to suppliers (inclusive of GST) | | (4,221) | (4,195) |
| Payments to employees | | (2,678) | (2,545) |
| Other payments | | (345) | (210) |
| Net cash provided by (used in) operating activities | 30 | <u>3,373</u> | <u>2,188</u> |
| Cash flows from investing activities | | | |
| Payments for property, infrastructure, plant and equipment | 44 | (2,217) | (865) |
| Proceeds from sale of property, infrastructure, plant and equipment | | 62 | 32 |
| Loans and advances to community organisations | | - | (28) |
| Repayment of loans and advances from community organisations | | 10 | 4 |
| Net cash provided by (used in) investing activities | | <u>(2,145)</u> | <u>(857)</u> |
| Cash flows from financing activities | | | |
| Finance costs | | (72) | (122) |
| Trust funds and deposits | | 1 | - |
| Repayment of interest bearing loans and borrowings | | (344) | (218) |
| Net cash provided by (used in) financing activities | | <u>(416)</u> | <u>(340)</u> |
| Net increase (decrease) in cash and cash equivalents | | 811 | 991 |
| Cash and cash equivalents at the beginning of the financial year | | 2,905 | 1,914 |
| Cash and cash equivalents at the end of the financial year | 19 | <u>3,716</u> | <u>2,905</u> |
| Financing arrangements | 32 | 5 | 5 |
| Restrictions on cash assets | 33 | 2,721 | 2,114 |

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

NOTES TO THE FINANCIAL REPORT

Introduction

- (a) The Borough of Queenscliffe was established by an Order of the Governor in Council on 12 May 1863 and is a body corporate. The Council's main office is located at 50 Learmonth Street, Queenscliff.
- (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 - RSM Bird Cameron

Solicitors - Harwood Andrews

Bankers - Bendigo Bank, Hesse Street, Queenscliff

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

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

Note 1 Significant accounting policies

(a) Basis of accounting

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

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

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

All entities controlled by Council that have material assets or liabilities, such as Special Committees of Management, have been included in this financial report. All transactions between these entities and the Council have been eliminated in full.

Note 1 Significant accounting policies (cont.)

(b) Correction of prior period error – useful life of drainage assets

Drainage assets

A fixed asset management review was conducted during the 2011/12 financial year, by Council's Engineer Mr. Stuart Hansen, specifically in relation to drainage assets. The review of drainage assets included a review of useful and remaining lives. The useful life of drainage assets has been amended and is included at 1(e) below.

The impact of the change was to reduce the value of accumulated depreciation with respect to drainage assets by \$638,000 and hence increase the written down value of drainage assets by this same amount, with an equivalent increase in opening accumulated surpluses. Refer also to Note 29.

(c) Revenue recognition

Rates, grants and contributions

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

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

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

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

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

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

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

User fees and fines

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

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

Sale of property, infrastructure, plant and

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

Rental

Rents are recognised as revenue when the payment is due or the payment is received, whichever first occurs.

Note 1 Significant accounting policies (cont.)

(c) Revenue recognition (cont)

Interest

Interest is recognised as it is earned.

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.

(d) Inventories

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

(e) Depreciation of property, infrastructure, plant and equipment

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

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

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

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

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

Property

Period

buildings

historical building - town hall

200 years

long life structure

120 years

short life structure

60 years

roof structure

60 years

mechanical services

25 years

building fit-out

25 years

caravan park cabins

15 years

Plant and Equipment

plant, machinery and equipment

3-10 years

fixtures, fittings and furniture

10 years

computers and telecommunications

3 years

playground equipment

12.5 years

Note 1 Significant accounting policies (cont.)

Infrastructure

| | |
|-------------------------|-------------------------------|
| roads | |
| road pavements | 70 years |
| road seals | 12-14 years |
| road unsealed pavement | 15 years |
| footpaths and cycleways | 20-50 years |
| street furniture | 30-40 years |
| drainage pipes | 100 years (2011: 50-80 years) |
| drainage pits | 100 years (2011: 50 years) |
| drainage pumps | 20-30 years (2011: 20 years) |
| kerb and channel | 60-80 years |

The recent revaluation of building assets including caravan park cabins, provided by Opteon, resulted in an increase in depreciation expense of \$35,000 to a total of \$281,000 per annum for these specific building assets (2010/11: \$246,000).

The recent revaluation of drainage assets coupled with a review of useful and remaining lives of these drainage assets provided by Council's Projects and Contracts Engineer, Mr. Stuart Hansen, resulted in a reduction in depreciation expense of \$17,000 to a total of \$35,000 per annum for these specific drainage assets (2010/11: \$52,000).

(f) 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.

(g) Borrowing costs

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

Borrowing costs include interest on bank overdrafts, interest on borrowings, and finance lease charges.

(h) Recognition and measurement of assets

Acquisition

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

Where assets are constructed by Council, cost includes all materials used in construction, direct labour, borrowing costs incurred during construction, and an appropriate share of directly attributable variable and fixed overheads.

The following classes of assets have been recognised in note 23. In accordance with Council's policy, the threshold limits detailed below have applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year:

Note 1 Significant accounting policies (cont.)

| | Threshold Limit \$'000 |
|--|---------------------------|
| <u>Property</u> | |
| land | |
| land under roads | 5 |
| land improvements | 5 |
| buildings | |
| buildings | 10 |
| building improvements | 10 |
| caravan park cabins | 10 |
| <u>Plant and Equipment</u> | |
| plant, machinery and equipment | 0.5 |
| fixtures, fittings and furniture | 0.5 |
| computers and telecommunications | 0.5 |
| <u>Infrastructure</u> | |
| roads | |
| road pavements and seals | 10 |
| road substructure | 10 |
| road formation and earthworks | 11 |
| road kerb, channel and minor culverts | 12 |
| footpaths and cycleways | 13 |
| drainage | 5 |
| recreational, leisure and community facilities | 10 |
| parks, open space and streetscapes | 5 |

Revaluation

Subsequent to the initial recognition of assets, non-current physical assets, other than plant and equipment and recreational, leisure and community facilities, 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 years for land and buildings to three years for infrastructure assets. The valuation is performed either by experienced council officers or independent experts.

Where the assets are revalued, the revaluation increments are credited directly to the asset revaluation surplus 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 surplus for that class of asset in which case the decrement is taken to the reserve to the extent of the remaining increments. Within the same class of assets, revaluation increments and decrements within the year are offset.

Land under roads

Council recognises land under roads it controls at fair value.

Note 1 Significant accounting policies (cont.)

(i) 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.

(j) Investments

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

(k) Accounting for investments in associates

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

(l) Tender deposits

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

(m) Employee benefits

Wages and salaries

Liabilities for wages and salaries 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.

Annual 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.

Long service leave

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

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

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

Classification of employee benefits

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

Note 1 Significant accounting policies (cont.)

Superannuation

The superannuation expense for the reporting year is the amount of the statutory contribution the Council makes to the superannuation plan which provides benefits to its employees. In addition, Council may periodically be required to contribute to the defined benefits schemes for current and former employees. Details of these arrangements are recorded in note 34.

(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) Agreements equally proportionately unperformed

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

(q) Website costs

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

(r) Goods and Services Tax (GST)

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

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

(s) Impairment of assets

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

(t) Rounding

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

(u) 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.

(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.

| <i>Standard / Interpretation</i> | <i>Summary</i> | <i>Applicable for annual reporting periods beginning or ending on</i> | <i>Impact on Local Government financial statements</i> |
|---|---|---|--|
| AASB 9: Financial instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] | <p>These standards are applicable retrospectively and amend the classification and measurement of financial assets. Council has not yet determined the potential impact on the financial statements. Specific changes include:</p> <ul style="list-style-type: none"> * simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value; * removing the tainting rules associated with held-to-maturity assets; * simplifying the requirements for embedded derivatives; * removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost; * allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and * There is no longer any requirement to consider whether 'significant or prolonged' decline in the value of assets has occurred. The only impairment testing will be on those assets held at amortised cost., and all impairments will be eligible for reversal. * reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on: <ul style="list-style-type: none"> a. the objective of the entity's business model for managing the financial assets; and b. the characteristics of the contractual cash flows. | Applicable for annual reporting periods commencing on or after 1 January 2013. | These changes are expected to provide some simplification in the accounting for and disclosure of financial instruments. |
| AASB 2011-3 Amendments to Australian Accounting Standards - Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments. | These standards are aimed at limiting certain recognition and measurement options to align with GFS, and supplemented by additional disclosures. | Applicable for annual reporting periods commencing on or after 1 July 2012. | These amendments are not expected to impact Council directly. |
| Key Characteristics of the Public Sector with Potential implications for Financial Reporting | These standards detail with numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. | Applicable for annual reporting periods commencing on or after 1 January 2011. | These amendments are not expected to impact Council directly. |
| AASB 2010-9: Amendments to Australian Accounting Standards - Additional Exemptions for First-time Adopters [AASB 1] | These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. | Applicable for annual reporting periods commencing on or after 1 January 2011. | These amendments are not expected to impact Council directly. |
| AASB 2010-10: Amendments to Australian Accounting Standards - Classification of Rights Issues [AASB 132] | These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instrument for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non derivative equity instruments. | Applicable for annual reporting periods commencing on or after 1 February 2011. | These amendments are not expected to impact Council directly. |

(v)

Pending Accounting Standards (cont)

| | | | |
|--|--|--|---|
| AASB 13 Fair Value Measurement | AASB 13 replaces the existing IFRS guidance on fair value measurement and disclosure. It applies whenever another standard permits or requires the use of fair value measurements. It sets out a fair value hierarchy for such measurements: <ul style="list-style-type: none"> • Level 1 – quoted prices in active markets for identical assets and liabilities, which can be accessed at the measurement date. • Level 2 – inputs other than quoted market prices included within Level 1, which are observable for the asset or liability, either directly or indirectly. • Level 3 – unobservable inputs for the asset or liability <p>There are also extensive disclosure requirements relating to each of the three levels within the hierarchy.</p> | Periods beginning on or after 1 January 2013 | |
| AASB 119 Employee Benefits | The revisions to AASB 119 will change the accounting treatment for some defined benefit superannuation schemes, including: <ul style="list-style-type: none"> • Removing the option to use the 'corridor' method in recognizing the movement in the value of a defined benefit plan • Requiring remeasurements to be presented as part of Other Comprehensive Income • An increased level of disclosure for defined benefit plans • Termination benefits now distinguish between compensation for services provided and compensation for the termination of employment <p>The revisions to AASB 119 will change the accounting treatment for some defined benefit superannuation schemes, including: <ul style="list-style-type: none"> • Removing the option to use the 'corridor' method in recognizing the movement in the value of a defined benefit plan • Requiring remeasurements to be presented as part of Other Comprehensive Income • An increased level of disclosure for defined benefit plans • Termination benefits now distinguish between compensation for services provided and compensation for the termination of employment </p> | Periods beginning on or after 1 January 2013 | |
| AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements | <ul style="list-style-type: none"> • AASB 1053 creates a second tier of general purpose financial statements with reduced disclosure requirements for those entities which do not have 'public accountability' • The full recognition and measurement requirements of AIFRS must still be applied • AASB 2010-2 amends each standard to specify which disclosure requirements may be omitted following adoption of AASB 1053. • The AASB have left the concept of the reporting entity unchanged as a concept in determining whether general purpose financial statements are required. | Periods beginning on or after 1 January 2013 | Adoption of the reduced disclosure regime is optional. Early adoption is permitted for periods beginning on or after 1 July 2009 |
| AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income | This amendment changes the presentation of some items within Other Comprehensive Income (OCI): <ul style="list-style-type: none"> • Items must be grouped together within OCI on the basis of whether they are potentially subsequently reclassifiable to profit and loss or not • Requires tax associated with OCI to be shown separately for each of these two groups <p>This amendment changes the presentation of some items within Other Comprehensive Income (OCI): <ul style="list-style-type: none"> • Items must be grouped together within OCI on the basis of whether they are potentially subsequently reclassifiable to profit and loss or not • Requires tax associated with OCI to be shown separately for each of these two groups </p> | Periods beginning on or after 1 July 2012 | |
| AASB 2012-1 Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements [As required] | This amendment sets out the reduced disclosure requirements in respect of fair value measurements being made under AASB 13 Fair Value Measurement | Periods beginning on or after 1 July 2013 | Early adoption is permitted where AASB 13 Fair Value Measurement has also been adopted |

(w)

Contingent assets and contingent liabilities and commitments

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, 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 Statement of Financial Position. Commitments are disclosed at their nominal value and inclusive of the GST payable.

| | | 2012 \$'000 | 2011 \$'000 |
|---------------|---|----------------|----------------|
| Note 2 | Rates and charges | | |
| | Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The CIV is the value of the land and all its improvements. | | |
| | The valuation base used to calculate general rates for 2011/2012 was \$2,144 million (2010-2011 \$2,139 million). The 2011/2012 rate in the CIV dollar was 0.00240976 (2010-2011, 0.00230390). | | |
| | Residential | 4,718 | 4,447 |
| | Commercial | 610 | 612 |
| | Supplementary rates and rate adjustments | 14 | 22 |
| | Garbage charge | 12 | 11 |
| | Special rates and charges | 4 | 7 |
| | Total rates and charges | 5,357 | 5,099 |
| | The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2012, and the valuation will be first applied in the rating year commencing 1 July 2012. | | |
| | The date of the previous general revaluation of land for rating purposes within the municipal district was 1 January 2010, and the valuation first applied to the rating period commencing 1 July 2010. | | |
| Note 3 | Statutory fees and fines | | |
| | Town planning fees | 52 | 55 |
| | Infringements and costs | 21 | 29 |
| | Permits | 10 | 15 |
| | Land information certificates | 3 | 4 |
| | PERIN court recoveries | 3 | 5 |
| | Total statutory fees and fines | 88 | 108 |
| Note 4 | User fees | | |
| (a) | Caravan park fees | 1,509 | 1,317 |
| | Other rent - lease of Crown Land properties | 64 | 114 |
| | Other rent - lease of Council properties | 35 | 27 |
| | Boat ramp fees - ticket machine | 97 | 71 |
| | Aged services fees | 83 | 92 |
| | Registration fees | 53 | 42 |
| | Valuation fees/supplementary charges | 38 | 3 |
| | Tourism | 14 | 17 |
| | Recycling disposal income | 14 | 15 |
| | Building services fees | 12 | 18 |
| | Road occupancy charges | 5 | 7 |
| | Other fees and charges | 7 | 10 |
| | Total user fees | 1,930 | 1,733 |
| (b) | Ageing analysis of contractual receivables | | |
| | Please refer to Note 38(e) for the ageing analysis of contractual receivables. | | |

| | | 2012 \$'000 | 2011 \$'000 |
|---------------|---|----------------|----------------|
| Note 5 | Grants | | |
| | Grants were received in respect of the following : | | |
| | Summary of grants | | |
| | Federally funded grants | 73 | 166 |
| | State funded grants | 2,314 | 1,253 |
| | Others | 78 | (2) |
| | Total | 2,464 | 1,417 |
| | Recurrent | | |
| | Country roads and bridges program | 1,000 | - |
| | Roads to recovery | - | 70 |
| | Home help/linkages | 264 | 249 |
| | Victoria Grants Commission - unallocated | 178 | 149 |
| | Victoria Grants Commission - unallocated (first two quarters of 2011/12 received in | 118 | 49 |
| | Victoria Grants Commission - local roads | 40 | 40 |
| | Victoria Grants Commission - local roads (first two quarters of 2011/12 received in | 28 | 13 |
| | Community aged care packages | 73 | 66 |
| | Maternal and child health | 44 | 48 |
| | Community services officer | 21 | 19 |
| | Heritage | 14 | 15 |
| | School crossing supervisors | 12 | 12 |
| | Other | 18 | 19 |
| | Total recurrent | 1,810 | 749 |
| | Total recurrent grant income above comprises: | | |
| | Operating grant income | 810 | 679 |
| | Capital grant income | 1,000 | 70 |
| | | 1,810 | 749 |
| | Non-recurrent | | |
| | Queenscliff sports club enhancement | 250 | 200 |
| | Coastal tender | 76 | - |
| | Ferry to the pier | 125 | - |
| | Playground and park development | 125 | 125 |
| | Sustainability accord | 20 | - |
| | Regional Victoria living expo | 20 | - |
| | Music equipment | 11 | - |
| | Kindergarten funding | 10 | 12 |
| | Point Lonsdale bowls clubhouse facility upgrade | 6 | 54 |
| | Home help / linkages | 9 | 9 |
| | Other | 2 | 10 |
| | Coastal risk mitigation - cliff safety | - | 190 |
| | Town hall kitchen refurbishment | - | 30 |
| | Boat ramp upgrade including pontoons | - | 28 |
| | Point Lonsdale surf life saving and access ramp | - | 10 |
| | Total non-recurrent | 654 | 668 |
| | Total non-recurrent grant income above comprises: | | |
| | Operating grant income | 140 | 268 |
| | Capital grant income | 515 | 400 |
| | | 654 | 668 |

| | 2012 \$'000 | 2011 \$'000 |
|--|----------------|----------------|
| Note 5 (cont) | | |
| 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: | | |
| Country roads and bridges program | 799 | - |
| Ferry to the pier | 119 | - |
| Victoria Grants Commission - unallocated | 118 | 49 |
| Victoria Grants Commission - local roads | 28 | 13 |
| Coastal tender | 76 | - |
| Kindergarten funding | 10 | 12 |
| Other | 13 | 6 |
| Coastal risk mitigation - cliff safety | - | 190 |
| Queenscliff sports club enhancement | - | 138 |
| Princess and Citizens Park redevelopment | - | 73 |
| Point Lonsdale surf life saving and access ramp | - | 46 |
| Roads to recovery | - | 21 |
| TAC pedestrian and road safety strategy | - | 10 |
| Total | 1,162 | 558 |
| Total grant income above comprises: | | |
| Operating grant income | 245 | 270 |
| Capital grant income | 918 | 288 |
| | 1,162 | 558 |
| Grants which were recognised as revenue in prior years and were expended during the current year in the manner specified by the grantor were: | | |
| Queenscliff sports club enhancement | 138 | - |
| Princess and Citizens Park redevelopment | 73 | - |
| Victoria Grants Commission - unallocated | 49 | 42 |
| Victoria Grants Commission - local roads | 13 | 13 |
| Point Lonsdale surf life saving and access ramp | 46 | 33 |
| Roads to recovery | 21 | - |
| Other | 8 | 4 |
| Kirk Road war memorial project | - | 9 |
| TAC pedestrian and road safety strategy | - | 3 |
| | 350 | 104 |
| Total grant income above comprises: | | |
| Operating grant income | 71 | 59 |
| Capital grant income | 278 | 45 |
| | 350 | 104 |
| Net increase (decrease) in restricted assets resulting from grant revenues for the year: | 812 | 454 |

| | | 2012 \$'000 | 2011 \$'000 |
|----------------|---|----------------|----------------|
| Note 6 | Contributions | | |
| | Cash | | |
| | Buildings - Queenscliff Sports Club enhancement | 26 | - |
| | Recreational, leisure and community facilities | - | 1 |
| | Total contributions | 26 | 1 |
| | Total contribution income above comprises: | | |
| | Operating contribution income | - | - |
| | Capital contribution income | 26 | 1 |
| | | 26 | 1 |
| Note 7 | Net gain/(loss) on disposal of property, infrastructure, plant and equipment | | |
| | Proceeds of sale | 62 | 32 |
| | Written down value of assets disposed | (78) | (26) |
| | Total | (16) | 5 |
| Note 8 | Interest received | | |
| | Interest | 174 | 137 |
| | Interest on rates | 11 | 12 |
| | Total interest received | 185 | 149 |
| Note 9 | Other income | | |
| | Reimbursements - workcover | 40 | 48 |
| | Reimbursements - other | - | 22 |
| | Other | - | (2) |
| | Total other income | 40 | 68 |
| Note 10 | Employee benefits | | |
| | Wages and salaries | 2,258 | 2,094 |
| | Superannuation | 211 | 196 |
| | Workcover | 85 | 89 |
| | Overtime | 100 | 68 |
| | Annual leave and long service leave | 181 | 103 |
| | Fringe benefits tax | 32 | 22 |
| | Total employee benefits | 2,867 | 2,573 |
| Note 11 | Materials and services | | |
| | Contract payments - road maintenance and works | 595 | 518 |
| | Contract payments - waste disposal | 369 | 436 |
| | Contract payments - staff (I.T., engineering, health, building, planning, heritage, V.I.C.) | 252 | 196 |
| | Contract payments - public conveniences | 79 | 94 |
| | Contract payments - maternal and child health | 58 | 58 |
| | Contract payments - other | 113 | 127 |
| | Materials and services | 741 | 697 |
| | Building, works, plant and equipment maintenance | 432 | 396 |
| | Contribution to Geelong regional library corporation | 209 | 190 |
| | Utilities | 226 | 196 |
| | Insurance | 139 | 128 |
| | Fuel and travel expenses | 51 | 50 |
| | Recruitment costs | 44 | - |
| | Councillor conduct panel | 38 | - |
| | Point Lonsdale Bowls Clubhouse Upgrade | - | 73 |
| | Software maintenance | 24 | 43 |
| | Telephone and internet charges | 42 | 43 |

| | | 2012 \$'000 | 2011 \$'000 |
|-----------------------|---|----------------|----------------|
| Note 11 (cont) | Legal expenses | 34 | 37 |
| | Powerline and sundry tree clearance | 72 | 33 |
| | Security | 30 | 30 |
| | Review of the planning scheme | 18 | 27 |
| | Road condition survey | - | 15 |
| | Sustainability - carbon neutral action program | 53 | 11 |
| | Fire and emergency management | 1 | 11 |
| | Tree removal and replacement program | 27 | 8 |
| | Point Lonsdale structure plan | - | 6 |
| | Other | 4 | 5 |
| | Total materials and services | 3,652 | 3,428 |
| Note 12 | Bad and doubtful debts | | |
| | Parking fine debtors | - | 2 |
| | Caravan park debtors | 6 | - |
| | Total bad and doubtful debts | 6 | 2 |
| Note 13 | Depreciation and amortisation | | |
| | <i>Property</i> | | |
| | Buildings | | |
| | Buildings | 217 | 211 |
| | Caravan park cabins | 29 | 25 |
| | <i>Plant and Equipment</i> | | |
| | Plant, machinery and equipment | 57 | 40 |
| | Fixtures, fittings and furniture | 26 | 24 |
| | Computers and telecommunications | 27 | 29 |
| | Recreation equipment | 64 | 62 |
| | <i>Infrastructure</i> | | |
| | Roads | 246 | 232 |
| | Kerb and channel | 29 | 29 |
| | Footpaths and cycleways | 39 | 38 |
| | Drainage | 52 | 51 |
| | Recreational, leisure and community facilities | 12 | 4 |
| | Total depreciation and amortisation | 799 | 745 |
| Note 14 | Finance costs | | |
| | Interest - Borrowings | 92 | 115 |
| | Total finance costs | 92 | 115 |
| Note 15 | Superannuation - additional call | | |
| | Superannuation - additional call on Defined Benefits Fund | 218 | 45 |
| | Total superannuation - additional call | 218 | 45 |

* during the prior period (2011) Council was required to make an additional contribution to Vision Super to meet our obligations in relation to members of the defined benefit plan. Vision super also advised In July 2012 of another call payable on 1 July 2013. This call is recognised as an expense in the 2012 period and a non-current liability under Employee Provisions (see note 26).

| | | 2012 \$'000 | 2011 \$'000 |
|----------------|---|----------------|----------------|
| Note 16 | Other expenses | | |
| | Auditors' remuneration | 51 | 50 |
| | Councillors' allowances | 111 | 108 |
| | Operating lease rentals | 46 | 36 |
| | Landfill disposal levy | 119 | - |
| | Other | 12 | 8 |
| | Total other expenses | 339 | 201 |
| Note 17 | Impairment losses recognised in profit or loss * | - | 116 |
| | * Impairment losses are included by asset class at Note 23 | | |
| Note 18 | Investment in associates | | |
| | Investments in associates accounted for by the equity method are: | | |
| | - Geelong regional library corporation | 246 | 276 |
| | Total | 246 | 276 |
| | Geelong regional library corporation | | |
| | <i>Background</i> | | |
| | The Borough recognises its interest in the Geelong Regional Library Corporation by recording an investment in its financial statements at a value based on the Borough's underlying interest in the net assets of the service disclosed in its unaudited financial statements for the year ended 30 June 2012. The Borough's share of the net assets is calculated on the same ratio as it contributes to the operating costs of the service. Annual contributions to the library service are included in the Income Statement. | | |
| | <i>Council's share of accumulated surplus(deficit)</i> | | |
| | Council's share of accumulated surplus(deficit) at start of year | 276 | 271 |
| | Reported surplus(deficit) for year | (30) | 5 |
| | Council's share of accumulated surplus(deficit) at end of year | 246 | 276 |
| Note 19 | Cash and cash equivalents | | |
| | Cash on hand | 2 | 1 |
| | Cash at bank | 385 | 861 |
| | Money market call account | 956 | 24 |
| | Term deposits | 2,374 | 2,019 |
| | Total cash and cash equivalents | 3,716 | 2,905 |
| | Council's cash and cash equivalents are subject to a number of internal and external restrictions that limit amounts available for discretionary or future use. These include: | | |
| | - Reserve funds allocated for specific future purposes (Note 28) | 2,653 | 2,046 |
| | - Trust funds and deposits (Note 25) | 68 | 68 |
| | Restricted Funds | 2,721 | 2,114 |
| | Total unrestricted cash and cash equivalents | 995 | 791 |

| | | 2012 \$'000 | 2011 \$'000 |
|----------------|--|----------------|----------------|
| Note 20 | Trade and other receivables | | |
| | Current | | |
| | Rates debtors | 115 | 94 |
| | Pensioner rebate | 45 | - |
| | Caravan park debtors | 25 | - |
| | Provision for doubtful debts - caravan park income | (6) | - |
| | Parking infringement debtors | 12 | 12 |
| | Provision for doubtful debts - parking infringements | (3) | (4) |
| | Loans and advances to community organisations | 10 | 10 |
| | Queenscliff sports club enhancement | 29 | - |
| | Restitution costs | 13 | - |
| | Crown Land amenities | - | 28 |
| | Other | 31 | 34 |
| | Net GST receivable | 159 | 34 |
| | Total | 430 | 208 |
| | Non-current | | |
| | Loans and advances to community organisations | 14 | 25 |
| | Salary recharge | 5 | 10 |
| | Total | 19 | 35 |
| | Total trade and other receivables | 450 | 243 |
| Note 21 | Inventories | | |
| | Inventories held for sale | 6 | 6 |
| | Total inventories | 6 | 6 |
| Note 22 | Other assets | | |
| | Current | | |
| | Prepayments | 73 | 93 |
| | Accrued income | 85 | 64 |
| | Total | 158 | 157 |

Note 23

Property, infrastructure, plant and equipment

| | 2012 \$'000 | 2011 \$'000 |
|----------------------------------|----------------|----------------|
| Summary | | |
| at cost | 4,676 | 16,403 |
| Less accumulated depreciation | 969 | 875 |
| | 3,707 | 15,527 |
| at fair value as at 1 July 2007 | - | 2,843 |
| at fair value as at 30 June 2010 | - | 42,491 |
| at fair value as at 1 July 2010 | 17,826 | 17,826 |
| at fair value as at 30 June 2012 | 64,992 | - |
| Less accumulated depreciation | 20,540 | 18,300 |
| | 62,278 | 44,859 |
| Total | 65,985 | 60,387 |
| Property | | |
| Land | | |
| at fair value as at 30 June 2010 | - | 20,059 |
| at fair value as at 30 June 2012 | 21,233 | - |
| | 21,233 | 20,059 |
| Land under roads | | |
| at cost at 1 July 2008 | - | 13,108 |
| at fair value as at 30 June 2012 | 14,348 | - |
| | 14,348 | 13,108 |
| Total Land | 35,581 | 33,167 |
| Buildings | | |
| at cost | - | 171 |
| Less accumulated depreciation | - | 3 |
| | - | 168 |
| at fair value as at 30 June 2010 | - | 22,063 |
| at fair value as at 30 June 2012 | 25,256 | - |
| Less accumulated depreciation | 12,242 | 10,708 |
| | 13,015 | 11,355 |
| | 13,015 | 11,523 |
| Caravan park cabins | | |
| at fair value as at 30 June 2010 | - | 370 |
| at fair value as at 30 June 2012 | 484 | - |
| Less accumulated depreciation | 98 | 62 |
| | 386 | 308 |
| | 386 | 308 |
| Total Buildings | 13,401 | 11,831 |
| Total Property | 48,982 | 44,998 |

Valuation of land (including land under roads) was undertaken by a qualified independent valuer from Landlink - Opteon. The valuation of land is at fair value, being market value based on highest and best use permitted by relevant land planning provisions.

Land under roads is at fair value, using site values adjusted for englobo (undeveloped and/or unserviced) characteristics, access rights and private interests of other parties and entitlements of infrastructure assets and services.

Valuation of buildings was undertaken by Landlink - Opteon, using the work of CT Management conducted two years ago and in line with Rawlinson's Aust. Construction Handbook as a guide for building costs. The valuation of buildings is at fair value based on current replacement cost less accumulated depreciation at the date of valuation.

| Note 23 | Property, infrastructure, plant and equipment (cont) | 2012 \$'000 | 2011 \$'000 |
|---------|--|----------------|----------------|
| | Plant and Equipment | | |
| | Plant, machinery and equipment | | |
| | at cost | 419 | 354 |
| | Less accumulated depreciation | 170 | 159 |
| | | 249 | 195 |
| | Fixtures, fittings and furniture | | |
| | at cost | 322 | 309 |
| | Less accumulated depreciation | 146 | 123 |
| | | 176 | 186 |
| | Computers and telecommunications | | |
| | at cost | 310 | 278 |
| | Less accumulated depreciation | 193 | 219 |
| | | 115 | 59 |
| | Recreation equipment | | |
| | at cost | 903 | 870 |
| | Less accumulated amortisation | 407 | 343 |
| | | 496 | 527 |
| | Total Plant and Equipment | 1,036 | 967 |
| | Infrastructure | | |
| | Roads | | |
| | at cost | 305 | 150 |
| | Less accumulated depreciation | 17 | 2 |
| | | 287 | 148 |
| | at fair value as at 1 July 2010 | 14,043 | 14,043 |
| | Less accumulated depreciation | 5,009 | 4,778 |
| | | 9,034 | 9,265 |
| | | 9,321 | 9,413 |
| | Kerb and channel | | |
| | at cost | 31 | 30 |
| | Less accumulated depreciation | 1 | - |
| | | 30 | 30 |
| | at fair value as at 1 July 2010 | 2,295 | 2,295 |
| | Less accumulated depreciation | 851 | 822 |
| | | 1,445 | 1,473 |
| | | 1,475 | 1,503 |
| | Footpaths and cycleways | | |
| | at cost | 66 | 25 |
| | Less accumulated depreciation | 2 | - |
| | | 64 | 25 |
| | at fair value as at 1 July 2010 | 1,488 | 1,488 |
| | Less accumulated depreciation | 591 | 552 |
| | | 897 | 936 |
| | | 963 | 962 |

| Note 23 | Property, infrastructure, plant and equipment (cont) | 2012 \$'000 | 2011 \$'000 |
|--|--|----------------|----------------|
| | Drainage | | |
| | at cost | - | 253 |
| | Less accumulated depreciation | - | 5 |
| | | - | 248 |
| | at fair value as at 1 July 2007 | - | 2,843 |
| | at fair value as at 30 June 2012 | 3,671 | - |
| | Less accumulated depreciation | 1,750 | 1,378 |
| | | 1,921 | 1,465 |
| | | 1,921 | 1,712 |
| | Recreational, leisure and community facilities | | |
| | at cost | 1,111 | 447 |
| | Less accumulated depreciation | 34 | 22 |
| | | 1,076 | 425 |
| | Total Infrastructure | 14,757 | 14,015 |
| Valuation of roads, kerb and channel, footpaths and cycleways has been determined in accordance with an independent valuation undertaken by Mr Peter Moloney, Dip C.E.C.E.MIE Aust as at 1 July 2010. The valuation is at fair value based on replacement cost less accumulated depreciation as at the date of valuation. The next revaluation of roads, kerb and channel, footpaths and cycleways will occur in 2013/2014. The drainage valuation was conducted by Council's engineer, Mr. Stuart Hansen, during 2011/2012. | | | |
| | Works in progress | | |
| | Property at cost | 884 | 250 |
| | Infrastructure at cost | 288 | 92 |
| | Plant and equipment at cost | 38 | 66 |
| | Total Works in progress | 1,210 | 407 |
| | Total property, infrastructure, plant and equipment | 65,985 | 60,387 |

Note 23 Property, infrastructure, plant and equipment

| 2012 | Balance at beginning of financial year | Acquisition of assets | Revaluation increments (decrements) (note 28) | Depreciation and amortisation (note 13) | Written down value of disposals | Impairment losses recognised in profit or loss (a) | Transfers | Balance at end of financial year |
|--|--|--------------------------|--|--|---------------------------------------|--|-----------|--|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Property | | | | | | | | |
| land | 20,059 | - | 1,174 | - | - | - | - | 21,233 |
| land under roads | 13,108 | - | 1,240 | - | - | - | - | 14,348 |
| Total land | 33,167 | - | 2,414 | - | - | - | - | 35,581 |
| buildings | 11,523 | 75 | 1,596 | 217 | - | - | 38 | 13,014 |
| caravan park cabins | 308 | | 22 | 29 | - | - | 87 | 387 |
| Total buildings | 11,831 | 75 | 1,618 | 246 | - | - | 126 | 13,401 |
| Total property | 44,998 | 75 | 4,031 | 246 | - | - | 126 | 48,982 |
| Plant and Equipment | | | | | | | | |
| plant, machinery and equipment | 195 | 185 | - | 57 | 74 | - | - | 249 |
| fixtures, fittings and furniture | 186 | 15 | - | 26 | - | - | - | 176 |
| computers and telecommunications | 59 | 87 | - | 27 | 4 | - | - | 115 |
| recreation equipment | 527 | 33 | - | 64 | - | - | - | 496 |
| Total plant and equipment | 967 | 319 | - | 174 | 78 | - | - | 1,036 |
| Infrastructure | | | | | | | | |
| roads | 9,413 | 154 | - | 246 | - | - | - | 9,321 |
| kerb and channel | 1,503 | 1 | - | 29 | - | - | - | 1,475 |
| footpaths and cycleways | 961 | 41 | - | 39 | - | - | - | 963 |
| drainage | 1,713 | 8 | 253 | 52 | - | - | - | 1,921 |
| recreational, leisure and community facilities | 425 | 222 | - | 12 | - | - | 440 | 1,076 |
| Total infrastructure | 14,015 | 427 | 253 | 378 | - | - | 440 | 14,757 |
| Works in progress | | | | | | | | |
| property | 249 | 763 | - | - | - | - | (127) | 884 |
| infrastructure | 92 | 241 | - | - | - | - | (44) | 288 |
| plant and equipment | 66 | 367 | - | - | - | - | (395) | 38 |
| Total works in progress | 407 | 1,372 | - | - | - | - | (566) | 1,210 |
| Total property, infrastructure, plant and equipment | 60,386 | 2,192 | 4,284 | 799 | 78 | - | - | 65,985 |

(a) Impairment losses

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

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

Note 23 *Property, infrastructure, plant and equipment (cont.)*

| 2011 | Balance at beginning of financial year | Acquisition of assets | Revaluation increments (decrements) (note 28) | Depreciation and amortisation (note 13) | Written down value of disposals | Impairment losses recognised in profit or loss (a) | Change in accounting estimate (note 29) | Recognition of assets for first time (note 29) | Derecognition of assets (note 29) | Transfers | Balance at end of financial year |
|--|--|--------------------------|--|--|---------------------------------------|--|--|---|---|-----------|--|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Property | | | | | | | | | | | |
| land | 20,059 | - | - | - | - | - | - | - | - | - | 20,059 |
| land under roads | 13,108 | - | - | - | - | - | - | - | - | - | 13,108 |
| Total land | 33,167 | - | - | - | - | - | - | - | - | - | 33,167 |
| buildings | 11,563 | 103 | - | 211 | - | - | - | - | - | 68 | 11,523 |
| caravan park cabins | 333 | - | - | 25 | - | - | - | - | - | - | 308 |
| Total buildings | 11,896 | 103 | - | 236 | - | - | - | - | - | 68 | 11,831 |
| Total property | 45,063 | 103 | - | 236 | - | - | - | - | - | 68 | 44,998 |
| Plant and Equipment | | | | | | | | | | | |
| plant, machinery and equipment | 163 | 98 | - | 40 | 26 | - | - | - | - | - | 195 |
| fixtures, fittings and furniture | 188 | 22 | - | 24 | - | - | - | - | - | - | 186 |
| computers and telecommunications | 66 | 22 | - | 29 | - | - | - | - | - | - | 59 |
| recreation equipment | 299 | 32 | - | 62 | - | - | - | - | - | 258 | 527 |
| Total plant and equipment | 716 | 173 | - | 155 | 26 | - | - | - | - | 258 | 967 |
| Infrastructure | | | | | | | | | | | |
| roads | 5,762 | 150 | 3,734 | 232 | - | - | - | - | - | - | 9,413 |
| kerb and channel | 1,211 | 30 | 291 | 29 | - | - | - | - | - | - | 1,503 |
| footpaths and cycleways | 585 | 25 | 389 | 38 | - | - | - | - | - | - | 961 |
| drainage | 995 | 35 | - | 51 | - | - | 638 | 100 | (14) | 9 | 1,713 |
| recreational, leisure and community facilities | 265 | 115 | - | 4 | - | 116 | - | - | - | 165 | 425 |
| Total infrastructure | 8,818 | 355 | 4,414 | 354 | - | 116 | 638 | 100 | (14) | 174 | 14,015 |
| Works in progress | | | | | | | | | | | |
| property | 135 | 182 | - | - | - | - | - | - | - | (68) | 249 |
| infrastructure | 222 | 43 | - | - | - | - | - | - | - | (174) | 92 |
| plant and equipment | 258 | 66 | - | - | - | - | - | - | - | (258) | 66 |
| Total works in progress | 615 | 292 | - | - | - | - | - | - | - | (500) | 407 |
| Total property, infrastructure, plant and equipment | 55,212 | 923 | 4,414 | 745 | 26 | 116 | 638 | 100 | (14) | - | 60,386 |

(a) Impairment losses

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

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

| | | 2012 \$'000 | 2011 \$'000 |
|----------------|---------------------------------------|----------------|----------------|
| Note 24 | Trade and other payables | | |
| | Trade payables | 421 | 272 |
| | Accrued expenses | 238 | 212 |
| | Total trade and other payables | 660 | 484 |
| Note 25 | Trust funds and deposits | | |
| | Revolving restoration fund | 41 | 41 |
| | Community nursery | 12 | 12 |
| | Retention amounts | 4 | 6 |
| | Other refundable deposits | 11 | 8 |
| | Total trust funds and deposits | 68 | 68 |

The revolving restoration fund refers to funding received from Heritage Victoria to enable Council to provide the community with low interest loans for heritage work on their properties.

| | | | | | | |
|----------------|---|--|--------------|-----------------------|---------------------|----------------|
| Note 26 | Provisions | | | | | |
| | | Superannuation - Defined Benefit Fund call | Annual leave | Long service leave | Accrued days off | Total |
| | | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 |
| | 2012 | | | | | |
| | Balance at beginning of the financial year | - | 162 | 286 | - | 448 |
| | Additional provisions | 218 | 117 | 137 | - | 472 |
| | Amounts used | - | (45) | (29) | - | (73) |
| | Balance at the end of the financial year | 218 | 234 | 394 | - | 847 |
| | 2011 | | | | | |
| | Balance at beginning of the financial year | - | 159 | 257 | 19 | 435 |
| | Additional provisions | - | 41 | 62 | - | 103 |
| | Amounts used | - | (38) | (33) | (19) | (90) |
| | Balance at the end of the financial year | - | 162 | 286 | - | 448 |
| | | | | | 2012 \$'000 | 2011 \$'000 |
| | Employee benefits | | | | | |
| | Current (i) | | | | | |
| | Annual leave | | | | 234 | 162 |
| | Long service leave | | | | 348 | 246 |
| | | | | | 584 | 408 |
| | Non-current (ii) | | | | | |
| | Long service leave | | | | 46 | 40 |
| | Superannuation additional call - Defined Benefits Scheme (see Note 34) | | | | 218 | - |
| | | | | | 264 | 40 |
| | Aggregate carrying amount of employee benefits: | | | | | |
| | Current | | | | 584 | 408 |
| | Non-current | | | | 264 | 40 |
| | | | | | 847 | 448 |
| | The following assumptions were adopted in measuring the present value of employee benefits: | | | | | |
| | Weighted average increase in employee costs | | | | 4.313% | 4.600% |
| | Weighted average discount rates | | | | 2.59% | 4.80% |
| | Weighted average settlement period | | | | 15 | 15 |
| | (i) Current | | | | | |
| | All annual leave and the long service leave entitlements representing five 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 | | | | 234 | 162 |
| | - Other long-term employee benefits that do not fall due within 12 months after the end of the period measured at present value | | | | 348 | 246 |
| | | | | | 584 | 408 |
| | (ii) Non-current | | | | | |
| | Long service leave representing less than five years of continuous service measured at present value | | | | 46 | 40 |
| | Superannuation liability for Defined Benefit Fund not payable until 1 July 2013. | | | | 218 | - |
| | | | | | 264 | 40 |

| | | 2012 \$'000 | 2011 \$'000 |
|----------------|---|----------------|----------------|
| Note 27 | Interest-bearing loans and borrowings | | |
| | Current | | |
| | Borrowings - secured | 1,085 | 1,287 |
| | Superannuation - liability | - | 142 |
| | | <u>1,085</u> | <u>1,429</u> |
| | Total | <u>1,085</u> | <u>1,429</u> |
| | The maturity profile for Council's borrowings is: | | |
| | Not later than one year | 216 | 343 |
| | Later than one year and not later than five years | 808 | 827 |
| | Later than five years | 61 | 259 |
| | Total | <u>1,085</u> | <u>1,429</u> |

Bank overdraft

Council did not make use of a bank overdraft facility during the 2011/12 financial year (2010/11 not used)

Finance leases

Council had no finance leases at year-end.

Note 28 Reserves

| | Balance at beginning of reporting period | Increment (decrement) | Balance at end of reporting period |
|--|--|--------------------------|---------------------------------------|
| (a) Asset revaluation surplus | \$'000 | \$'000 | \$'000 |
| 2012 | | | |
| Property | | | |
| Land | 18,393 | 1,174 | 19,567 |
| Land under roads | - | 1,240 | 1,240 |
| Buildings | 7,133 | 1,596 | 8,729 |
| Caravan park cabins | 42 | 22 | 64 |
| | 25,568 | 4,031 | 29,599 |
| Infrastructure | | | |
| Roads | 3,734 | - | 3,734 |
| Kerb and channel | 291 | - | 291 |
| Footpaths and cycleways | 389 | - | 389 |
| Drainage | - | 253 | 253 |
| | 4,414 | 253 | 4,667 |
| Total asset revaluation surplus | 29,982 | 4,284 | 34,266 |
| 2011 | | | |
| Property | | | |
| Land | 18,393 | - | 18,393 |
| Land under roads | - | - | - |
| Buildings | 7,133 | - | 7,133 |
| Caravan park cabins | 42 | - | 42 |
| | 25,568 | - | 25,568 |
| Infrastructure | | | |
| Roads | - | 3,734 | 3,734 |
| Kerb and channel | - | 291 | 291 |
| Footpaths and cycleways | - | 389 | 389 |
| Drainage | - | - | - |
| | - | 4,414 | 4,414 |
| Total asset revaluation surplus | 25,568 | 4,414 | 29,982 |

The asset revaluation reserve was established to capture the movements in asset valuations upon the periodic revaluation of Council's assets. It is used to record material differences between the current market value of an asset and the amount at which it has previously been carried in the Balance Sheet. Land, buildings and drainage assets have been revalued during the 2011/12 financial year. The next revaluation of infrastructure assets will be due in the 2013/14 financial year.

Note 28 Reserves (cont)

| | Balance at beginning of reporting period | Transfer from accumulated surplus | Transfer to accumulated surplus | Balance at end of reporting period |
|-----------------------------|--|---|---------------------------------------|---------------------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| (b) Other reserves | | | | |
| 2012 | | | | |
| Crown Land Reserve | 1,226 | - | (1,226) | - |
| Incomplete Capital Works | 374 | 1,391 | (235) | 1,530 |
| Incomplete Operating Works | 217 | 586 | (166) | 637 |
| Asset Replacement Reserve | 229 | 484 | (227) | 486 |
| Total Other reserves | 2,046 | 2,461 | (1,854) | 2,653 |
| 2011 | | | | |
| Crown Land Reserves | 686 | 847 | (307) | 1,226 |
| Incomplete Capital Works | 145 | 374 | (145) | 374 |
| Incomplete Operating Works | 184 | 217 | (184) | 217 |
| Asset Replacement Reserve | - | 229 | - | 229 |
| Total Other reserves | 1,015 | 1,667 | (636) | 2,046 |

Crown Land Reserve - represents the balance of funds of Council Crown Land Reserve. Funds generated by Council's boat ramp and caravan park activities fund this reserve. Expenditures from this reserve fund improvements on crown land.

Incomplete Works Reserves (capital and operating) represent those projects which are not complete at year end and funding is reserved from current year operations to be carried forward into the following year. Some of the capital projects are recorded as Works in Progress in Note 23, whilst details of each project for which grants remain unexpended are at Note 5.

Asset Replacement Reserve - represents funds set aside for future building and infrastructure renewal needs.

| | | 2012 \$'000 | 2011 \$'000 |
|---|--|----------------|----------------|
| Note 29 | Adjustments directly to equity | | |
| | Adjustment on change in accounting estimate resulting from review of useful lives of drainage assets | 638 | - |
| | Net adjustment arising from recognition and derecognition of drainage assets | 86 | - |
| | Net adjustment arising from recognition and derecognition of roads | - | (113) |
| | | 724 | (113) |
| <p>A fixed asset management review was conducted during the 2011/12 financial year, by Council's Engineer Mr. Stuart Hansen, specifically in relation to drainage assets. As a result of this review, some drainage assets have been removed from Council's asset register. Conversely, other drainage assets were identified and have been added to Council's asset register. These are included above as the net adjustment arising from recognition and derecognition of drainage assets.</p> <p>The review of drainage assets included a review of useful and remaining lives. Drainage pipes, previously recorded as having useful lives ranging from 50 to 80 years, has now been revised to a useful life of 100 years for all pipes. Drainage pits, previously recorded as having a useful life of 50 years, has now been revised to a useful life of 100 years. Drainage pumps, previously recorded as having a useful life of 20 years, has now been revised to useful lives ranging from 10 to 20 years. Note 1(e) to the financial report has been amended to reflect the new useful lives for drainage assets. The impact of changes to the useful and remaining lives of drainage assets is included above as the adjustment on change in accounting estimate resulting from review of useful lives of drainage assets.</p> <p>The opening position for 2010/11 accumulated surplus has been adjusted to reflect the above adjustments directly to equity.</p> <p>These adjustments have not had a material impact on the opening balances in the financial report and as such a third balance sheet has not been included.</p> | | | |
| Note 30 | Reconciliation of cash flows from operating activities to surplus (deficit) | | |
| | Profit/(loss) | 2,071 | 1,358 |
| | Depreciation/amortisation | 799 | 745 |
| | (Profit)/loss on disposal of property, infrastructure, plant and equipment | 16 | (5) |
| | Finance costs | 92 | 115 |
| | Impairment loss recognised in profit or loss - recreational, leisure and community facilities | - | 116 |
| | <i>Change in assets and liabilities:</i> | | |
| | (Increase)/decrease in trade and other receivables | (207) | 181 |
| | (Increase)/decrease in inventories | - | 1 |
| | (Increase)/decrease in prepayments | 19 | 66 |
| | (Increase)/decrease in accrued income | (21) | - |
| | (Increase)/decrease in regional library equity | 30 | (5) |
| | Increase/(decrease) in trade and other payables | 149 | (334) |
| | Increase/(decrease) in accrued expenses | 26 | (64) |
| | Increase/(decrease) in provisions | 399 | 13 |
| | Net cash provided by/(used in) operating activities | 3,373 | 2,188 |
| Note 31 | Reconciliation of cash and cash equivalents | | |
| | Cash and cash equivalents (see note 19) | 3,716 | 2,905 |
| | Total reconciliation of cash and cash equivalents | 3,716 | 2,905 |
| Note 32 | Financing arrangements | | |
| | Bank overdraft | 5 | 5 |
| | Unused facilities | 5 | 5 |
| Note 33 | Restricted assets | | |
| <p>Council has cash and cash equivalents (note 19) that are subject to restrictions. As at the reporting date, Council had legislative restrictions in relation to trust accounts and reserve funds.</p> | | | |
| | Trust funds and deposits (note 25) | 68 | 68 |
| | Reserve funds (note 28) | 2,653 | 2,046 |
| | Total restricted assets | 2,721 | 2,114 |

Note 34 Superannuation

Post-employment Benefit

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

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

Defined Benefit Plan

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

Borough of Queenscliffe 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, Borough of Queenscliffe makes the following contributions:-

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

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 Local Government authorities Superannuation Fund latest 31 December 2011 actuarial investigation identified an unfunded liability of \$453 million (including contributions tax) in the defined benefit fund of which we are a member. Council was made aware of the expected shortfall through the year and was informed formally of their share of the shortfall on 31 July 2012 which amounted to \$185,449.70 plus contributions tax of \$32,726.42. Council will consider the options for repayment of the liability in light of the 2012/13 budget. Council has accounted for the shortfall in the Comprehensive Income Statement (see note 15) and in the Statement of Financial Position in note 26.

Council also makes employer superannuation contributions in respect of its employees to a variety of employee nominated accumulation funds (REI, Health Super, Hostplus, HESTA and Wuchatsch). *Obligations for contributions are recognised as an expense in profit or loss when they are due.*

Council made Contributions to the following funds:

| | 2012 \$'000 | 2011 \$'000 |
|--|----------------|----------------|
| Fund | | |
| Defined benefits fund | | |
| Employer contributions to Local Authorities Superannuation Fund (Vision Super) | 13 | 2 |
| | 13 | 2 |
| Employer contributions payable to Local Authorities Superannuation Fund (Vision Super) | 218 | 142 |
| | 218 | 142 |
| Accumulation funds | | |
| Employer contributions to Local Authorities Superannuation Fund (Vision Super) | 176 | 175 |
| Employer contributions to REI, Health Super, Hostplus, HESTA and Wuchatsch | 19 | 19 |
| | 195 | 194 |

Note 35 Commitments

The Council has entered into the following commitments

| 2012 | Not later than 1 year \$'000 | Later than 1 year and not later than 2 years \$'000 | Later than 2 years and not later than 5 years \$'000 | Total \$'000 |
|---------------------------------------|------------------------------------|---|--|-----------------|
| Operating | | | | |
| Roads, parks and reserves maintenance | 703 | 690 | 1,381 | 2,775 |
| Garbage collection | 370 | - | - | 370 |
| Internal Audit | 21 | 21 | 10 | 52 |
| Information systems & technology | 28 | 28 | 16 | 72 |
| Total | 1,122 | 739 | 1,407 | 3,269 |
| Capital | | | | |
| Buildings | 251 | - | - | 251 |
| Total | 251 | - | - | 251 |
| Total | 1,373 | 739 | 1,407 | 3,520 |

| 2011 | Not later than 1 year \$'000 | Later than 1 year and not later than 2 years \$'000 | Later than 2 years and not later than 5 years \$'000 | Total \$'000 |
|--|------------------------------------|---|--|-----------------|
| Operating | | | | |
| Roads, parks and reserves maintenance | 691 | - | - | 691 |
| Garbage collection | 360 | 370 | - | 730 |
| Cleaning contracts for council buildings | 35 | - | - | 35 |
| Home maintenance services | 64 | - | - | 64 |
| Heritage advisory service | 45 | - | - | 45 |
| Environmental health | 52 | - | - | 52 |
| Information systems & technology | - | - | - | - |
| | 1,247 | 370 | - | 1,617 |
| Capital | | | | |
| Buildings | 837 | - | - | 837 |
| Other | 86 | - | - | 86 |
| | 923 | - | - | 923 |
| Total | 2,170 | 370 | - | 2,540 |

| | | 2012 \$'000 | 2011 \$'000 |
|----------------|--|----------------|----------------|
| Note 36 | Operating leases | | |
| | Operating lease commitments | | |
| | At the reporting date, the Council had the following obligations under non-cancellable operating leases for the lease of equipment and motor vehicles for use within Council's activities (these obligations are not recognised as liabilities): | | |
| | Not later than one year | 47 | 32 |
| | Later than one year and not later than five years | 79 | 88 |
| | | <u>127</u> | <u>120</u> |

Note 37 **Contingent liabilities**

Council has a number of matters which involve engaging the services of council's solicitor Harwood Andrews. These relate to the following:

- advice regarding insurance claims
- advice regarding major works contract
- advice regarding planning proposal under the Queenscliffe Planning Scheme
- review of regulatory and operational issues at caravan and camping parks

The total cost of these items is estimated at \$33,700

Superannuation

Council has disclosed a liability of \$218,000 (Note 26) being the superannuation call from Vision Super. Notwithstanding this, Council's obligations under a defined benefit superannuation scheme may result in the need to make further contributions to the scheme to ensure that the liabilities of the fund are covered by the assets of the fund. Due to fluctuations in the value of assets underlying the fund and movements in the liabilities of the fund, Council may be required to make an additional contribution to the fund. At this point, Council cannot measure the level of any potential future exposure as the amount of such exposure is uncertain.

Guarantees for loans to other entities

| | |
|---|----|
| - | 11 |
|---|----|

In March 2007 Council agreed to act as guarantor for a loan to the Queenscliff Golf Club to a maximum value of \$50,000. The loan advance was provided by the Bendigo Bank and was drawn down for the full amount of \$50,000 on 25 May 2007. The remainder of this loan was paid off by the Club during 2011/12 (2010/11 : \$10,561).

Note 38

Financial Instruments

(a) Accounting Policy, terms and conditions

| Recognised financial instruments | Note | Accounting Policy | Terms and Conditions |
|--|------|---|--|
| Financial assets | | | |
| Cash and cash equivalents | 19 | Cash on hand and at bank and money market call account are valued at face value. Interest is recognised as it accrues. Investments and bills are valued at cost. Investments are held to maximise interest returns of surplus cash. Interest revenues are recognised as they accrue. Managed funds are measured at market value. | On call deposits returned a floating interest rate of between 2.00% (2.00% in 2010/2011) and 6.25% (6.00% in 2010/2011). The interest rate on the balance held in Council's general bank account at balance date was 1.75% (4.00% in 2010/2011). Funds returned fixed interest rate of between 4.00% (4.75% in 2010/2011), and 6.25% (6.25% in 2010/2011) net of fees. Nil managed funds for 2011/2012 (Nil for 2010/2011) |
| Trade and other receivables | 20 | Receivables are carried at amortised cost using the effective interest method. A provision for doubtful debts is recognised when there is objective evidence that an impairment loss has occurred. Collectability of overdue accounts is assessed on an ongoing basis. | General debtors are unsecured. Credit terms are based on 30 days. |
| 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 30 days of invoice receipt. |
| Interest-bearing loans and borrowings | 27 | Loans are carried at their principal amounts, which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and recognised as part of payables. | Borrowings are secured by way of mortgages over the general rates of the Council. The weighted average interest rate on borrowings is 7.55% (8.03% in 2010/2011). |
| Bank overdraft | 32 | Overdrafts are recognised at the principal amount. Interest is charged as an expense as it accrues. | The overdraft is subject to annual review. It is secured by a mortgage over Council's general rates and is repayable on demand. Nil overdraft for 2011/12 (Nil for 2010/11). The interest rate as at balance date was 9.79% (10.49% in 2010/2011). |

Note 38 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:

2012

| | Fixed interest maturing in: | | | | | Total \$'000 |
|---------------------------------------|--|-----------------------------|--------------------------------|--------------------------------|-----------------------------------|-----------------|
| | Floating interest rate \$'000 | 1 year or less \$'000 | Over 1 to 5 years \$'000 | More than 5 years \$'000 | Non-interest bearing \$'000 | |
| Financial assets | | | | | | |
| Cash and cash equivalents | 1,340 | 2,374 | - | - | 2 | 3,716 |
| Trade and other receivables | - | 10 | 14 | - | 307 | 331 |
| Accrued income | - | - | - | - | 85 | 85 |
| Total financial assets | 1,340 | 2,384 | 14 | - | 393 | 4,132 |
| Weighted average interest rate | 3.00% | 5.04% | | | | |
| Financial liabilities | | | | | | |
| Trade and other payables | - | - | - | - | 660 | 660 |
| Trust funds and deposits | - | - | - | - | 68 | 68 |
| Interest-bearing loans and borrowings | - | 1,085 | 808 | 61 | - | 1,085 |
| Total financial liabilities | - | 1,085 | 808 | 61 | 729 | 1,814 |
| Weighted average interest rate | | 7.26% | 7.54% | 8.79% | | |
| Net financial assets (liabilities) | 1,340 | 1,299 | (794) | (61) | (335) | 2,318 |

2011

| | Fixed interest maturing in: | | | | | Total \$'000 |
|---------------------------------------|-------------------------------------|-----------------------------|--------------------------------|--------------------------------|-----------------------------------|-----------------|
| | Floating Interest rate \$'000 | 1 year or less \$'000 | Over 1 to 5 years \$'000 | More than 5 years \$'000 | Non-interest bearing \$'000 | |
| Financial assets | | | | | | |
| Cash and cash equivalents | 885 | 2,019 | - | - | 1 | 2,905 |
| Trade and other receivables | - | 10 | 25 | - | 104 | 140 |
| Accrued income | - | - | - | - | 64 | 64 |
| Total financial assets | 885 | 2,029 | 25 | - | 170 | 3,109 |
| Weighted average interest rate | 3.95% | 6.01% | | | | |
| Financial liabilities | | | | | | |
| Trade and other payables | - | - | - | - | 484 | 484 |
| Trust funds and deposits | - | - | - | - | 68 | 68 |
| Interest-bearing loans and borrowings | 142 | 1,287 | 827 | 259 | - | 1,429 |
| Total financial liabilities | 142 | 1,287 | 827 | 259 | 552 | 1,981 |
| Weighted average interest rate | | 7.80% | 7.98% | 8.34% | | |
| Net financial assets (liabilities) | 743 | 742 | (802) | (259) | (382) | 1,128 |

Note 38 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 Statement of Financial Position | | Aggregate net fair value | |
|---------------------------------------|---|----------------|--------------------------|----------------|
| | 2012 \$'000 | 2011 \$'000 | 2012 \$'000 | 2011 \$'000 |
| <i>Financial assets</i> | | | | |
| Cash and cash equivalents | 3,716 | 2,905 | 3,716 | 2,905 |
| Trade and other receivables | 331 | 140 | 331 | 140 |
| Accrued income | 85 | 64 | 85 | 64 |
| <i>Total financial assets</i> | <u>4,132</u> | <u>3,109</u> | <u>4,132</u> | <u>3,109</u> |
| <i>Financial liabilities</i> | | | | |
| Trade and other payables | 660 | 484 | 660 | 484 |
| Trust funds and deposits | 68 | 68 | 68 | 68 |
| Interest-bearing loans and borrowings | 1,085 | 1,429 | 1,085 | 1,429 |
| <i>Total financial liabilities</i> | <u>1,814</u> | <u>1,981</u> | <u>1,814</u> | <u>1,981</u> |
| Net financial assets (liabilities) | <u>2,318</u> | <u>1,128</u> | <u>2,318</u> | <u>1,128</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 Statement of Financial Position.

(e) Risks and mitigation

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

Market risk

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

Interest rate risk

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

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

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

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

Note 38 Financial Instruments (cont.)

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 Statement of Financial Position. To help manage this risk:

- we have a practice 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 is the Victorian Government. Apart from the Victorian Government we do not have any significant credit risk exposure to a single customer or groups of customers. Ongoing credit evaluation is performed on the financial condition of our customers and, where appropriate, an allowance for doubtful debts is raised.

We may also be subject to credit risk for transactions which are not included in the Statement of Financial Position, such as when we provide a guarantee for another party. Details of our contingent liabilities are disclosed in note 37.

| Movement in Provisions for Doubtful Debts | 2012 | 2011 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Balance at the beginning of the year | 4 | 4 |
| New Provisions recognised during the year | 6 | 2 |
| Amounts already provided for and written off as uncollectible | (1) | (1) |
| Amounts provided for but recovered during the year | - | (1) |
| Balance at end of year | <u>9</u> | <u>4</u> |

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:

| | 2012 | 2011 |
|----------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Current (not yet due) | 278 | 130 |
| Past due by up to 30 days | 29 | 6 |
| Past due between 31 and 180 days | 24 | 4 |
| Past due by more than 1 year | - | - |
| Total Trade & Other Receivables | <u>331</u> | <u>140</u> |

Note 38 Financial Instruments (cont.)

Ageing of individually impaired Trade and Other Receivables

The individually impaired debtors relate to general and sundry debtor and have been impaired as a result of their doubtful collection. At 30 June 2012 there were no debtors in this category.

Liquidity risk

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

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

To help reduce these risks we:

- have a liquidity practice of establishing minimum working capital requirements when developing cash flow budgets;
- have readily accessible standby facilities and other funding arrangements in place;
- have a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid
- 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.

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

The table below lists the contractual maturities for Financial Liabilities.

These amounts represent undiscounted gross payments including both principal and interest amounts.

| 2012 | 6 mths | 6-12 | 1-2 | 2-5 | >5 | Contracted | Carrying |
|---------------------------------------|---------|--------|--------|--------|--------|------------|----------|
| | or less | months | years | years | years | Cash Flow | Amount |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Trade and other payables | 660 | - | - | - | - | 660 | 660 |
| Trust funds and deposits | 10 | 1 | 10 | 6 | - | 27 | 68 |
| Interest-bearing loans and borrowings | 147 | 147 | 288 | 677 | 65 | 1,324 | 1,085 |
| Total financial liabilities | 818 | 148 | 298 | 683 | 65 | 2,011 | 1,814 |

| 2011 | 6 mths | 6-12 | 1-2 | 2-5 | >5 | Contracted | Carrying |
|---------------------------------------|---------|--------|--------|--------|--------|------------|----------|
| | or less | months | years | years | years | Cash Flow | Amount |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Trade and other payables | 484 | - | - | - | - | 484 | 484 |
| Trust funds and deposits | 13 | 2 | 6 | 6 | - | 27 | 68 |
| Interest-bearing loans and borrowings | 288 | 147 | 295 | 754 | 279 | 1,763 | 1,429 |
| Total financial liabilities | 785 | 150 | 301 | 760 | 279 | 2,274 | 1,981 |

Note 38 Financial Instruments (cont.)

(f) Sensitivity disclosure analysis

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

- A parallel shift of + 1% and -2% in market interest rates (AUD) from year-end rates of 3.5%.

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.

| Carrying amount subject to interest | | Interest rate risk | | | |
|---------------------------------------|--------|--------------------|--------|-------------------|--------|
| | | -2 % | | +1 % | |
| | | -200 basis points | | +100 basis points | |
| | | Profit | Equity | Profit | Equity |
| 2012 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Financial assets: | | | | | |
| Cash and cash equivalents | 3,716 | (74) | (74) | 37 | 37 |
| Trade and other receivables | 24 | - | - | - | - |
| Financial liabilities: | | | | | |
| Interest-bearing loans and borrowings | 1,085 | (22) | (22) | 11 | 11 |

| Carrying amount subject to interest | | Interest rate risk | | | |
|---------------------------------------|--------|--------------------|--------|-------------------|--------|
| | | -2 % | | +1 % | |
| | | -200 basis points | | +100 basis points | |
| | | Profit | Equity | Profit | Equity |
| 2011 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Financial assets: | | | | | |
| Cash and cash equivalents | 2,905 | (58) | (58) | 29 | 29 |
| Trade and other receivables | 35 | (1) | (1) | - | - |
| Financial liabilities: | | | | | |
| Interest-bearing loans and borrowings | 1,429 | (29) | (29) | 14 | 14 |

(g) Fair Value Hierarchy

There were no fair value adjustments to financial assets through the comprehensive income statement in 2011/12 (2010/11 : Nil).

Note 39 Auditors' remuneration

| 2012 | 2011 |
|--------|--------|
| \$'000 | \$'000 |

| | | |
|---|----|----|
| Audit fee to conduct external audit - Victorian Auditor-General | 24 | 24 |
|---|----|----|

| | | |
|--|----|----|
| Internal audit fees - AFS & Associates | 24 | 22 |
|--|----|----|

| | | |
|----------------------|---|---|
| Audit committee fees | 3 | 4 |
|----------------------|---|---|

| | |
|----|----|
| 51 | 50 |
|----|----|

Note 40 Events occurring after balance date

Council has no reportable events occurring after balance date.

Note 41 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 Bob Merriman (Councillor and Mayor 01/07/11 to current)
Councillor John Burgess (Councillor 01/07/11 to current)
Councillor David Mitchell (Councillor 01/07/11 to current)
Councillor Helene Butler (Councillor 01/07/11 to current)
Councillor Lloyd Davies (Councillor 01/07/11 to current)

Chief Executive Officer Leonard Jenner (Chief Executive Officer 01/07/11 to 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:

| | 2012 No. | 2011 No. |
|---|---------------|---------------|
| \$10,000 - \$19,999 | 4 | 4 |
| \$30,000 - \$39,999 | - | 1 |
| \$40,000 - \$49,999 | 1 | - |
| \$170,000 - \$179,999 | - | 1 |
| \$190,000 - \$199,999 | 1 | - |
| | <u>6</u> | <u>6</u> |
| | \$'000 | \$'000 |
| Total Remuneration for the reporting year for Responsible Persons included above amounted to: | 300 | 286 |

(iii) No retirement benefits have been made by the Council to a Responsible Person (2010/11, nil).

(iv) No loans have been made, guaranteed or secured by the Council to a Responsible Person during the reporting year (2010/11, nil).

(v) Other Transactions

No transactions other than remuneration payments or the reimbursement of approved expenses were entered into by Council with Responsible Persons, or Related Parties of such Responsible Persons during the reporting year (2010/11, 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 \$127,000.

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

| | 2012 No. | 2011 No. |
|---|-------------|-------------|
| Income Range: | | |
| <\$127,000 | - | 1 |
| \$127,000 - \$129,999 | 1 | - |
| \$130,000 - \$139,999 | 2 | 1 |
| | <u>3</u> | <u>2</u> |
| Total Remuneration for the reporting year for Senior Officers included above, amounted to | 228 | 253 |

Note 42 **Income, expenses and assets by function/activities**

| | Governance and External Relations | | Finance and Audit | | Tourism and Community Development | | Community Services | |
|---|-----------------------------------|----------------|-------------------|--------------|-----------------------------------|--------------|--------------------|--------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| INCOME | | | | | | | | |
| Grants | 296 | 228 | - | - | 64 | 32 | 393 | 373 |
| Other | 7 | 7 | 5,400 | 5,080 | 416 | 445 | 124 | 142 |
| TOTAL | 303 | 235 | 5,400 | 5,080 | 481 | 477 | 517 | 516 |
| EXPENSES | (1,581) | (1,697) | (1,642) | (711) | (664) | (565) | (669) | (646) |
| SURPLUS (DEFICIT) FOR THE YEAR | (1,279) | (1,462) | 3,758 | 4,369 | (184) | (88) | (152) | (131) |
| ASSETS ATTRIBUTED TO FUNCTIONS/ACTIVITIES* | 4,228 | 4,129 | 23 | 17 | 7,728 | 7,543 | 764 | 717 |

| | Building | | Coastal and Environment | | Environmental Health | | Infrastructure Services | |
|---|-------------|-------------|-------------------------|----------------|----------------------|-------------|-------------------------|----------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| INCOME | | | | | | | | |
| Grants | 14 | 15 | 324 | 360 | 2 | - | 1,330 | 386 |
| Other | 12 | 18 | 1,434 | 1,254 | 33 | 24 | 91 | 75 |
| TOTAL | 26 | 33 | 1,757 | 1,614 | 35 | 24 | 1,421 | 461 |
| EXPENSES | (85) | (79) | (1,002) | (1,125) | (92) | (52) | (1,702) | (1,914) |
| SURPLUS (DEFICIT) FOR THE YEAR | (59) | (46) | 756 | 489 | (57) | (28) | (281) | (1,453) |
| ASSETS ATTRIBUTED TO FUNCTIONS/ACTIVITIES* | 8 | - | 8,505 | 7,841 | - | - | 43,094 | 39,391 |

| | Local Law Enforcement | | Planning | | Sustainability and Environment | | Total | |
|---|-----------------------|--------------|--------------|--------------|--------------------------------|-------------|----------------|----------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| INCOME | | | | | | | | |
| Grants | 12 | 12 | 10 | 10 | 20 | - | 2,464 | 1,417 |
| Other | 35 | 65 | 53 | 57 | - | - | 7,604 | 7,167 |
| TOTAL | 47 | 77 | 63 | 67 | 20 | - | 10,068 | 8,584 |
| EXPENSES | (198) | (188) | (206) | (205) | (110) | (45) | (7,952) | (7,226) |
| SURPLUS (DEFICIT) FOR THE YEAR | (151) | (110) | (143) | (138) | (90) | (45) | 2,116 | 1,358 |
| ASSETS ATTRIBUTED TO FUNCTIONS/ACTIVITIES* | 30 | 24 | - | - | - | - | 64,381 | 59,663 |

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

Note 42 (cont) The activities relating to the municipality's key operational areas reported on in the Comprehensive Income Statement are as follows:

Governance and External Relations

Operation and maintenance of the administration offices and the corporate costs of managing the municipality along with administration and management of external relationships including public relations, membership of municipal association, etc. Operation and maintenance of the council meeting areas and costs associated with mayoral and councillor allowances are also included under the governance function.

Finance and Audit

Rate revenue, principal and interest payments on loans, bank and rate collection charges, audit fees and insurance premiums are included within this function. Also included are employee costs in relation to finance, rates and risk management, as well as contract payments made in relation to information technology.

Tourism and Community Development

Consists of: library; arts, recreation and culture (including festivals and events and community grants for recreation, arts and youth); visitor information centre; tourism promotion; community and other human services (including senior citizens, community development grants, special events).

Community Services

Consists of: preschool centre; maternal and child health; aged and disabled services.

Building

Consists of: building control; heritage.

Coastal and Environment

Consists of: caravan parks and boat ramp; foreshore management and environmental protection.

Environmental Health

Consists of: registrations (including food, accommodation, hairdressers); inspections (including food premises); mosquito control.

Infrastructure Services

Consists of: engineering; road maintenance and works (including roads, kerb and channel, footpaths and cycleways, drainage, parks and gardens, street cleaning); foreshore (beach cleaning); powerline and tree clearance; street lighting; building maintenance program; waste disposal; public conveniences; building and infrastructure assets (including land under roads, sports complex, playground, bus shelters).

Local Law Enforcement

Consists of: local law enforcement (including parking, camping, alcohol consumption in public places); animal control; fire prevention and emergency management; school crossing supervision.

Planning

Consists of: strategic planning; town planning (including permits, land information certificates); development approvals and appeals; Point Lonsdale structure plan; review of planning scheme.

Sustainability and Environment

Initiatives including: climate change strategy; Council sustainability strategy; reducing emissions in the Borough.

| Note 43 | Financial ratios (Performance indicators) | 2012 \$'000 | 2012 (%) | 2011 \$'000 | 2011 (%) | 2010 \$'000 | 2010 (%) |
|---------|--|------------------------|-------------|------------------------|-------------|------------------------|-------------|
| (a) | Debt servicing ratio (to identify the capacity of Council to service its outstanding debt) | | | | | | |
| | <u>Debt servicing costs</u> Total revenue | $\frac{92}{10,044}$ | = 0.92% | $\frac{115}{8,584}$ | = 1.34% | $\frac{131}{7,754}$ | = 1.69% |
| | Debt servicing costs refer to the payment of interest on loan borrowings, finance lease, and bank overdraft. The ratio expresses the amount of interest paid as a percentage of Council's total revenue. | | | | | | |
| (b) | Debt commitment ratio (to identify Council's debt redemption strategy) | | | | | | |
| | <u>Debt servicing & redemption costs</u> Rate revenue | $\frac{294}{5,357}$ | = 5.50% | $\frac{333}{5,099}$ | = 6.53% | $\frac{337}{4,796}$ | = 7.04% |
| | 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 income) | | | | | | |
| | <u>Rate revenue</u> Total revenue | $\frac{5,357}{10,044}$ | = 53.33% | $\frac{5,099}{8,584}$ | = 59.40% | $\frac{4,796}{7,754}$ | = 61.85% |
| | The level of Council's reliance on rate revenue is determined by assessing rate revenue as a proportion of the total revenue of | | | | | | |
| (d) | Debt exposure ratio (to identify Council's exposure to debt) | | | | | | |
| | <u>Total indebtedness</u> Total realisable assets | $\frac{2,593}{51,262}$ | = 5.06% | $\frac{2,362}{44,636}$ | = 5.29% | $\frac{2,934}{44,385}$ | = 6.61% |

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 33) is excluded from total indebtedness.

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

land and buildings on Crown land; restricted assets; heritage assets; total infrastructure assets; and Council's investment in associate.

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

Note 43 (cont) (e) Working capital ratio (to assess Council's ability to meet current commitments)

| | | | |
|-----------------------|----------------------------------|----------------------------------|---------------------------------|
| <u>Current assets</u> | $\frac{4,310}{2,397} = 179.83\%$ | $\frac{3,276}{2,389} = 137.12\%$ | $\frac{2,550}{2,962} = 86.07\%$ |
| Current liabilities | | | |

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

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

| | | | |
|-----------------------|----------------------------------|----------------------------------|----------------------------------|
| <u>Current assets</u> | $\frac{4,310}{1,179} = 365.42\%$ | $\frac{3,276}{1,057} = 309.91\%$ | $\frac{2,550}{1,362} = 187.14\%$ |
| Current liabilities | | | |

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

Current liabilities have been reduced to reflect the long service leave that is shown as a current liability because Council does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date, but is not likely to fall due within 12 months after the end of the period.

Current liabilities have also been reduced to reflect bank loans, which are shown as a current liability because the terms and conditions of each bank loan contains a review clause giving the bank the ability to demand payment should they elect to do so, but which do not fall due and are not likely to be fully re-paid within 12 months after the end of the period.

| | Note | 2012 \$'000 | 2011 \$'000 |
|--|------|----------------|----------------|
| Note 44 | | | |
| Capital expenditure | | | |
| Capital expenditure areas | | | |
| Buildings | | 820 | 215 |
| Caravan park cabins | | 18 | 69 |
| Playground and park development | | 218 | 66 |
| Roads | | 395 | 160 |
| Footpaths and cycleways | | 41 | 25 |
| Boat ramp upgrade | | - | 114 |
| Recreational, leisure and community facilities | | 344 | 35 |
| Plant, machinery and equipment | | 185 | 98 |
| Kerb and channel | | 1 | 30 |
| Drainage | | 8 | 35 |
| Fixtures, fittings and furniture | | 18 | 22 |
| Recreation equipment | | 34 | 32 |
| Computers and telecommunications | | 87 | 22 |
| Other | | 23 | - |
| Total capital works | | 2,192 | 923 |
| Represented by: | | | |
| Renewal | (a) | 1,558 | 417 |
| Upgrade | (b) | 287 | 237 |
| Expansion | (c) | - | - |
| New | | 347 | 269 |
| Total capital works | | 2,192 | 923 |

Property, infrastructure, plant and equipment movement

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

| | | | |
|--|-----------|--------------|--------------|
| Total capital works | 23 | 2,192 | 923 |
| Asset revaluation movement | 28(a) | 4,284 | 4,414 |
| Impairment losses recognised in profit or loss | 17 | - | (116) |
| Depreciation/amortisation | 13 | (799) | (745) |
| Written down value of assets sold | 23 | (78) | (26) |
| Net movement in property, infrastructure, plant and equipment | 23 | 5,599 | 4,451 |

(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.

(b) Upgrade

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.

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.

Ev Wuchatsch FCPA
Principal Accounting Officer

Date : 19 September 2012
Queenscliff

In our opinion the accompanying financial statements present fairly the financial transactions of the Borough of Queenscliff for the year ended 30 June 2012 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 19 September 2012 to certify the financial statements in their final form.

Councillor Bob Merriman
Councillor

Date : 19 September 2012
Queenscliff

Councillor John Burgess
Councillor

Date : 19 September 2012
Queenscliff

Leonard Jenner
Chief Executive Officer

Date : 19 September 2012
Queenscliff