



**BOROUGH OF QUEENSCLIFFE**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2010**



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For the Year Ended 30 June 2010

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## NOTES TO THE STANDARD STATEMENTS

### 1. Basis of Preparation of Standard Statements

Council is required to prepare and include audited Standard Statements within its Annual Report. Four Statements are required - a Standard Income Statement, Standard Balance Sheet, Standard Cash Flow Statement, and a Standard Capital Works Statement, together with explanatory notes.

Council has included a further two standard statements, reflecting additional standard statements included within the 2009/10 budget adopted by Council on 17 June 2009 - a Standard Income Statement (Alternative Format), and a Standard Statement of Investment Reserves, together with explanatory notes.

The above set of six standard statements and supporting notes form a special purpose financial report prepared to meet the requirements of the Local Government Act 1989 and Local Government (Finance and Reporting) Regulations 2004.

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

The Standard Statements are not a substitute for the General Purpose Financial Statements, which are included on pages 1 to 6 of the Finance Section of the Annual Report. They have not been prepared in accordance with all Australian Accounting Standards or other authoritative professional pronouncements.

The Standard Statements compare council's financial plan, expressed through its budget, with actual performance. The Local Government Act 1989 requires explanation of any material variances. The Council has adopted a materiality threshold of ten per cent. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures included in the Statements are those adopted by Council on 17 June 2009. The budget was based on assumptions that were relevant at the time of adoption of the budget. The Council set guidelines and parameters for revenue and expense targets in this budget in order to meet council's business plan and financial performance targets for both the short and long term. The budget did not reflect any changes to equity resulting from assets revaluations, as their impacts were not considered predictable.

Detailed information on the actual financial results are contained in the General Purpose Financial Statements on pages 1 to 6. The detailed budget can be obtained by contacting council or through the council's website. The Standard Statements must be read with reference to these documents.



## Standard Statements

For the Year Ended 30 June 2010

### STANDARD INCOME STATEMENT – COMPARISON REPORT

	Budget 2010	Variances			Actuals 2010
	\$'000	\$	%	Note	\$'000
<i>Revenues from ordinary activities</i>					
- Rates and charges	4,822	(26)	-1%		4,796
- Statutory fees and fines	102	11	11%	1	113
- User fees	1,585	(39)	-2%		1,546
- Capital Contributions	60	32	54%	2	92
- Grants - Operating	538	191	35%	3	729
- Grants - Capital	430	(236)	-55%	4	194
- Other revenue	91	161	177%	5	252
<b>Total revenues</b>	<b>7,628</b>	<b>93</b>	<b>1%</b>		<b>7,721</b>
<i>Expenses from ordinary activities</i>					
- Employee benefits	2,780	191	7%		2,589
- Materials and services	3,594	108	3%		3,487
- Bad and doubtful debts	-	(2)	0%		2
- Depreciation and amortisation	699	32	5%		667
- Finance costs	136	4	3%		131
- Other expenses	45	(152)	-340%	6	196
- Impairment losses recognised in profit or loss	-	(222)	0%	7	222
<b>Total expenses</b>	<b>7,253</b>	<b>(41)</b>	<b>-1%</b>		<b>7,293</b>
Net gain/(loss) on disposal of property, plant and equipment, infrastructure	-	6	0%		6
Increase in equity in regional library	-	25	0%		25
<b>Surplus (deficit) for the year</b>	<b>375</b>	<b>84</b>	<b>22%</b>		<b>460</b>



**STANDARD INCOME STATEMENT – VARIANCE EXPLANATION REPORT**

Note	Item	Explanation
1	Statutory fees and fines	Actual is higher than budget, reflecting additional activity and resulting income including: town planning \$4,000, parking infringements \$2,000 and animal infringements \$2,000.
2	Contributions	Contributions received are higher than budget and reflect community contributions received during the financial year for the following projects: playground and park development \$46,000, Point Lonsdale Bowls clubhouse upgrade \$39,000 and netball courts lighting \$7,000.
3	Grants - Operating	Actual is higher than budget due to receipt of a number of grants not anticipated at budget time : removal of dangerous trees \$50,000; Victorian Grants Commission prepayment of first Quarter 2010/11 grant \$42,000; removal of pipeworks at Ocean View \$22,500; additional community aged care funding \$32,000; revegetation at 'The Narrows' \$10,000; tobacco activity program \$8,700; bushfire preparation \$7,690; drought relief \$7,000; increase in maternal and child health funding \$7,000;
4	Grants - Capital	Capital grants - actual is lower than budget as expected grants not received at balance date (now expected in 2010/11), these include: playground and park development \$250,000; Hesse Street revitalisation \$40,000; boat ramp upgrade including pontoons \$27,940; Roads to recovery funding \$40,000. The above are offset by the following grants received not anticipated at budget time : Point Lonsdale surf life saving and access ramp \$80,000; maritime museum \$69,158; TAC pedestrian and road safety strategy \$18,000; netball courts lighting \$17,196; Victorian Grants Commission prepayment of first Quarter 2010/11 local roads grant \$13,000; and Kirk Road war memorial grant \$9,890.
5	Other revenue	Actual is higher than budget, comprising: lease income \$52,700; interest received \$40,000; community brick income for playground and park development project not budgeted \$6,200; additional workcover reimbursement \$5,000 (offsets salaries expenditure); and new lease navigational aids \$4,200.
6	Other expenses	Actual is higher than budget as a result of the following: mayoral and councillor allowances \$105,000 budgeted as employee benefits but now shown within other expenses, also photocopier lease \$21,240 budgeted as materials and services and is now shown within other expenses (operating leases), both in line with the model financial report; motor vehicle leases \$21,000 (operating expense as opposed to Capital purchase); External audit fees \$26,000 budgeted at \$13,000.
7	Impairment losses recognised in profit or loss	Items include: Point Lonsdale Bowls clubhouse upgrade \$172,000 plus electronic records management system \$50,000 previously recorded as Capital works in progress but expensed in 09/10.



## Standard Statements

For the Year Ended 30 June 2010

### STANDARD INCOME STATEMENT – COMPARISON REPORT (ALTERNATIVE FORMAT)

	Budget 2010	Variances			Actuals 2010
	\$'000	\$	%	Note	\$'000
<i>Revenues from ordinary activities</i>					
- Rates and charges	4,822	(26)	-1%		4,796
- Statutory fees and fines	102	11	11%	1	113
- User fees	1,585	(39)	-2%		1,546
- Grants - Operating	538	191	35%	2	729
- Other revenue	91	161	177%	3	252
<b>Total revenues</b>	<b>7,138</b>	<b>298</b>	<b>4%</b>		<b>7,436</b>
<i>Expenses from ordinary activities</i>					
- Employee benefits	2,708	191	7%		2,589
- Materials and services	3,594	108	3%		3,487
- Bad and doubtful debts	-	(2)	100%		2
- Depreciation and amortisation	699	32	5%		667
- Finance costs	136	4	3%		131
- Other expenses	45	(152)	-340%	4	196
<b>Total expenses</b>	<b>7,253</b>	<b>181</b>	<b>2%</b>		<b>7,072</b>
Operating grants from prior years expended in the current year		46	100%		46
Operating grants received in the current year not spent by year end		(103)	100%		(103)
<b>Underlying result</b>	<b>(115)</b>	<b>421</b>	<b>-365%</b>		<b>306</b>
Net gain/(loss) on disposal of property, plant and equipment, infrastructure	-	6	100%		6
Increase in equity in regional library	-	25	100%		25
Impairment losses recognised in profit or loss	-	222	100%	5	(222)
Capital grants and contributions	490	(203)	-42%	6	287
Grants adjustments added back for reported result	-	57	100%		57
<b>Surplus (deficit) for the year</b>	<b>375</b>	<b>529</b>	<b>141%</b>		<b>460</b>



**STANDARD INCOME STATEMENT – VARIANCE EXPLANATION REPORT  
(ALTERNATIVE FORMAT)**

Note	Item	Explanation
1	Statutory fees and fines	Actual is higher than budget, reflecting additional activity and resulting income including: town planning \$4,000, parking infringements \$2,000 and animal infringements \$2,000.
2	Grants - Operating	Actual is higher than budget due to receipt of a number of grants not anticipated at budget time : removal of dangerous trees \$50,000; Victorian Grants Commission prepayment of first Quarter 2010/11 grant \$42,000; removal of pipeworks at Ocean View \$22,500; additional community aged care funding \$32,000; revegetation at 'The Narrows' \$10,000; tobacco activity program \$8,700; bushfire preparation \$7,690; drought relief \$7,000; increase in maternal and child health funding \$7,000;
3	Other revenue	Actual is higher than budget, comprising: lease income \$52,700; interest received \$40,000; community brick income for playground and park development project not budgeted \$6,200; additional workcover reimbursement \$5,000 (offsets salaries expenditure); and new lease navigational aids \$4,200.
4	Other expenses	Actual is higher than budget as a result of the following: mayoral and councillor allowances \$105,000 budgeted as employee benefits but now shown within other expenses, also photocopier lease \$21,240 budgeted as materials and services and is now shown within other expenses (operating leases), both in line with the model financial report; motor vehicle leases \$21,000 (operating expense as opposed to Capital purchase); External audit fees \$26,000 budgeted at \$13,000.
5	Impairment losses recognised in profit or loss	Items include: Point Lonsdale Bowls clubhouse upgrade \$172,000 plus electronic records management system \$50,000 previously recorded as Capital works in progress but expensed in 09/10.
6	Capital grants and contributions	Capital grants - actual is lower than budget as expected grants not received at balance date (now expected in 2010/11), these include: playground and park development \$250,000; Hesse Street revitalisation \$40,000; boat ramp upgrade including pontoons \$27,940; Roads to recovery funding \$40,000. The above are offset by the following grants received not anticipated at budget time : Point Lonsdale surf life saving and access ramp \$80,000; maritime museum \$69,158; TAC pedestrian and road safety strategy \$18,000; netball courts lighting \$17,196; Victorian Grants Commission prepayment of first Quarter 2010/11 local roads grant \$13,000; and Kirk Road war memorial grant \$9,890.  Capital Contributions - higher than budget and reflect community contributions received during the financial year for the following projects: playground and park development \$46,000, Point Lonsdale Bowls clubhouse upgrade \$39,000 and netball courts lighting \$7,000.



## Standard Statements

For the Year Ended 30 June 2010

### STANDARD BALANCE SHEET – COMPARISON REPORT

	Budget 2010	Variances			Actuals 2010
	\$'000	\$	%	Note	\$'000
<i>Current assets</i>					
Cash and cash equivalents	838	1,077	129%	1	1,914
Trade and other receivables	315	90	29%	2	406
Other financial assets	121	109	90%	3	230
<b>Total current assets</b>	<b>1,274</b>	<b>1,276</b>	<b>100%</b>		<b>2,550</b>
<i>Non-current assets</i>					
Trade and other receivables	20	(3)	-13%	4	17
Investments in associates accounted for using the equity method	234	37	16%	5	271
Property, plant & equipment, infrastructure	42,149	13,178	31%	6	55,326
<b>Total non-current assets</b>	<b>42,403</b>	<b>13,211</b>	<b>31%</b>		<b>55,614</b>
<b>Total assets</b>	<b>43,677</b>	<b>13,211</b>	<b>33%</b>		<b>58,164</b>
<i>Current liabilities</i>					
Trade and other payables	642	(306)	-48%	7	948
Interest-bearing loans and borrowings	242	6	2%		236
Provisions	353	(42)	-12%	8	395
<b>Total current liabilities</b>	<b>1,237</b>	<b>(342)</b>	<b>-28%</b>		<b>1,579</b>
<i>Non-current liabilities</i>					
Interest-bearing loans and borrowings	1,437	54	4%		1,383
Provisions	24	(16)	-65%	9	40
<b>Total non-current liabilities</b>	<b>1,461</b>	<b>37</b>	<b>3%</b>		<b>1,423</b>
<b>Total liabilities</b>	<b>2,698</b>	<b>(304)</b>	<b>-11%</b>		<b>3,002</b>
<b>Net assets</b>	<b>40,979</b>	<b>14,183</b>	<b>35%</b>		<b>55,162</b>
<i>Equity</i>					
Accumulated surplus	16,721	11,858	71%	10	28,579
Asset revaluation reserve	24,219	1,349	6%	11	25,568
Other reserves	39	976	2,500%	12	1,015
<b>Total Equity</b>	<b>40,979</b>	<b>14,183</b>	<b>35%</b>		<b>55,162</b>



**STANDARD BALANCE SHEET – VARIANCE EXPLANATION REPORT**

Note	Item	Explanation
1	Cash and cash equivalents	Higher than budget, largely as a result of incomplete major projects and capital works which are carried forward into 2010/11 for completion.
2	Trade and other receivables - current	Debtor balance higher than previously anticipated due to invoices raised prior to the 2009/10 financial year end (which have since been received) as follows: pensioner concessions \$42,000 (Department of Human Services); community contributions and grant income \$67,300
3	Other financial assets - current	Higher than budget, comprising prepaid expenditure \$159,000 (which includes insurance renewal premiums \$69,400; information technology contracts and licences \$60,000 and accrued income \$64,000 (including valuations reimbursement \$35,500; and community contributions \$12,800).
4	Trade and other receivables - non current	Heritage debtors balance reduced, with a majority of the remaining balance in current debtors.
5	Investments in associates accounted for using the equity method	Council's increased equity in the Geelong Regional Library Corporation was not considered in the 2009/10 budget as it is unknown until the end of each financial year, after the budget setting process has been completed.
6	Property, plant & equipment, infrastructure	Higher than budget as a result of land under roads valuation of \$13,108,000 included in accounts for the first time in 2008/09, the amount of which was not known until after the 2009/10 budget was complete. Land and buildings revaluations for the 2009/10 financial year are also unbudgeted and have resulted in a further net increase of \$1,349,000, although it is noted that a reduction of assets to the value of \$222,000 has occurred to reflect the expensing of the Point Lonsdale Bowls clubhouse upgrade and the electronic records system previously recorded as Capital work in progress. This is offset in part by \$801,000 capital works which are not yet complete and are held in crown land and other reserves for completion in 2010/11.
7	Trade and other payables	Higher than budget due to a large number of invoices received from in July 2010 which relate to the 2009/10 financial year. Large accruals of note include: PAYG due to the Australian Taxation Office for May & June 2010 \$79,600; loan interest expense \$28,800; road maintenance contract April - June 2010 invoices with indexation \$26,000; external audit fees \$23,800; and foreshore asset renewal - lighthouse path \$20,000.
8	Provisions - current	Higher than budget due to: Long service leave liabilities for staff transferring from other LGA's, though partly funded by previous employers, plus new/additional staff - sustainability officer, executive assistant, additional homecare (increased resources for funded programs/assessments) have increased employee provisions.
9	Provisions - non current	As for current provisions above.
10	Accumulated surplus	Higher than budget, as a result of land under roads valuation \$13,108,000 included in accounts for the first time in 2008/09 and not budgeted for 2009/10. This is offset in part by \$816,000 reduction in assets resulting from the derecognition of buildings and seawall, as well as \$222,000 impairment recognised in profit or loss for removal of Point Lonsdale Bowls clubhouse upgrade and electronic records system from Council's asset register.
11	Asset revaluation reserve	Revaluation of land \$1,044,000 and buildings \$305,000 in 2009/10 which was not known when the 2009/10 budget was prepared.
12	Other reserves	Higher than budget as a result of works either not commenced or not completed. See Reserves Statement for details.



## Standard Statements

For the Year Ended 30 June 2010

### STANDARD BALANCE SHEET – VARIANCE EXPLANATION REPORT

	Budget	Variances			Actuals
	2010	\$	%	Note	2010
	\$'000	\$	%	Note	\$'000
<b>Cash flows from operating activities</b>					
Receipts					
Rates and charges	4,817	(55)	-1%		4,762
Grants - Operating	538	191	35%	1	729
Capital grants and contributions	490	(253)	-52%	2	237
Interest	51	37	72%	3	88
User charges and Statutory fees	1,683	(44)	-3%		1,639
Other revenue	40	(10)	-26%	4	30
	7,619	(133)	-2%		7,486
Payments					
Employee costs	(2,774)	233	-8%	5	(2,541)
Materials and consumables	(3,886)	709	-18%	6	(3,178)
Other expenses	(45)	(136)	304%	7	(180)
	(6,705)	806	-12%		(5,899)
<b>Net cash provided by operating activities</b>	<b>914</b>	<b>674</b>	<b>74%</b>		<b>1,587</b>
<b>Cash flows from investing activities</b>					
Proceeds from sale of property, plant and equipment	50	14	28%	8	64
Repayment of loans and advances	-	9	0%		9
Payments for property, plant and equipment	(1,095)	19	-2%		(1,076)
<b>Net cash used in investing activities</b>	<b>(1,045)</b>	<b>43</b>	<b>-4%</b>		<b>(1,002)</b>
<b>Cash flows from financing activities</b>					
Finance costs	(136)	(0)	0%		(136)
Deposits	--	(9)	0%		(9)
Repayment of borrowings	(229)	22	-10%		(206)
<b>Net cash provided by (used in) financing activities</b>	<b>(364)</b>	<b>13</b>	<b>-4%</b>		<b>(351)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(495)</b>	<b>730</b>	<b>-147%</b>		<b>234</b>
Cash and cash equivalents at beginning of year	1,333	347	26%		1,679
Cash and cash equivalents at end of year	838	1,076	128%		1,914
<b>Reconciliation of Operating Result and Net Cash Flows from Operating Activities for the year ending 30 June 2010</b>					
Net surplus from operations	375	85	23%		460
Depreciation and amortisation	699	32	5%		667
Net movement in assets and liabilities	(295)	407	-138%		112
Impairment loss recognised in profit or loss	-				222
(Profit)/loss on disposal of property, plant and equipment, infrastructure	-	(6)	0%		(6)
Finance costs	136	4	3%		131
<b>Net cash inflow from operating activities</b>	<b>914</b>	<b>673</b>	<b>73.6</b>		<b>1,587</b>



**STANDARD BALANCE SHEET – VARIANCE EXPLANATION REPORT**

Note	Item	Explanation
1	Grants - Operating	Actual is higher than budget due to receipt of a number of grants not anticipated at budget time : removal of dangerous trees \$50,000; Victorian Grants Commission prepayment of first Quarter 2010/11 grant \$42,000; removal of pipeworks at Ocean View \$22,500; additional community aged care funding \$32,000; revegetation at 'The Narrows' \$10,000; tobacco activity program \$8,700; bushfire preparation \$7,690; drought relief \$7,000; increase in maternal and child health funding \$7,000;
2	Capital grants and contributions	Capital grants - actual is lower than budget as expected grants not received at balance date (now expected in 2010/11), these include: playground and park development \$250,000; Hesse Street revitalisation \$40,000; boat ramp upgrade including pontoons \$27,940; Roads to recovery funding \$40,000. The above are offset by the following grants received not anticipated at budget time : Point Lonsdale surf life saving and access ramp \$80,000; maritime museum \$69,158; TAC pedestrian and road safety strategy \$18,000; netball courts lighting \$17,196; Victorian Grants Commission prepayment of first Quarter 2010/11 local roads grant \$13,000; and Kirk Road war memorial grant \$9,890. Capital Contributions - higher than budget and reflect community contributions received during the financial year for the following projects: playground and park development \$46,000, Point Lonsdale Bowls clubhouse upgrade \$39,000 and netball courts lighting \$7,000.
3	Interest	Higher than budget as a result of additional interest earned on higher cash balances due to incomplete operating and capital works.
4	Other revenue	Lower than budget as a result of lease income raised as debtor but not yet received at balance date.
5	Employee costs	Lower than Budget due to some delay in recruitment at beginning of financial year : communications & governance officer; executive assistant; and environmental health officer. Aged care salary budgets are based on predicted level of personal care at higher cost, which did not occur. Original budget included Councillor allowances as employee costs, now included as Other expenses.
6	Materials and consumables	Lower than budget as a result of delays in operating and capital projects, which have been carried forward to 2010/11.
7	Other expenses	Actual is higher than budget as a result of the following: councillor allowances \$105,000 budgeted as employee costs but now shown as other expenses, also photocopier lease \$21,240 budgeted as materials and services and is now shown as other expenses (operating leases), both in line with the model financial report; In addition.
8	Proceeds from sale of property, plant and equipment	Higher than budget as a result of six motor vehicles being disposed of during the financial year (replaced with four purchased and two leased vehicles).



## Standard Statements

For the Year Ended 30 June 2010

### STANDARD CAPITAL WORKS STATEMENT – COMPARISON REPORT

Capital Works Areas	Budget 2010	Variances			Actuals 2010
	\$'000	\$	%	Note	\$'000
Roads	170	106	62%	1	64
Drains	20	(168)	-841%	2	188
Open space	510	159	31%	3	351
Buildings	99	(145)	-147%	4	244
Plant, equipment and other	296	75	25%	5	221
<b>Total capital works</b>	<b>1,095</b>	<b>27</b>	<b>2%</b>		<b>1,068</b>
Represented by:					
Asset renewal	364	17	5%		347
New assets	-	(433)	0%		433
Asset expansion/upgrade	731	443	61%		288
<b>Total capital works</b>	<b>1,095</b>	<b>27</b>	<b>2%</b>		<b>1,068</b>

#### Property, Infrastructure, Plant and Equipment Movement Reconciliation Worksheet

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	1,095	(27)	-2%		1,068
Asset revaluation increment	-	1,349	0%		1,349
Recognition of assets for the first time	-	717	0%		717
Derecognition of previously recorded assets	-	(1,533)	0%		(1,533)
Depreciation and amortisation	(699)	32	-5%		(667)
Written down value of assets sold	(50)	(8)	16%		(58)
Impairment losses recognised in profit or loss	-	(222)	0%		(222)
<b>Net movement in property, infrastructure, plant and equipment</b>	<b>346</b>	<b>309</b>	<b>89%</b>		<b>655</b>

**STANDARD CAPITAL WORKS STATEMENT – VARIANCE EXPLANATION  
REPORT**

Note	Item	Explanation
1	Roads	Lower than budget as a result of delay in the Hesse Street revitalisation project \$68,100 (\$31,900 expended in 2009/10 for consultation/development and construction works are now expected in 2010/11. Road reseal program \$13,000 below budget and carried forward into 2010/11. Point Lonsdale shopping centre traffic management \$30,000 also delayed and funds carried over to 2010/11.
2	Drainage	Higher than budget as a result of the Hesse Street drainage project \$159,000 (carried over from the 2008/09 budget) and Point Lonsdale drainage improvements \$20,600.
3	Open space	Lower than budget as a result of delay in playground and park development project. This is offset in part by project expenditure carried over from 2008/09 budget, cliff safety works etc.
4	Buildings	Higher than budget as a result of grant funding received and spent on the Maritime Museum \$68,400. Also \$70,300 expenditure on Royal Park amenities block.
5	Plant, equipment and other	Lower than budget as a result of delay in foreshore asset renewal \$141,000 offset in part by boat ramp upgrade \$26,000 (carried over from 2008/09) and increased costs for motor vehicle replacements \$36,000



## Standard Statements

For the Year Ended 30 June 2010

### STANDARD STATEMENT OF INVESTMENT RESERVES – COMPARISON REPORT

Reserves	Budget 2010	Variances			Actuals 2010
	\$'000	\$	%	Note	\$'000
Statutory					
Crown land improvements	39	647	1668%	1	686
Total statutory reserves	39	647	1668%		686
Discretionary					
Incomplete capital works	-	145	0%	2	145
Incomplete operating projects	-	184	0%	3	184
Total discretionary reserves	-	329	0%		329
Total reserves	39	976	2516%		1,015

### STANDARD STATEMENT OF INVESTMENT RESERVES – VAIANCE EXPLANATION REPORT

Note	Item	Explanation
1	Crown land improvements	Projects incomplete or not commenced at year end resulted in the closing balance for the Crown Land Reserve finishing above budget. These include: \$141,025 foreshore asset renewal; \$85,000 recreation reserve cabin; \$68,640 Point Lonsdale surf life saving and access ramp; \$63,255 boat ramp upgrade; \$60,099 playground and park development; \$20,000 beach access upgrades; \$12,380 removal of pipeworks at Ocean View; \$7,450 review of crown land leases; and \$2,830 coastal risk mitigation - aquatic signage. The remaining balance of \$225,000 in the crown land reserve is set aside for the Monahan centre.
2	Incomplete capital works	Funds carried over into the incomplete capital works reserve include: \$30,000 Point Lonsdale shopping centre traffic management; \$23,092 Hesse Street revitalisation; \$15,000 Hesse Street pedestrian island; \$15,000 other beach access; \$14,000 TAC pedestrian and road safety strategy; \$12,964 road reseal program; \$11,508 drainage asset renewal program; \$8,673 Kirk Road war memorial; \$8,000 bus shelter disabled facilities upgrade; \$6,000 facilities shed;
3	Incomplete operating projects	Funds carried over into the incomplete operating works reserve include: \$60,000 review of planning scheme; \$54,559 Victorian Grants Commission prepayment of Quarter 1 2010/11 grant (\$41,709 general purpose and \$12,850 local roads); \$20,000 removal of pipeworks at Ocean View (Council share of expenditure, in addition to \$12,380 contribution from crown land reserve as noted above); \$15,200 Point Lonsdale structure plan; \$13,000 ICLEI (alternative strategy in light of ICLEI being discontinued); \$9,852 maternal and child health - healthy kids check; \$7,360 lighthouse program; \$3,000 aged care emergency preparation; and \$1,030 strategic planning.



**CERTIFICATION OF STANDARD STATEMENTS**

In my opinion the accompanying standard statements have been prepared on accounting bases consistent with the financial statements and in accordance with the Local Government Act 1989 and the Local Government (Finance and Reporting) Regulations 2007.

Ev Wuchatsch FCPA  
Principal Accounting Officer  
Date : 16 September 2010

In our opinion the accompanying standard statements have been prepared on accounting bases consistent with the financial statements and in accordance with the Local Government act 1989 and the Local Government (Finance and Reporting) Regulations 2007.

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

We have been authorised by the Council, on 15 September 2010, to certify the standard statements in their final form.

Councillor Helene Butler  
Councillor

Date : 16 September 2010  
Queenscliff

Councillor John Burgess  
Councillor

Date : 16 September 2010  
Queenscliff

Leonard Jenner  
Chief Executive Officer

Date : 16 September 2010  
Queenscliff



## Standard Statements

For the Year Ended 30 June 2010

# VAGO

Victorian Auditor-General's Office

## INDEPENDENT AUDITOR'S REPORT

### To the Councillors, Borough of Queenscliffe

#### *The Financial Report and Standard Statements*

The accompanying financial report for the year ended 30 June 2010 of Borough of Queenscliffe which comprises of comprehensive income statement, balance sheet, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the Certification of the Financial Report has been audited.

The accompanying standard statements for the year ended 30 June 2010 of the Council which comprises of standard income statement, standard balance sheet, standard cash flow statement, standard capital works statement, standard statement of investment reserves, the related notes and the Certification of Standard Statements have been audited.

#### *The Councillors' Responsibility for the Financial Report and Standard Statements*

The Councillors of Borough of Queenscliffe are responsible for the preparation and the fair presentation of:

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

This responsibility includes:

- establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report and standard statements that are free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

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

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

Level 24, 35 Collins Street, Melbourne Vic 3000

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*Auditing in the Public Interest*



# VAGO

Victorian Auditor-General's Office

## Independent Auditor's Report (continued)

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

### *Matters Relating to the Electronic Presentation of the Audited Financial Report and Standard Statements*

This auditor's report relates to the financial report and standard statements published in both the annual report and on the website of Borough of Queenscliffe for the year ended 30 June 2010. The Councillors of Borough of Queenscliffe are responsible for the integrity of the website. I have not been engaged to report on the integrity of the website. The auditor's report refers only to the statements named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on Borough of Queenscliffe website.

### *Independence*


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

### *Auditor's Opinion*

In my opinion:

- (a) the financial report presents fairly, in all material respects, the financial position of Borough of Queenscliffe as at 30 June 2010 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations), and the financial reporting requirements of the *Local Government Act 1989*.
- (b) The standard statements present fairly, in all material respects, in accordance with the basis of preparation as described in note 1 to the statements and comply with the requirements of the *Local Government Act 1989*.

MELBOURNE  
16 September 2010

  
D D R Pearson  
Auditor-General

2

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*Auditing in the Public Interest*



## Financial Report

For the Year Ended 30 June 2010

### COMPREHENSIVE INCOME STATEMENT

	Note	2010 \$'000	2009 \$'000
<b>Income</b>			
Rates and charges	2	4,796	4,523
Statutory fees and fines	3	113	157
User fees	4	1,546	1,399
Grants - Recurrent	5	609	697
Grants - Non-recurrent	5	314	615
Contributions - Cash	6	92	44
Reimbursements	7	47	48
Other Income	8	205	173
Net gain/(loss) on disposal of property, plant and equipment, infrastructure		6	(9)
Share of net profits/(losses) of associates and joint ventures accounted for by the equity method	15	25	12
<b>Total Income</b>		<b><u>7,753</u></b>	<b><u>7,656</u></b>
<b>Expenses</b>			
Employee benefits	9	(2,589)	(2,103)
Materials and services	10	(3,487)	(4,139)
Bad and doubtful debts	11	(2)	(2)
Depreciation and amortisation	12	(667)	(630)
Finance costs	13	(131)	(123)
Other expenses	14	(196)	(141)
Impairment losses recognised in profit or loss		(222)	-
<b>Total expenses</b>		<b><u>(7,293)</u></b>	<b><u>(7,137)</u></b>
<b>Profit/(loss)</b>		<b><u>460</u></b>	<b><u>521</u></b>
Other comprehensive income	25(a)	1,349	-
<b>Comprehensive result</b>		<b><u>1,809</u></b>	<b><u>521</u></b>

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



## Financial Report

For the Year Ended 30 June 2010

### BALANCE SHEET

	Note	2010 \$'000	2009 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	16	1,914	1,679
Trade and other receivables	17	406	258
Inventories	18	7	13
Other assets	19	223	231
<b>Total current assets</b>		<b><u>2,550</u></b>	<b><u>2,181</u></b>
<b>Non-current assets</b>			
Trade and other receivables	17	17	7
Investments in associates accounted for using the equity method	15	271	246
Property, plant and equipment, infrastructure	20	55,326	54,671
<b>Total non-current assets</b>		<b><u>5,6145</u></b>	<b><u>54,924</u></b>
<b>Total assets</b>		<b><u>58,164</u></b>	<b><u>57,105</u></b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	21	880	645
Trust funds and deposits	22	68	77
Provisions	23	395	364
Interest-bearing loans and borrowings	24	236	206
<b>Total current liabilities</b>		<b><u>1,579</u></b>	<b><u>1,292</u></b>
<b>Non-current liabilities</b>			
Provisions	23	40	24
Interest-bearing loans and borrowings	24	1,383	1,620
<b>Total non-current liabilities</b>		<b><u>1,423</u></b>	<b><u>1,64</u></b>
<b>Total liabilities</b>		<b><u>3,002</u></b>	<b><u>2,936</u></b>
<b>Net Assets</b>		<b><u>55,162</u></b>	<b><u>54,169</u></b>
<b>Equity</b>			
Accumulated surplus		28,578	28,961
Reserves	25	26,583	25,208
<b>Total Equity</b>		<b><u>55,162</u></b>	<b><u>54,169</u></b>

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



## Financial Report

For the Year Ended 30 June 2010

### STATEMENT OF CHANGES IN EQUITY

		Total 2010 \$'000	Accumulated Surplus 2010 \$'000	Asset Revaluation Reserve 2010 \$'000	Other Reserves 2010 \$'000
2010					
Balance at beginning of the financial year		53,353	28,145	24,219	989
Comprehensive result for the year		1,809	460	1,349	-
Transfers to other reserves	25(b)	-	(791)	-	791
Transfers from other reserves	25(b)	-	765	-	(765)
<b>Balance at end of the financial year</b>		<b>55,161</b>	<b>28,578</b>	<b>25,568</b>	<b>1,015</b>

	Note	Total 2009 \$'000	Accumulated Surplus 2009 \$'000	Asset Revaluation Reserve 2009 \$'000	Other Reserves 2009 \$'000
2009					
Balance at beginning of the financial year		40,540	14,636	24,219	1,685
Adjustment on change in accounting policy					
- Land under roads	26	13,108	13,108	-	-
Comprehensive result for the year		521	521	-	-
Net asset revaluation increment(decrement)	25(a)	-	-	-	-
Transfers to other reserves	25(b)	-	(999)	-	999
Transfers from other reserves	25(b)	-	1,695	-	(1,695)
<b>Balance at end of the financial year</b>		<b>54,169</b>	<b>28,961</b>	<b>24,219</b>	<b>989</b>

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



## Financial Report

For the Year Ended 30 June 2010

### CASH FLOW STATEMENT

	Note	2010 Inflows/ (Outflows) \$'000	2009 Inflows/ (Outflows) \$'000
<b>Cash flows from operating activities</b>			
Rates		4,762	4,531
Statutory fees and fines		110	154
User charges and other fines (inclusive of GST)		1,653	1,629
Grants (inclusive of GST)		870	1,312
Contributions - cash (inclusive of GST)		97	-
Interest		88	110
Other receipts (inclusive of GST)		30	12
Net GST refund/(payment)		337	530
Payments to suppliers (inclusive of GST)		(3,639)	(4,806)
Payments to employees (including redundancies)		(2,541)	(2,087)
Other payments		(180)	(140)
<b>Net cash provided by (used in) operating activities</b>	<b>27</b>	<b><u>1,587</u></b>	<b><u>1,245</u></b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment, infrastructure	41	(1,076)	(2,262)
Proceeds from sale of property, plant and equipment, infrastructure		64	38
Repayment of loans and advances from community organisations		9	13
<b>Net cash provided by (used in) investing activities</b>		<b><u>(1,002)</u></b>	<b><u>(2,211)</u></b>
<b>Cash flows from financing activities</b>			
Finance costs		(136)	(123)
Trust funds and deposits		(9)	12
Repayment of interest bearing loans and borrowings		(206)	(220)
<b>Net cash provided by (used in) financing activities</b>		<b><u>(351)</u></b>	<b><u>(331)</u></b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>234</b>	<b>(1,297)</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>1,679</b>	<b>2,976</b>
<b>Cash and cash equivalents at the end of the financial year</b>	<b>16</b>	<b><u>1,914</u></b>	<b><u>1,679</u></b>
Financing arrangements	24	-	-
Restrictions on cash assets	30	881	569

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



## Financial Report

For the Year Ended 30 June 2010

### 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 - AFS & Associates

Solicitors - Hardwood Andrews

Bankers - Bendigo Bank, Hesse Street, Queenscliff

Website address - [www.queenscliffe.vic.gov.au](http://www.queenscliffe.vic.gov.au)

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

#### Note 1 Significant accounting policies

- (a) Basis of accounting
- This financial report has been prepared on the accrual and going concern 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.
- (b) Change in accounting policies
- Council has reviewed assets and asset lives, as part of an asset management review which took place during the financial year, as detailed in note 1(e).
- (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.



Note 1 Significant accounting policies (cont'd)

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

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

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

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

*User fees and fines*

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

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

*Sale of property, plant and equipment, infrastructure*

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

*Trade and other receivables*

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

*Interest and rents*

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

(d) Inventories

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

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

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.

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:

<u>Property</u>	Period
buildings	
historical building - town hall	
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
<u>Plant and Equipment</u>	
plant, machinery and equipment	3-10 years
fixtures, fittings and furniture	10 years
computers and telecommunications	3 years
<u>Infrastructure</u>	
Roads	



## Financial Report

For the Year Ended 30 June 2010

### Note 1 Significant accounting policies (cont'd)

road pavements	70 years
road seals	12-14 years
road unsealed pavement	15 years
footpaths & cycleways	20-50 years
street furniture	30-40 years
pipes	50-80 years
drainage pits	50 years
drainage pumps	20 years
kerb and channel	60-80 years
playground equipment	12.5 years

Useful life for motor vehicles has been revised to 3 years (2008/09, 5 years) resulting in an increase in depreciation expense of approximately \$10,000 per annum across the whole of Council's fleet.

Useful lives for building assets have been revised, in line with the recent revaluation and asset management report provided by CT Management Group (Vic & Tas) P/L. Each building is now split into the various components of: building structure, roof structure, mechanical services and building fit-out as above. This revision of useful lives, along with the revaluation of building asset values, results in an increase in depreciation expense of \$18,000 to a total of \$201,000 per annum for Council buildings (2008/09: \$183,000).

Sea wall asset was previously included in the above schedule in 2008/09, with a useful life of 50 years, however this is no longer recognised as an asset of Council and is expensed and included within the comprehensive income statement for 2009/10.

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

	Threshold Limit (\$'000)
<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>	



Note 1 Significant accounting policies (cont'd)

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	10
road kerb, channel and minor culverts	10
footpaths & cycleways	10
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, are measured at their fair value, being the amount for which the assets could be exchanged between knowledgeable willing parties in an arms length transaction. At balance date, the Council reviewed the carrying value of the individual classes of assets measured at fair value to ensure that each asset materially approximated its fair value. Where the carrying value materially differed from the fair value at balance date the class of asset was revalued.

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

Where the assets are revalued, the revaluation increments are credited directly to the asset revaluation 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 recognised the value of land under roads it controlled as at 1 July 2008 at deemed cost. Land under roads acquired after 1 July 2008 is brought to account using the cost basis.

- (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 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 22).
- (m) Employee benefits  
*Wages and salaries*  
Liabilities for wages and salaries and rostered days off are recognised and measured as the amount unpaid at balance date and include appropriate oncosts such as workers compensation and payroll costs.



## Financial Report

For the Year Ended 30 June 2010

### Note 1 Significant accounting policies (cont'd)

#### *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.

#### *Superannuation*

A liability is recognised in respect of Council's present obligation to meet the unfunded obligations of defined benefit superannuation schemes to which its employees are members. The liability is defined as the Council's share of the scheme's unfunded position, being the difference between the present value of employees' accrued benefits and the net market value of the scheme's assets at balance date. The liability also includes applicable contributions tax of 17.25 %.

The superannuation expense for the reporting year is the amount of the statutory contribution the Council makes to the superannuation plan which provides benefits to its employees together with any movements (favourable/unfavourable) in the position of any defined benefits schemes. Details of these arrangements are recorded in note 31.

#### (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 balance sheet. Such agreements are recognised on an 'as incurred' basis.

#### (q) Web site costs

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

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

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

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

#### (s) Impairment of assets

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



Note 1 Significant accounting policies (cont'd)

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.

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning or ending on	Impact on Local Government financial statements
AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project. [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	Some amendments will result in accounting changes for presentation, recognition or measurement purposes, while other amendments will relate to terminology and editorial changes.	Beginning 1 Jan 2010	Terminology and editorial changes. Impact minor.
AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions. [AASB 2]	The amendments clarify the scope of AASB 2.	Beginning 1 Jan 2010	No impact. AASB 2 does not apply to Local Government; consequently this Standard does not apply.
AASB 2009-9 Amendments to Australian Accounting Standards – Additional Exemptions for First-time Adopters [AASB 1]	Applies to entities adopting Australian Accounting Standards for the first time, to ensure entities will not face undue cost or effort in the transition process in particular situations.	Beginning 1 Jan 2010	No impact. Relates only to first time adopters of Australian Accounting Standards.
AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]	The Standard makes amendments to AASB 132, stating that rights issues must now be classed as equity rather than derivative liabilities.	Beginning 1 Feb 2010	No impact. Local Government do not issue rights, warrants and options, consequently the amendment does not impact on the statements.
AASB 9 Financial Instruments	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).	Beginning 1 Jan 2013	Detail of impact is still being assessed.



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For the Year Ended 30 June 2010

AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	This gives effect to consequential changes arising from the issuance of AASB 9.	Beginning 1 Jan 2013	Detail of impact is still being assessed.
AASB 2009-12 Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	This Standard amends AASB 8 to require an entity to exercise judgement in assessing whether a government and entities know to be under the control of that government are considered a single customer for purposes of certain operating segment disclosures. This Standard also makes numerous editorial amendments to other AASs.	Beginning 1 Jan 2011	AASB 8 does not apply to Local Government therefore no impact expected. Otherwise, only editorial changes arising from amendments to other standards, no major impact. Impacts of editorial amendments are not expected to be significant.
AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19. [AASB 1]	Consequential amendment to AASB 1 arising from publication of Interpretation 19	Beginning 1 Jul 2010	Local Governments do not extinguish financial liabilities with equity instruments, therefore requirements of Interpretation 17 and related amendments have no impact
AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14]	Amendment to Interpretation 14 arising from the issuance of Prepayments of a Minimum Funding Requirement	Beginning 1 Jan 2011	Expected to have no significant impact

(w) Contingent assets and contingent liabilities and commitments

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

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

	2010 \$'000	2009 \$'000
<b>Note 2 Rates and charges</b>		
Council uses capital improved value (CIV) as the basis of valuation of all properties within the municipal district. The capital improved value of a property is the total market value of the property including all land and all improvements.		
The valuation base used to calculate general rates for 2009/2010 was \$1,886 million (2008-2009 \$1,839 million). The 2009/2010 rate in the CIV dollar was 0.002485 (2008-2009, 0.002401).		
Residential	4,197	4,041
Commercial	557	464
Supplementary rates and rate adjustments	26	4
Garbage charge	9	7
Special rates and charges	7	7
<b>Total rates and charges</b>	<b>4,796</b>	<b>4,523</b>

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2010, and the valuation will be first applied in the rating year commencing 1 July 2010.



Note 2 Rates and charges (cont'd)

	2010	2009
	\$'000	\$'000

The date of the previous general revaluation of land for rating purposes within the municipal district was 1 January 2008, and the valuation first applied to the rating period commencing 1 July 2008.

Note 3 Statutory fees and fines

Town planning fees	54	60
Infringements and costs	37	35
Permits	13	14
PERIN court recoveries	5	6
Land information certificates	4	6
<b>Total statutory fees and fines</b>	<b><u>113</u></b>	<b><u>121</u></b>

Note 4 User fees

(a) Caravan park fees	1,249	1,195
Boat ramp fees - ticket machine	85	83
Aged services fees	87	85
Registration fees	44	36
Valuation fees/supplementary charges	38	3
Tourism	18	17
Building services fees	18	9
Road occupancy charges	6	3
Other fees and charges	1	4
<b>Total user fees</b>	<b><u>1,546</u></b>	<b><u>1,435</u></b>

(b) Ageing analysis of contractual receivables

Please refer to table (b) in Note 35 for the ageing analysis of contractual receivables.



## Financial Report

For the Year Ended 30 June 2010

	2010	2009
	\$'000	\$'000
Note 5		
Grants		
Grants were received in respect of the following :		
Summary of grants		
Federally funded grants	170	0152
State funded grants	727	1,149
Others	26	11
<b>Total</b>	<b><u>923</u></b>	<b><u>1,312</u></b>
Recurrent		
Home help/linkages	223	215
Victoria Grants Commission - unallocated	118	164
Victoria Grants Commission - unallocated (first quarter 2010/11 received in advance)	42	39
Victoria Grants Commission - local roads	36	35
Victoria Grants Commission - local roads (first quarter 2010/11 received in advance)	13	12
Community aged care packages	71	52
Maternal and child health	47	41
Community services officer	19	19
Heritage	14	14
School crossing supervisors	10	10
Other	16	26
<b>Total recurrent</b>	<b><u>609</u></b>	<b><u>628</u></b>
Total recurrent grant income above comprises:		
Operating grant income	609	- 628
	<b><u>609</u></b>	<b><u>628</u></b>
Non-recurrent		
Point Lonsdale surf life saving and access ramp	80	-
Maritime museum	69	-
Removal of dangerous trees	50	-
Maternal and child health	-	31
Removal of pipeworks at Ocean View	23	-
TAC pedestrian and road safety strategy	18	-
Netball courts lighting	17	-
Home help/linkages - additional assessments and emergency preparation	17	-
Kirk Road war memorial	10	-
Revegetation at 'The Narrows'	10	-
Coastal risk management project	-	129
Bellarine railway project	-	125
Regional playground development	-	103
Bus shelters	-	60
Point Lonsdale sports clubhouse	-	60
Weed management	-	31



## Financial Report

For the Year Ended 30 June 2010

### Note 5 Grants (cont'd)

	2010	2009
	\$'000	\$'000
Caravan park improvement program	-	30
Tourism opportunities study	-	29
Boat ramp pontoons	-	28
Heat wave	-	25
Strategic projects officer	-	13
Access ramp dog beach	-	10
Other	20	10
<b>Total non-recurrent</b>	<b><u>314</u></b>	<b><u>684</u></b>

Total non-recurrent grant income above comprises:

Operating grant income	120	270
Capital grant income	194	414
	<u>314</u>	<u>684</u>

#### 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:

Point Lonsdale surf life saving and access ramp	69	-
Victoria Grants Commission - unallocated	42	39
Victoria Grants Commission - local roads	13	12
TAC pedestrian and road safety strategy	13	-
Kirk Road war memorial project	9	-
Other	8	10
Coastal risk management project	-	129
Regional playground development	-	103
Caravan park improvement program	-	30
Maternal and child health	-	30
Bus shelters	-	18
Boat ramp pontoons	-	14
<b>Total</b>	<b><u>154</u></b>	<b><u>385</u></b>



## Financial Report

For the Year Ended 30 June 2010

Note 5	Grants (cont'd)		2010	2009
			\$'000	\$'000
	Grants which were recognised as revenue in prior years and were expended during the current year in the manner specified by the grantor were:			
	Coastal risk management project	126		-
	Regional playground development	103		-
	Victoria Grants Commission - unallocated	39		-
	Victoria Grants Commission - local roads	12		-
	Caravan park improvement program	30		-
	Climate change	35		-
	Maternal and child health	20		-
	Bus shelters	18		-
	Boat ramp pontoons	14		-
	Other	9		-
	Caravan park camp kitchen	-		43
		<u>406</u>		<u>43</u>
	Net increase (decrease) in restricted assets resulting from grant revenues for the year:		<u>(252)</u>	<u>342</u>
Note 6	Contributions			
	Cash			
	Recreational, leisure and community facilities	92		44
	<b>Total contributions</b>	<u>92</u>		<u>44</u>
Note 7	Reimbursements			
	Workcover	45		46
	Other	2		2
	<b>Total reimbursements</b>	47		48
Note 8	Other income			
	Interest	82		113
	Interest on rates	9		8
	Other rent - lease of Crown Land properties	69		43
	Other rent - lease of Council properties	29		2
	Community bricks at playground	6		-
	Other	10		7
	<b>Total other income</b>	<u>205</u>		<u>173</u>
Note 9	Employee benefits			
	Wages and salaries	2,177		1,739
	Workcover	74		67
	Annual leave and long service leave	113		139
	Superannuation	194		162
	Fringe benefits tax	31		31
	<b>Total employee benefits</b>	<u>2,589</u>		<u>2,138</u>



## Financial Report

For the Year Ended 30 June 2010

Note 9	Employee benefits (cont'd)	2010 \$'000	2009 \$'000
Note 10	Materials and services		
	Materials and services	966	1,012
	Contract payments - road maintenance and works	544	529
	Contract payments - waste disposal	426	424
	Contract payments - staff (I.T., engineering, health, building, planning, heritage)	148	610
	Contract payments - public conveniences	93	91
	Contract payments - maternal and child health	58	58
	Contract payments - other	142	79
	Building maintenance	225	240
	Works maintenance program	133	176
	Plant and equipment maintenance	59	80
	Utilities	183	136
	Insurance	120	119
	Legal expenses	55	32
	Contribution to Geelong regional library corporation	167	159
	Tree removal and replacement program	90	-
	Point Lonsdale Bowls Clubhouse Upgrade	77	-
	Council elections and electoral review	1	50
	Bellarine tourist railway	-	126
	Heritage	-	120
	Temporary office relocation	-	64
	<b>Total materials and services</b>	<b><u>3,487</u></b>	<b><u>4,104</u></b>
Note 11	Bad and doubtful debts		
	Parking fine debtors	2	2
	<b>Total bad and doubtful debts</b>	<b><u>2</u></b>	<b><u>2</u></b>



## Financial Report

For the Year Ended 30 June 2010

	2010	2009
	\$'000	\$'000
Note 12		
Depreciation and amortisation		
Property		
Buildings	186	170
Caravan park cabins	22	11
Plant and Equipment		
Plant, machinery and equipment	50	37
Fixtures, fittings and furniture	24	15
Computers and telecommunications	33	35
Recreation equipment	34	34
Infrastructure		
Roads	207	204
Kerb and channel	34	34
Footpaths and cycleways	25	25
Drainage	49	46
Sea wall	-	16
Recreational, leisure and community facilities	3	3
<b>Total depreciation and amortisation</b>	<b><u>667</u></b>	<b><u>630</u></b>
Note 13		
Finance costs		
Interest - Borrowings	131	123
<b>Total finance costs</b>	<b><u>131</u></b>	<b><u>123</u></b>
Note 14		
Other expenses		
Auditors' remuneration	40	26
Councillors' allowances	105	60
Operating lease rentals	42	23
Contribution to community nursery	-	19
Other	9	13
<b>Total other expenses</b>	<b><u>196</u></b>	<b><u>141</u></b>



## Financial Report

For the Year Ended 30 June 2010

	2010	2009
	\$'000	\$'000
Note 15		
Investment in associates		
Investments in associates accounted for by the equity method are:		
- Geelong regional library corporation	271	246
<b>Total</b>	<b><u>271</u></b>	<b><u>246</u></b>

### Geelong regional library corporation

#### Background

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 2009. 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.

Council's share of accumulated surplus(deficit)		
Council's share of accumulated surplus(deficit) at start of year	246	234
Reported surplus(deficit) for year	25	12
<b>Council's share of accumulated surplus(deficit) at end of year</b>	<b><u>271</u></b>	<b><u>246</u></b>

### Note 16 Cash and cash equivalents

Cash on hand	1	1
Cash at bank	440	678
Bank bills	1,473	1,000
<b>Total cash and cash equivalents</b>	<b><u>1,914</u></b>	<b><u>1,679</u></b>

Users of the financial report should refer to Note 30 for details of restrictions on cash assets and note 32 for details of existing Council commitments



## Financial Report

For the Year Ended 30 June 2010

	2010	2009
	\$'000	\$'000
Note 17		
Trade and other receivables		
Current		
Rates debtors	88	57
Parking infringement debtors	12	12
Provision for doubtful debts - parking infringements	(4)	(7)
Loans and advances to community organisations	3	13
Pensioner concession rebate	42	40
Crown Land amenities	28	33
Point Lonsdale Bowls Clubhouse facility upgrade funding	40	13
Proceeds on trade-in of motor vehicles	15	-
Maritime museum capital grant funding	14	-
Aged and disabled service user fees	11	11
Salary recharge	10	7
Other debtors	26	23
Net GST receivable	121	56
Total	<u>406</u>	<u>258</u>
Non-current		
Salary recharge	9	-
Loans and advances to community organisations	8	7
Total	<u>17</u>	<u>7</u>
Total trade and other receivables	<u>423</u>	<u>265</u>
Note 18		
Inventories		
Inventories held for sale	7	13
Total inventories	<u>7</u>	<u>13</u>
Note 19		
Other assets		
Current		
Prepayments	159	159
Accrued income	64	72
Total	<u>223</u>	<u>231</u>



## Financial Report

For the Year Ended 30 June 2010

	2010 \$'000	2009 \$'000
Note 20		
Property, infrastructure, plant and equipment		
<i>Summary</i>		
at cost	16,140	18,623
Less accumulated depreciation	934	914
	<u>15,206</u>	<u>17,709</u>
at fair value as at 1 July 2007	15,239	16,059
at fair value as at 30 June 2008	-	33,744
at fair value as at 30 June 2010	42,491	-
Less accumulated depreciation	17,610	12,841
	40,120	36,962
<b>Total</b>	<u>55,326</u>	<u>54,671</u>
<i>Property</i>		
<i>Land</i>		
at fair value as at 30 June 2008	-	18,952
at fair value as at 30 June 2010	20,059	-
	<u>20,059</u>	<u>18,952</u>
Land under roads		
at cost at 1 July 2008	13,108	13,108
	<u>13,108</u>	<u>13,108</u>
<b>Total Land</b>	<u>33,167</u>	<u>32,060</u>
<i>Buildings</i>		
<i>Buildings</i>		
at cost	-	2,632
Less accumulated depreciation	-	17
	-	<u>2,615</u>
at fair value as at 30 June 2008	-	14,792
at fair value as at 30 June 2010	22,063	-
Less accumulated depreciation	10,500	5,878
	11,563	8,914
	11,563	11,529
Caravan park cabins		
at cost	-	323
Less accumulated depreciation	-	11
	-	<u>312</u>
at fair value as at 30 June 2010	370	-
Less accumulated depreciation	37	-
	333	-
	333	312
<b>Total Buildings</b>	<u>11,896</u>	<u>11,841</u>
<b>Total Property</b>	<u>45,063</u>	<u>43,901</u>



## Financial Report

For the Year Ended 30 June 2010

### Note 20 Property, infrastructure, plant and equipment (cont'd)

Valuation of land (excluding 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. Almost all freehold land reserved for public open space is valued at a discount to market value, and the level of discount applied varies for each property based on the following key factors: the attribute/detriments of the land such as its topography, access and shape; the costs involved in having the land rezoned; and the impact to the community both politically and socially if the land was to be sold in the market place.

Land under roads is valued at deemed cost. Deemed cost is based on Council valuations at 30 June 2008 for land under roads in existence at that date and at the date acquired for subsequent acquisitions 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. The next revaluation of land under roads will occur in 2011/2012.

Valuation of buildings was undertaken by CT Management Group (Vic & Tas) P/L, based on extensive experience and the use of 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.

	2010	2009
	\$'000	\$'000
<i>Plant and Equipment</i>		
Plant, machinery and equipment		
at cost	297	365
Less accumulated depreciation	134	180
	<u>163</u>	<u>185</u>
Fixtures, fittings and furniture		
at cost	288	266
Less accumulated depreciation	100	76
	<u>188</u>	<u>190</u>
Computers and telecommunications		
at cost	396	383
Less accumulated depreciation	330	298
	<u>66</u>	<u>85</u>
Recreation equipment		
at cost	585	507
Less accumulated amortisation	286	259
	<u>299</u>	<u>248</u>
<b>Total Plant and Equipment</b>	<b><u>716</u></b>	<b><u>708</u></b>



## Financial Report

For the Year Ended 30 June 2010

### Note 20 Property, infrastructure, plant and equipment (cont)

	2010	2009
	\$'000	\$'000
<i>Infrastructure</i>		
Roads		
at cost	306	278
Less accumulated depreciation	12	5
	<u>294</u>	<u>273</u>
at fair value as at 1 July 2007	9,371	9,371
Less accumulated depreciation	3,790	3,589
	<u>5,581</u>	<u>5,782</u>
	<u>5,875</u>	<u>6,055</u>
Kerb and channel		
at fair value as at 1 July 2007	2,084	2,084
Less accumulated depreciation	873	839
	<u>1,211</u>	<u>1,245</u>
Footpaths and cycleways		
at fair value as at 1 July 2007	1,041	1,041
Less accumulated depreciation	456	431
	<u>585</u>	<u>610</u>
Drainage		
at cost	209	8
Less accumulated depreciation	1	-
	<u>208</u>	<u>8</u>
at fair value as at 1 July 2007	2,743	2,743
Less accumulated depreciation	1,955	1,907
	<u>788</u>	<u>836</u>
	<u>996</u>	<u>844</u>
Recreational, leisure and community facilities		
at cost	336	329
Less accumulated depreciation	71	68
	<u>265</u>	<u>261</u>
Sea Walls		
at fair value as at 1 July 2007	-	820
Less accumulated depreciation	-	197
	-	<u>623</u>
<b>Total Infrastructure</b>	<u><b>8,932</b></u>	<u><b>9,638</b></u>

Valuation of infrastructure assets 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 2007. The valuation is at fair value based on replacement cost less accumulated depreciation as at the date of valuation. The next revaluation of infrastructure assets will occur in 2010/2011.



## Financial Report

For the Year Ended 30 June 2010

Note 20 Property, infrastructure, plant and equipment (cont'd)

	2010 \$'000	2009 \$'000
Works in progress		
Buildings at cost	135	220
Roads at cost	37	-
Drainage at cost	8	21
Playground and park development at cost	256	56
Aquatic signage at cost	86	-
Boat ramp upgrade at cost	40	14
Renewal, upgrade and new foreshore assets at cost	39	-
Land development at cost	-	63
Electronic records system at cost	-	50
Other at cost	13	-
<b>Total Works in progress</b>	<b><u>615</u></b>	<b><u>424</u></b>
<b>Total property, infrastructure, plant and equipment</b>	<b><u>55,326</u></b>	<b><u>54,671</u></b>



## Financial Report

For the Year Ended 30 June 2010

### Note 20 Property, infrastructure, plant and equipment (cont'd)

2010	Balance at beginning of financial year	Acquisition of assets	Revaluation increments (decrements) (note 25)	Depreciation and amortisation (note 14)	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	18,952	-	1,044	-	-	-	63	
land under roads	13,108	-	-	-	-	-	-	
<b>Total land</b>	<b>32,060</b>	<b>-</b>	<b>1,044</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>63</b>	
buildings	11,337	99	263	186	-	-	51	
caravan park cabins	312	-	42	22	-	-	-	
<b>Total buildings</b>	<b>11,649</b>	<b>99</b>	<b>305</b>	<b>208</b>	<b>-</b>	<b>-</b>	<b>51</b>	
<b>Total property</b>	<b>43,709</b>	<b>99</b>	<b>1,348</b>	<b>208</b>	<b>-</b>	<b>-</b>	<b>114</b>	
Plant and Equipment								
plant, machinery and equipment	185	86	-	50	58	-	-	
fixtures, fittings and furniture	191	21	-	24	-	-	-	
computers and telecommunications	84	15	-	33	-	-	-	
recreation equipment	248	85	-	34	-	-	-	
<b>Total plant and equipment</b>	<b>708</b>	<b>207</b>	<b>-</b>	<b>141</b>	<b>58</b>	<b>-</b>	<b>-</b>	
Infrastructure								
roads	6,055	27	-	207	-	-	-	
kerb and channel	1,245	-	-	34	-	-	-	
footpaths and cycleways	610	-	-	25	-	-	-	
drainage	843	21	-	49	-	-	180	
recreational, leisure and community facilities	261	7	-	3	-	-	-	
sea wall	(0)	-	-	-	-	-	-	
<b>Total infrastructure</b>	<b>9,014</b>	<b>55</b>	<b>-</b>	<b>318</b>	<b>-</b>	<b>-</b>	<b>180</b>	
Works in progress								
buildings	220	138	-	-	-	172	(51)	
roads	-	37	-	-	-	-	-	
drainage	21	168	-	-	-	-	(180)	
playground and park development	56	200	-	-	-	-	-	
aquatic signage	-	86	-	-	-	-	-	
boat ramp upgrade	14	26	-	-	-	-	-	
renewal, upgrade and new foreshore assets	-	39	-	-	-	-	-	
land development	63	-	-	-	-	-	(63)	
electronic records system	50	-	-	-	-	50	-	
other	-	13	-	-	-	-	-	
<b>Total works in progress</b>	<b>424</b>	<b>707</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>222</b>	<b>(293)</b>	
<b>Total property, plant and equipment, infrastructure</b>	<b>53,855</b>	<b>1,068</b>	<b>1,349</b>	<b>667</b>	<b>58</b>	<b>222</b>	<b>-</b>	<b>55,327</b>

#### (a) Impairment losses

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

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



## Financial Report

For the Year Ended 30 June 2010

### Note 20 Property, infrastructure, plant and equipment (cont'd)

2009	Balance at beginning of financial year	Acquisition of assets	Revaluation increments (decrements)	Depreciation and amortisation	Written down value of disposals	Impairment losses recognised in profit or loss	Derecognition of assets	Transfers	Balance at end of financial year
	\$'000	\$'000	(note 25) \$'000	(note 12) \$'000	\$'000	(a) \$'000		\$'000	\$'000
Property									
land	18,952	-	-	-	-	-	-	-	18,952
land under roads	13,108								13,108
<b>Total land</b>	<b>32,060</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,060</b>
buildings	9,067	60	-	170	717	-	(909)	2,632	11,337
caravan park cabins	-	-	-	11	-	-	-	323	312
<b>Total buildings</b>	<b>9,067</b>	<b>60</b>	<b>-</b>	<b>181</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,955</b>	<b>11,649</b>
<b>Total property</b>	<b>41,127</b>	<b>60</b>	<b>-</b>	<b>181</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,955</b>	<b>43,709</b>
Plant and Equipment									
plant, machinery and equipment	153	116	-	37	47	-	-	-	185
fixtures, fittings and furniture	39	-	-	15	-	-	-	185	191
Computers and telecommunications	85	16	-	35	-	-	-	18	84
recreation equipment	236	46	-	34	-	-	-	-	248
<b>Total plant and equipment</b>	<b>513</b>	<b>178</b>	<b>-</b>	<b>121</b>	<b>47</b>	<b>-</b>	<b>-</b>	<b>185</b>	<b>708</b>
Infrastructure									
roads	6,089	60	-	204	-	-	-	110	6,055
kerb and channel	1,279	-	-	34	-	-	-	-	1,245
footpaths and cycleways	635	-	-	25	-	-	-	-	610
drainage	881	8	-	46	-	-	-	-	843
Recreation / community facilities	204	60	-	3	-	-	-	-	261
sea wall	640	-	-	16	-	-	(624)	-	(0)
<b>Total infrastructure</b>	<b>9,728</b>	<b>128</b>	<b>-</b>	<b>328</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>110</b>	<b>9,014</b>
Works in progress									
buildings	1,545	1,815	-	-	-	-	-	(3,140)	220
roads	88	22	-	-	-	-	-	(110)	21
Drainage	20	1	-	-	-	-	-	-	21
Playground and park dev	5	51	-	-	-	-	-	-	56
Aquatic signage	-	-	-	-	-	-	-	-	0
Boat ramp upgrade	-	14	-	-	-	-	-	-	14
Renewal, upgrade foreshore assets	-	-	-	-	-	-	-	-	0
land development	60	3	-	-	-	-	-	-	63
electronic records system	-	50	-	-	-	-	-	-	50
other	-	-	-	-	-	-	-	-	0
<b>Total works in progress</b>	<b>1,718</b>	<b>1,956</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,250)</b>	<b>424</b>
<b>Total property, plant and equipment, infrastructure</b>	<b>53,086</b>	<b>2,262</b>	<b>-</b>	<b>630</b>	<b>47</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>53,855</b>

(a) Impairment losses Impairment losses are recognised in the income statement under other expenses. Reversals of impairment losses are recognised in the income statement under other revenue.



## Financial Report

For the Year Ended 30 June 2010

		2010	2009
		\$'000	\$'000
Note 21	Trade and other payables		
	Trade payables	604	423
	Accrued expenses	276	222
	<b>Total trade and other payables</b>	<b><u>880</u></b>	<b><u>645</u></b>
Note 22	Trust funds and deposits		
	Revolving restoration fund	41	42
	Community nursery	12	19
	Retention amounts	6	7
	Refundable key deposits	3	3
	Other refundable deposits	6	6
	<b>Total trust funds and deposits</b>	<b><u>68</u></b>	<b><u>77</u></b>

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.



## Financial Report

For the Year Ended 30 June 2010

### Note 23 Provisions

	Annual leave \$ '000	Long service Leave \$ '000	Accrued days off \$ '000	Total \$ '000
2010				
Balance at beginning of the financial year	177	211	-	388
Additional provisions	33	76	19	129
Amounts used	(51)	(30)	-	(81)
<b>Balance at the end of the financial year</b>	<b>159</b>	<b>257</b>	<b>19</b>	<b>436</b>
2009				
Balance at beginning of the financial year	149	223	-	372
Additional provisions	91	103	-	194
Amounts used	(63)	(115)	-	(178)
<b>Balance at the end of the financial year</b>	<b>177</b>	<b>211</b>	<b>-</b>	<b>388</b>
			2010 \$'000	2009 \$'000
<i>Employee benefits</i>				
Current (i)				
Annual leave			159	177
Long service leave			217	187
Accrued days off			19	-
			<b>395</b>	<b>364</b>
Non-current (ii)				
Long service leave			40	24
			<b>40</b>	<b>24</b>
Aggregate carrying amount of employee benefits:				
Current			395	364
Non-current			40	24
			<b>435</b>	<b>388</b>
The following assumptions were adopted in measuring the present value of employee benefits:				
Weighted average increase in employee costs			4.475%	4.450%
Weighted average discount rates			4.70%	5.22%
Weighted average settlement period			15	15
(i) Current				
"All annual leave, accrued days off and the long service leave entitlements representing five or more years of continuous service of continuous service"				
"- Short-term employee benefits, that fall due within 12 months after the end of the period measured at nominal value"			178	177
"- Other long-term employee benefits that do not fall due within 12 months after the end of the period measured at present value"			217	187
			<b>395</b>	<b>364</b>
(ii) Non-current				
Long service leave representing less than five years of continuous service measured at present value			<b>40</b>	<b>24</b>



## Financial Report

For the Year Ended 30 June 2010

	2010	2009
	\$'000	\$'000
Note 24		
Interest-bearing loans and borrowings		
<i>Current</i>		
Borrowings - secured	219	206
Superannuation - liability	17	-
	<u>236</u>	<u>206</u>
<i>Non-current</i>		
Borrowings - secured	1,286	1,506
Superannuation - liability	97	114
	<u>1,383</u>	<u>1,620</u>
<b>Total</b>	<u>1,619</u>	<u>1,826</u>

The maturity profile for Council's borrowings is:

Not later than one year	236	206
Later than one year and not later than five years	925	946
Later than five years	458	674
<b>Total</b>	<u>1,619</u>	<u>1,826</u>

#### *Bank overdraft*

Council did not make use of a bank overdraft facility during the 2009/10 financial year (2008/09 not used)

#### *Finance leases*

Council had no finance leases at year-end.



## Financial Report

For the Year Ended 30 June 2010

### Note 25 Reserves

	"Balance at beginning of" reporting period	Increment (decrement)	Balance at end of reporting period
	\$'000	\$'000	\$'000
(a) Asset revaluation surplus			
2010			
Property			
Land	17,349	1,044	18,393
Buildings	6,870	263	7,133
Caravan park cabins	-	42	42
	<u>24,219</u>	<u>1,349</u>	<u>25,568</u>
Infrastructure			
Roads	-	-	-
Kerb and channel	-	-	-
Footpaths and cycleways	-	-	-
Drainage	-	-	-
Recreational, leisure and community facilities	-	-	-
Sea wall	-	-	-
	-	-	-
Total asset revaluation surplus	<u>24,219</u>	<u>1,349</u>	<u>25,568</u>
2009			
Property			
Land	17,349	-	17,349
Buildings	6,870	-	6,870
Caravan park cabins	-	-	-
	<u>24,219</u>	-	<u>24,219</u>
Infrastructure			
Roads	-	-	-
Kerb and channel	-	-	-
Footpaths and cycleways	-	-	-
Drainage	-	-	-
Recreational, leisure and community facilities	-	-	-
Sea wall	-	-	-
	-	-	-
Total asset revaluation surplus	<u>24,219</u>	-	<u>24,219</u>

The asset revaluation reserve 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 and buildings has been revalued during the 2009/10 financial year.

The next revaluation of infrastructure assets is due in the 2010/11 financial year.



Note 25 Reserves (cont)

	Balance at beginning of" reporting period \$'000	Transfer from accumulated surplus \$'000	Transfer to accumulated surplus \$'000	Balance at end of reporting period \$'000
(b) Other reserves				
2010				
Crown Land Reserves	403	514	(231)	686
Incomplete Capital Works	328	107	(290)	145
Incomplete Operating Works	258	170	(244)	184
Office Refurbishment	-	-	-	-
<b>Total Other reserves</b>	<b>989</b>	<b>791</b>	<b>(765)</b>	<b>1,015</b>
2009				
Crown Land Reserves	1,167	413	(1,177)	403
Incomplete Capital Works	-	328	-	328
Incomplete Operating Works	-	258	-	258
Office Refurbishment	518	-	(518)	-
<b>Total Other reserves</b>	<b>1,685</b>	<b>999</b>	<b>(1,695)</b>	<b>989</b>

*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.

*Office Refurbishment Reserve* - balance of funds expended during 2008/09 to complete the office refurbishment project.

*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 20, whilst details of each project for which grants remain unexpended are at Note 5.



## Financial Report

For the Year Ended 30 June 2010

	2010 \$'000	2009 \$'000
<b>Note 26</b>	<b>Adjustments directly to equity</b>	
	-	13,108
	<u>-</u>	<u>13,108</u>
<b>Note 27</b>	<b>Reconciliation of cash flows from operating activities to surplus (deficit)</b>	
	1,809	521
	667	630
	(6)	9
	131	123
	172	-
	50	-
	(1,349)	-
	(158)	32
	6	(6)
	0	(58)
	8	(59)
	(25)	(12)
	181	(88)
	54	137
	47	16
	<u>1,587</u>	<u>1,245</u>
<b>Note 28</b>	<b>Reconciliation of cash and cash equivalents</b>	
	1,914	1,679
	-	-
	<u>1,914</u>	<u>1,679</u>
<b>Note 29</b>	<b>Financing arrangements</b>	
	-	-
	An approved overdraft limit of \$5,000 is available to Council if required. This facility was not used at any time during the financial year.	
	(2008/09: NIL)	



## Financial Report

For the Year Ended 30 June 2010

	2010 \$'000	2009 \$'000
Note 30		
Restricted assets		
<p>Council has cash and cash equivalents (note 16) that are subject to restrictions. As at the reporting date, Council had legislative restrictions in relation to employee entitlements (Long Service Leave) and reserve funds (Crown Land Reserves).</p>		
	195	166
Long service leave		
	686	403
Reserve funds (note 25)		
<b>Total restricted assets</b>	<b>881</b>	<b>569</b>

Restricted asset for long service leave is based on the Local Government (Long Service Leave) Regulations 2002 and does not necessarily equate to the long service leave liability disclosed in note 23 due to a different basis of calculation prescribed by the regulation.

### Note 31 Superannuation

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

Council makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund's Actuary. On the basis of the results of the most recent full actuarial investigation conducted by the Fund's Actuary as at 31 December 2008, Council makes the following contributions:-

- 9.25% of members' salaries (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 to 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 actuarial investigation concluded that although the Net Market Value of Assets was in excess of Accrued Benefits at 31 December 2008, based on the assumptions adopted, there was a shortfall of \$71 million when the funding of future benefits was also considered. However, Council was advised that no additional contributions are required for 30 June 2010. The Actuary has commenced undertaking the next actuarial investigation to ascertain if additional contributions would be required. The Actuarial review will be as at 30 June 2010.

The result of the actuarial review is expected to be finalised during October 2010. Should the review identify a funding shortfall requiring additional contributions, the Council will be notified of any amount payable by November 2010 for payment on 1 July 2011. A further actuarial review will be undertaken as at 30 June 2011. Based on the result of this further review, a detailed funding plan will be developed and implemented to achieve the target of fully funding the Fund by 31 December 2013.



## Financial Report

For the Year Ended 30 June 2010

### Note 31 Superannuation (cont'd)

#### Accounting Standard Disclosure

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

	31-Dec-08
	\$'000
Net Market Value of Assets	3,630,432
Accrued Benefits (per accounting standards)	3,616,422
Difference between Assets and Accrued Benefits	14,010
Vested Benefits	3,561,588

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

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

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

	2010	2009
	\$'000	\$'000
Fund		
Defined benefits fund		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	3	1
	<u>3</u>	<u>1</u>
Employer contributions payable to Local Authorities Superannuation Fund (Vision Super) at reporting date	97	114
	<u>97</u>	<u>114</u>
Accumulation funds		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	174	145
Employer contributions to REI, Hostplus, HESTA, MLC and Wuchatsch	18	16
	<u>191</u>	<u>161</u>

#### Contingent Liability

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 in time the amount, and the likelihood of payment is not certain. Further detail of this matter is disclosed at note 34 - Contingent liabilities.



Note 32 Commitments

The Council has entered into the following commitments

2010	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	Later than 5 years \$'000	Total \$'000
<i>Operating</i>					
Roads, parks and reserves maintenance	714	714	-	-	1,428
Garbage collection	350	360	370	-	1,080
Recycling	-	-	-	-	-
Cleaning contracts for council buildings	34	35	-	-	69
Home maintenance services	62	64	-	-	126
Heritage Advisory Service	45	45	-	-	90
Engineering services	-	-	-	-	-
Information systems & technology	35	-	-	-	35
Contribution to Point Lonsdale Bowls Club	73	-	-	-	73
Upgrade to clubhouse (stage 2)					
	<u>1,313</u>	<u>1,218</u>	<u>370</u>	-	<u>2,901</u>
<i>Capital</i>					
Buildings	1,041	-	-	-	1,041
Roads	-3	-	-	-	-
Drainage	12	-	-	-	12
Boat Ramp Upgrade	91	-	-	-	91
Other	23	-	-	-	23
	<u>1,167</u>	-	-	-	<u>1,167</u>
<b>Total</b>	<b><u>2,480</u></b>	<b><u>1,218</u></b>	<b><u>370</u></b>	<b>-</b>	<b><u>4,068</u></b>
2009	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	Later than 5 years \$'000	Total \$'000
<i>Operating</i>					
Roads, parks and reserves maintenance	714	714	714	-	2,142
Garbage collection	384	-	-	-	384
Recycling	9	-	-	-	9
Cleaning contracts for council buildings	15	-	-	-	15
Home maintenance services	1	-	-	-	1
Heritage advisory service	45	45	45	-	135
Engineering services	5	-	-	-	5
Information systems & technology	-	-	-	-	-
	<u>1,173</u>	<u>759</u>	<u>759</u>	-	<u>2,691</u>
<i>Capital</i>					
Buildings	51	-	-	-	51
Roads	33	-	-	-	33
Drainage					
<b>Total</b>	<b><u>84</u></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b><u>84</u></b>
<b>Total</b>	<b><u>1,257</u></b>	<b><u>759</u></b>	<b><u>759</u></b>	<b>-</b>	<b><u>2,775</u></b>



## Financial Report

For the Year Ended 30 June 2010

	2010	2009
	\$'000	\$'000
<b>Note 33</b>		
Operating leases		
Operating lease commitments		
<p>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):</p>		
Not later than one year	39	41
Later than one year and not later than five years	1	40
	<u>40</u>	<u>81</u>

### Note 34 Contingent liabilities

The Council is presently only involved in one confidential legal matter, which is being conducted through Council's solicitors.

As this matter is yet to be finalised, and the financial outcome is unable to be reliably estimated, no allowance for this contingency has been made in the financial report.

Council has obligations under a defined benefit superannuation scheme that may result in the need to make additional contributions to the scheme to ensure that the liabilities of the fund are covered by the assets of the fund. As a result of the increased volatility in financial markets the likelihood of making such contributions in future periods has increased. At this point in time an increase in the Borough's liability has been estimated at \$60,000. This is based on the same percentage used for the Borough in the last call from the Super fund, and applied to the total estimated fund shortfall provided by Vision Super. The actual amount will be advised during 2010/11 and provision has been made in that year's budget. Note, Vision Super have advised that whilst the increase in liability will need to be accounted for in 2010/11, no cash outlays will be required during the 2010/11 financial year.

Guarantees for loans to other entities	<u>21</u>	<u>31</u>
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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 balance at 30 June 2010 is \$21,358 (2008/09 : \$31,382).



Note 35 Financial Instruments

(a) Accounting Policy, terms and conditions

Recognised financial instruments	Note	Accounting Policy	Terms and Conditions
<b>Financial assets</b>			
Cash and cash equivalents	16	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 3.75% (3.40% in 2008/2009). The interest rate on the balance held in Council's general bank account at balance date was 2.90% (2.25% in 2008/2009).  Funds returned fixed interest rate of between 3.12% (3.12% in 2008/2009), and 6.00% (7.85% in 2008/2009) net of fees.  Nil managed funds for 2008/09 (2007/08 Nil)
<b>Trade and other receivables</b>			
Other debtors	17	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.
<b>Financial Liabilities</b>			
Trade and other payables	25	Liabilities are recognised for amounts to be paid in the future for goods and services provided to Council as at balance date whether or not invoices have been received.	General Creditors are unsecured, not subject to interest charges and are normally settled within 30 days of invoice receipt.
Interest-bearing loans and borrowings	28	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.  Finance leases are accounted for at their principal amount with the lease payments discounted to present value using the interest rates implicit in the leases.	Borrowings are secured by way of mortgages over the general rates of the Council.  The weighted average interest rate on borrowings is 7.74% (7.72% in 2008/2009).  Nil finance leases for 2009/10 (2008/09 Nil)
Bank overdraft	28	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 2009/10 (2008/09 Nil).  The interest rate as at balance date was 10.14% (8.64% in 2008/2009).



## Financial Report

For the Year Ended 30 June 2010

### Note 35 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:

2010

	Floating Interest \$'000	Fixed interest maturing in:			Non-interest bearing \$'000	Total \$'000
		1 Year or less \$'000	Over 1 to 5 Years \$'000	More than 5 Years \$'000		
<i>Financial assets</i>						
Cash and cash equivalents	440	1,473	-	-	1	1,914
Trade and other receivables	-	3	8	-	316	327
Other assets	-	-	-	-	64	64
<b>Total financial assets</b>	<b>440</b>	<b>1,476</b>	<b>8</b>	<b>-</b>	<b>381</b>	<b>2,305</b>
Weighted average interest rate	2.90%	5.16%				
<i>Financial liabilities</i>						
Trade and other payables	-	-	-	-	880	880
Trust funds and deposits	-	-	-	-	68	68
Interest-bearing loans and borrowings	114	219	828	458	-	1,619
<b>Total financial liabilities</b>	<b>114</b>	<b>219</b>	<b>828</b>	<b>458</b>	<b>948</b>	<b>2,567</b>
Weighted average interest rate		7.56%	7.72%	7.865%		
<b>Net financial assets (liabilities)</b>	<b>326</b>	<b>1,257</b>	<b>(820)</b>	<b>(458)</b>	<b>(948)</b>	<b>262</b>

2009

	Floating Interest \$'000	Fixed interest maturing in:			Non-interest bearing \$'000	Total \$'000
		1 Year or less \$'000	Over 1 to 5 Years \$'000	More than 5 Years \$'000		
<i>Financial assets</i>						
Cash and cash equivalents	678	1,000	-	-	1	1,679
Trade and other receivables	-	13	7	-	183	203
Accrued income	-	-	-	-	72	72
<b>Total financial assets</b>	<b>678</b>	<b>1,013</b>	<b>7</b>	<b>-</b>	<b>256</b>	<b>1,954</b>
Weighted average interest rate	2.25%	3.40%				
<i>Financial liabilities</i>						
Trade and other payables	-	-	-	-	645	645
Trust funds and deposits	-	-	-	-	77	77
Interest-bearing loans and borrowings	114	206	863	643	-	1,826
<b>Total financial liabilities</b>	<b>114</b>	<b>206</b>	<b>863</b>	<b>643</b>	<b>722</b>	<b>2,548</b>
Weighted average interest rate		7.74%	7.81%	8.00%		
<b>Net financial assets (liabilities)</b>	<b>564</b>	<b>807</b>	<b>(856)</b>	<b>(643)</b>	<b>(466)</b>	<b>(594)</b>



Note 35 Financial Instruments (cont.)

(c) Net Fair Values

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

	Total carrying amount as per Balance Sheet		Aggregate net fair value	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Financial Instruments				
<i>Financial assets</i>				
Cash and cash equivalents	1,914	1,679	1,914	1,679
Trade and other receivables	327	203	327	203
Accrued income	64	72	64	72
<b>Total Financial Assets</b>	<b>2,305</b>	<b>1,954</b>	<b>2,305</b>	<b>1,954</b>
<i>Financial liabilities</i>				
Trade and other payables	880	645	880	645
Trust funds and deposits	68	77	68	77
Interest-bearing loans and borrowings	1,619	1,826	1,619	1,826
<b>Total Financial Liabilities</b>	<b>2,567</b>	<b>2,548</b>	<b>2,567</b>	<b>2,548</b>
<b>Net financial assets (liabilities)</b>	<b>(262)</b>	<b>(594)</b>	<b>(262)</b>	<b>(594)</b>

(d) Credit Risk

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

(e) Risks and mitigation

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

*Market risk*

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

*Interest rate risk*

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

Our loan borrowings are sourced from major Australian banks by a tender process. 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.



## Financial Report

For the Year Ended 30 June 2010

### Note 35 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 balance sheet. 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 balance sheet, such as when we provide a guarantee for another party. Details of our contingent liabilities are disclosed in note 34.

Movement in Provisions for Doubtful Debts	2010 \$'000	2009 \$'000
Balance at the beginning of the year	7	9
New Provisions recognised during the year	2	3
Amounts already provided for and written off as uncollectible	-	-
Amounts provided for but recovered during the year	(5)	(5)
<b>Balance at end of year</b>	<b>4</b>	<b>7</b>

#### 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:

	2010 \$'000	2009 \$'000
Current (not yet due)	154	164
Past due by up to 30 days	44	20
Past due between 31 and 180 days	126	1
Past due by more than 1 year	2	18
<b>Total Trade &amp; Other Receivables</b>	<b>327</b>	<b>203</b>

#### 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 2010 there were no debtors in this category.



Note 35 Financial Instruments (cont.)

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 requirement 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 instruments;
- monitor budget to actual performance on a regular basis; and
- set limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

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

2010	6 mths or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	>5 years \$'000	Contracted Cash Flow \$'000	Carrying Amount \$'000
Trade and other payables	880	-	-	-	-	880	880
Trust funds and deposits	13	2	6	6	-	27	68
Interest-bearing loans and borrowings	185	165	397	813	510	2,069	1,619
<b>Total financial liabilities</b>	<b>1,078</b>	<b>167</b>	<b>403</b>	<b>819</b>	<b>510</b>	<b>2,976</b>	<b>2,567</b>

2009	6 mths or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	>5 years \$'000	Contracted Cash Flow \$'000	Carrying Amount \$'000
Trade and other payables	645	-	-	-	-	645	645
Trust funds and deposits	17	6	6	7	-	36	77
Interest-bearing loans and borrowings	167	167	349	979	742	2,404	1,826
<b>Total financial liabilities</b>	<b>829</b>	<b>173</b>	<b>355</b>	<b>986</b>	<b>742</b>	<b>3,085</b>	<b>2,548</b>



## Financial Report

For the Year Ended 30 June 2010

### Note 35 Financial Instruments (cont.)

#### (f) Sensitivity disclosure analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, the Council believes the following movements are 'reasonably possible' over the next 12 months (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 4.4%.

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

Carrying amount subject to interest		-2 % -200 basis points		+1% +100 basis points	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
2010	\$'000				
Financial assets:					
Cash and cash equivalents	1,914	(38)	(38)	19	19
Trade and other receivables	11	(0)	(0)	(0)	(0)
Financial liabilities:					
Interest-bearing loans and borrowings	1,619	(32)	(32)	16	16

#### Interest rate risk

Carrying amount subject to interest		-2 % -200 basis points		+1% +100 basis points	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
2009	\$'000				
Financial assets:					
Cash and cash equivalents	1,679	(34)	(34)	17	17
Trade and other receivables	20	(0)	0	0	0
Financial liabilities:					
Interest-bearing loans and borrowings	1,826	(37)	(37)	18	18

#### (g) Fair Value Hierarchy

There were no fair value adjustments to financial assets through the comprehensive income statement in 2009-10 (2008-09 Nil)

### Note 36 Auditors' remuneration

	2010 \$'000	2009 \$'000
Audit fee to conduct external audit - Victorian Auditor-General	24	14
Internal audit fees - AFS & Associates	12	10
Audit committee fees	4	2
	<u>40</u>	<u>26</u>

### Note 37 Events occurring after balance date

Council has no reportable events occurring after the balance date.



Note 38 Related party transactions

(i) Responsible Persons

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

Councillors

Councillor Bob Merriman	(Councillor elected 29/11/08, Mayor 04/12/08 to current)
Councillor John Burgess	(Councillor 01/07/08 to current)
Councillor David Mitchell	(Councillor elected 29/11/08 to current)
Councillor Helene Butler	(Councillor elected 29/11/08 to current)
Councillor Lloyd Davies	(Councillor elected 29/11/08 to current)
Chief Executive Officer Leonard Jenner	(Chief Executive Officer 20/10/08 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:

	2010 No.	2009 No.
\$1 - \$ 9,999	-	10
\$10,000 - \$19,999	4	1
\$30,000 - \$39,999	1	1
\$40,000 - \$49,999	-	1
\$100,000 - \$109,999	-	1
\$160,000 - \$169,999	1	1
	<u>6</u>	<u>14</u>
	\$'000	\$'000
Total Remuneration for the reporting year for Responsible Persons included above amounted to:	<u>266</u>	<u>242</u>

(iii) No retirement benefits have been made by the Council to a Responsible Person (2008/09, nil)

(iv) No loans have been made, guaranteed or secured by the Council to a Responsible Person during the reporting year (2008/09, 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 (2008/09, 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 \$120,000.

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

	2010 No.	2009 No.
Income Range: <\$120,000	2	2
	<u>2</u>	<u>2</u>
	\$'000	\$'000
Total Remuneration for the reporting year, for Senior Officers included above, amounted to	<u>214</u>	<u>140</u>



## Financial Report

For the Year Ended 30 June 2010

### Note 38 Income, expenses and assets by function/activities

	Governance				Tourism &			
	& External Relations		Finance & Audit		Community Development		Community Services	
	2010	2009	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>INCOME</b>								
Grants	160	206	0	0	30	195	357	364
Other	16	(0)	4,802	4,531	415	141	131	130
<b>TOTAL</b>	<b>176</b>	<b>206</b>	<b>4,802</b>	<b>4,531</b>	<b>445</b>	<b>336</b>	<b>487</b>	<b>494</b>
<b>EXPENSES</b>	<b>(1,664)</b>	<b>(1,595)</b>	<b>(689)</b>	<b>(498)</b>	<b>(526)</b>	<b>(720)</b>	<b>(669)</b>	<b>(668)</b>
<b>SURPLUS (DEFICIT) FOR THE YEAR</b>	<b>(1,488)</b>	<b>(1,389)</b>	<b>(4,113)</b>	<b>(4,033)</b>	<b>(82)</b>	<b>(384)</b>	<b>(182)</b>	<b>(174)</b>
<b>ASSETS ATTRIBUTED TO FUNCTIONS/ACTIVITIES*</b>	<b><u>4,117</u></b>	<b><u>4,418</u></b>	<b><u>22</u></b>	<b><u>11</u></b>	<b><u>7,586</u></b>	<b><u>7,166</u></b>	<b><u>704</u></b>	<b><u>1,200</u></b>

	Building		Coastal & Environment		Environmental Health		Infrastructure Services	
	2010	2009	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>INCOME</b>								
Grants	14	14	146	197	9	7	191	310
Other	18	9	1,139	1,321	24	20	156	64
<b>TOTAL</b>	<b>32</b>	<b>23</b>	<b>1,284</b>	<b>1,518</b>	<b>33</b>	<b>27</b>	<b>347</b>	<b>374</b>
<b>EXPENSES</b>	<b>(80)</b>	<b>(199)</b>	<b>(854)</b>	<b>(861)</b>	<b>(52)</b>	<b>(67)</b>	<b>(2,286)</b>	<b>(1,999)</b>
<b>SURPLUS (DEFICIT) FOR THE YEAR</b>	<b>(49)</b>	<b>(175)</b>	<b>(430)</b>	<b>(657)</b>	<b>(19)</b>	<b>(40)</b>	<b>(1,939)</b>	<b>(1,625)</b>
<b>ASSETS ATTRIBUTED TO FUNCTIONS/ACTIVITIES*</b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>7,728</u></b>	<b><u>5,991</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>35,138</u></b>	<b><u>35,863</u></b>

	Local Law Enforcement		Planning		Sustainability & Environment		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>INCOME</b>								
Grants	18	14	0	5	0	0	923	1,3120
Other	76	71	54	60	0	0	6,831	6,347
<b>TOTAL</b>	<b>94</b>	<b>85</b>	<b>54</b>	<b>65</b>	<b>0</b>	<b>0</b>	<b>7,754</b>	<b>7,659</b>
<b>EXPENSES</b>	<b>(198)</b>	<b>(183)</b>	<b>(209)</b>	<b>(347)</b>	<b>67</b>	<b>(0)</b>	<b>(7,294)</b>	<b>(7,137)</b>
<b>SURPLUS (DEFICIT) FOR THE YEAR</b>	<b>(104)</b>	<b>(98)</b>	<b>(155)</b>	<b>(282)</b>	<b>(67)</b>	<b>0</b>	<b>460</b>	<b>521</b>
<b>ASSETS ATTRIBUTED TO FUNCTIONS/ACTIVITIES*</b>	<b><u>30</u></b>	<b><u>24</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>55,326</u></b>	<b><u>54,671</u></b>



Note 39 Key Operational Areas

The activities relating to the municipality's key operational areas reported on in the Comprehensive Statement are as follows:

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, accomodation, 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.



## Financial Report

For the Year Ended 30 June 2010

### Note 40 Financial ratios (Performance indicators)

	2010 \$'000	2010 (%)	2009 \$'000	2009 (%)	2008 \$'000	2008 (%)
(a) Debt servicing ratio (to identify the capacity of Council to service its outstanding debt)						
<u>Debt servicing costs</u>	<u>131</u>	= 1.69%	<u>123</u>	= 1.60%	<u>103</u>	= 1.48%
Total revenue	7,753		7,659		6,943	

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 &amp; redemption costs</u>	<u>338</u>	= 7.04%	<u>343</u>	= 7.60%	<u>318</u>	= 7.65%
Rate revenue	4,796		4,523		4,156	

The strategy involves the payment of loan principal and interest, finance lease principal and interest. The ratio expresses the percentage of rate revenue utilised to pay interest and redeem debt principal.

(c) Revenue ratio (to identify Council's dependence on non-rate income)						
<u>Rate revenue</u>	<u>4,796</u>	= 61.86%	<u>4,523</u>	= 59.06%	<u>4,156</u>	= 59.86%
Total revenue	7,753		7,659		6,943	

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

(d) Debt exposure ratio (to identify Council's exposure to debt)						
<u>Total indebtedness</u>	<u>2,807</u>	= 5.81%	<u>2,771</u>	= 5.83%	<u>2,893</u>	= 8.83%
Total realisable assets	48,350		47,522		32,741	

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 30) is excluded from total indebtedness.

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

land and buildings on Crown land; restricted assets; 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 40 Financial ratios (Performance indicators) (cont)

	2010	2010	2009	2009	2008	2008
	\$'000	(%)	\$'000	(%)	\$'000	(%)

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

<u>Current assets</u>	<u>2,550</u>	= 1681.46%	<u>2,181</u>	= 168.79%	<u>3,387</u>	= 280.38%
Current liabilities	1,579		1,292		1,208	

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>	<u>2,550</u>	= 187.14%	<u>2,181</u>	= 197.46%	<u>3,387</u>	= 335.68%
Current liabilities	1,363		1,105		1,009	

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.

Other ratios may be included where appropriate

Note 41 Capital expenditure

Note	2010	2009
	\$'000	\$'000
Capital expenditure areas		
Buildings	237	1,308
Playground and park development	200	-
Drainage	188	9
Aquatic signage	86	-
Plant, machinery and equipment	86	116
Recreation equipment	85	71
Roads	64	81
Renewal, upgrade and new foreshore assets	39	-
Boat ramp upgrade	26	14
Fixtures, fittings and furniture	21	185
Computers and telecommunications	15	16
Other	14	29
Recreational, leisure and community facilities	7	60
Caravan park cabins	-	320
Electronic records system	-	50
Land	-	3
<b>Total capital works</b>	<b><u>1,068</u></b>	<b><u>2,262</u></b>
Represented by:		
Renewal	(a) 347	1,448
Upgrade	(b) 288	-
Expansion	(c) -	-
New	433	814
<b>Total capital works</b>	<b><u>1,068</u></b>	<b><u>2,262</u></b>



## Financial Report

For the Year Ended 30 June 2010

### Note 41 Capital expenditure (cont'd)

#### Property, plant and equipment, infrastructure movement

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

	Note	2010 \$'000	2009 \$'000
Total capital works	20	1,068	2,262
Adjustment arising from recognising land under roads	26	-	13,108
Adjustment arising from recognising buildings	26	717	-
Adjustment arising from derecognition of buildings	26	(909)	-
Adjustment arising from derecognition of sea wall	26	(624)	-
Asset revaluation movement	25(a)	1,349	-
Impairment losses recognised in profit or loss	20	(222)	-
Depreciation/amortisation	12	(667)	(630)
Written down value of assets sold	20	(58)	(47)
Net movement in property, plant and equipment, infrastructure	20	655	14,693

#### (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

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

#### (c) Expansion

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

### Note 42 Prior period errors

	Note	2010 \$'000	2009 \$'000
Adjustment arising from recognition of buildings		717	-
Adjustment arising from derecognition of buildings		(909)	-
Adjustment arising from derecognition of sea wall		(624)	-
		<u>(816)</u>	-

A fixed asset management review was conducted during the 2009/10 financial year, by CT Management Group (Vic). As a result of this review, a number of buildings were found to be under the responsibility and ownership of other government bodies. As such, these buildings have been removed from Council's asset register. Conversely, other buildings were identified that should have been on Council's asset register. These are included above as recognition of buildings.

Derecognition of the sea wall is as a result of advice from the Department of Sustainability and Environment who are the responsible authority with regards to the maintenance, repair and upkeep of all protective foreshore assets (sea walls included) located on Crown land.

The closing position for 2008/09 accumulated surplus has been adjusted to reflect the above prior period errors.

The prior period errors 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.



**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  
Principal Accounting Officer  
Dated: 16 September 2010

In our opinion the accompanying financial statements present fairly the financial transactions of the Borough of Queenscliffe for the year ended 30 June 2010 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 16<sup>th</sup> September 2010 to certify the financial statements in their final form.

Councillor Helene Butler  
Councillor

Date : 16 September 2010  
Queenscliff

Councillor John Burgess  
Councillor

Date : 16 September 2010  
Queenscliff

Leonard Jenner  
Chief Executive Officer

Date : 16 September 2010  
Queenscliff



## Performance Statement

For the Year Ended 30 June 2010

### PERFORMANCE STATEMENT

This statement reviews Council's annual budget's key strategic activities performance targets against Council's actual performance for the year.

#### STRATEGIC OBJECTIVE: Governance, Finance & External Relation

Providing accountable governance and long term sustainable financial management.

Key Strategic Activities	Performance Measure	Actual Performance	Target Achieved
Successful achievement of Business Plan priority actions.	100%	86% achieved, 12 of 14 actions complete and 2 in progress	No
Increase opportunities for community participation in Council decision making.	Conduct at least four public meetings each year	Portfolio Reference Group (PRG) meetings conducted through the year. Combined PRG meeting to present and discuss draft Council Plan and draft Budget. Community invited to present capital and new initiative submissions to inform draft budget.	Yes
Maintain working capital ratio greater than 100%.	Greater than 100%	Working capital ratio as at 30 June 2010 is 161.46% (2008-09 : 168.79%, 2007-08 : 280.38%, 2006-07 : 377.01%)	Yes
Improve the Civic Mutual Plus risk rating.	Improve by 10%	Interim audit result was 38%, this was increased to a final score of 49.3% (an improvement of 30%)	Yes
Prepare and adopt annual Budget and Strategic Resource Plan in accordance with the Local Government Act 1989.	Adopt by 31 August 2010	Annual budget and strategic resource plan adopted by Council 21 July 2010	Yes
Develop a long term Strategic Financial Plan.	February 2010	Plan developed and presented to Ordinary Council Meeting on 28 April 2010. Council is seeking further feedback from the relevant Portfolio Reference Group.	No
Prepare and lodge annual financial statements and standard statements in accordance with the Local Government Act 1989 .	Lodge by 30 September 2010	Annual financial report (financial statements, standard statements and performance statement) lodged with the Minister for Local Government on 17/09/10	Yes
Annual Local Government Community Satisfaction Survey rating for overall performance generally of the council.	Maintain rating at 65 or better	Our result for the 2010 survey is 62	No
Annual Local Government Community Satisfaction Survey rating for council's advocacy and community representation on key local issues.	Maintain rating at 63 or better	Our result for the 2010 survey is 60	No
Annual Local Government Community Satisfaction Survey rating for council's engagement in decision making on key local issues.	Maintain rating at 64 or better	Our result for the 2010 survey is 53	No
Annual Local Government Community Satisfaction Survey rating for council's interaction and responsiveness in dealing with the public.	Maintain rating at 77 or better	Our result for the 2010 survey is 73	No



## STRATEGIC OBJECTIVE: Sustainability & Local Environment

Living sustainably and protecting and restoring our diverse environment.

Key Strategic Activities	Performance Measure	Actual Performance	Target Achieved
Successful achievement of Business Plan priority actions.	100%	91% achieved, 10 of 11 actions complete and 1 in progress	No
Maintain Borough of Queenscliffe Council as a Waste Wise accredited organisation.	Accreditation maintained	Accreditation achieved	Yes
Completion of further stages of ICLEI program.	Completion of stages 2 & 3	ICLEI milestone process discontinued, therefore it was resolved by Council that a Council Sustainability Strategy be developed which will have an equivalent outcome. Strategy presented to Council in June 2010.	No
Upgrade beach access paths.	Complete 2 access path upgrades	In progress - design and drafting work completed for three beach access paths, quotes for construction of one access path (Point Lonsdale surf life saving and access ramp) being sought in August 2010 and completion of construction is scheduled for November 2010	No
Achieve nett increase in street trees across the municipality.	Nett increase	35 trees removed and replaced with 46 trees across the Borough (Victoria Park, Citizens Park and Princess Park)	Yes
Annual Local Government Community Satisfaction Survey rating for council's overall performance in Waste Management.	Maintain rating at 75 or better	Our result for the 2010 survey is 71	No



## Performance Statement

For the Year Ended 30 June 2010

### STRATEGIC OBJECTIVE: **Business & Tourism**

Supporting local businesses and tourism by providing an environment in which they can both flourish.

Key Strategic Activities	Performance Measure	Actual Performance	Target Achieved
Successful achievement of Business Plan priority actions.	100%	57% achieved, 4 of 7 actions complete and 3 in progress	No
Maintain visitation numbers to the Queenscliffe Visitor Information Centre.	64,530 visitors	Change in strategy during 2009/10 to upgrade website and monitor website hits and other registrations of interest from visitors electronically as well as physically to the Borough. Visitor Information Centre total visitations in 2009/10 = 108,975 comprising of : 58,389 walk in visitors; 4,250 phone calls; 237 email enquiries; 45,321 website hits and 778 heritage walk participants.	No
Maintain level of sponsorship and in-kind support provided to major tourism events.	Value of support maintained	Sponsorship and in-kind support provided for Queenscliff Music Festival, Great Victorian Bike Ride and Seafood Feast (2008/09 : Queenscliff Music Festival and Seafood Feast)	Yes
Formalise Memorandum of Understanding with Bellarine Tourism.	MOU in place	To be finalised in 2010/11	No
Annual Local Government Community Satisfaction Survey rating for council's overall performance in Economic Development.	Maintain rating at 61 or better	Our result for the 2010 survey is 62	Yes



STRATEGIC OBJECTIVE: **Community Development**

Work in partnership with the community to build a strong, safe, inclusive and connected community.

Key Strategic Activities	Performance Measure	Actual Performance	Target Achieved
Successful achievement of Business Plan priority actions	100%	65% achieved, 11 of 17 actions complete and 6 in progress	No
Number of food premises visits.	At least 1 visit per premise per annum	81 food premises to be inspected, 86 food premises visits were conducted during the 2009/10 financial year .	Yes
Municipal Public Health Plan reviewed within legislative requirements.	27 November 2009	Municipal Public Health Plan incorporated into Council Plan and endorsed by Council in June 2010.	No
Level of financial support to community initiatives and not-for-profit community groups and organisations.	Maintain value of grants	Total value of financial support to community initiatives & not-for-profit community groups and organisations = \$54,570 (2008/09 : \$53,199)	Yes
Recognise and celebrate volunteer contributions in the Borough of Queenscliffe.	Conduct at least 2 events per annum	Australia Day Awards recognising outstanding volunteer contributions as well as two volunteer recognition celebrations conducted on 1 December 2009 and 11 May 2010. In addition, as part of Seniors Week, up to 8 residents (aged 60+) were invited to attend the Government House Reception held on 2 October 2009 in recognition of their voluntary work in the community.	Yes
Annual Local Government Community Satisfaction Survey rating for council's overall performance in health and human services.	Maintain rating at 79 or better	Our result for the 2010 survey is 79 - highest ranking in the 'small rural local government grouping'	Yes
Annual Local Government Community Satisfaction Survey rating for council's overall performance in recreational facilities.	Maintain rating at 68 or better	Our result for the 2010 survey is 70	Yes



## Performance Statement

For the Year Ended 30 June 2010

### STRATEGIC OBJECTIVE: Planning, Heritage & Community Assets

Striving to ensure development sustains and enhances the character of the natural and built environment.

Key Strategic Activities	Performance Measure	Actual Performance	Target Achieved
Successful achievement of Business Plan priority actions	100%	75% achieved, 9 of 12 actions complete, 2 in progress and 1 yet to commence	No
Commence review of Queenscliffe Planning Scheme	Review commenced by June 2010	Project brief yet to be finalised	No
Number of planning applications processed within 60 statutory days	70%	88% of planning application decisions made within statutory timeframe	Yes
Annual Local Government Community Satisfaction Survey rating for council's overall performance in appearance of public areas.	Maintain rating at 52 or better	Our result for the 2010 survey is 70	Yes
Annual Local Government Community Satisfaction Survey rating for council's overall performance in traffic management and parking	Maintain rating at 61 or better	Our result for the 2010 survey is 61	Yes
Annual Local Government Community Satisfaction Survey rating for council's overall performance in town planning policy and approvals.	Maintain rating at 52 or better	Our result for the 2010 survey is 47	No



**COUNCIL APPROVAL OF THE PERFORMANCE REPORT**

In our opinion, the accompanying performance statement of the Borough of Queenscliff in respect to the 2009/2010 financial year is presented fairly in accordance with the Local government Act 1989. The statement outlines the Key Strategic Activities set out in the Council's Budget and describes the extent to which these activities were achieved in the year.

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

On 16<sup>th</sup> September 2010 we were authorised by the Council to certify this performance report in its final form on behalf of Council.

Councillor Helene Butler  
Councillor

Date : 16 September 2010  
Queenscliff

Councillor John Burgess  
Councillor

Date : 16 September 2010  
Queenscliff

Leonard Jenner  
Chief Executive Officer

Date : 16 September 2010  
Queenscliff



# VAGO

Victorian Auditor-General's Office

## INDEPENDENT AUDITOR'S REPORT

### To the Councillors, Borough of Queenscliffe

#### *The Performance Statement*

The accompanying performance statement for the year ended 30 June 2010 of Borough of Queenscliffe which comprises the statement, the related notes and the Certification of the Performance Report has been audited.

#### *The Councillors' Responsibility for the Performance Statement*

The Councillors of Borough of Queenscliffe are responsible for the preparation and fair presentation of the performance statement in accordance with the *Local Government Act 1989*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the performance statement that is free of material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

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

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

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

#### *Matters Relating to the Electronic Presentation of the Audited Performance Statement*

This auditor's report relates to the performance statement published in both the annual report and on the website of Borough of Queenscliffe for the year ended 30 June 2010. The Councillors are responsible for the integrity of the website. I have not been engaged to report on the integrity of the website. The auditor's report refers only to the statements named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited performance statement to confirm the information included in the audited performance statement presented on Borough of Queenscliffe website.

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*Auditing in the Public Interest*



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Victorian Auditor-General's Office

## Independent Auditor's Report (continued)

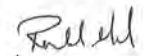
### *Independence*

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

### *Auditor's Opinion*

In my opinion, the performance statement of Borough of Queenscliffe in respect of the 30 June 2010 financial year presents fairly, in all material respects, in accordance with the *Local Government Act 1989*.

MELBOURNE  
16 September 2010

  
D D R Pearson  
Auditor-General

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*Auditing in the Public Interest*