

FINANCIAL REPORT FOR YEAR END 30 JUNE 2006

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INCOME STATEMENT FOR YEAR END 30 JUNE 2006

	Note	2006 \$'000	2005 \$'000
REVENUES			
Rates and garbage charge	4.1	55,602	51,495
Government grants	4.2	27,653	20,826
Contributions	4.4	1,432	1,744
Fees, charges and fines	4.6	9,750	10,179
Assets acquired from subdivisions	1.2(f)	8,068	8,608
Assets not previously recognised	2	–	6,015
Other	4.8	2,441	1,940
Total Revenue		104,946	100,807
EXPENSES			
Employee benefits	5.1	38,263	36,185
Contract payments, materials and services	5.2	16,582	16,077
Depreciation	5.3	15,196	15,914
Grants and sponsorships	5.4	5,221	4,088
Professional Services	5.5	3,277	4,124
Administration costs	5.6	9,447	8,409
Finance costs	5.7	1,227	1,031
Other	5.8	868	3,226
Write-off of assets	7, 7.1	700	1,005
Total Expenses		90,781	90,059
Net gain / (loss) on disposal of assets	4.7	2,565	237
SURPLUS FOR THE YEAR		16,730	10,985

The accompanying notes form part of this financial report.

BALANCE SHEET AS AT 30 JUNE 2006

	Note	2006 \$'000	2005 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	6.1	2,721	5,063
Trade and other receivables	6.2	9,003	9,065
Inventory – Property	1.8, 6.3	3,719	2,148
Total current assets		15,443	16,276
Non-current assets			
Property, infrastructure, plant and equipment	1.3, 7	954,875	809,982
Inventory – Property	1.8	9,152	11,246
Intangible assets	7.2	1,505	1,505
Total non-current assets		965,532	822,733
Total assets		980,975	839,009
LIABILITIES			
Current liabilities			
Trade and other payables	8.1	10,017	9,537
Employee benefits	8.2	7,883	7,055
Trust monies	8.3	2,568	4,544
Interest-bearing liabilities	10	3,766	3,979
Total current liabilities		24,234	25,115
Non-current liabilities			
Unearned income	8.1	3,000	3,000
Employee benefits	8.2	504	1,042
Interest-bearing liabilities	10	14,216	9,824
Total non-current liabilities		17,720	13,866
Total liabilities		41,954	38,981
NET ASSETS		939,021	800,028
EQUITY			
Accumulated surplus	2	423,802	407,072
Reserve	11.3(d), 11	515,219	392,956
TOTAL EQUITY		939,021	800,028

The accompanying notes form part of this financial report.

STATEMENT OF CHANGES IN EQUITY FOR YEAR END 30 JUNE 2006

	Note	Total		Accumulated Surplus		Reserves	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Balance at the beginning of the year	2	800,028	781,280	407,072	394,582	392,956	386,698
Surplus for year	2	16,730	10,985	16,730	10,985		–
IFRS adjustments	2		1,505		1,505		
Revaluation increment of assets	7.1	122,263	6,258		–	122,263	6,258
Balance at the end of the year		939,021	800,028	423,802	407,072	515,219	392,956

The accompanying notes form part of this financial report.

CASH FLOW STATEMENT FOR YEAR END 30 JUNE 2006

	Note	2006 \$'000	2005 \$'000
Cash inflows/(outflows) from operating activities			
Receipts from ratepayers		55,439	51,480
Fees, charges, fines and other (including GST)		13,840	11,593
Government grants (including GST)		29,954	22,832
Interest received		638	770
Payments to suppliers and employees (including GST)		(75,695)	(74,436)
Borrowing costs		(1,227)	(1,031)
Net GST (payments)/refunds		63	74
Net cash provided by operating activities	17.1	23,012	11,282
Cash inflows/(outflows) from investing activities			
Payments for property and other non-current assets		(32,286)	(25,083)
Proceeds from sale of property, plant and equipment		1,728	2,666
Net cash (used in) investing activities		(30,558)	(22,417)
Cash inflows/(outflows) from financing activities			
Proceeds from/(Repayment of) secured loans		5,170	6,501
Payments for trust monies and deposits	1.4, 8.3	(1,007)	(339)
Proceeds from trust monies and deposits	1.4, 8.3	2,031	4,192
Net cash provided by/(used in) financing activities		6,194	10,354
Net increase/(decrease) in cash and cash equivalents		(1,352)	(781)
Cash and cash equivalents at beginning of the year	17.2	3,772	4,553
Cash and cash equivalents at end of the year	17.2	2,420	3,772
Restricted cash assets	6.1	2,649	2,504

The accompanying notes form part of this financial report.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

INTRODUCTION

The City of Greater Dandenong was established in December 1994 with the amalgamation of the former City of Springvale and former City of Dandenong, and is a body corporate. The council's main offices are located at 397-405 Springvale Road, Springvale 3171.

The purpose of the council is to:

- Provide for the peace, order and good government of the city
- To promote our cultural diversity, and economic, social and environmental viability
- To build partnerships with its citizens
- To promote business and employment opportunities
- To ensure transparency and accountability in council decision making
- To improve the overall quality of life of its citizens
- To enable all citizens to take pride in Greater Dandenong as a great place to live, work, play or visit

The council's external audit is conducted by the Victorian Auditor General's Office. Council's internal auditor is Acumen Alliance. The Commonwealth Bank of Australia is the main banker for council.

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. It has been prepared in accordance with Australian Accounting Standards, the Local Government Act 1989, Local Government (Finance and Reporting) Regulations 2004, other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group Consensus Views.

Financial Report complies with AIFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (IFRS). Some Australian equivalents to IFRSs contain requirements specific to not-for-profit entities that are inconsistent with IFRS requirements.

The Council is an entity to which AAS 27 'Financial Reporting by Local Governments' applies and that the entity has applied a requirement in the Standard that overrides the requirements in an Australian equivalent to IFRS. Except to the extent that these special provisions require, this Financial Report complies with the Australian equivalents to IFRS (AIFRS).

> NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of accounting

- a) The financial report is prepared on the accrual and going concern basis under the historical cost convention, except for certain assets as disclosed in note 1.3(d). These financial statements have restated council's surplus, balance sheet and equity for 30 June 2005 with the transition to A-IFRS. Note 2 contains a reconciliation between the figures reported under the previous AGAAP with the comparative 30 June figures under A-IFRS.

1.2 Recognition of revenues

a) Rates

Rates and service charges are recognised as revenue at the declaration of the rate, levy or service charge, at commencement of the rating year as it is an enforceable debt linked to the rateable property. The council uses Capital Improved Value (CIV) as the basis of valuation of all properties for rating purposes. CIV includes the value of land and buildings and improvements made to

them. A rate in the dollar for different types of properties is applied to the CIV to arrive at the declared rates (Refer Note 4.1).

The council does not provide for doubtful debts on rates as unpaid rates represent a charge against the rateable property and will be recovered when the property is next sold.

b) Grants, donations and other contributions

Grants, donations and other contributions are recognised as revenue upon receipt or upon prior confirmation that they have been secured.

Where grants or contributions recognised as revenue during the financial year were for a specific purpose and remained unspent at balance date, the unspent amount of the grant is disclosed in Note 4.3. Any amount of a grant that was received in prior years and was spent during the current year is disclosed in the same note.

> NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

- c) **Fees, user charges and fines**
Fees and user charges are recognised as revenue upon such fees and charges being raised for services provided or payment received, whichever occurs first. Fines are recognised as revenue upon issuance of infringement notices. A provision for bad debts is recognised when collection in full is no longer probable.
- d) **Sale of property, plant and equipment**
Revenue arising from the sale of assets is recognised when control of the asset has unconditionally passed to the buyer.
- e) **Interest and rents**
Interest and rents are recognised as revenue when the payment is due, the value of the payment is notified, or the payment is received, whichever occurs first.
- f) **Assets from new developments**
Council acquires infrastructure assets such as land, roads, drains and footpaths from developers through new sub division activity. These assets are initially recognised as revenue at their current valuations.

1.3 Recognition and measurement of non-current assets

The council has adopted the following in relation to the acquisition and depreciation of non-current assets.

- a) **Acquisition**
Assets are initially recorded at cost, being the fair value of the assets provided as consideration at the date of acquisition. Costs incidental to their acquisition, such as architects' fees and engineering design fees, that are incurred in preparing the asset for use are also capitalised. 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 of construction includes all direct materials and labour, and an appropriate amount of directly attributable variable and fixed overheads.
Assets acquired from developers through sub division activity are initially recognised at their current valuation (Refer Note 1.2 f).

b) **Thresholds for asset recognition**

The following classes of assets have been recognised in note 7 with threshold limits as shown below and unless otherwise stated are consistent with prior years.

Class of Assets	\$
Land and buildings	
Land	Nil
Land improvements (including irrigation and sprinkler systems, and fencing)	1,000
Buildings	
Building Improvements	2,000
Plant and equipment	
Plant and equipment	1,000
Minor plant, furniture & equipment	500
Infrastructure assets (non-realisable)	
Roads	20,000
Kerb and channel	5,000
Footpaths/Bikepaths	
- Expansion & upgrade	1,000
- Renewals	Nil
Bridges	5,000
Drains	5,000
Infrastructure assets (realisable)	
Recreational equipment	1,000
Street furniture	10,000

- c) **Depreciation and amortisation of non-current assets**
All non-current assets are depreciated over their useful lives to the council in a manner that reflects the consumption of the service potential of those assets. Depreciation is provided on a straight-line basis using rates applicable to the council's experience. The estimated useful lives reflect a program of normal maintenance and are reviewed continually as part of the council's asset management program.
Where infrastructure assets have separate identifiable components with distinct useful lives, a separate depreciation rate is determined for each component. The following table shows the major categories of assets and associated useful lives. Unless otherwise stated the depreciation rates are consistent with the prior year.

> NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Asset Category	Years
Property	
<i>Land</i>	
- Land, parks, reserves, ovals	Infinite
<i>Land improvements</i>	10
Buildings	50 – 75
Building Improvements	10
Plant and Equipment	
Plant and equipment	5
Minor plant, furniture and equipment	
Artworks	n/a
Furniture & equipment	6 - 15
IT devices	5
Parking meters	10
Street signs/traffic control	20
Library catalogue	5
Library equipment	20
Library plant	15
Infrastructure	
Roads	
Pavement and seal	12 - 20
Substructure	100
Kerb and channel	80
Footpaths/bikepaths	10 - 50
Bridges	20 - 100
Drains	100
Off street car parks	25
Recreational equipment (playgrounds)	10 - 20
Street furniture	10 - 20
Intangible Assets	
Bed Licences	Infinite

- d) **Revaluation of non-current assets**
Subsequent to initial recognition, all non-current assets other than plant, equipment and realisable infrastructure assets are measured at fair value, being the amount for which the assets could be exchanged between knowledgeable willing parties in an arms length transaction. Fair value for most asset categories is represented by their current replacement cost less accumulated depreciation. Valuation assessments are carried out by the council

each year to ensure that each asset category is represented at fair value at the reporting date. Formal revaluations are carried out at rolling four yearly intervals to confirm these assessments, except for land and buildings which are formally valued every two years. Council uses index movements to establish fair value in the years between formal valuations. The council's internal experts or independent valuers carry out these formal valuations. Where the carrying value materially differs from the fair value, that class of asset is revalued. Where assets are revalued, the revaluation increment is credited to the asset revaluation reserve, except where such increment reverses a previous valuation decrement of the same class of asset. In that event, the increment is recognised as revenue in the Statement of Financial Performance to the extent of the previous revaluation expense. A valuation decrement is recognised as an expense in the Income Statement, except where such a decrement is a reversal of a previous increment of the same class of asset. In such cases, the decrement is charged against the asset revaluation reserve to the extent of the previous increments.

- e) **Realisable infrastructure assets**
Infrastructure assets comprising street furniture and recreational equipment are considered by their nature to be realisable assets. All other infrastructure assets are considered to be non-realisable. Non-realisable assets are excluded from the calculations of financial ratios (Refer Note 18).
- f) **Land under roads**
The council has elected not to recognise land under roads as an asset in accordance with AASB 1045 Land Under Roads. This accounting standard extends the requirement to recognise and measure land under roads as an asset of council until 30 June 2007.
- g) **Intangible Assets**
The bed licences included in the annual accounts have been shown at fair value. They have not been depreciated as they have an indefinite life. As such, they will be reviewed annually for impairment.
- 1.4 Trust monies**
Amounts received as tender deposits, bonds, retention monies and hostel entrance fees controlled by the council are recognised as Trust monies until they are refunded or forfeited. (Refer Note 8.3).

> NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

1.5 Employee benefits**a) Accrued salary and wages**

A liability for accrued salary and wages including associated oncosts is recognised, being the amount earned and unpaid at balance date.

b) Annual leave and long service leave*Annual leave*

Under the Accounting Standard AASB 119, annual leave entitlements are determined up to balance date at amounts expected to be paid when the obligation is settled, inclusive of leave loading and associated oncosts. Annual leave entitlements expected to be settled after 12 months are measured at the present value of the estimated future cash outflows. Annual leave entitlements expected to be settled within 12 months are measured in nominal dollars. Under the Accounting Standard, all annual leave is classified as current.

Long service leave

Long service leave entitlements are assessed at each balance date having regard to length of service, estimated future movements in rates of pay, oncosts and other factors including experience of employee departures and their periods of service. Long service leave entitlements expected to be settled after 12 months are measured at the present value of the estimated future cash outflows. The current portion is measured in nominal dollars. All long service leave entitlements after ten years of continuous service have been classed as current. Interest rates on government securities are used for discounting future cash flows. (Refer Note 8.2).

Sick leave

No provision is made in respect of employee entitlements for sick leave because it is non-vesting and the pattern of sick leave taken indicates that accumulated non-vesting sick leave will never be paid in the majority of instances.

c) Superannuation

The superannuation expense for the financial year is the amount of the statutory contribution the council makes to the superannuation plans that provide benefits to its employees.

Additionally, the council may recognise a liability in respect of present obligations to the defined benefits

superannuation schemes from time to time, to which current and former employees of council belong. The liability, if any, will represent the Council's share of the shortfall of the net market value of the scheme's assets (inclusive of tax and interest accrued), relative to the benefits accrued to its members at balance date. (See Note 14.)

1.6 Recognition of payables

Liabilities are recognised for amounts to be paid in the future for goods and services received as at balance date, whether or not invoices have been received. (Refer Notes 8.1 and 12).

1.7 Leases

Operating lease payments are expensed in the year in which the payments are made as they reflect the pattern of benefits derived by the council.

1.8 Inventory - Property

Properties that are earmarked for future development and sale are shown at the lower of cost and net realisable value. Properties that are likely to be sold within 12 months of balance date are shown as current assets.

1.9 Recognition of receivables

Receivables are recognised for amounts owed to the council for goods and services provided at balance date, whether or not invoices have been issued. Provision is made for doubtful debts after considering collectability. No provision is made in respect of rates debtors. (Refer Notes 6.2 and 13).

1.10 Cash and cash equivalent assets

For the purpose of the statement of cash flows, cash and cash equivalent assets include cash on hand, deposits at call and other highly liquid investments with short periods to maturity. They are subject to insignificant risk of changes in value and include cash available for day to day cash management activities and those restricted under regulations for specific purposes. (Refer Notes 6.1 and 17.2).

1.11 Rounding

The figures in the financial report are rounded to the nearest thousand dollars.

> NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

1.12 Maintenance and repairs

Maintenance, repair costs and minor renewals are recognised as expenses. Where the repair relates to the replacement of a component of an asset and the cost exceeds the recognised threshold and results in an extension of the life of the asset, that cost is capitalised to that asset. The carrying value of the replacement asset is expensed.

1.13 Interest-bearing liabilities

Interest-bearing liabilities represent overdrafts, loans and other liabilities which accrue interest on the balance

outstanding. The carrying amounts of these liabilities represent the amounts payable in future years (Refer Notes 10 and 13).

Interest accrued on these liabilities is treated as borrowing costs (Refer Notes 10 and 13).

1.14 Finance costs

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

> NOTE 2 FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Following the adoption of Australian equivalents to International Financial Reporting Standards (AIFRS), the Council has prepared and presented its first financial report and other accountability statements in compliance with the AIFRS framework for the financial year end 30 June 2006.

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly.

Under AIFRS, there are requirements that apply specifically to not-for-profit entities that are not consistent with IFRS requirements. The Council has analysed its purpose, objectives, and operating philosophy and determined that it does not have profit generation as a prime objective. Consequently, where appropriate, the Council has elected to apply options and exemptions within the AIFRS that are applicable to not-for-profit entities.

With certain exceptions, the Council has recorded transactions and events as though AIFRS had always applied. This practice has extended to any comparative information included within the financial report. Most accounting policy adjustments arising from the first time adoption of AIFRS apply retrospectively and have been adjusted against the accumulated surplus funds at 1 July 2004, being the opening balance sheet date for the comparative period.

Reconciliations of AIFRS surplus / (deficit), balance sheet and equity for 30 June 2005 to the balances reported in the 30 June 2005 financial report are

detailed in the following tables.

Table 1: Reconciliation of surplus/(deficit) as presented under previous Australian GAAP to that under AIFRS

	Note	30 June 2005 \$'000
Surplus as reported under previous Australian GAAP		5,213
<i>AIFRS impact on income</i>		
Proceeds from sale of property, plant and equipment, infrastructure	(i)	(2,666)
Net gain/(loss) on disposal of property, plant and equipment, infrastructure	(i)	237
Assets not previously recognised	(ii)	(374)
Assets not previously recognised	(iv)	6,015
<i>AIFRS impact on expenses</i>		
Assets written off in 04/05 relating to 03/04	(iii)	131
Written down value of assets sold	(i)	2,429
Total AIFRS impact on surplus/(deficit)		5,772
Surplus under AIFRS		10,985

Note

(i) Previously the totals for proceeds and costs from asset sales were shown in revenue and expenses respectively. Under AIFRS only the net result is shown as a separate item.

> NOTE 2 FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

- (ii) These assets were recognised as income in 2004-05. Under AIFRS they are treated as though the transaction had occurred in 2003-04. Hence there is an adjustment to the surplus (and therefore equity) and also non-current assets (see Table 2 and Table 3).
- (iii) These assets written off in 2004-05 relate to assets that should have been written off in 2003-04. Under AIFRS an adjustment has been made between equity and non-current assets (see Table 2 and Table 3).
- (iv) These assets that were first recognised in 2005-06 relate to 2004-05. Under AIFRS these are shown as a restatement of the comparative year's income and assets.

Table 2: Reconciliation of total assets as presented under previous Australian GAAP to that under AIFRS

	30 June 2005 \$'000	1 July 2004 \$'000
Total Non-current assets under previous Australian GAAP	816,351	790,496
<i>AIFRS impact on assets</i>		
Intangible Assets	1,505	
Property, plant, equipment, infrastructure	5,590	5,833
Impairment write down of inventory	(713)	(713)
Total AIFRS impact on assets	6,382	5,120
Total Non-current assets under AIFRS	822,733	795,616

Table 3: Reconciliation of equity as presented under previous Australian GAAP to that under AIFRS

	30 June 2005 \$'000	1 July 2004 \$'000
Total equity under previous Australian GAAP	793,646	776,160
<i>AIFRS impact on equity</i>		
AIFRS prior year adjustments	6,382	5,120
Total AIFRS impact on equity	6,382	5,120
Total equity under AIFRS	800,028	781,280

Explanation of material adjustments to the cash flow statements

There are no material differences between the cash flow statement presented under AIFRS and the cash flow statement presented under previous Australian GAAP.

Explanatory Notes:

Impairment of assets

Impairment testing was conducted on transition date, 1 July 2004. No impairment changes were identified, hence no adjustments were required.

Property, plant and equipment, infrastructure

When an asset is initially recognised, AASB

116 *Property, Plant and Equipment* requires the

capitalisation of costs of dismantling and removing

an asset and restoring the site on which the asset was

created, together with the recognition of a provision

determined at present value in accordance with

AASB 137 *Provisions, Contingent Liabilities and*

Contingent Assets.

There was no impact on Councils' books from these

standards at 30 June 2005.

Employee benefits

AASB 119 *Employee Benefits* requires liabilities

for short-term employee benefits to be measured

at nominal amounts and liabilities for long-term

employee benefits to be measured at present value.

AASB 119 defines short-term employee benefits as

benefits that fall due wholly within 12 months after

the related period of service. Therefore, liabilities for

short-term employee benefits are measured at present

value where they are not expected to be settled within

12 months of the reporting date.

Non-current assets held for sale

AASB 5 *Non-current Assets Held for Sale and*

Discontinued Operations requires an entity to classify

a non-current asset as held for sale if its carrying

amount will be recovered principally through its sale

rather than through continued use. A non-current

asset classified as held for sale is measured at the

lower of its carrying amount and fair value less costs

to sell. In addition, depreciation ceases when an asset

has been classified as held for sale.

Properties identified for sale were transferred from

non-current assets and reflected in the Balance Sheet

as at 30 June 2005. No depreciation expense was

recognised in respect of these properties in the year

2005-06. As such, no adjustment is required to the

accounts under the transition to AIFRS.

> NOTE 2 FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Financial instruments

Under the IFRS requirements, councils are able to elect to apply the first-time adoption exemption available under AASB 1 *First-time adoption of Australian Equivalent to International Financial Reporting Standards* to defer the date of transition of AASB 139 *Financial Instruments: Recognition and Measurement* until 1 July 2005.

Council was not impacted by this transitional requirement, accordingly, there is no quantitative impact on the balance sheet as at 1 July 2004 and 30 June 2005 and the income statement for the year ended 30 June 2005.

> NOTE 3 FUNCTIONS AND ACTIVITIES

3.1 Revenue, expenses and council assets have been attributed to the following broad functions

Revenue attributed 2006					Expenses 2006		surplus/ (deficit)	Total non- current assets
	General \$000	Grants \$000	\$000 Total	% of Total	\$000	% of Total	\$000	\$000
Corporate services*	53,974	7,354	61,328	58.44	29,481	32.47	31,847	8,444
Organisational development	27	5	32	0.03	3,186	3.51	(3,154)	376
Health & environment	10,705	564	11,269	10.73	17,285	19.04	(6,016)	139,590
Leisure & culture	1,174	1,383	2,557	2.44	13,551	14.93	(10,994)	291,518
Community services	1,938	10,485	12,423	11.84	16,768	18.47	(4,345)	32,932
Transport & infrastructure	3,273	7,768	11,041	10.52	7,317	8.06	3,724	472,464
Economic development	6,202	94	6,296	6.00	3,193	3.52	3,103	20,195
Total Revenues & Expenses	77,293	27,653	104,946	100.00	90,781	100.00	14,165	965,519

*Council's rate revenue is fully allocated to this segment

Revenue attributed 2005					Expenses 2005		surplus/ (deficit)	Total non- current assets
	General \$000	Grants \$000	\$000 Total	% of Total	\$000	% of Total	\$000	\$000
Corporate services*	58,808	6,074	64,882	64.36	30,640	34.11	34,242	7,200
Organisational development	1	48	49	0.05	3,767	4.18	(3,718)	321
Health & environment	11,669	558	12,227	12.13	17,842	19.78	(5,615)	119,017
Leisure & culture	777	911	1,688	1.67	12,545	13.91	(10,857)	248,555
Community services	1,719	9,810	11,529	11.44	15,158	16.80	(3,629)	28,300
Transport & infrastructure	3,403	3,389	6,792	6.74	7,169	7.95	(377)	402,121
Economic development	3,604	36	3,640	3.61	2,938	3.27	702	17,219
Total Revenues & Expenses	79,981	20,826	100,807	100.00	90,059	100.00	10,748	822,733

*Council's rate revenue is fully allocated to this segment

> NOTE 3 FUNCTIONS AND ACTIVITIES

3.2 Functions of Council

Functions	Activities undertaken under each function
Corporate Services	<ul style="list-style-type: none"> • Civic and corporate support • Call and service centres • Financial, IT and records management services • Contract management and procurement • Rates administration and property valuations • Risk management
Organisational Development	<ul style="list-style-type: none"> • Human resources, staff training and development • Occupational health and safety • Corporate planning, marketing and communications, public relations
Health and Environment	<ul style="list-style-type: none"> • Collection and disposal of all waste, including hard waste and garden waste • City planning and urban design • Building approvals and control • Preventative health services • Street beautification • Roads, footpaths and drains cleaning and maintenance • Parking management and control • Drug prevention strategies • Animal management • General law enforcement
Leisure and Culture	<ul style="list-style-type: none"> • Cultural activities, Walker Street Gallery, Heritage Hill, Drum Theatre • Indoor leisure centres, including Oasis swimming centre • Parks and gardens, sporting and nature reserves • Public halls and community centres • Public library and information services • Recreation programs • Cultural diversity through community grants program
Community Services	<ul style="list-style-type: none"> • Adult day care, aged persons hostel, senior citizens centres, community bus • Childcare centres and pre-schools • Family support, home care • Meals-on-wheels • Services for the disabled • Youth support, housing and recreation programs • School crossing supervision
Transport and Infrastructure	<ul style="list-style-type: none"> • Civil and transport planning • Maintenance of bridges • Parking and traffic control facilities • Pedestrian and bicycle networks • Road and footpath construction • Street lighting • Fleet and Plant Operations • Building maintenance
Economic Development	<ul style="list-style-type: none"> • Promotion of business and employment • Operation of Dandenong market and multi-deck car parks

> NOTE 4 REVENUES

4.1 Rates and garbage charges	2006 \$'000	2005 \$'000
General rates (Note)		
Residential	25,294	23,496
Commercial	6,099	5,693
Industrial	16,560	15,082
Supplementary rates and adjustments	845	865
Residential garbage	6,804	6,359
	55,602	51,495

Note - The valuation base used to calculate general rates for 2005-2006 was \$14.570 billion (\$14.281 billion in 2004-05). The date of the last general revaluation of land within the municipality for rating purposes was on 1 January 2006. This valuation applies to the rating period commencing 1 July 2006. The date of the next general revaluation is 1 January 2008, and the valuation will first apply for the rating period commencing 1 July 2008.

4.2 Government grants	2006 \$'000	2005 \$'000
Grants were received in respect of the following:		
Recurrent		
General Purpose Grants:		
Commonwealth Government: General Purpose	6,380	5,165
Local Roads Funding	955	909
Operational Grants:		
Aged and Disability Services	5,902	5,004
Children, Youth & Family Services	4,160	4,340
Library, Arts & Heritage	705	678
Asset Management Services	86	50
Information Management Services	18	15
Regulatory Services	272	332
Infrastructure Planning	657	597
Planning & Design	223	260
Property, Leisure & Environment	220	-
Business Networking	41	36
Social Development	276	241
Total recurrent	19,895	17,627

> NOTE 4 REVENUES

4.2 Government grants	2006 \$'000	2005 \$'000
Non-recurrent		
Commonwealth Government: General Purpose	–	251
Infrastructure Planning	–	45
Children, Youth & Family Services	155	–
Social Development	76	–
Library, Arts & Heritage	180	17
Aged & Disability	60	70
Capital Grants	7,287	2,816
Total non-recurrent	7,758	3,199
Total Grants Received	27,653	20,826

4.3 Unexpended grants (Note)	2006 \$'000	2005 \$'000
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Grants recognised as revenue for the year to be expended for specific purposes that had not been expended at balance date were:

Recurrent grants		
Commonwealth Government Roads to Recovery	582	–
Operational Grants		
Aged & Disability Services	28	10
Children, Youth & Family Services	171	70
Asset Management Services	–	50
Infrastructure Planning	–	84
Planning & Design	–	81
Social Development	59	172
Total unexpended recurrent grants	840	467
Non-recurrent grants		
Aged & Disability Services	61	–
Children, Youth & Family Services	154	–
Library, Arts & Heritage	181	–
Social Development	76	–
Capital Grants	276	125
Total unexpended non-recurrent	748	125
Total unexpended grants	1,588	592

Note: All unexpended grants of prior year were expended in 2006

> NOTE 4 REVENUES

4.4 Contributions	2006 \$'000	2005 \$'000
Community services	77	3
Developer contributions	250	450
Health & environment	876	1,223
Transport & infrastructure	229	68
Total contributions	1,432	1,744

4.5 Unexpended contributions (Note)	2006 \$'000	2005 \$'000
Health and environment	–	677
Developer contributions	154	450
Transport & infrastructure	–	68
Total unexpended contributions	154	1,195

Note: All contributions received in prior years were expended in 2005-06.

4.6 Fees, charges and fines	2006 \$'000	2005 \$'000
Statutory fees and fines		
Building and town planning	976	1,153
Infringements and costs	996	1,022
Perin court recoveries	548	675
Land information	91	74
	2,611	2,924
User charges and other fines		
Parking fees and fines	2,217	2,337
Aged care services	1,275	1,428
Civil and transport planning	253	271
Recreation and leisure	133	193
Market stall rental	1,485	1,689
Hire of facilities	1,066	971
Other fees and charges	710	366
	7,139	7,255
Total fees, charges and fines	9,750	10,179

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> NOTE 4 REVENUES

4.7 Profit/(loss) on sale of assets	2006 \$'000	2005 \$'000
Land and buildings		
Proceeds from sale of assets	4,886	1,223
Less: VicUrban share of Metro 3175 sales to Trust (Note)	(847)	
Less: Carrying amount of assets sold		
Land (Current)	(1,659)	(1,100)
Other costs (Cash)	(38)	(124)
Buildings (Non-current)	–	(42)
Profit/(loss) on sale of land and buildings	2,342	(43)
Plant and equipment		
Proceeds from sale of assets	689	1,443
Less: Carrying amount of assets sold		
Plant & Fleet (Non-current)	(466)	(1,163)
Profit on sale of plant and equipment	223	280
Total profit on sale of assets	2,565	237

Note: The Council has entered into an agreement with VicUrban (former Urban and Regional Land Corporation) for a residential development of the former Dandenong sale yards. VicUrban are responsible for the development of the land under this agreement, and is entitled to 74.53% of the proceeds of this developed land. The amount in Trust represents VicUrban's share of the sales proceeds as at 30 June 2006.

4.8 Other revenue	2006 \$'000	2005 \$'000
Recoveries		
State Revenue Office (provision of valuation data)	380	133
Other recoveries	373	257
	753	390
Interest received on rates	442	433
Interest received on investments	196	337
National competition policy	344	313
Retainer – H L Williams court	25	20
Sundry income	681	447
	1,688	1,550
	2,441	1,940

> NOTE 5 EXPENSES

5.1 Employee benefits	2006 \$'000	2005 \$'000
Salaries & wages	29,405	27,165
Casual staff	1,190	1,136
Annual leave and long service leave	3,325	3,730
Superannuation	3,062	2,653
WorkCover	1,005	889
Redundancy	276	612
	38,263	36,185
5.2 Contract payments, materials and services	2006 \$'000	2005 \$'000
Maintenance and repairs	2,623	3,277
Contract payments:		
Garbage collection	5,879	5,228
Home and community care	–	350
Parks Services	1,851	1,842
Other contract payments	2,779	2,032
Other materials and services	3,450	3,348
	16,582	16,077
5.3 Depreciation	2006 \$'000	2005 \$'000
Plant & equipment	1,241	1,125
Minor plant, furniture and equipment	1,327	983
Land improvements	682	444
Car parks	63	39
Buildings	3,077	2,774
Bike paths/footpaths	1,193	1,322
Bridges	132	126
Roads (Note)	4,592	6,054
Drains	1,573	1,532
Street furniture	480	695
Playground equipment	836	820
	15,196	15,914

Note: Council's road assets were revalued during the year by council's engineers. This revaluation resulted in an extension of their useful lives based on condition, and hence a reduction in depreciation charge for the year.

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> NOTE 5 EXPENSES

5.4 Grants and sponsorships	2006 \$'000	2005 \$'000
Community grants	1,668	1,797
Contributions (Note)	1,246	421
Sponsorships – Family Day Care	2,122	1,870
Sponsorships – Other	185	–
	5,221	4,088

Note: Contributions in 2006 include \$1.052M for underground relocation of power lines at different sites within the municipality.

5.5 Professional services	2006 \$'000	2005 \$'000
Consultants	2,446	3,381
Legal costs	314	248
Statutory fees	313	354
Audit costs: Internal	141	37
External – VAGO	46	50
Strategic Asset Management Project	18	54
	3,277	4,124

5.6 Administration costs	2006 \$'000	2005 \$'000
Printing, publications & promotion	1,642	1,225
Motor vehicle maintenance	1,090	883
Bad & doubtful debts	715	342
Insurance	1,009	1,423
Information management costs	1,985	1,764
Postage	345	326
Councillors allowances	209	198
Other administration costs	2,452	2,248
	9,447	8,409

5.7 Borrowing costs	2006 \$'000	2005 \$'000
Interest on long term loans	984	620
Interest on short term loan and overdraft	243	115
Interest on unfunded superannuation (Note)	–	296
	1,227	1,031

Note: Interest on unfunded superannuation in 2005 represents seven months interest accrued on the liability that was assumed in 2003. This liability was paid off in February 2005.

5.8 Other expenses	2006 \$'000	2005 \$'000
Bank charges	191	148
Sundry expenses	677	771
Refund of contributions (Note)	–	2,307
	868	3,226

Note: Council refunded \$2.3M of contributions received in 2003-04 to developers upon completion of works relating to non-current assets.

> NOTE 6 CURRENT ASSETS

6.1 Cash and cash equivalents	2006 \$'000	2005 \$'000
Cash at Bank and on hand	72	2,559
Bank deposits on call (Note)	2,649	2,504
	2,721	5,063

Note: \$2.649M of bank deposits on call are subject to restrictions as required by law, against meeting council's long-service leave commitments to employees prescribed under the Local Government (Long Service Leave) Regulations 2002.

6.2 Trade and other receivables	2006 \$'000	2005 \$'000
Rates debtors (Refer Note 1.2 (a))	1,931	1,768
Parking infringement debtors	4,254	3,785
General debtors	4,379	5,018
Less: Provision for doubtful debts:		
Parking infringements	(1,713)	(1,329)
General debtors	(474)	(191)
Pre-payments	626	14
	9,003	9,065

6.3 Inventory	2006 \$'000	2005 \$'000
Properties held for resale (Note)	3,719	2,110
Other	–	38
	3,719	2,148

Note: Property Inventory represents the value of properties held for development and resale within the next 12 months, and essentially includes the Metro 3175 properties. These are valued at lower of the last valuation and recoverable amount.

> NOTE 7 NON-CURRENT ASSETS

Property, Infrastructure, Plant And Equipment	2006 \$'000	2005 \$'000
Plant and equipment		
At cost	6,095	5,235
Less: Accumulated depreciation	(1,940)	(1,595)
	4,155	3,640
Minor plant, furniture & equipment		
At cost	14,154	11,314
Less: Accumulated depreciation	(6,784)	(5,685)
	7,370	5,629
Land and buildings (Note)		
<i>Car parks</i>		
At valuation	2,059	–
At cost	79	973
Less: Accumulated depreciation	(308)	(189)
	1,830	784
Land		
At independent valuation	368,430	308,834
At cost	1,147	1,576
	369,577	310,410
Land improvements		
At cost	6,979	7,295
Less: Accumulated depreciation	(1,866)	(1,184)
	5,113	6,111
Buildings		
At independent valuation	172,096	148,783
At cost	14,879	6,884
Less: Accumulated depreciation	(82,672)	(75,332)
	104,303	80,335

Note (j) Land & Buildings

'At valuation' estimates for land and buildings were determined by ProVal (Vic) Pty Ltd certified valuers as at 1 January 2006. The previous valuation was done on 1 January 2004, also by ProVal (Vic) Pty Ltd.

The valuation was done on the basis of site value for land and written down replacement value for buildings.

> NOTE 7 NON-CURRENT ASSETS

Property, Infrastructure, Plant And Equipment	2006 \$'000	2005 \$'000
Infrastructure assets		
Bike paths - Note (i)		
At valuation	3,186	2,376
At cost	167	78
Less: Accumulated depreciation	(202)	(765)
	3,151	1,689
Footpaths – Note (i)		
At valuation	68,325	63,872
At cost	993	3,877
Less: Accumulated depreciation	(5,074)	(8,879)
	64,244	58,870
Bridges – Note (ii)		
At valuation	11,620	10,275
At cost	–	133
Less: Accumulated depreciation	(3,383)	(1,727)
	8,237	8,681
Roads (Note iii)		
Sub-structure		
At council valuation	228,857	200,214
At cost	444	1,964
Less: Accumulated depreciation	(74,136)	(63,386)
	155,165	138,792
Seal		
At council valuation	64,153	51,073
At cost	1,256	5,415
Less: Accumulated depreciation	(11,167)	(28,745)
	54,242	27,743
Kerb & channel		
At council valuation	78,043	57,389
At cost	599	865
Less: Accumulated depreciation	(20,064)	(13,909)
	58,578	44,345
Roads Total		
At council valuation	371,053	308,173
At cost	2,299	8,244
Less: Accumulated depreciation	(105,367)	(106,040)
	267,985	210,377

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> NOTE 7 NON-CURRENT ASSETS

Property, Infrastructure, Plant And Equipment	2006 \$'000	2005 \$'000
Drains (Note iii)		
At council valuation	156,674	153,184
At cost	209	604
Less: Accumulated depreciation	(52,332)	(50,759)
	104,551	103,029

Note (i) Bike paths/Footpaths

Bike paths and footpaths are carried at valuation based on written down replacement value carried out in April 2006. The valuation was carried out by Council's asset management coordinator. The movement in valuation between the two years represents an indexed movement in valuation, based on Rawlinson's Handbook of construction costs plus new assets acquired through sub division activity. Assets acquired through capital works since the valuation are recognised at cost.

Note (ii) Bridges

'At valuation' estimates for bridges were determined as at 30 June 2006 by council's Infrastructure Planning unit. The change in valuation between the two years represents an indexed movement in valuation, based on Rawlinson's Handbook of construction costs. The valuations were done on the basis of written down replacement value.

Note (iii) Roads and Drains

'At valuation' estimates for roads (kerbs) were determined as at 30 June 2006 and drains at 30 June 2004 by council's qualified engineers. The valuations were done on the basis of written down replacement value, taking into account their current condition. The change in valuation also includes assets acquired from subdivisions. These assets were brought into the books at 30 June 2006 at their current valuation.

Property, Infrastructure, Plant And Equipment	2006 \$'000	2005 \$'000
Street furniture		
At cost	4,972	4,749
Less: Accumulated depreciation	(3,070)	(2,591)
	1,902	2,158
Recreational equipment		
At cost	9,653	8,290
Less: Accumulated depreciation	(3,494)	(2,794)
	6,159	5,496
Works in progress		
At cost	6,298	12,270
	6,298	12,270

Property, Infrastructure, Plant And Equipment	2006 \$'000	2005 \$'000
Total Property, infrastructure, plant and equipment		
At valuation	1,153,218	996,000
At cost	68,149	71,522
Less: Accumulated depreciation	(266,492)	(257,540)
Total Non-current Assets	954,875	809,982

> NOTE 7 NON-CURRENT ASSETS

7.1 Property Infrastructure Plant and Other – (Movement in written down value 2006)

The carrying amounts of each class of fixed assets at the beginning and end of the current financial year are set out below

	Balance at beginning of financial year	Additions	Assets Written off	Transfer to current assets	Less: Disposals at carrying amount	Less: Depreciation expense for the year	Add: Net movement in revaluation	Changes due to transfers	Balance at end of financial year
	2006 \$'000								
Plant & equipment	3,640	2,225	(3)		(466)	(1,241)			4,155
Minor plant, furniture & equipment	5,629	2,607	(15)			(1,327)		476	7,370
Car parks	784	127				(63)	177	805	1,830
Land	310,409	3,333		(794)	(47)	–	56,639	37	369,577
Buildings	80,336	14,879	(159)		(336)	(3,077)	2,437	10,223	104,303
Bike paths	1,689	235	(8)			(61)	1,285	11	3,151
Footpaths	58,870	1,257	(227)			(1,132)	5,385	91	64,244
Bridges	8,681	678	(17)			(132)	(973)		8,237
Land Improvements	6,111	157	(1)			(682)		(472)	5,113
Drains	103,029	3,011				(1,573)		84	104,551
Roads sub-structure	138,792	1,728	(212)			(2,028)	16,866	19	155,165
Road seal	27,743	1,741	(35)			(1,711)	26,554	(50)	54,242
Roads kerbs & channel	44,345	1,057	(19)			(854)	13,893	156	58,578
Roads Total	210,880	4,526	(266)			(4,593)	57,313	125	267,985
Street furniture	2,158	198				(480)		26	1,902
Playgrounds	5,496	1,096	(4)			(836)		407	6,159
WIP	12,270	5,842	(1)					(11,813)	6,298
Summary of Non-current asset movements	809,982	40,171	(701)	(794)	(849)	(15,197)	122,263	–	954,875

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> NOTE 7 NON-CURRENT ASSETS

Comparatives for Property Infrastructure, Plant and Other (Movement in written down value 2005)

	Balance at beginning of financial year	Additions	Assets Written off	Reversal of prior year invoicing	Transfer to current assets	Disposals at carrying amount	Depreciation expense for the year	Net movement in revaluation	Changes due to AIFRS adjustments	Changes due to transfers	Balance at end of financial year
2005 \$'000											
Plant & equipment	3,394	2,545	(10)			(1,163)	(1,126)				3,640
Minor plant, furniture & equipment	4,591	2,003	(9)	(14)			(983)			41	5,629
Car parks	729	94					(39)				784
Land	304,277	1,576			181			(1,034)	5,409		310,409
Buildings	80,944	3,810	(910)			(42)	(2,774)	(17)	176	(851)	80,336
Bike paths	1,755	43	(2)				(107)				1,689
Footpaths	52,481	1,268	(9)				(1,215)	6,302	42	1	58,870
Bridges	7,770	31					(126)	1,006			8,681
Land Improvements	3,690	2,862					(445)			4	6,111
Drains	101,796	2,753					(1,532)	1		11	103,029
Roads sub-structure	138,242	2,552					(2,004)			2	138,792
Roads Seal	28,773	2,287					(3,322)			5	27,743
Roads kerbs & channel	43,212	1,364	(16)				(727)		503	9	44,345
Roads Total	210,227	6,203	(16)				(6,053)		503	16	210,880
Street furniture	2,698	162	(2)	(6)			(695)			1	2,158
Play grounds	5,881	311	(47)	(5)			(819)		44	131	5,496
WIP	1,847	10,029		(93)					(159)	646	12,270
Summary of non-current asset movements	782,080	33,690	(1,005)	(118)	181	(1,205)	(15,914)	6,258	6,015	-	809,982

7.2 Intangible Assets

	2006 \$'000	2005 \$'000
Aged care bed licences (Note)	1,505	1,505
	1,505	1,505

Note: The Council owns 50 bed licences which are due to be transferred to a private aged care provider. These licences have been valued on the basis of this transfer price, and will be tested for impairment on an annual basis. Under AIFRS, council is now recognising these assets as if this valuation was available in prior years, and the 2004-05 figures have been restated accordingly.

> NOTE 8 NON INTEREST-BEARING LIABILITIES

8.1 Trade and other payables	2006 \$'000	2005 \$'000
Current		
Trade creditors	6,525	6,757
Other creditors	311	861
Income received in advance	296	385
Accrued expenses	2,885	1,534
	10,017	9,537
Non-current		
Unearned income (Note)	3,000	3,000
	3,000	3,000

Note: The Council has entered into an agreement with VicUrban (former Urban and Regional Land Corporation) for a residential development of the former Dandenong sale yards. Council received \$3M from VicUrban under this agreement as an equity payment towards this development. This payment will be finalised as revenue when contracts for sale of land are finalised.

8.2 Employee benefits	2006 \$'000	2005 \$'000
Current		
Annual leave (Note)	4,448	4,060
Long service leave (Note)	3,435	2,995
	7,883	7,055
Non-current		
Long service leave liability (Note)	504	1,042
	504	1,042

Movement in Employee entitlement provisions	Annual Leave	Long Service Leave	Total
	\$'000	\$'000	\$'000
2006			
Balance at beginning of financial year	4,060	4,037	8,097
Additional provisions	869	567	1,436
Amounts used	(481)	(665)	(1,146)
Balance at the end of the financial year	4,448	3,939	8,387
2005			
Balance at beginning of financial year	3,728	3,641	7,369
Additional provisions	775	799	1,574
Amounts used	(443)	(403)	(846)
Balance at the end of the financial year	4,060	4,037	8,097

> NOTE 8 NON INTEREST-BEARING LIABILITIES

8.2 Employee benefits	2006 \$'000	2005 \$'000
Current		
All annual leave and LSL entitlements representing 10+ years of service		
Short-term employee benefits, that fall due within 12 months after the end of the period measured at nominal value	3,083	2,711
Other long-term employee benefits that do not fall within 12 months after the end of the period measured at present value	4,800	4,344
Total	7,883	7,055
Non-current		
LSL representing less than 10 years of service measured at present value	504	1,042

Note: Accrued wages and salaries are included in the current accrued expenses balance in note 8.1.

In arriving at the present value of long service leave the following assumptions were adopted:

Average increase in employee costs 4.00 per cent

Average discount rates between 5.695 per cent and 5.80 per cent

Average settlement period of 12 years

8.3 Trust monies	2006 \$'000	2005 \$'000
Current		
Hostel entrance fees	300	269
Jenny Slade scholarship	7	7
Sub-division & other deposits	401	360
Developer contributions	1,012	608
Metro 3175 sales – VicUrban share	848	–
Part settlement on sale of land	–	3,300
	2,568	4,544

> NOTE 9 FINANCING FACILITIES

	2006 \$'000	2005 \$'000
Bank overdraft	2,500	2,500
Used facility per bank statements	(353)	(1,396)
Unused facility	2,147	1,104

> NOTE 10 INTEREST-BEARING LIABILITIES

	Note	2006 \$'000	2005 \$'000
Current			
Bank overdraft		301	1,291
Loans – secured		3,465	2,688
		3,766	3,979
Non-current			
Loans – secured		14,216	9,824
		14,216	9,824
Total interest-bearing liabilities	13.2	17,982	13,803

> NOTE 11 RESERVES

11.1 Asset revaluation reserve		2005 \$'000	Movement \$'000	2006 \$'000
Land		156,902	56,639	213,541
Car Parks		–	177	177
Buildings		7,356	2,437	9,793
Non-realizable infrastructure assets:				
	Bike paths	1,041	1,285	2,326
	Footpaths	24,595	5,385	29,980
	Bridges	1,373	(973)	400
	Roads	141,364	57,385	198,677
	Drains	60,325	–	60,325
Total Reserves		392,956	122,263	515,219

		2004 \$'000	Movement \$'000	2005 \$'000
Land		157,936	(1,034)	156,902
Buildings		7,373	(17)	7,356
Non-realizable infrastructure assets:				
	Bike paths	1,041	–	1,041
	Footpaths	18,292	6,302	24,595
	Bridges	367	1,006	1,373
	Roads	141,364	–	141,364
	Drains	60,325	–	60,325
Total Reserves		386,698	6,258	392,956

> NOTE 12 COMMITMENTS AND CONTINGENCIES

12.1 Operating lease commitments (Note)	2006 \$'000	2005 \$'000
Not later than one year	881	842
Later than one year but less than five years	273	789
	1,154	1,631

Note: The lease payments are in respect of the revolving operating lease facility for council's computer equipment from the Commonwealth Bank of Australia (CBA).

12.2 Contracted Capital commitments	2006 \$'000	2005 \$'000
Not later than one year	13,230	10,700
Later than one year but less than five years	–	–
	13,230	10,700

12.3 Works and services contracts	2006 \$'000	2005 \$'000
Not later than one year	8,880	7,358
Later than one year but less than five years	19,056	14,956
	–	–
	27,936	22,314

> NOTE 13 FINANCIAL INSTRUMENTS

13.1 Accounting policy, terms and conditions			
Recognised financial instruments	Note	Accounting policy	Terms and conditions
Financial assets			
Cash at bank and on hand	6.1	Valued at face value. Interest is recognised as it accrues.	On call deposits returned floating interest rates of between 5.40% and 5.57% (4.98% and 5.60% in 2004-05).
Bank deposits on call	6.1	Valued at face value. Interest is recognised as it accrues.	Withdrawals are on 24 hour's notice. Bank Deposits returned between 5.33% and 6.25% net of fees (5.03% and 6.39% in 2004-05).
Rates debtors	6.2	Rates are a charge attached to the rateable property and therefore no provision for doubtful debts is made. Interest charged is at rates determined by regulation.	Rates are payable by four instalments during the year or by lump sum in February. Arrears, including deferred rates, attract interest. The interest rate applicable on general rates outstanding at balance date was 11.50% (12.00% in 2004-05).
Parking infringements and general debtors	6.2	Receivables are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection in full is no longer probable. Collectability of overdue accounts is assessed on an ongoing basis.	General debtors are unsecured and interest free. Credit terms are usually up to 60 days.
Financial Liabilities			
Payables	8.1	Liabilities are recognised for amounts to be paid in the future for goods received and services provided to the 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 liabilities	10	The loan with the Commonwealth Bank of \$5.5M was obtained to repay the amount owing to Vision Super in respect of a superannuation liability. The balance of the loan as at 30 June, 2006 was \$1,993,282 (\$2,584,778 as at 30 June, 2005).	The loan is for ten years expiring April 2009 and principal & interest are repayable quarterly. The loan is secured by a mortgage over the council's general rates. The interest rate is fixed at 5.8%.

> NOTE 13 FINANCIAL INSTRUMENTS

13.1 Accounting policy, terms and conditions			
Recognised financial instruments	Note	Accounting policy	Terms and conditions
Financial Liabilities			
Interest-bearing liabilities	10	The loan with the Commonwealth Bank was for \$2.952M, and was obtained to repay the amount owing to Vision Super in respect of the superannuation liability which was to be claimed against the City of Kingston, which has since been settled. The balance of the loan as at 30 June 2006 was \$1,783,866 (\$2,342,523 as at June 30, 2005).	This loan expired in April 2004 and was rolled over at that date at an interest rate of 6.2%. The loan is secured by a mortgage over the council's general rates. Repayments are made monthly on a principal and interest basis and is repayable in full by 2009.
Interest-bearing liabilities	10	The loan with the Commonwealth Bank of \$5.0M was obtained in September 2004 to finance major capital projects. The balance of the loan as at June 30 2006 was \$3,609,195 (\$4,584,504 as at 30 June 2006).	The loan is for five years expiring 30 September 2009 and principal & interest are repayable quarterly. The loan is secured by a mortgage over the council's general rates. The interest rate is fixed at 6.09%.
Interest-bearing liabilities	10	The loan with the Commonwealth Bank of \$3M was obtained in February 2005 to repay the unfunded superannuation liability that council assumed in 2002-03. The balance of the loan as at June 30, 2006 was \$2.438M (\$3M as at June 30 2005).	The loan is for five years expiring 28 January 2010 and principal & interest are repayable quarterly. The interest rate is fixed at 6.09%.
Interest-bearing liabilities	10	The loan with the Commonwealth Bank of \$8.0M was obtained in 2005-2006 for the first stage of the redevelopment of Dandenong Market.	The loan is for ten years expiring on 17 March 2016 and principal and interest are payable quarterly. The interest rate is fixed at 6.12%

13.2 Interest rate risk

The council's exposure to interest rate risk and the effective interest rates of financial assets and financial liabilities at balance date are as follows:

	Fixed interest rate maturing in:													
	Floating interest rate		1 year or less		Over 1 to 5 years		More than 5 years		Non-interest bearing		Total carrying amount as per the Balance Sheet		Range of effective interest rates	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 %	2005 %
Financial Assets														
Rates debtors	1,931	1,768									1,931	1,768	11.5	12
Parking infringements and general debtors									6,446	7,283	6,446	7,283		
Cash at bank and on hand	72	2,559									72	2,559	5.40 to 5.57	4.98 to 5.60
Bank deposits	2,649	2,504									2,649	2,504	5.33 to 6.25	5.03 to 6.39
Prepayments/accrued income									626	14	626	14		
Total Financial assets	4,652	6,831							7,072	7,297	11,724	14,128		

Floating interest rate		Fixed interest rate maturing in:						Non-interest bearing		Total carrying amount as per the Balance Sheet		Range of effective interest rates	
		1 year or less		Over 1 to 5 years		More than 5 years							
2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 %	2005 %

Financial liabilities

Payables										13,017	12,537	13,017	12,537		
Interest-bearing liabilities (Note 10)	301	1,291	3,465	2,688	9,812	9,824	4,404	–				17,982	13,803		5.8 / 8.95
Trust monies										2,568	4,544	2,568	4,544		
Total Financial liabilities	301	1,291	3,465	2,688	9,812	9,824	4,404	–	15,585	17,081	33,567	30,884			

Note: The carrying amounts of financial assets and liabilities (except interest-bearing liabilities) equate to fair value due to their short-term nature. The net fair value of interest-bearing liabilities is \$16.1M (\$11.7M in 2005) as at balance date.

13.3 Net fair value

The following methods and assumptions are used to determine the net fair value of financial assets and financial liabilities:

Payables, cash on call, bank deposits and general debtors	The carrying amount equals the fair value because of the short term to maturity.
Interest-bearing liabilities	The fair value is based on the discounted cash flow method.
Rates debtors	The carrying amount approximated fair value because of the short-term to maturity. Deferred rates do not materially impact on this assumption.

> NOTE 14 SUPERANNUATION**Local Authorities superannuation fund**

The council makes employer superannuation contributions in respect of its employees to the Local Authorities superannuation fund (the Fund). The Fund has two categories of membership, each of which is funded differently.

Accumulation Category (Vision Super Saver)

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 in accordance with the Superannuation Guarantee Legislation (9 per cent in 2005-06). 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.

During 2005-06 the council's superannuation contributions relating to Vision Super Saver members was \$2,000,941 (\$1,768,502 in 2004-05).

Defined Benefits Category

The Fund's Defined Benefit Plan is a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by the employer, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided under Paragraph 32 (b) of AASB 119, Council does not use defined benefit accounting for these 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 2005, the Trustee has determined that the current funding arrangements are adequate for the expected Defined Benefit Plan liabilities. 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 (same as previous year);

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> NOTE 14 SUPERANNUATION

The Fund's liability for accrued benefits was determined in the 31 December 2005 actuarial investigation pursuant to the requirements of Australian Accounting Standard AAS25 as follows:

	31 Dec 05 \$'000
Net Market Value of Assets	3,225,842
Accrued Benefits (per Accounting Standards)	3,118,911
Difference between Assets and Accrued Benefits	136,931
Vested Benefits	2,865,633

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

Net Investment Return	8.0% p.a.
Salary Inflation	5.5% p.a.
Price Inflation	3.0% p.a.

During 2005-06 the council's superannuation contributions relating to that year's defined benefits members' service was \$697,046.11 (\$845,495 in 2004-05).

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

In addition, the council:

- reimburses the Fund for the difference between resignation and retrenchment benefits paid to its retrenched employees in 2005-06 this was \$365,568 (\$140,468 in 2004-05).

> NOTE 15 CONTINGENT LIABILITIES

Bank Guarantees

The council has agreed to guarantee bank loans taken out by the Dandenong Basketball Association (DBA) to a maximum amount of \$2 million. At balance date the amount drawn by the DBA was \$1.15 million (\$1.26 million as at June 30 2005).

Legal Actions

The council is involved in a number of Legal Actions. Council's exposure in these claims may be up to \$188k (\$560K in 2005).

Future Legal Claims

The council may be exposed to future legal claims, as part of the former City of Dandenong sanitary depot site was sold without ensuring Environmental Protection Authority requirements being met.

> NOTE 16 RELATED PARTY TRANSACTIONS

Names of persons holding the position of a responsible person at the City of Greater Dandenong Council during the reporting year are:

Councillors

Peter Brown (Mayor)	5 Dec 2005 to date
(Councillor)	1 July 2005 to 4 Dec 2005
Maria Sampey (Mayor)	1 July 2005 to 25 Nov 2005
(Councillor)	26 Nov 2005 to date
Paul Donovan	1 July 2005 to date
Youhorn Chea	1 July 2005 to date
Roz Blades	1 July 2005 to date
John Kelly	1 July 2005 to date
Angela Long	1 July 2005 to 25 Nov 2005

Clare O'Neil	1 July 2005 to 25 Nov 2005
Kevin Walsh	1 July 2005 to 25 Nov 2005
Naim Melhem	1 July 2005 to 25 Nov 2005
David Kelly	1 July 2005 to 25 Nov 2005
Jim Memeti	5 Dec 2005 to date
Sue Walton	5 Dec 2005 to date
Pinar Yesil	5 Dec 2005 to date
Alan Gordon	5 Dec 2005 to date
Yvonne Herring	5 Dec 2005 to date

Chief Executive Officer

Carl Wulff	1 July 2005 to 14 June 2006
Bryan Payne (Acting)	15 June to date

> NOTE 16 RELATED PARTY TRANSACTIONS

Remuneration of responsible persons in bands of \$10,000

Income range	2006 No.	2005 No.
To \$10,000	5	–
\$ 10,001 - \$ 20,000	9	9
\$ 20,001 - \$ 30,000	1	1
\$ 30,001 - \$ 40,000	1	1
\$200,001 - \$210,000	–	–
\$210,001 - \$220,000	1	1
Total	17	12
Total remuneration for the reporting year, for responsible persons included above, amounted to:	\$474K	\$405K

No retirement benefits were made by the Council to a responsible person during the reporting year (Nil in 2005).

No loans were made, guaranteed or secured by the council to a responsible person during the reporting year (Nil in 2005).

No transactions were entered into by the Council with responsible persons, other than remuneration and reimbursement of expenses during the reporting year (Nil in 2005).

A number of responsible persons have minority shareholdings in public companies, which have dealings with the council from time to time. These and other transactions with responsible persons who also hold

the office of councillor are required to be declared under section 81 of the Local Government Act 1989 (as amended) and are held in a register in accordance with that Act. The register is available for public inspection.

Senior officers' remuneration

The number of senior officers, other than responsible persons, occupying a management role within council, who either reported directly to the Chief Executive Officer or whose total remuneration exceeded \$100,000 during the financial year, is shown below in their relevant income bands:

Income range	2006 No.	2005 No.
To \$100,000	–	1
\$100,001 - \$110,000	5	4
\$110,001 - \$120,000	6	9
\$120,001 - \$130,000	7	2
\$130,001 - \$140,000	1	1
\$140,001 - \$150,000	–	1
\$150,001 - \$160,000	–	–
\$160,001 - \$170,000	3	2
\$170,001 - \$180,000	1	1
\$180,001 - \$190,000	–	–
Total	23	21
Total remuneration for the reporting year, for responsible persons included above, amounted to:	\$2.88M	\$2.44M

> NOTE 17 NOTES TO THE CASHFLOW STATEMENT

17.1 Reconciliation of operating result with net cash provided by operating activities	Note	2006 \$'000	2005 \$'000
Surplus for the year		16,730	10,985
Add / (less)			
Depreciation	5.3	15,196	15,914
Assets not previously recognised		–	(6,015)
Assets acquired from sub division activity		(8,068)	(8,608)
Write off of assets		885	1,005
(Increase)/decrease in other current assets	6.3	(612)	24
(Profit)/loss on sale of assets	4.7	(2,565)	(237)
(Increase)/decrease in receivables	6.2	674	(2,424)
(Decrease)/increase in payables	8.1	482	3,432
(Decrease)/increase in employee entitlements	8.2	290	(2,794)
Net cash provided by operating activities		23,012	11,282

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17.2 Reconciliation of cash

	Note	2006 \$'000	2005 \$'000
Cash at the end of the financial year as shown in the Cashflow Statement is reconciled to the related items in the Statement of Financial Position as follows:			
Current asset – cash and deposits	6.1	2,721	5,063
Current liability – bank overdraft	10	(301)	(1,291)
Cash at balance date as per Cash Flow Statement		2,420	3,772

> NOTE 18 FINANCIAL RATIOS

	2005 -2006	2004 - 2005	2003 - 2004
<p>Debt servicing ratio To identify the capacity of council to service outstanding debt. The ratio expresses the amount of interest paid as a percentage of council's total revenue. Debt servicing costs includes interest on loan borrowings and bank overdraft.</p>	1.17%	1.00%	1.15%
<p>Debt commitment ratio To identify council's debt redemption strategy. The ratio expresses the percentage of rate revenue utilised to pay interest and redeem debt principal.</p>	2.21%	2.00%	3.65%
<p>Revenue ratio To identify council's dependence on rate income, and is determined by assessing rate revenue as a percentage of total revenue.</p>	52.98%	49.77%	48.66%
<p>Debt exposure ratio To identify council's exposure to debt. This is the ratio of total debt to total realisable assets. $\frac{\text{Total liabilities}}{\text{Total realisable assets}}$ Realisable assets are those which can be readily sold and are not subject to any restriction on sale or use. Total debt includes all liabilities except those that are covered by restricted assets. Non realisable assets include non realisable infrastructure assets (as detailed in Note 6), land with restrictions and buildings on other controlled land. The ratio enables assessment of council's solvency and exposure to debt. The ratio expresses the multiple of total liabilities covered by each dollar of realisable assets.</p>	1:12	1:14	1:15
<p>Working capital ratio To assess the council's ability to meet current commitments. The ratio expresses the level of current assets available to meet its current liabilities. This ratio has decreased with the reclassification of long service leave to recognize the vested entitlement as current. Prior years' comparatives have been restated accordingly.</p>	0.64:1	0.65:1	0.81:1

CERTIFICATION OF THE FINANCIAL REPORT

In my opinion, the accompanying financial report has 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.



Jay Peries CPA
Principal Accounting Officer
Dated: 25 September 2006

In our opinion, the accompanying financial report presents fairly the financial transactions of the City of Greater Dandenong Council for the year end 30 June 2006 and the financial position of the Council as at that date.

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

We have been authorised by the Council on 25 September 2006 to certify the financial report in its final form on behalf of the Council.



Cr. Peter Brown
Dated: 25 September 2006



Cr. Yvonne Herring
Dated: 25 September 2006



Bryan Payne
Acting Chief Executive Officer
Dated: 25 September 2006

STANDARD STATEMENTS YEAR END 30 JUNE 2006

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STANDARD INCOME STATEMENT YEAR END 30 JUNE 2006

	Note	Budget 2005-06 \$'000	Actual 2005-06 \$'000	Variance \$'000	%
Revenue					
Rates		55,736	55,602	(134)	(0.24)
Grants – Operational (Special Purpose)	2	16,359	20,318	3,959	24.20
Grants – Financial assistance (untied)	2	6,400	7,335	935	14.61
Contributions		1,312	1,432	120	9.15
Fees, charges and fines	3	9,864	9,202	(662)	(6.71)
Interest		476	638	162	34.03
Proceeds from sale of assets	4	5,250	4,728	(522)	(9.94)
Assets acquired from sub division activity	5		8,068	8,068	0.00
Other Income		2,067	2,351	284	13.74
Total Revenues		97,464	109,674	12,210	12.53
Expenses					
Employee costs		36,976	38,263	1,287	3.48
Contract payments, materials and services	6	14,967	16,582	1,615	10.79
Administration costs		9,135	9,447	312	3.42
Borrowing costs		1,325	1,227	(98)	(7.40)
Professional services	7	2,302	3,227	975	42.35
Grants and sponsorships		4,122	5,221	1,099	26.66
Depreciation		17,500	15,196	(2,304)	(13.17)
Other Expenses		726	868	142	19.56
Carrying amount of assets sold	8	5,021	2,163	(2,858)	(56.92)
Write-off of assets	9		700	700	
Total Expenses		92,074	92,944	870	0.94
SURPLUS FROM OPERATIONS		5,390	16,730	11,340	210.39

STANDARD BALANCE SHEET AS AT 30 JUNE 2006

	Note	Budget 2005-06 \$'000	Actual 2005-06 \$'000	Variance \$'000	%
Current Assets					
Cash			72	72	–
Investments		2,117	2,649	532	25.1
Receivables	10	5,972	9,003	3,031	50.8
Inventory – property	11	4,448	3,719	(729)	(16.4)
Inventory - other		81	–	(81)	(100)
Total Current Assets		12,618	15,443	2,825	22.4
Non-current Assets					
Fixed Assets	12	796,166	954,875	158,709	19.9
Inventory – Property	11	7,891	9,152	1,261	16.0
Intangible Assets	13		1,505	1,505	–
Total Non-current Assets		804,057	965,535	161,475	20.1
TOTAL ASSETS		816,675	980,975	164,300	20.1
Current Liabilities					
Overdraft	14	2,171	301	(1,870)	(86.1)
Creditors	15	4,883	10,017	5,134	105.1
Borrowings		2,968	3,465	497	16.7
Employee benefits	16	3,107	7,883	4,776	153.71
Trust monies	17	538	2,568	2,030	377.3
Total Current Liabilities		13,667	24,234	10,567	77.3
Non Current Liabilities					
Borrowings		14,856	14,216	(640)	(4.3)
Employee benefits	16	2,608	504	(2,104)	(80.67)
Unearned income		3,000	3,000		
Total Non-current Liabilities		20,464	17,720	(2,744)	(13.4)
TOTAL LIABILITIES		34,131	41,954	7,823	22.9
NET ASSETS		782,544	939,021	156,477	20.0
Equity					
Accumulated Surplus		389,588	423,802	34,214	8.8
Assets Revaluation Reserve		392,956	515,219	122,263	31.1
TOTAL EQUITY		782,544	939,021	156,477	20.0

STANDARD CASH FLOW STATEMENT YEAR END 30 JUNE 2006

	Note	Budget 2005-06 \$'000	Actual 2005-06 \$'000	Variance \$'000	%
Cash Flows from operating activities					
Cash Inflows:					
Rates receipts		55,614	55,439	(175)	(0.31)
Grants		22,759	27,653	4,894	21.50
Interest Received		476	638	162	34.03
Fees, charges, fines and contributions		13,243	10,491	(2,752)	(20.78)
Total cash inflows		92,092	94,221	2,129	23.11
Cash Outflows:					
Employee costs		36,976	38,014	(1,038)	(2.81)
Payments to Suppliers		27,363	27,228	135	0.49
Grants & Sponsorships		4,122	5,106	(984)	(23.87)
Interest Paid		1,325	1,357	(32)	(2.42)
Total cash outflows		69,786	71,705	(1,919)	28.60
Net Cash inflows from operating activities		22,306	22,516	210	0.94
Cash flows from investing activities					
Cash Inflows:					
Proceeds from Sale of Assets		5,250	1,728	(3,522)	(67.09)
Total cash inflows		5,250	1,728	(3,522)	(67.09)
Cash Outflows:					
Payments for non-current assets					
City Improvement Projects		33,316	29,877	3,439	10.32
Fleet & other capital		3,594	2,225	1,369	38.09
Total cash outflows		36,910	32,102	4,808	13.03
Net cash outflows from investing activities		(31,660)	(30,374)	1,268	(80.11)
Cash flows from financing activities					
Cash Inflows:					
Proceeds from borrowings		8,000	8,000	-	-
Proceeds from trust monies and deposits		-	(1,336)	(1,336)	(100.00)
Total cash inflows		8,000	6,664	(1,336)	(16.7)
Cash Outflows:					
Transfer to investments		-	145	(145)	
Repayment of Loans		2,687	2,830	(143)	(5.32)
Total cash outflows		2,687	2,975	(288)	(10.72)
Net Cash inflow/(outflow) from financing activities		5,313	5,025	288	5.42
Cash Increase/(Decrease)		(4,041)	(1,497)	3,120	(77.21)
Cash at Beginning		1,872	1,268	(604)	32.26
Cash at End		(2,169)	(229)	2,516	(116.00)

RECONCILIATION OF OPERATING RESULT AND NET CASH FLOWS FROM OPERATING ACTIVITIES YEAR END 30 JUNE 2006

	Budget 2005-06 \$'000	Actual 2005-06 \$'000	Variance	
			\$'000	%
Net Surplus from operations	5,390	16,730	11,340	210.39
Depreciation	17,500	15,196	(2,304)	(13.17)
Other non cash revenue and expenses	–	(7,183)	(7,183)	–
(Profit) Loss on Sale of property, plant and equipment	(229)	(2,565)	(2,336)	1020.08
Net movement in current assets and liabilities	(355)	338	693	195.21
Net Cash inflow from operating activities	22,306	22,516	210	0.94

STANDARD STATEMENT OF CAPITAL WORKS YEAR END 30 JUNE 2006

	Note	Budget 2005-06 \$'000	Actual 2005-06 \$'000	Variance	
				\$'000	%
Roads, Bridges and Street Furniture		2,993	2,697	296	9.89
Land & Buildings		22,540	20,340	2,200	9.76
Drains		670	435	235	35.07
Land Improvement & Playgrounds		4,719	2,235	2,484	52.64
Information Services & Minor Plant		1,784	2,657	(873)	(48.93)
Fleet Plant & Equipment		3,594	2,491	1,103	30.69
Footpaths		610	1,247	(637)	(104.43)
Total Capital Works		36,910	32,102	4,808	13.03
Represented by: Expansion		14,332	9,091	5241	
New		14,123	16,800	(2,677)	
Renewal		2,308	1,641	667	
Upgrade		6,147	4,570	1,577	
Total Capital Works		36,910	32,102	4,808	

Property, Plant & Equipment movement reconciliation worksheet	Note	Budget 2005-06 \$'000	Actual 2005-06 \$'000	Variance	
				\$'000	%
Total Capital works		36,910	32,102	4,803	13.03
Depreciation		(16,500)	(15,197)	(1,303)	7.90
Assets written off		0	(701)	701	
Disposals at carrying amount		(5,021)	(849)	(4,172)	83.09
Gifted assets		0	8,069	(8,069)	
Movement in asset revaluation			122,263	(122,263)	
Transfers from current to non-current		0	(794)	794	
Net movement in property, plant and equipment		15,389	144,893	(129,504)	

NOTES TO THE STANDARD STATEMENTS

> NOTE 1 INTRODUCTION

The Standard Income Statements, Balance Sheet, Cash Flow Statement, Capital Works and explanatory notes form a special purpose financial report prepared specifically 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 basis consistent with those used for the General Purpose Financial Statements, but not prepared in accordance with Australian Accounting Standards or other authoritative professional pronouncements. The Standard Statements are not a substitute for the General Purpose Financial Statements, which are also included in a separate section of this Annual Report.

The Standard Statements compare council's financial plan through original budget targets, with actual performance against those targets. Any material variances between actual results and budget are explained in the notes that follow. Any variances between the original budget and actual results in excess of \$1M and 10 per cent on the original budget have been commented on.

The results reported in these statements are consistent with those reported in the General Purpose Financial Statements, except that the Standard Cashflow Statement excludes cash flows resulting from GST, which are cost and revenue neutral to council.

The budget figures reported are those adopted by council on 20 June 2005 except for a change in the classification of property inventory between current and non-current. The budget was based on assumptions that were relevant at the time of adoption of the budget. The Council sets 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 does not envisage any changes to equity resulting from asset revaluations as their impacts are not predictable.

Detailed information on the actual results is contained in the General Purpose Financial Statements in the Annual Report. 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.

> NOTE 2 GRANT INCOME

Total grant income received at 30 June was \$27.6M (\$4.9M or 21.5 per cent above budget). The additional grant funding resulted from:

- Better than planned receipt of Financial Assistance grant funding from the Grants commission of \$935K,
- Capital grant for the Dandenong Basketball Stadium of \$3.0M received in June 2006 (was budgeted to be received in 2006-2007),
- Additional grant funding over budget of \$600K received for Children, Youth and Aged Care services, which was used to employ additional temporary staff to provide these services.

> NOTE 3 FEES CHARGES AND FINES

The income from this category was 6.71 per cent below budget. This mainly reflects the decision taken by council to suspend paid parking in most of central Dandenong between December and March, which resulted in a reduction in parking fines of \$393K.

> NOTE 4 PROCEEDS FROM SALE OF ASSETS

Proceeds from sale of assets were 9.9 per cent below budget. Council did not achieve the planned sales from the Dandenong saleyard properties (Metro 3175) and turnover of council's fleet. This was however negated by the recognition of the sale of Erickson Gardens (\$3.0M) in the 2005-06 year although it was budgeted in 2004-05.

> NOTE 5 ASSETS ACQUIRED FROM SUB DIVISION ACTIVITY

Represents assets such as roads, drains and footpaths that have come into council ownership from sub division activity. Council does not budget for income.

> NOTE 6 CONTRACT PAYMENTS, MATERIALS AND SERVICES

Exceeded budget due to higher than expected costs associated with collection and disposal of waste, increased costs associated with the maintenance of council parks and gardens and increased maintenance obligations that council undertook for roads and drains under the new Road Management Bill. Most of these services were also impacted by the rise in fuel costs that was not anticipated in the budget.

> NOTE 7 PROFESSIONAL SERVICES

The over budget expenditure resulted from the engagement of consultants and legal services during the year for advice on feasibility of a possible strategic services partnership with the private sector for service delivery. Council also incurred higher than expected fees on advice in relation to:

- Oasis/Noble park pool and Springers leisure centre
- Dandenong South structure plan
- Potential obligations in relation to the Lyndhurst tip
- Proposed municipal buildings project

> NOTE 8 CARRYING AMOUNT OF ASSETS SOLD

This note is related to Note 4 and the variance is due to council not meeting its sale targets for property, plant and fleet.

> NOTE 9 WRITE-OFF OF ASSETS

These write-offs essentially represent footpaths, bike paths, road segments and drainage assets that were pulled out to make way for the construction of the EastLink freeway.

> NOTE 10 RECEIVABLES

Mainly represents debtors relating to parking, sundry debtors from hire of council facilities and rates debtors. The variance is due to budget under estimation of these debtors.

> NOTE 11 INVENTORY – PROPERTY

Inventory of property assets earmarked for sale was close to budget between the current and non-current components. The current component of the budget is based on council's half yearly review of assets held for resale at 30 June.

> NOTE 12 FIXED ASSETS

The variance is mainly the revaluation which took place in January 2006, resulting in asset revaluation gains of \$122M.

> NOTE 13 INTANGIBLE ASSETS

Council recognised 30 bed licences that it holds at H.L. Williams aged care hostel for the first time during the year. This recognition was not anticipated in the budget.

> NOTE 14 OVERDRAFT

Council's projected overdraft was significantly reduced with the unplanned receipt of grants of \$3.0M for the Dandenong Basketball Stadium development.

> NOTE 15 CREDITORS

The variance is essentially due to the budget projections being understated.

> NOTE 16 EMPLOYEE BENEFITS

The variance is essentially due to the budget projections being understated.

> NOTE 17 TRUST MONIES

Include bond monies from developers and VicUrban's share of sale proceeds from the sale of Metro 3175 properties. The budget did not anticipate the level of funds council held at 30 June.

CERTIFICATION OF THE 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 2004.



Jay Peries CPA
Principal Accounting Officer

Dated: 25 September 2006

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

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

We have been authorised by the Council on 25 September 2006 to certify the standard statements in their final form on behalf of the Council.



Cr. Peter Brown

Dated: 25 September 2006



Cr. Yvonne Herring

Dated: 25 September 2006



Bryan Payne
Acting Chief Executive Officer

Dated: 25 September 2006

AUDITOR GENERAL'S REPORT



AUDITOR GENERAL
VICTORIA

INDEPENDENT AUDIT REPORT

Greater Dandenong City Council

To the Councillors

Scope

The Financial Report and Standard Statements

The accompanying financial report for the year ended 30 June 2006 of Greater Dandenong City Council consists of the income statement, balance sheet, statement of changes in equity, cash flow statement, notes to and forming part of the financial report, and the certification of the financial report.

The accompanying standard statements for the year ended 30 June 2006 of the Council consists of the standard income statement, standard balance sheet, standard statement of cash flows, standard statement of capital works, the related notes and the certification of the standard statements.

Councillors' Responsibility

The Councillors of Greater Dandenong City Council are responsible for:

- the preparation and presentation of the financial report and the standard statements, and the information they contain, including accounting policies and accounting estimates
- the maintenance of adequate accounting records and internal controls that are designed to record its transactions and affairs, and prevent and detect fraud and errors.

Audit Approach

As required by the *Audit Act 1994*, an independent audit has been carried out in order to express an opinion on the financial report and standard statements. The audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report and standard statements are free of material misstatement.

The audit procedures included:

- examining information on a test basis to provide evidence supporting the amounts and disclosures in the financial report and standard statements
- assessing the appropriateness of the accounting policies and disclosures used, and the reasonableness of significant accounting estimates made by the Councillors
- obtaining written confirmation regarding the material representations made in conjunction with the audit
- reviewing the overall presentation of information in the financial report and standard statements.

AUDITOR GENERAL'S REPORT



AUDITOR GENERAL
VICTORIA

Independent Audit Report (continued)

These procedures have been undertaken to form an opinion as to whether:

- the financial report is presented in all material respects fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia, and the financial reporting requirements of the *Local Government Act 1989*, so as to present a view which is consistent with my understanding of the Council's financial position, and its financial performance and cash flows
- the standard statements are presented fairly in accordance with the basis of preparation described in note 1, comply with the requirements of the *Local Government Act 1989*, and the "actual" amounts are correctly extracted from the financial report. While the standard statements have to be prepared on a basis consistent with the financial report they are not required to meet all of the presentation requirements of Accounting Standards and other mandatory professional reporting requirements.

The audit opinion expressed in this report has been formed on the above basis.

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. The Auditor-General and his staff and delegates comply with all applicable independence requirements of the Australian accounting profession.

Audit Opinion

In my opinion:

- (a) the financial report presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and the financial reporting requirements of the *Local Government Act 1989*, the financial position of Greater Dandenong City Council as at 30 June 2006 and its financial performance and cash flows for the year then ended
- (b) the standard statements are presented fairly 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
26 September 2006

Edward M. Hay
Acting Auditor-General



ANNUAL REPORT 2005 – 2006

39 Clow Street **Dandenong** VIC 3175
 397-405 Springvale Road **Springvale** VIC 3171
 Shop A7 Parkmore Shopping Centre **Keysborough** VIC 3173

PO Box 200 Dandenong VIC 3175



Telephone
9239 5100



Facsimile
9239 5196



Internet
www.greaterdandenong.com



Email
council@cgd.vic.gov.au

عربي

9679 9860

درى

9679 9865

All other languages 9679 9869

BOSANSKI

9679 9861

Nuää

9679 9866

Italiano Español Türkçe

ខ្មែរ

9679 9862

Српски

9679 9867

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廣東話

9679 9863

Việt ngữ

9679 9868

Hrvatski СРПСКИ Tetum

Ελληνικά

9679 9864

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