



FINANCIAL REPORT YEAR ENDED 30 JUNE 2005

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FINANCIAL REPORT YEAR ENDED 30 JUNE 2005

> STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 \$'000	2004 \$'000
REVENUES			
Revenue from ordinary activities			
Revenue from operating activities			
Rates and garbage charge	3.1	51,495	47,523
Government grants	3.2	20,826	18,643
Contributions	3.4	1,744	3,770
Fees, charges and fines	3.6	10,179	10,159
Interest		770	752
Assets acquired from subdivisions	1.2(f)	8,608	11,001
Other	3.8	1,544	4,409
		95,166	96,257
Revenue from outside operating activities			
Proceeds from sale of property, plant and other assets	3.7	2,666	1,400
TOTAL REVENUE		97,832	97,657
EXPENSES			
Expenses from ordinary activities			
Employee benefits	4.1	36,185	31,988
Contract payments, materials and services	4.2	16,077	15,454
Depreciation	4.3	15,914	15,820
Grants and sponsorships	4.4	4,088	3,921
Professional services	4.5	4,124	3,761
Administration costs	4.6	8,409	8,027
Borrowing costs	4.7	1,031	1,125
Other	4.8	3,226	944
Carrying amount of assets sold	3.7	2,429	818
Write-off of assets	6, 6.1	1,136	805
TOTAL EXPENSES		92,619	82,663
SURPLUS FOR THE YEAR		5,213	14,994
MOVEMENTS IN EQUITY			
Net increment from asset revaluation	1.3(d) 6.1	6,258	44,016
TOTAL CHANGES IN EQUITY FOR THE YEAR		11,471	59,010

The accompanying notes form part of this financial report.



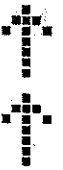


FINANCIAL REPORT YEAR ENDED 30 JUNE 2005

> STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2005

	Note	2005 \$'000	2004 \$'000
ASSETS			
Current assets			
Cash assets	5.1	3,772	4,553
Receivables	5.2	9,051	6,627
Inventory - Property	1.8	2,110	1,100
Other	5.3	52	76
Total current assets		14,985	12,356
Non-current assets			
Property, infrastructure, plant and equipment	1.3, 6	798,377	776,246
Inventory - Property	1.8	11,959	14,250
Total non-current assets		810,336	790,496
TOTAL ASSETS		825,321	802,852
LIABILITIES			
Current liabilities			
Payables	7.1	9,537	6,098
Employee benefits	7.2	4,536	4,147
Trust monies	7.3	4,544	692
Interest-bearing liabilities	10	2,688	1,436
Total current liabilities		21,305	12,373
Non-current liabilities			
Unearned income	7.1	3,000	3,000
Employee benefits	7.2	3,561	3,223
Interest-bearing liabilities	10	9,824	8,096
Total non-current liabilities		16,385	14,319
TOTAL LIABILITIES		37,690	26,692
NET ASSETS		787,631	776,160
EQUITY			
Accumulated surplus		394,675	389,462
Reserves	1.3(d), 8	392,956	386,698
TOTAL EQUITY		787,631	776,160

The accompanying notes form part of this financial report



> STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2005

	Notes	Total		Accumulated Surplus		Reserves	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Balance at the beginning of the year		776,160	717,150	389,462	373,627	386,698	343,523
Surplus for year		5,213	14,994	5,213	14,994	-	-
Revaluation increment of assets	6.1 & 8.2	6,258	44,016	-	-	6,258	44,016
Transfer between reserves and accumulated surplus	8.2	-	-	-	841	-	(841)
Balance at the end of the year		787,631	776,160	394,675	389,462	392,956	386,698

The accompanying notes form part of this financial report



FINANCIAL REPORT

YEAR ENDED 30 JUNE 2005

> STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 \$'000	2004 \$'000
CASH INFLOWS/(OUTFLOWS) FROM OPERATING ACTIVITIES			
Receipts from ratepayers		51,480	47,443
Fees, charges, fines and other (including GST)		11,593	15,099
Government grants (including GST)		22,832	19,601
Interest received		770	752
Payments to suppliers and employees (including GST)		(74,436)	(65,395)
Borrowing costs		(1,031)	(1,125)
Net GST refunds		74	1,353
NET CASH PROVIDED BY OPERATING ACTIVITIES	16.1	11,282	17,728
CASH INFLOWS/(OUTFLOWS) FROM INVESTING ACTIVITIES			
Payments for property and other non-current assets		(25,083)	(13,910)
Proceeds from sale of property, plant and equipment		2,666	1,400
NET CASH (USED IN) INVESTING ACTIVITIES		(22,417)	(12,510)
CASH INFLOWS/(OUTFLOWS) FROM FINANCING ACTIVITIES			
Proceeds from/(repayment of) secured loans		6,501	(611)
Payments for trust monies and deposits	1.5, 7.3	(339)	(46)
Proceeds from trust monies and deposits	1.5, 7.3	4,192	200
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES		10,354	(457)
Net increase/(decrease) in cash held		(781)	4,761
Cash at beginning of the year	16.2	4,553	(208)
Cash at end of the year	16.2	3,772	4,553
RESTRICTED CASH ASSETS	5.1	2,504	2,359

The accompanying notes form part of this financial report

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

INTRODUCTION

This financial report is a general purpose financial report that consists of a Statement of Financial Performance, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows 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.

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 notes (refer note 6). Unless otherwise stated, all accounting policies are consistent with those of the prior year. Where appropriate, comparative figures have been amended to accord with current presentation and any material changes disclosed.
- b) International Financial Reporting Standards
Council reported in the 2003-2004 annual report, its obligation to report under Australian equivalents to International Financial Reporting Standards (AIFRS) with effect from the reporting year 2005-2006. Council, as part of the exercise towards AIFRS compliance, has reviewed its transactions during the financial year 2004-2005 under the AIFRS requirements, and carried out an evaluation of policy alternatives from the current Australian accounting standards and other generally accepted accounting principles (Australian GAAP). Council has identified, and will continue to identify possible changes to its accounting policies in order to comply with the AIFRS requirements at 30 June 2006.

Following adoption of AIFRS, council will prepare and present its first financial report and accountability statements for the year ended 30 June 2006. These statements will contain comparative information for the year ended 30 June 2005 based on revised accounting policies under AIFRS. These comparatives may be different from the figures reported in this financial report which has been prepared under the Australian GAAP. Any such differences will be disclosed and explained in the June 2006 financial report.

Under AIFRS, there are requirements that apply specifically to not-for-profit entities that are not consistent with IFRS requirements. Council has examined its functions and determined that its purpose, objectives and philosophy is not primarily based on deriving profit. Its main purpose is based on provision of services to the community in line with objectives of Local Government, and hence falls under the category of not-for-profit entities. Consequently, council has elected not to apply the full requirements of IFRS on areas where it will be exempt from the application of IFRS requirements as a not for profit entity.

In managing the transition to AIFRS, council participated in numerous education programs that were facilitated by major accounting bodies in Australia as well as peak bodies in Local Government. Council established a project team within the finance department to review the new standards and identify key issues and likely impacts on the council. Potential impacts on council from the adoption of AIFRS have been communicated to and discussed with senior management of the council.

As stated in the introduction, this financial report has been prepared in accordance with current Australian GAAP. From the work done so far to review the new AIFRS standards, council has determined that there will be no material impact on the council's financial position and financial performance subsequent to adopting these standards.

It should be noted that the actual effects of the transition to AIFRS may differ from that currently identified and disclosed due to change in circumstances and ongoing evaluation of the AIFRS standards. They may also differ because of possible amendments to AIFRS standards that may come into force between this reporting period and June 2006.





NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

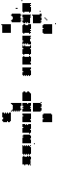
1.2 Recognition of revenues

- 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 (Note 3.1). 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 3.3. Any amount of a grant that was received in prior years and was spent during the current year is disclosed in the same note.
- 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

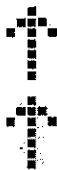
The council has adopted the following in relation to the acquisition and depreciation of non-current assets.

- 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 6 with threshold limits as shown below and unless otherwise stated are consistent with prior years.

CLASS OF ASSETS	\$
Land and buildings	
Land	N/A
Land improvements (including irrigation and sprinkler systems, and fencing)	1,000
Buildings	N/A
Plant and equipment	
Plant and equipment	1,000
Minor plant, furniture & equipment	500
Infrastructure assets (non-realizable)	
Roads	20,000
Kerb and channel	5,000
Footpaths / Bikepaths	
- Expansion & upgrade	1,000
- Renewals	N/A
Bridges	5,000
Drains	5,000
Infrastructure assets (realizable)	
Recreational equipment (The threshold in 2004 was \$5,000)	1,000
Street furniture	10,000



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

- 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.

ASSET CATEGORY	YEARS
Land	
Car parks	25
Land, parks, reserves, ovals	Infinite
Land improvements	10
Buildings	50 - 75
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
Roads	
Seal	12 - 20
Substructure	100
Kerb and channel	80
Footpaths / bikepaths	10 - 50
Bridges	20 - 100
Drains	100
Recreational equipment (playgrounds)	10 - 20
Street furniture	10 - 20

- 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 Statement of Financial Performance, 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 17).
- 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 30th June 2007.

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 7.3).

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**

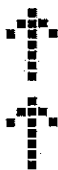
Annual leave
Under the Accounting Standard AASB 1028, annual leave entitlements are determined up to balance date at amounts expected to be paid when the obligation is settled, inclusive of leave loading and associated oncosts.

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 twelve months are measured at the present value of the estimated future cash outflows. The current portion is measured in nominal dollars. Interest rates on government securities are used for discounting future cash flows (Refer Note 7.2).

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 recognises a liability in respect of present obligations to the defined benefits superannuation schemes to which current and former employees of council belong. The liability represents 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. Details of those arrangements are set out in Note 13.

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 Note 7.1 and 12).



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

1.7 Leases

Operating 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 twelve 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 5.2 and 12).

1.10 Cash assets

For the purpose of the statement of cash flows, cash assets include cash on hand, deposits at call and other highly liquid investments with short periods to maturity, net of bank overdraft. 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 5.1 and 16.2).

1.11 Rounding

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

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.

1.13 Inventory

Inventory is stated at the lower of cost and net realisable value.

1.14 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 & 12).

Interest accrued on these liabilities is treated as borrowing costs (Refer notes 10 and 12).

1.15 Borrowing costs

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

1.16 Contingent Assets

Council owns 50 bed licenses at its Aged Care Facility which is a potentially realisable asset. Council has chosen not to recognise this asset in its financial statements as the value of these licenses cannot be reliably measured.

2 FUNCTIONS AND ACTIVITIES

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

2.1. Revenue and expenses by function

	REVENUE ATTRIBUTED 2005				EXPENSES 2005		SURPLUS /(DEFICIT)	TOTAL NON- CURRENT ASSETS
	\$000 General	\$000 Grants	\$000 Total	% of Total	\$000	% of Total	\$000	\$000
Corporate services*	55,833	6,074	61,907	63.28	33,200	35.85	28,707	7,098
Organisational development	1	48	49	0.05	3,767	4.07	(3,718)	316
Health & environment	11,669	558	12,227	12.50	17,842	19.26	(5,615)	117,337
Leisure & culture	777	911	1,688	1.73	12,545	13.54	(10,857)	245,046
Community services	1,719	9,810	11,529	11.78	15,158	16.37	(3,629)	26,417
Transport & infrastructure	3,403	3,389	6,792	6.94	7,169	7.74	(377)	397,146
Economic development	3,604	36	3,640	3.72	2,938	3.17	702	16,976
Total Revenues & Expenses	77,006	20,826	97,832	100.00	92,619	100.00	5,213	810,336

	REVENUE ATTRIBUTED 2004				EXPENSES 2004		SURPLUS /(DEFICIT)	TOTAL NON- CURRENT ASSETS
	\$000 General	\$000 Grants	\$000 Total	% of Total	\$000	% of Total	\$000	\$000
Corporate services*	57,637	5,959	63,596	65.12	29,788	36.04	33,808	6,925
Organisational development	1	5	6	0.01	4,191	5.07	(4,185)	308
Health & environment	11,849	1,027	12,876	13.18	15,327	18.53	(2,451)	114,464
Leisure & culture	1,313	729	2,042	2.09	11,462	13.87	(9,420)	239,046
Community services	1,604	8,670	10,274	10.52	13,572	16.42	(3,298)	25,770
Transport & infrastructure	3,468	2,170	5,638	5.77	6,533	7.90	(895)	387,422
Economic development	3,142	83	3,225	3.30	1,790	2.17	1,435	16,561
Total Revenues & Expenses	79,014	18,643	97,657	100.00	82,663	100.00	14,994	790,496

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



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

2.2 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, property valuations • Risk management
Organisational development	<ul style="list-style-type: none"> • Human resources, staff training and development • Occupational health and safety • Corporate planning, media 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"> • Arts and cultural activities, Walker Street Gallery, Heritage Hill Complex • 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 • Works depots • Building maintenance
Economic development	<ul style="list-style-type: none"> • Promotion of business and employment • Operation of Dandenong market and multi deck car parks



3 REVENUES

	2005 \$'000	2004 \$'000
3.1 Rates and garbage charges		
General rates (Note)		
Residential	23,496	21,934
Commercial	5,693	5,186
Industrial	15,082	13,816
Supplementary rates and adjustments	865	767
Residential garbage	6,359	5,820
	51,495	47,523

Note - The valuation base used to calculate general rates for 2004-2005 was \$14.281 billion (\$10.192 billion in 2003-2004).

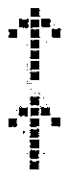
The date of the last general revaluation of land within the municipality for rating purposes was on 1 January 2004. This valuation applies to the rating period commencing 1 July 2005.

The date of the next general revaluation is 1 January 2006, and the valuation will first apply for the rating period commencing 1 July 2006.

3.2 Government grants		
Financial assistance grant – general purpose	5,165	5,116
Financial assistance grant – untied road funding	909	843
Organisational development	48	5
Health & environment	558	1,027
Leisure & culture	911	729
Community services	9,810	8,670
Transport & infrastructure	3,389	2,170
Economic development	36	83
	20,826	18,643
Recurrent	17,627	17,100
Non-recurrent	3,199	1,543
	20,826	18,643

3.3 Unexpended grants (Note)		
Grants recognised as revenue for the year to be expended for specific purposes that had not been expended at balance date were:		
Health & environment	183	417
Leisure & culture	159	25
Community services	80	127
Transport & infrastructure	170	420
Economic development	-	83
	592	1,072

Note: All unexpended grants of prior year were expended in 2005.



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

	2005 \$'000	2004 \$'000
3.4 Contributions		
Community services	3	3
Health and environment	1,673	3,126
Leisure and culture	-	429
Transport and infrastructure	68	212
	1,744	3,770
3.5 Unexpended contributions (Note)		
Health and environment	1,127	3,126
Leisure & culture	-	429
Transport & infrastructure	68	29
	1,195	3,584
Note: Council refunded \$2.3M of contributions received in 2003-2004 to developers upon completion of works relating to non council assets (refer note 4.8). All other contributions received in prior years were expended in 2004-2005.		
3.6 Fees, charges and fines		
Parking fees and fines	2,337	2,290
Infringements and costs	1,022	976
Perin court recoveries	675	606
	4,034	3,872
User charges and other fines		
Building and town planning	1,153	941
Aged care services	1,428	1,444
Civil and transport planning	271	355
Land information	74	93
Recreation and leisure	193	233
Hire of facilities	2,660	2,944
Other fees and charges	366	277
	6,145	6,287
	10,179	10,159



	2005 \$'000	2004 \$'000
3.7 Profit / (loss) on sale of assets		
Land and Buildings		
Proceeds from sale of assets	1,223	610
Less: Carrying amount of assets sold		
land (current)	(1,100)	(225)
Other costs (cash)	(124)	-
Buildings (non-current)	(42)	-
Profit/(loss) on sale of land and buildings	(43)	385
Plant and equipment		
Proceeds from sale of assets	1,443	790
Less: Carrying amount of assets sold		
Plant and fleet (non-current)	(1,163)	(593)
Profit/(loss) on sale of plant and equipment	280	197
	237	582
3.8 Other revenue		
Recoveries		
State Revenue Office (provision of valuation data)	133	383
Other recoveries	257	143
	390	526
National Competition Policy	313	261
Retainer - H L Williams Court	20	20
Assets not previously recognised (Note)	374	3,307
Sundry income	447	295
	1,544	4,409

Note: The council carried out a stocktake of its road assets during 2003-2004. This stocktake identified a number of kerbs and footpaths that had previously not been recognised by council, and have been brought to account at their written down replacement values (refer note 6.1).

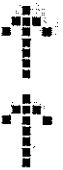
4 EXPENSES

4.1 Employee benefits		
Salaries & wages	27,165	24,009
Casual staff	1,136	1,017
Annual leave and long service leave	3,730	3,688
Superannuation	2,653	2,243
WorkCover	889	829
Redundancy	612	202
	36,185	31,988



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

	2005 \$'000	2004 \$'000
4.2 Contract payments, materials and services		
Maintenance and repairs	3,277	2,963
Contract payments:		
Garbage collection	5,228	4,645
Home and community care (Note)	350	2,196
Other contract payments	3,874	2,983
Other materials and services	3,348	2,667
	16,077	15,454
<p>Note: Home and Community Care services were brought in-house in May 2004 and hence represent eleven months' expense in the comparatives. These costs are now reflected in employee benefits.</p>		
4.3 Depreciation		
Plant & equipment	1,125	1,080
Minor plant, furniture and equipment	983	695
Land improvements	444	362
Car parks	39	35
Buildings (Note)	2,774	3,619
Bikepaths/footpaths	1,322	1,324
Bridges	126	125
Roads	6,054	5,880
Drains	1,532	1,225
Street furniture	695	668
Playground equipment	820	807
	15,914	15,820
<p>Note: Council relocated its depot operations to a new facility during the year and demolished the old depot buildings in preparation for sale of the site under the Dandenong saleyards development project. This resulted in a decrease in depreciation relating to buildings of \$44K. (Refer note 6).</p>		
4.4 Grants and sponsorship		
Community grants	1,797	1,779
Contributions	421	391
Sponsorships	1,870	1,751
	4,088	3,921
4.5 Professional services		
Consultants	3,381	3,082
Legal costs	248	235
Statutory fees	354	359
Audit costs: Internal	37	-
External - VAGO	50	44
Strategic Asset Management Program	54	41
	4,124	3,761



	2005 \$'000	2004 \$'000
4.6 Administration costs		
Printing, publications & promotion	1,225	1,031
Motor vehicle maintenance	883	804
Bad & doubtful debts	342	106
Insurance	1,423	1,521
Information management costs	1,764	1,659
Postage	326	350
Other administration costs	2,446	2,556
	8,409	8,027
4.7 Borrowing costs		
Interest on long term loans	620	414
Interest on short term loan and overdraft	115	338
Interest on unfunded superannuation (Note)	296	373
	1,031	1,125
Note: Council paid off its superannuation liability under the defined benefits scheme in February 2005. The interest for 2004-2005 is for seven months.		
4.8 Other expenses		
Bank charges	148	151
Sundry expenses	771	793
Refund of contributions (Refer Note 3.5)	2,307	-
	3,226	944
5 CURRENT ASSETS		
5.1 Cash assets		
Cash at bank and on hand	1,268	2,194
Bank deposits on call (Note)	2,504	2,359
	3,772	4,553
Note: Bank deposits on call have been set aside as required by law, against meeting Council's long-service leave commitments to employees prescribed under the Local Government (Long Service Leave) Regulations 2002.		
5.2 Receivables		
Rates debtors (refer note 1.2(a))	1,768	1,753
Parking infringement debtors	3,785	3,158
General debtors	5,018	2,990
Less: Provision for doubtful debts:		
Parking infringements	(1,329)	(1,081)
General debtors	(191)	(193)
	9,051	6,627
5.3 Other		
Prepayments	14	14
Inventory	38	62
	52	76



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

	2005 \$'000	2004 \$'000
6 NON-CURRENT ASSETS		
Plant and equipment		
At cost	5,235	5,384
Less: Accumulated depreciation	(1,595)	(1,990)
	3,640	3,394
Minor plant, furniture & equipment		
At cost	11,014	9,340
At Notional Cost (Note i)	300	-
Less: Accumulated depreciation	(5,685)	(4,749)
	5,629	4,591
Land and buildings (Note ii)		
Carparks		
At cost	973	879
Less: Accumulated depreciation	(189)	(150)
	784	729
Land		
At independent valuation	297,834	298,686
At cost	1,576	-
	299,410	298,686
Land improvements		
At cost	7,295	4,429
Less: Accumulated depreciation	(1,184)	(739)
	6,111	3,690
Buildings		
At independent valuation	148,608	153,371
At cost	6,884	3,073
Less: Accumulated depreciation	(75,332)	(75,369)
	80,160	81,075

Note i: Minor plant, furniture and equipment

Minor building structures were transferred from buildings to minor plant at a notional cost representing the carrying amount of those structures.

Note ii: Land and buildings

'At valuation' estimates for land and buildings were determined by ProVal (Vic) Pty Ltd certified valuers as at 1 January 2004, who advised council that the values of these assets have not materially changed in the last twelve months. Hence no adjustment has been made to their valuations at 30 June 2005.

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

Council disposed of its buildings at the old depot site to make way for the development of that site for sale as part of the saleyard development on Cheltenham Road. This reduced the replacement value of buildings by \$3.3M with an accumulated depreciation of \$2.4M.



	2005 \$'000	2004 \$'000
Non realisable infrastructure assets		
Bike paths - Note (i)		
At valuation	2,376	2,379
At cost	78	36
Less: Accumulated depreciation	(765)	(660)
	1,689	1,755
Footpaths - Note (i)		
At valuation	63,830	56,863
At cost	3,877	3,263
Less: Accumulated depreciation	(8,879)	(7,645)
	58,828	52,481
Bridges - Note (ii)		
At valuation	10,275	9,249
At cost	133	122
Less: Accumulated depreciation	(1,727)	(1,601)
	8,681	7,770
Roads - Note (iii)		
Sub-structure		
At council valuation	200,214	197,359
At cost	1,964	1,890
Less: Accumulated depreciation	(63,386)	(61,381)
	138,792	137,868
Seal		
At council valuation	51,073	49,566
At cost	5,415	4,630
Less: Accumulated depreciation	(28,745)	(25,423)
	27,743	28,773
Kerb & channel		
At council valuation	56,886	55,817
At cost	865	577
Less: Accumulated depreciation	(13,909)	(13,182)
	43,842	43,212
Roads Total		
At council valuation	308,173	302,742
At cost	8,244	7,097
Less: Accumulated depreciation	(106,040)	(99,986)
	210,377	209,853
Drains - Note (iii)		
At council valuation	153,184	150,595
At cost	604	428
Less: Accumulated depreciation	(50,759)	(49,227)
	103,029	101,796



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

	2005 \$'000	2004 \$'000
Note (i) Bike paths/Footpaths		
<p>Bike paths and footpaths are carried at valuation based on written down replacement value carried out in April 2002. 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.</p>		
Note (ii) Bridges		
<p>'At valuation' estimates for bridges were determined as at 30 June 2002 by council's civil and transport planning unit. The change in valuation between the two years represents an indexed movement in valuation, based on Rawlinson's Handbook of construction costs.</p> <p>The valuations were done on the basis of written down replacement value.</p>		
Note (iii) Roads and Drains		
<p>'At valuation' estimates for roads (kerbs) and drains were determined as at 30 June 2004 by council's qualified engineers. The valuations were done on the basis of written down replacement value. The change in valuation also includes assets that had not previously been recognised, and assets acquired from subdivisions. These assets were brought into the books at 30 June 2005 at their current valuation.</p>		
Realisable infrastructure assets		
Street furniture		
At cost	4,749	4,599
Less: Accumulated depreciation	(2,591)	(1,901)
	2,158	2,698
Recreational equipment		
At cost	8,246	8,359
Less: Accumulated depreciation	(2,794)	(2,478)
	5,452	5,881
Works in progress		
At cost	12,429	1,847
	12,429	1,847
Total non-current assets		
At valuation	984,280	973,885
At cost	71,337	48,856
At Notional Cost	300	-
Less: Accumulated depreciation	(257,540)	(246,495)
TOTAL NON-CURRENT ASSETS	798,377	776,246

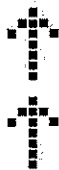


6.1 NON-CURRENT ASSETS - (Movement in written down value)

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

	Plant & equipment	Minor plant, furniture & equipment	Carparks	Land	Buildings
	2005 \$'000	2005 \$'000	2005 \$'000	2005 \$'000	2005 \$'000
Balance at beginning of financial year	3,394	4,591	729	298,687	81,075
Additions at cost	2,545	1,703	94	1,576	3,810
Assets written off	(10)	(9)			(1,041)
Reversal of prior year invoicing		(14)			
Transfer from current assets				181	
Less: Disposals at carrying amount	(1,163)				(42)
Less: Depreciation expense for the year	(1,126)	(983)	(39)		(2,774)
Add: Net movement in revaluation				(1,034)	(17)
Add: Assets not previously recognised					
Add: Assets from new developments		300			
Changes due to transfers		41			(851)
Balance at end of financial year	3,640	5,629	784	299,410	80,160

	Bike paths	Footpaths	Bridges	Land improvements	Drains
	2005 \$'000	2005 \$'000	2005 \$'000	2005 \$'000	2005 \$'000
Balance at beginning of financial year	1,755	52,481	7,770	3,690	101,796
Additions at cost	43	613	11	2,862	176
Assets written off	(2)	(9)			
Reversal of prior year invoicing					
Transfer from current assets					
Less: Disposals at carrying amount					
Less: Depreciation expense for the year	(107)	(1,215)	(126)	(445)	(1,532)
Add: Net movement in revaluation		6,302	1,006		1
Add: Assets not previously recognised					
Add: Assets from new developments		655	20		2,577
Changes due to transfers		1		4	11
Balance at end of financial year	1,689	58,828	8,681	6,111	103,029



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

	Roads sub-structure	Roads seal	Roads kerb & channel	Roads Total
	2005 \$'000	2005 \$'000	2005 \$'000	2005 \$'000
Balance at beginning of financial year	137,868	28,773	43,212	209,853
Additions at cost	74	785	288	1,147
Assets written off			(16)	(16)
Reversal of prior year invoicing				
Transfer from current assets				
Less: Disposals at carrying amount				
Less: Depreciation expense for the year	(2,004)	(3,322)	(727)	(6,053)
Add: Net movement in revaluation				
Add: Assets not previously recognised	374			374
Add: Assets from new developments	2,478	1,502	1,076	5,056
Changes due to transfers	2	5	9	16
Balance at end of financial year	138,792	27,743	43,842	210,377

	Street furniture	Playgrounds	Work in progress	Summary of Non- current asset movements
	2005 \$'000	2005 \$'000	2005 \$'000	2005 \$'000
Balance at beginning of financial year	2,698	5,881	1,847	776,247
Additions at cost	162	311	10,029	25,082
Assets written off	(2)	(47)		(1,136)
Reversal of prior year invoicing	(6)	(5)	(93)	(118)
Transfer from current assets				181
Less: Disposals at carrying amount				(1,205)
Less: Depreciation expense for the year	(695)	(819)		(15,914)
Add: Net movement in revaluation				6,258
Add: Assets not previously recognised				374
Add: Assets from new developments				8,608
Changes due to transfers	1	131	646	-
Balance at end of financial year	2,158	5,452	12,429	798,377



	2005 \$'000	2004 \$'000
7 NON INTEREST-BEARING LIABILITIES		
7.1 Payables		
Current		
Trade creditors	6,757	4,127
Other creditors	861	568
Income received in advance	385	406
Accrued expenses	1,534	997
	9,537	6,098
Non-current		
Unearned income (Note)	3,000	3,000
	3,000	3,000
<p>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 advance payment towards this development. This payment will be recognised as revenue when contracts for sale of land are finalised in accordance with the percentage of completion of development.</p>		
7.2 Employee benefits		
Current		
Annual leave	4,060	3,728
Long service leave	476	419
	4,536	4,147
Non-current		
Long service leave liability (Note)	3,561	3,223
	3,561	3,223
<p>Accrued wages and salaries are included in the current accrued expenses balance in note 7.1.</p> <p>Note: In arriving at the present value of long service leave the following assumptions were adopted: Average increase in employee costs 4.75% Average discount rates 5.51% - 5.14% Average settlement period - 12 years</p>		
7.3 Trust monies		
Current		
Hostel entrance fees	269	208
Jenny Slade scholarship	7	7
Crossing & other deposits	360	477
Developer contributions	608	-
Part settlement on sale of land (note)	3,300	-
	4,544	692
<p>Note: The council sold a piece of land at Andrew Erickson Gardens for which a part settlement was received pending a condition on the contract of sale being satisfied.</p>		



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

	2005 \$'000	2004 \$'000
8 RESERVES		
8.1 Asset revaluation reserve		
Land	156,902	157,936
Buildings	7,356	7,373
Non-realisable infrastructure assets:		
Bike paths	1,041	1,041
Footpaths	24,595	18,292
Bridges	1,373	367
Roads	141,364	141,364
Drains	60,325	60,325
	392,956	386,698
8.2 Movement in reserves		
Asset revaluation reserve		
Land	(1,034)	47,686
Buildings	(17)	(19,818)
Roads	-	(7)
Drains	1	16,155
Footpaths	6,302	-
Bridges	1,006	-
	6,258	44,016
Transfer of general reserve to accumulated surplus	-	(841)
Total movement in reserves	6,258	43,175
9 FINANCING FACILITIES		
Bank overdraft	2,500	2,500
Used facility	(1,396)	(540)
Unused facility	1,104	1,960



	Note	2005 \$'000	2004 \$'000
10 INTEREST-BEARING LIABILITIES			
Current			
Loans – secured		2,688	1,084
Defined benefit superannuation liability	13	-	352
		2,688	1,436
Non-current			
Loans – secured		9,824	4,927
Defined benefit superannuation liability	13	-	3,169
		9,824	8,096
Total interest-bearing liabilities	12.2	12,512	9,532

11 COMMITMENTS AND CONTINGENCIES

11.1 Operating lease commitments (Note)

Not later than one year	842	938
Later than one year but less than five years	789	1,486
	1,631	2,424

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).

11.2 Capital commitments

Not later than one year	10,700	11,300
Later than one year but less than five years	-	3,000
	10,700	14,300

11.3 Works and services contracts

Not later than one year	7,358	7,179
Later than one year but less than five years	14,956	20,006
Over five years	-	1,062
	22,314	28,247



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

12 FINANCIAL INSTRUMENTS

12.1 Accounting policy, terms and conditions

Recognised financial instruments	Note	Accounting policy	Terms and conditions
Financial assets			
Cash at bank and on hand	5.1	Valued at face value. Interest is recognised as it accrues.	On call deposits returned floating interest rates of between 4.98% and 5.60% (3.15% and 6.35% in 2003-2004).
Bank deposits on call	5.1	Valued at face value. Interest is recognised as it accrues.	Withdrawals are on 24 hours notice. Bank Deposits returned between 5.03% and 6.39% net of fees (3.86% and 7.06% in 2003-2004).
Rates debtors	5.2	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 12.00% (11.25% in 2003-2004).
Parking infringements and general debtors	5.2	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	7.1	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 \$5.5 million was obtained to repay the amount owing to Vision Super in respect of a superannuation liability. The balance of the loan as at June 30, 2005 was \$2,584,778 (\$3,143,174 as at June 30, 2004)	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%.
Interest-bearing liabilities	10	The loan with the Commonwealth Bank was for \$2.952 million, 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 June 30, 2005 was \$2.343 million (\$2.868 million as at June 30, 2004)	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.



Recognised financial instruments	Note	Accounting policy	Terms and conditions
Interest-bearing liabilities	10	The loan with the Commonwealth Bank of \$5.0 million was obtained in September 2004 to finance major capital projects. The balance of the loan as at June 30, 2005 was \$4,584,504.	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 \$3.0 million was obtained in February 2005 to repay the unfunded superannuation liability that council assumed in 2002-2003. The balance of the loan as at June 30, 2005 was \$3.0 million.	The loan is for five years expiring 28 January 2010 and principal and interest are repayable quarterly. The interest rate is fixed at 6.09%.

12.2 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:

	Floating interest rate		Fixed interest rate maturing in:						Non-interest bearing		Total carrying amount as per the Statement of Financial Position		Range of Effective interest rates	
			1 year or less		Over 1 to 5 years		More than 5 years							
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%	%
Financial assets														
Rates debtors	1,768	1,753									1,768	1,753	12	11.25
Parking infringements and general debtors									7,283	4,874	7,283	4,874		
Cash at bank and on hand	1,268	2,194									1,268	2,194	4.98 to 5.60	3.15 to 6.35
Bank deposits	2,504	2,359									2,504	2,359	5.03 to 6.39	3.86 to 7.06
Total financial assets	5,540	6,306							7,283	4,874	12,823	11,180		
Financial liabilities														
Payables									12,537	9,098	12,537	9,098		
Interest-bearing liabilities (Note 10)			2,688	1,436	9,824	6,511	-	1,585			12,512	9,532	5.8 / 8.95	5.8 / 8.95
Total financial liabilities			2,688	1,436	9,824	6,511	-	1,585	12,537	9,098	25,049	18,630		

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 \$11.7M (\$8.7M in 2004) as at balance date.



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

12.3 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.

13 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% in 2004/2005). 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 2004-2005 the council's superannuation contributions relating to Vision Super Saver members was \$1,768,502 (\$1,541,996 in 2003-2004).

DEFINED BENEFITS CATEGORY

The council makes employer contributions to the defined benefits category of the Fund at rates determined by the Fund's Trustee on the advice of its actuary. The rate is currently 9.25% of superannuation salary, same as in 2003-2004.

During 2004-2005 the council's superannuation contributions relating to that year's defined benefits members' service was \$845,495 (\$819,191 in 2003-2004).

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 (\$140,468 in 2004-2005) and
- contributed its share of the funding shortfall of the Local Authorities Superannuation Fund Defined Benefits Plan of \$127M at 31 December 2002. Council chose to pay off the liability in full in 2004-2005 of \$3.521M including interest and tax of \$373K (see below).

DEFINED BENEFITS PLAN - FUNDING SHORTFALL

The council has an ongoing obligation to share in the future experience of the Fund. Favourable or unfavourable variations may arise should the experience of the Fund differ from the assumptions made by the Fund's actuary in estimating the Fund's accrued benefits liability.

The Defined Benefits Plan experienced a funding shortfall of \$127M following an actuarial review in December 2002. The council was informed that its share of this shortfall is \$3.147M, to be paid over a maximum period of ten years, with interest accruing on the unpaid balance of this liability.

The council discharged its liability (inclusive of interest and tax) in full in February 2005.



14 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 \$1.26 million (\$1.36 million as at June 30 2004).

LEGAL ACTIONS

The council is involved in a number of legal actions. Council's exposure in these claims may be up to \$560K (\$631K in 2004).

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.

15 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

Maria Sampey (Mayor) 2 December 2004 to date
 Clare O'Neil (Mayor) 17 March 2004 to 1 December 2004
 Kevin Walsh
 Paul Donovan
 Youhorn Chea
 Angela Long
 Roz Blades
 John Kelly
 Naim Melhem
 David Kelly
 Peter Brown

Chief Executive Officer

Carl Wulff

REMUNERATION OF RESPONSIBLE PERSONS IN BANDS OF \$10,000

Income range	2005 No.	2004 No.
To \$10,000	-	1
\$ 10,001 - \$ 20,000	9	8
\$ 20,001 - \$ 30,000	1	1
\$ 30,001 - \$ 40,000	1	1
\$200,001 - \$210,000	-	1
\$210,001 - \$220,000	1	-
Total	12	12
Total remuneration for the reporting year, for responsible persons included above, amounted to:	\$405K	\$384K



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

No retirement benefits were made by the council to a responsible person during the reporting year (Nil in 2004).

No loans were made, guaranteed or secured by the council to a responsible person during the reporting year (Nil in 2004).

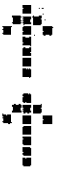
No transactions were entered into by the council with responsible persons, other than remuneration and reimbursement of expenses during the reporting year (Nil in 2004).

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	2005 No.	2004 No.
To \$100,000	1	2
\$100,001 - \$110,000	4	7
\$110,001 - \$120,000	9	4
\$120,001 - \$130,000	2	2
\$130,001 - \$140,000	1	2
\$140,001 - \$150,000	1	-
\$160,001 - \$170,000	2	-
\$170,001 - \$180,000	1	-
\$180,001 - \$190,000	-	1
Total	21	18
Total remuneration for the Financial year of senior officers included above amounted to:	\$2.44M	\$2.05M



16 NOTES TO THE STATEMENT OF CASH FLOWS

16.1 Reconciliation of operating result with net cash provided by operating activities

	Note	2005 \$'000	2004 \$'000
Surplus for year		5,213	14,994
Add / (less)			
Depreciation	4.3	15,914	15,820
Assets acquired from sub division activity		(8,608)	(11,001)
Write off of assets		1,136	805
(Increase)/decrease in other current assets	5.3	24	5
(Profit)/loss on sale of assets	3.7	(237)	(582)
Assets not previously recognised		(374)	(3,307)
(Increase)/decrease in receivables	5.2	(2,424)	(911)
(Decrease)/increase in payables	7.1	3,432	308
(Decrease)/increase in employee entitlements	7.2	(2,794)	1,597
Net cash provided by operating activities		11,282	17,728

16.2 Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the statement of financial position as follows:

	Note	2005 \$'000	2004 \$'000
Current asset - cash and deposits	5.1	3,772	4,553
Cash at balance date as per Statement of Cash Flows		3,772	4,553



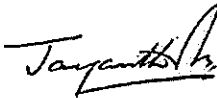
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

17 FINANCIAL RATIOS

	2005	2004	2003
<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>	1.05%	1.15%	1.25%
<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>	2.00%	3.65%	6.47%
<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>	52.64%	48.66%	58.34%
<p>DEBT EXPOSURE RATIO To identify council's exposure to debt. This is the ratio of total debt to total realisable assets.</p> $\frac{\text{Total liabilities}}{\text{Total realisable assets}}$ <p>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.</p> <p>Non realisable assets include non realisable infrastructure assets (as detailed in Note 6), land with restrictions and buildings on other controlled land.</p> <p>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>	1:14	1:15	1:14
<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 part of the properties held for sale (inventory) being recognised as non-current</p>	0.70:1	1.00:1	1.16:1

CERTIFICATION

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: 12 September 2005

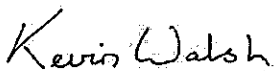
In our opinion, the accompanying financial report presents fairly the financial transactions of the City of Greater Dandenong Council for the year ended 30 June 2005 and the financial position of the Council as at that date.

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.

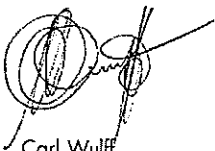
We have been authorised by the Council on 12 September 2005 to certify the financial report in its final form on behalf of the Council.



Cr. Maria Sampey
Dated: 12 September 2005



Cr. Kevin Walsh RFD
Dated: 12 September 2005



Carl Wulff
Chief Executive Officer
Dated: 12 September 2005





STANDARD STATEMENTS YEAR ENDED 30 JUNE 2005

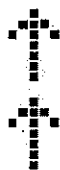
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> STANDARD STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2005

	Note	Budget 2005 \$'000	Actuals 2005 \$'000	Variance \$'000	Variance %
Revenue from ordinary activities					
Rates		52,100	51,495	(605)	(1.16)
Grants – Operational (special purpose)	2	15,746	14,752	(994)	(6.31)
Grants – Financial assistance (untied)		5,985	6,074	89	1.49
Contributions	3	240	1,744	1,504	626.67
Fees, charges and fines		9,735	9,504	(231)	(2.37)
Interest		438	770	332	75.80
Proceeds from sale of assets	4	4,884	2,666	(2,218)	(45.41)
Assets acquired from sub division activity	5	-	8,982	8,982	-
Other income		1,608	1,845	237	14.74
Total revenues		90,736	97,832	7,096	7.82
Expenses from ordinary activities					
Employee benefits		35,162	36,185	1,023	2.91
Contract payments, materials and services	6	13,541	16,077	2,536	18.73
Administration costs		8,180	8,409	229	2.80
Borrowing costs		1,557	1,031	(526)	(33.78)
Professional services		3,235	4,124	889	27.48
Grants and sponsorships		3,952	4,088	136	3.44
Depreciation		16,500	15,914	(586)	(3.55)
Other expenses	7	593	3,226	2,633	444.01
Carrying amount of assets sold	8	4,971	2,429	(2,542)	(51.14)
Write-off of assets	9	-	1,136	1,136	-
Total expenses		87,691	92,619	4,928	5.62
SURPLUS FROM OPERATIONS		3,045	5,213	2,168	71.20
MOVEMENT IN EQUITY					
Net increase in asset revaluation reserves	10	-	6,258	6,258	-
TOTAL CHANGES IN EQUITY		3,045	11,471	8,426	276.72





STANDARD STATEMENTS

YEAR ENDED 30 JUNE 2005

> STANDARD STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2005

	Note	Budget 2005 \$'000	Actuals 2005 \$'000	Variance \$'000	Variance %
CURRENT ASSETS					
Cash		(244)	1,268	1,512	(619.7)
Investments		2,117	2,504	387	18.3
Receivables	11	5,863	9,051	3,188	54.4
Inventory - property		2,110	2,110	-	-
Inventory - other		81	38	(43)	(53.1)
Other			14	14	-
TOTAL CURRENT ASSETS		9,927	14,985	5,058	51.0
NON-CURRENT ASSETS					
Fixed Assets		734,750	798,377	63,627	8.7
Inventory - property	12	7,786	11,959	4,173	53.6
TOTAL NON-CURRENT ASSETS		742,536	810,336	67,800	9.1
TOTAL ASSETS		752,463	825,321	72,858	9.7
CURRENT LIABILITIES					
Creditors		4,599	9,537	4,938	107.4
Borrowings		591	2,688	2,097	354.8
Employee benefits	13	6,607	4,536	(2,071)	(31.3)
Trust monies	14	538	4,544	4,006	744.6
TOTAL CURRENT LIABILITIES		12,335	21,305	8,970	72.7
NON-CURRENT LIABILITIES					
Borrowings		11,963	9,824	(2,139)	(17.9)
Employee benefits		2,608	3,561	953	36.5
Unearned income		3,000	3,000	-	-
TOTAL NON-CURRENT LIABILITIES		17,571	16,385	(1,186)	(6.7)
TOTAL LIABILITIES		29,906	37,690	7,784	26.0
NET ASSETS		722,557	787,631	65,074	9.0
EQUITY					
Accumulated surplus		379,034	394,675	15,641	4.1
Assets revaluation reserve		343,523	392,956	49,433	14.4
TOTAL EQUITY		722,557	787,631	65,074	9.0

> STANDARD STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2005

	Note	Budget 2005 \$'000	Actuals 2005 \$'000	Variance \$'000	Variance %
Cash flows from operating activities					
Cash inflows					
Rates receipts		51,965	51,480	(485)	(0.93)
Grants		21,731	20,826	(905)	(4.16)
Interest received		438	770	332	75.80
Fees, charges, fines and contributions		11,583	10,579	(1,004)	(8.67)
Total cash inflows		85,717	83,655	(2,062)	62.03
Cash outflows					
Employee benefits		35,162	38,365	(3,203)	(9.11)
Payments to suppliers	7	25,841	28,889	(3,048)	(11.80)
Grants & sponsorships		3,952	4,088	(136)	(3.44)
Interest paid		1,557	1,031	526	33.78
Total cash outflows		66,512	72,373	(5,861)	9.44
Net cash inflows from operating activities		19,205	11,282	(7,923)	52.60
Cash flows from investing activities					
Cash inflows					
Proceeds from sale of assets		4,884	2,666	(2,218)	(45.41)
Total cash inflows		4,884	2,666	(2,218)	(45.41)
Cash outflows					
Payments for non-current assets					
City improvement projects		31,210	22,537	8,673	27.79
Fleet & other capital		3,395	2,545	850	25.04
Total cash outflows	15	34,605	25,082	9,523	27.52
Net cash outflows from investing activities		(29,721)	(22,416)	7,305	(8.71)
Cash flows from financing activities					
Cash inflows					
Proceeds from borrowings		8,000	8,000	-	-
Proceeds from trust monies and deposits			4,192	4,192	-
Total cash inflows		8,000	12,192	4,192	
Cash outflows					
Payments for trust monies and deposits			339	(339)	-
Repayment of loans		1,542	1,500	42	2.72
Total cash outflows		1,542	1,839	(297)	(19.26)
Net cash inflow from financing activities		6,458	10,353	4,489	69.51
Cash increase/(decrease)		(4,058)	(781)	3,871	(95.39)
Cash at beginning		3,814	4,553	739	19.38
Cash at end		(244)	3,772	4,610	

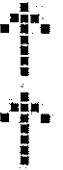




STANDARD STATEMENTS YEAR ENDED 30 JUNE 2005

> RECONCILIATION OF OPERATING RESULT AND NET CASH FLOWS FROM OPERATING ACTIVITIES FOR THE YEAR ENDED 30 JUNE 2005

	Budget 2005 \$'000	Actuals 2005 \$'000	Variance \$'000	Variance %
Net Surplus from operations	3,045	5,213	2,168	71.20
Depreciation	16,500	15,914	(586)	(3.55)
Other non cash revenue and expenses	-	(7,846)	(7,846)	-
(Profit)/Loss on sale of property, plant and equipment	87	(237)	(324)	-
Net movement in current assets and liabilities	(427)	(1,762)	(1,335)	312.63
Net cash inflow from operating activities	19,205	11,282	(7,923)	(41.25)



> STANDARD STATEMENT OF CAPITAL WORKS
FOR THE YEAR ENDED 30 JUNE 2005

	Note	Budget 2005 \$'000	Actuals 2005 \$'000	Variance \$'000	Variance %
Roads, Bridges and Street Furniture		2,721	1,550	1,171	43.04
Land and Buildings		21,322	13,647	7,675	36.0
Drains		886	176	710	80.14
Land Improvement and Playgrounds		4,317	4,499	(182)	(4.22)
Information Services and Minor Plant		1,307	2,009	(702)	(53.71)
Fleet, Plant and Equipment		3,395	2,545	850	25.04
Footpaths		657	656	1	0.15
Total capital works	15	34,605	25,082	9,523	27.52
Represented by:					
Expansion		280	223	57	
New		23,354	20,365	2,989	
Renewal		4,589	2,819	1,770	
Upgrade		6,382	1,675	4,707	
Total capital works		34,605	25,082	9,523	
Property, Plant & Equipment movement Reconciliation worksheet					
Total capital works		34,605	25,082	9,523	27.52
Depreciation		(16,500)	(15,914)	(586)	3.55
Assets written off		-	(1,254)	1,254	-
Disposals at carrying amount		(4,971)	(1,205)	(3,766)	75.76
Gifted assets		-	8,982	(8,982)	-
Movement in asset revaluation		-	6,258	(6,258)	-
Transfers from current to non-current		-	181	(181)	-
Net movement in property, plant and equipment		13,134	22,130	(8,996)	(68.49)



STANDARD STATEMENTS YEAR ENDED 30 JUNE 2005

> NOTES TO THE STANDARD STATEMENTS

1. Introduction

The Standard Statements of Financial Performance, Standard Statement of Cash Flows 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 bases 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% 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 Statement of Cash Flows excludes cash flows resulting from GST, which are cost and revenue neutral to council.

The budget figures reported are those adopted by Council on 7 June 2004 except for a change in the classification of capital works in Renewal, Upgrade, Expansion and New Assets. 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 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.

2. Grants

The budgeted grants include \$3M from the Victorian Government for the Dandenong Town Hall refurbishment, \$2M for the development of the Dandenong basketball/volleyball stadium and \$0.5M for other major projects. The amount received for the Town Hall was \$2.3M due to delays in construction works. The grants for the Dandenong stadium and other projects were not received as work had not commenced. Council received various other unbudgeted grants which offset the shortfall in funding for these projects.

3. Contributions

The amount essentially includes the receipt of income for the Keysborough Development as open space contributions from developers. These contributions were not anticipated in the Budget.

4. Proceeds from sale of assets

Council budgeted to turn over its fleet of machinery and vehicles under its annual replacement program. This was expected to generate \$2.3M. Council fell short of its target sales of these plant and fleet by \$0.3M due to the market being depressed for these items. Council also expected to generate income from the sale of land in the former Dandenong Sale Yards of \$1.9M. No land was sold due to the delays in planning approvals.

5. Assets acquired from sub division activity

Represents income from assets such as roads, footpaths and drains acquired from new subdivisions, mainly from the Keysborough development. This income was not budgeted.

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. Major maintenance expenditure of around \$1.3M budgeted in council's City Improvement Program (CIP) were treated as recurrent expenditure as they did not fall within council's capitalisation guidelines.



- 7. Other expenses/payment to suppliers**
The variances essentially represent refunds of developer contributions in respect of roads, traffic signals and drainage works carried out by developers on behalf of Vicroads (\$2.3M). Council had previously accepted these contributions from developers and did not budget for their refunds due to uncertainties in the timing of construction of those assets.
- 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.
- 9. Write-off of assets**
Council relocated its depot operations to a new site in February 2005. The buildings in the old depot site hence became redundant and were demolished to make way for the site to be available for sale under the Dandenong Sale Yards Development.
- 10. Movement in Equity**
The asset revaluation reserve reflects the adjustment to the valuation of Council's infrastructure assets. These valuation adjustments are not budgeted as it is not feasible to anticipate the valuation movements.
- 11. Receivables**
Council had amounts owing from government departments in relation to grant funding. Of particular significance was an amount outstanding of \$0.6M in relation to the Dandenong town hall construction. Council also had invoiced the Department of Treasury and Finance for \$3.3M in relation to the sale of Erickson Gardens of which \$0.3M is still outstanding.
- 12. Inventory - property**
These properties essentially represent the land at the former Dandenong Sale Yards. With the anticipated sales in 2004-05 not eventuating, council carried a higher than expected amount of land at balance date.
- 13. Employee entitlements**
Council expected to carry the balance of its liability towards unfunded superannuation to Vision Super at 30 June 2005. However, during the course of the year, council chose to repay the entire liability, which it did in February 2005 with a view to saving a substantial amount of interest. This reduced the liability by \$3.2M in respect of the unfunded super which was partly offset by increased liabilities towards annual and long service leave obligations.
- 14. Trust monies**
Council negotiated an unbudgeted sale of Erickson Gardens for a contract price of \$3.3M. As at balance date council had received \$3.0M pending the finalisation of the sale which is subject to a planning approval. Until such time as this approval is received council will hold in trust the money received.
- 15. Cash outflows from investing (Capital Works Program)**
Council's total budgeted capital works program of \$34.6M includes \$3.4M for fleet and other capital. Council's CIP budget of \$31.2M includes \$8.5M for the Dandenong Town Hall, \$1.25M for the Noble Park Community Centre, \$4.0M for the market redevelopment and \$2.0M for the Dandenong Basketball Stadium. The market redevelopment did not commence due to objections being lodged with the Victorian Civil Administration Tribunal against certain aspects of the development. The Dandenong Basketball Stadium project did not commence due to planning delays. These projects have been re-budgeted in the CIP in 2005-2006. Some of the works budgeted in the CIP budget as renewal expenditure were recognised to be maintenance in nature and hence transferred to operating expenditure (see Note 6).



CERTIFICATION

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*.

Handwritten signature of Jay Peries.

Jay Peries CPA
Principal Accounting Officer
Dated: 12 September 2005

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 12 September 2005 to certify the standard statements in their final form on behalf of the Council.

Handwritten signature of Maria Sampey.

Cr. Maria Sampey
Dated: 12 September 2005

Handwritten signature of Kevin Walsh.

Cr. Kevin Walsh RFD
Dated: 12 September 2005

Handwritten signature of Carl Wulff.

Carl Wulff
Chief Executive Officer
Dated: 12 September 2005



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 2005 of Greater Dandenong City Council consists of the statement of financial performance, statement of financial position, statement of changes in equity, statement of cash flows, notes to and forming part of the financial report, and the supporting declaration.

The accompanying standard statements for the year ended 30 June 2005 of the Council consists of the standard statement of financial performance, standard statement of financial position, standard statement of cash flows, standard statement of capital works, the related notes and the supporting declaration.

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.

Victorian Auditor-General's Office Level 34, 140 William Street, Melbourne Victoria 3000
Telephone (03) 8601 7000 Facsimile (03) 8601 7010 Email comments@audit.vic.gov.au Website www.audit.vic.gov.au

Auditing in the Public Interest





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 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 2005 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
19 September 2005


J.W. CAMERON
Auditor-General