

Statement of Financial Performance

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2003

	NOTE	2003 \$'000	2002 \$'000
REVENUES			
Revenue from ordinary activities			
Rates and garbage charge	3.1	42,295	39,188
Government grants	3.2	15,724	15,113
Contributions	3.4	1,370	408
Fees, charges and fines	3.6	8,788	8,197
Interest		546	535
Proceeds from sale of assets	3.7	2,122	1,839
Other	3.8	1,647	1,328
		72,492	66,608
EXPENSES			
Expenses from ordinary activities			
Employee costs	4.1	30,876	23,650
Contract payments, materials and services	4.2	13,780	12,823
Depreciation	4.3	15,832	16,937
Grants and sponsorships	4.4	3,233	3,087
Other	4.5	12,149	12,551
Carrying amount of assets sold	3.7	2,259	803
Write-off of assets	4.7	-	6,719
		78,129	76,570
Borrowing costs	4.6	904	796
		79,033	77,366
		(6,541)	(10,758)
DEFICIT FOR THE YEAR			
MOVEMENTS IN EQUITY			
Net increment from asset revaluation	1.2(d) 8.3	40,917	98,907
Decrease in equity due to adoption of AASB 1028 resulting in change in accounting policy	1.6 (b)	(117)	-
TOTAL CHANGES IN EQUITY FOR THE YEAR		34,259	88,149

The accompanying notes form part of this financial report

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2003

	NOTE	2003 \$'000	2002 \$'000
ASSETS			
Current assets			
Cash assets	5.1	2,127	2,029
Receivables	5.2	5,716	6,743
Property held for resale	5.3	10,235	9,896
Other	5.4	81	104
Total current assets		18,159	18,772
Non-current assets			
Property, infrastructure, plant and equipment	1.2, 6	726,570	689,395
Total non-current assets		726,570	689,395
TOTAL ASSETS		744,729	708,167
LIABILITIES			
Current liabilities			
Payables	7.1	8,790	7,802
Employee benefits	7.2	3,338	2,572
Trust monies	7.4	538	473
Interest-bearing liabilities	10	3,177	5,199
Total current liabilities		15,843	16,046
Non-current liabilities			
Employee benefits	7.3	2,808	2,608
Interest-bearing liabilities	10	8,928	6,622
Total non-current liabilities		11,736	9,230
TOTAL LIABILITIES		27,579	25,276
NET ASSETS		717,150	682,891
EQUITY			
Accumulated surplus		373,627	375,835
Reserves	1.2(d), 8	343,523	307,056
TOTAL EQUITY		717,150	682,891

The accompanying notes form part of this financial report

Statement of Changes in Equity

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2003

	NOTES	TOTAL		ACCUMULATED SURPLUS		RESERVES	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Balance at the beginning of the year		682,891	594,742	375,835	386,593	307,056	208,149
Deficit for year		(6,541)	(10,758)	(6,541)	(10,758)	-	-
Revaluation increment of assets (Note)	8.3	41,410	98,907	-	-	41,410	98,907
Decrement on disposal (Note)	8.3	(493)	-	-	-	(493)	-
Transfer between asset revaluation reserve and accumulated surplus	8.3	-	-	4,450	-	(4,450)	-
Adjustment to annual leave provision to recognize future value under revised accounting standard	1.6 (b)	(117)	-	(117)	-	-	-
Balance at the end of the year		717,150	682,891	373,627	375,835	343,523	307,056

Note: The combined effect of these changes amounting to \$40,917K is reflected in the Statement of Financial Performance and Note 6.1, movement in written down value.

The accompanying notes form part of this financial report

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2003

	NOTE	2003 \$'000	2002 \$'000
CASH INFLOWS / (OUTFLOWS) FROM OPERATING ACTIVITIES			
Receipts from ratepayers		42,197	39,157
Fees, charges, fines and other (including GST)		14,717	10,732
Recurrent grants (including GST)	3.2	16,316	15,576
Interest		546	535
Payments to suppliers and employees (including GST)		(58,752)	(53,295)
Borrowing costs		(904)	(796)
Net GST refund		2,127	2,641
NET CASH PROVIDED BY OPERATING ACTIVITIES	17.1	16,247	14,550
CASH INFLOWS / (OUTFLOWS) FROM INVESTING ACTIVITIES			
Payments for property and other non-current assets (including GST)		(15,772)	(18,921)
Proceeds from sale of property, plant and equipment (including GST)		1,534	1,839
NET CASH (USED IN) INVESTING ACTIVITIES		(14,238)	(17,082)
CASH INFLOWS / (OUTFLOWS) FROM FINANCING ACTIVITIES			
Repayment of secured loans	10	(1,832)	(3,011)
Trust monies and deposits (returned)	1.5, 7.4	65	(86)
NET CASH (USED IN) FINANCING ACTIVITIES		(1,767)	(3,097)
Net increase / (decrease) in cash held		242	(5,629)
TOTAL CASH AT BEGINNING OF THE YEAR	17.2	(450)	5,179
TOTAL CASH AT END OF THE YEAR	17.2	(208)	(450)
RESTRICTIONS ON CASH ASSETS	5.1	2,127	2,029
FINANCING ARRANGEMENTS	9		

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 Regulations 2001*, other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group Consensus Views.

1 SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of accounting

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 Notes 5.3 and 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 disclosure made of those amendments.

1.2 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 using the purchase method, 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.

b Thresholds for asset recognition

The following classes of assets have been recognised 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	1,000
- Expansion & upgrade	N/A
- Renewals	5,000
Bridges	5,000
Drains	5,000
Infrastructure Assets (Realizable)	
Recreational equipment	5,000
Street furniture	10,000

c Depreciation and amortisation of non-current assets

All non-current assets except land 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 straightline 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. Depreciation rates are consistent with prior years except for carparks, furniture, library equipment and footpaths which have been revised to better reflect their useful lives. Their revision has no material impact to the accounts.

ASSET CATEGORY	YEARS
Land	
Carparks	25
land, parks, reserves, ovals	Infinite
Land improvements	10
Buildings	50 – 75
Plant and equipment	5
Minor plant, furniture and equipment	
Artworks	100
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
Asset category cont'd	Years
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. The 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

Notes to and forming part of the Financial Report

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 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.

1.3 Comparative figures

Comparative information has, where necessary, been reclassified to comply with the presentation adopted in the current year and to comply with new or revised Australian Accounting Standards.

1.4 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.

1.5 Trust funds

Amounts received as tender deposits, bonds, retention monies and hostel entrance fees controlled by the council are recognised as Trust Funds until they are refunded or forfeited. Related Note 7.4.

1.6 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 (Revised accounting policy) - Under the revised 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. The effect of this change is an additional \$117K to the leave liability which has been adjusted against the brought forward accumulated surplus. 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. Related note: Note 7.2 & 7.3.

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, relative to the benefits accrued to its members at balance date. Details of those arrangements are set out in Note 13.

1.7 Recognition of payables

Liabilities are recognised for amounts to be paid in the future for goods provided and services received as at balance date, whether or not invoices have been received. Related notes: Note 7.1 and 12.

1.8 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.

1.9 Property held for resale

Properties held for resale are shown at fair value under current assets.

1.10 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. (Related Notes: 5.2 and 12)

1.11 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 (See Notes 5.1 and 17.2).

1.12 Rounding

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

1.13 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.

1.14 Inventory

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

Notes to and forming part of the Financial Report

1.15 Interest-bearing liabilities

Interest-bearing liabilities represent overdrafts and loans taken out by council. 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 1.17, 10, and 12).

1.16 Budget information

The amounts shown in the financial report as budget information are based on the budget approved by Council for the 2002-2003 budget year.

1.17 Borrowing costs

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

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 2003				EXPENSES 2003		SURPLUS/ (DEFICIT)	TOTAL NON-CURRENT ASSETS
	\$000 GENERAL	\$000 GRANTS	\$000 TOTAL	% OF TOTAL	\$000	% OF TOTAL	\$000	\$000
Corporate services*	38,297	5,073	43,370	59.83%	30,840	39%	12,530	6,369
Organisational development	1	5	6	0.01%	2,665	3%	(2,659)	290
Health & environment	11,741	408	12,149	16.75%	14,287	18%	(2,138)	105,044
Leisure & culture	835	844	1,679	2.32%	11,019	14%	(9,340)	219,780
Community services	1,537	7,883	9,420	12.99%	12,235	16%	(2,815)	23,701
Transport & infrastructure	694	1,465	2,159	2.98%	5,118	6%	(2,959)	356,160
Economic development	3,663	46	3,709	5.12%	2,869	4%	840	15,226
Total Revenues & Expenses	56,768	15,724	72,492	100%	79,033	100%	(6,541)	726,570

	REVENUE ATTRIBUTED 2002				EXPENSES 2002		SURPLUS/ (DEFICIT)	TOTAL NON-CURRENT ASSETS
	\$000 GENERAL	\$000 GRANTS	\$000 TOTAL	% OF TOTAL	\$000	% OF TOTAL	\$000	\$000
Corporate services*	35,357	5,173	40,530	60.85%	26,519	34%	14,011	6,042
Organisational development	1	4	5	.01%	2,524	3%	(2,519)	275
Health & environment	10,395	476	10,871	16.32%	13,713	18%	(2,842)	99,670
Leisure & culture	702	906	1,608	2.41%	9,939	13%	(8,331)	208,535
Community services	1,418	6,993	8,411	12.63%	11,012	14%	(2,601)	22,488
Transport & infrastructure	207	1,527	1,734	2.60%	4,665	6%	(2,931)	337,938
Economic development	3,415	34	3,449	5.18%	8,994	12%	(5,545)	14,447
Total Revenues & Expenses	51,495	15,113	66,608	100%	77,366	100%	(10,758)	689,395

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

2.2 Functions of Council

FUNCTIONS	ACTIVITIES UNDERTAKEN UNDER EACH FUNCTION
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
Health & 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 & 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
Transport & 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
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
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

Notes to and forming part of the Financial Report

3 REVENUES

	2003 \$'000	2002 \$'000
3.1 Rates and garbage charges		
General rates (Note)		
Residential	19,865	18,320
Commercial	4,637	5,737
Industrial	12,142	9,914
Supplementary rates and adjustments	451	195
Residential garbage	5,200	4,940
Commercial garbage (Note)	-	82
	42,295	39,188

Note: The valuation base used to calculate general rates for 2002-2003 was \$10,040 billion (\$8.288 billion in 2001-2002). Commercial garbage collection was devolved by council to private contractors with effect from 1 October 2001.

The date of the last general revaluation of land within the municipality for rating purposes was on 1 January 2002. This valuation first applied to the rating period commencing 1 July 2002.

The date of the next general revaluation is 1 January 2004, and the valuation will first apply for the rating period commencing 1 July 2004.

3.2 Government grants (Note)		
Financial assistance grant – general purpose	5,080	5,173
Financial assistance grant – untied road funding	771	778
Organisational development	5	4
Health & environment	408	476
Leisure & culture	844	906
Community services	7,883	6,993
Transport & infrastructure	687	750
Economic development	46	33
Total grants received	15,724	15,113

Note: Council did not receive any non-recurrent grants during the year.

3.3 Unexpended grants		
Grants recognised as revenue for the year to be expended for specific purposes that had not been expended at balance date were:		
Health & environment	113	78
Leisure & culture	55	17
Community services	316	173
Transport & infrastructure	257	-
Economic development	22	19
Total unexpended grants	763	287

Note: All unexpended grants of prior year were expended in 2003.

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	2003 \$'000	2002 \$'000
3.4 Contributions		
Community services	7	-
Health and environment	858	366
Transport and infrastructure	505	42
Total contributions	1,370	408
3.5 Unexpended contributions		
Health and environment	440	-
Total unexpended contributions	440	-
3.6 Fees, charges and fines		
Building and town planning	800	752
Aged care services	1,350	1,235
Civil and transport planning	132	105
Parking fees and fines	2,180	2,177
Regulatory services fees and fines	996	793
Land information	82	89
Recreation and leisure	227	280
Hire of facilities	2,590	2,559
Other fees and charges	431	207
Total fees, charges and fines	8,788	8,197
3.7 Profit / (loss) on sale of assets		
Proceeds from sale of assets	2,122	1,839
Less: Carrying amount of assets sold (Note)	(2,259)	(803)
	(137)	1,036
Note: Included in this figure is \$1,168K of non-current assets sold, \$855K of current assets (property held for resale) and \$236K of other costs associated with the sales		
3.8 Other revenue		
Recoveries		
Residential amenity	671	213
State revenue office	170	219
Other	181	228
	1,022	660
National competition policy	249	163
Retainer - H L Williams court	27	31
Other	349	474
Total other revenue	1,647	1,328

Notes to and forming part of the Financial Report

4 EXPENSES

	2003 \$'000	2002 \$'000
4.1 Employee costs		
Salaries & wages	25,698	21,541
Superannuation (Note)	4,482	1,718
WorkCover	696	391
	30,876	23,650

Note: Included in the current years superannuation expense is \$3.147M in respect of the additional superannuation liability of the LASB defined benefits scheme as advised by the schemes trustees (see Note 13).

4.2 Contract payments, materials and services		
Maintenance and repairs	2,223	2,051
Contract payments:		
Garbage collection	4,074	4,121
Home and community care	2,339	1,892
Other contract payments	2,877	2,470
Other materials and services	2,267	2,289
	13,780	12,823

4.3 Depreciation		
Plant & equipment (Note)	925	1,659
Minor plant, furniture and equipment	1,963	2,323
Land improvements	240	138
Carparks	34	5
Buildings	3,406	3,906
Bikepaths/footpaths	1,222	1,127
Bridges	122	122
Roads	5,825	5,010
Drains	1,218	1,207
Street furniture	640	639
Playground equipment	871	801
Reversal of prior year's depreciation (Note)	(634)	-
	15,832	16,937

Note: Plant and equipment records were transferred to council's new asset register during the year. This exercise revealed an over depreciation of assets carried of \$634K. This was reversed during the year.

4.4 Grants and sponsorships		
Community grants	1,612	1,588
Sponsorships	1,621	1,499
	3,233	3,087

	2003 \$'000	2002 \$'000
4.5 Other expenses		
Bad & doubtful debts	62	543
Professional fees	3,132	4,063
Utilities	906	1,054
Legal	225	392
Motor vehicles	538	531
Insurance	1,435	877
Audit costs	60	52
Operating lease rental	859	243
Printing and publications	623	560
Administration costs	2,642	2,555
Bank charges	159	201
Other	1,508	1,480
	12,149	12,551
4.6 Borrowing costs		
Interest on long term loans	450	609
Interest on short term loan and overdraft	454	187
	904	796
4.7 Write-off of assets (Note)		
Drainage	-	5,073
Buildings	-	497
Work in progress	-	625
Roads kerb and channel	-	524
	-	6,719

Note: During the 2002 reporting year, council carried out an audit of its non-current assets and identified a number of assets that were either duplicated in the prior years' asset valuations or not owned by council. These duplicated and non council owned assets were removed at 30 June 2002 from the asset register at their carrying values and expensed.

Notes to and forming part of the Financial Report

5 CURRENT ASSETS

	2003 \$'000	2002 \$'000
5.1 Cash assets		
Bank deposits on call (Note)	2,127	2,029
	2,127	2,029
<p>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 <i>Local Government (Long Service Leave) Regulations 2002</i>.</p>		
5.2 Receivables		
Rates debtors (Refer Note 1.4 (a))	1,673	1,575
Parking infringement debtors	2,667	2,095
General debtors (Note)	2,543	4,201
Less: Provision for doubtful debts:		
- Parking infringements	(977)	(903)
- General debtors	(190)	(225)
	5,716	6,743
<p>Note: During the amalgamation of councils in 1994, staff were transferred between councils resulting in superannuation obligations being transferred with them. These transfers resulted in a superannuation debt from the Kingston City Council to Greater Dandenong City Council of \$2.071M at 30 June 2002, inclusive of interest. This debt was settled by Kingston in October 2002. (See related Note 13)</p>		
5.3 Property held for resale		
Property at fair value	10,235	9,896
5.4 Other		
Prepayments	12	17
Inventory	69	87
	81	104

6 NON-CURRENT ASSETS

	2003 \$'000	2002 \$'000
Plant & equipment		
At deemed cost – 1 July 2001	2,152	2,825
At cost	2,896	1,386
Less: Accumulated depreciation	(1,950)	(1,659)
	3,098	2,552
Minor plant, furniture & equipment		
At deemed cost – 1 July 2001	4,872	5,008
At Cost	2,829	1,393
Less: Accumulated depreciation	(4,286)	(2,323)
	3,415	4,078
Land & buildings (Note)		
Carparks		
At independent valuation – 1 January 2002	487	488
At cost	391	288
Less: Accumulated depreciation	(115)	(81)
	763	695
Land		
At independent valuation – 1 January 2002	-	207,916
At independent valuation – 30 June 2003	251,403	-
At cost	-	4,150
	251,403	212,066
Land improvements		
At deemed cost – 1 July 2001	937	937
At cost	2,332	1,460
Less: Accumulated depreciation	(377)	(138)
	2,892	2,259
Buildings		
At independent valuation – 1 January 2002	-	189,797
At independent valuation – 30 June 2003	196,267	-
Less: Accumulated depreciation	(95,531)	(92,243)
	100,736	97,554

Note: 'At valuation' estimates for land and buildings were determined by ProVal (Vic) Pty Ltd certified valuers as at 30 June 2003. These estimates were based on general market movements since the last formal valuation in January 2002. The valuation was done on the basis of market value for land and written down replacement value for buildings.

Notes to and forming part of the Financial Report

	2003 \$'000	2002 \$'000
Non realisable infrastructure assets		
Bike paths		
At council valuation – 30 April 2002 - Note (i)	2,367	2,367
At cost	31	-
Less: Accumulated depreciation	(553)	(447)
	1,845	1,920
Footpaths		
At council valuation – 30 April 2002 – Note (i)	55,384	55,463
At cost	1,829	229
Less: Accumulated depreciation	(6,120)	(5,004)
	51,093	50,688
Bridges		
At council valuation – 30 June 2002 - Note (ii)	9,091	9,091
At cost	6	-
Less: Accumulated depreciation	(1,483)	(1,361)
	7,614	7,730
Roads		
Sub-structure		
At council valuation – 30 June 2002 - Note (iii)	195,545	198,397
At cost	745	-
Less: Accumulated depreciation	(59,455)	(57,508)
	136,835	140,889
Seal		
At council valuation – 30 June 2002 - Note (iii)	48,455	49,193
At cost	3,343	-
Less: Accumulated depreciation	(21,905)	(18,697)
	29,893	30,496
Kerb & channel		
At council valuation – 30 June 2002 - Note (iii)	52,589	52,589
At cost	28	-
Less: Accumulated depreciation	(11,392)	(10,722)
	41,225	41,867

	2003 \$'000	2002 \$'000
Roads Total		
At council valuation – 30 June 2002 - Note (iii)	296,589	300,179
At cost	4,116	-
Less: Accumulated depreciation	(92,752)	(86,927)
	207,953	213,252
Drains		
At council valuation – 1 January 2000 - Note (iii)	119,821	119,836
At cost	2,961	1,948
Less: Accumulated depreciation	(38,595)	(37,377)
	84,187	84,407

Note (i): Bikepaths/footpaths

Council carried out a full valuation of its bikepaths and footpaths as at 30 April 2002. This valuation was based on the written down replacement value, taking into account age and condition of each bikepath and footpath. The valuation was carried out by Council's asset management coordinator.

Note (ii): Bridges

'At valuation' estimates for bridges were determined as at 30 June 2002 by council's Infrastructure Planning unit. The valuations were done on the basis of written down replacement value.

Note (iii): Roads and Drains

'At valuation' estimates for roads and drains were determined by qualified engineers of council's Infrastructure Planning unit. The valuations were done on the basis of written down replacement value.

Notes to and forming part of the Financial Report

	2003 \$'000	2002 \$'000
Realisable infrastructure assets		
Street furniture		
At deemed cost – 1 July 2001	3,816	3,819
At cost	395	104
Less: Accumulated depreciation	(1,279)	(639)
	2,932	3,284
Recreational equipment		
At deemed cost – 1 July 2001	6,538	6,538
At cost	1,418	765
Less: Accumulated depreciation	(1,671)	(801)
	6,285	6,502
Works in progress		
At cost	2,354	2,407
	2,354	2,407
Total non-current assets		
At valuation	931,409	885,137
At deemed cost	18,315	19,127
At cost	21,558	14,131
Less: Accumulated depreciation	(244,712)	(229,000)
Total non-current assets	726,570	689,395

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
	2003 \$'000	2003 \$'000	2003 \$'000	2003 \$'000	2003 \$'000
Balance at beginning of financial year	2,552	4,078	695	212,067	97,554
Additions at cost	1,510	1,436	103	-	2,992
Transfer to current assets at carrying amount	-	-	-	(108)	(1,086)
Less: Disposals at carrying amount	(673)	(111)	-	(114)	(265)
Less: Depreciation expense for the year	(291)	(1,963)	(34)	-	(3,406)
Add: Net movement in revaluation	-	-	-	39,558	4,947
Changes due to transfers	-	(25)	(1)	-	-
Balance at end of financial year	3,098	3,415	763	251,403	100,736

	BIKEPATHS	FOOTPATHS	BRIDGES	LAND IMPROVEMENTS	DRAINS
	2003 \$'000	2003 \$'000	2003 \$'000	2003 \$'000	2003 \$'000
Balance at beginning of financial year	1,920	50,688	7,730	2,259	84,407
Additions at cost	31	1,600	6	872	1,013
Less: Disposals at carrying amount	-	(1)	-	-	(1)
Less: Depreciation expense for the year	(106)	(1,116)	(122)	(240)	(1,218)
Add: Net movement in revaluation	-	-	-	-	-
Changes due to transfers	-	(78)	-	1	(14)
Balance at end of financial year	1,845	51,093	7,614	2,892	84,187

Notes to and forming part of the Financial Report

	ROADS SUB-STRUCTURE	ROADS SEAL	ROADS KERB & CHANNEL	ROADS TOTAL
	2003 \$'000	2003 \$'000	2003 \$'000	2003 \$'000
Balance at beginning of financial year	140,889	30,496	41,867	213,252
Additions at cost	745	3,343	28	4,116
Less: Depreciation expense for the year	(1,947)	(3,208)	(670)	(5,825)
Add: Net movement in revaluation (Note)	(2,852)	(738)	-	(3,590)
Changes due to transfers	-	-	-	-
Balance at end of financial year	136,835	29,893	41,225	207,953

	STREET FURNITURE	PLAYGROUNDS	WORK IN PROGRESS	SUMMARY OF NON- CURRENT ASSET MOVEMENTS
	2003 \$'000	2003 \$'000	2003 \$'000	2003 \$'000
Balance at beginning of financial year	3,284	6,502	2,407	689,395
Net change in assets transferred to capital	-	-	(1,840)	(1,840)
Additions at cost	291	654	1,670	16,294
Transfer to current assets	-	-	-	(1,194)
Less: Disposals at carrying amount	(3)	-	-	(1,168)
Less: Depreciation expense for the year	(640)	(871)	-	(15,832)
Add: Net movement in revaluation	-	-	-	40,915
Changes due to transfers	-	-	117	-
Balance at end of financial year	2,932	6,285	2,354	726,570

Note: A revaluation of council's roads was carried out at 30 June 2002, and a movement of \$30.223M was recognised as an increase in the revaluation reserve at 30 June 2002. Included in this figure is a duplication of road assets of 3.59M which has been reversed in the current year.

7 CURRENT LIABILITIES (NON INTEREST-BEARING)

	2003 \$'000	2002 \$'000
7.1 Payables		
Trade creditors	3,657	5,876
Other creditors	1,158	844
Unearned income (Note)	3,000	-
Accrued expenses	975	1,082
	8,790	7,802
<p>Note: The council has entered into an agreement with Vic Urban (former Urban and Regional Land Corporation) for a residential development of the former Dandenong sale yards. Council received \$3M from Vic Urban under this agreement as an advance payment towards the 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	3,052	2,297
Long service leave	286	275
	3,338	2,572
7.3 Employee benefits		
Non-current		
Long service leave liability	2,808	2,608
	2,808	2,608
7.4 Trust monies		
Hostel entrance fees	156	138
Jenny Slade scholarship	11	11
Crossing & other deposits	371	324
	538	473

Notes to and forming part of the Financial Report

8 RESERVES

	2003 \$'000	2002 \$'000
8.1 Restricted general reserves		
Central car parking	726	726
	726	726
8.2 Non-restricted general reserves		
Self insurance	59	59
Meals on wheels	56	56
	115	115
Total general reserves	841	841
8.3 Asset revaluation reserve (Note)		
Plant and machinery	-	2,239
Minor plant, furniture and equipment	-	2,065
Land	81,643	42,084
Buildings	32,192	27,244
Non-realizable infrastructure assets:		
- Bike paths	1,041	1,041
- Footpaths	41,898	41,898
- Bridges	367	367
- Roads	141,371	144,961
- Drains	44,170	44,170
Realizable infrastructure assets:		
- Street furniture	-	91
- Recreational equipment	-	55
	342,682	306,215
Total Reserves	343,523	307,056

Note: Plant and machinery, minor plant, street furniture and recreational equipment are reported at deemed cost and hence will not be subject to future valuation adjustments. The balances of the reserves for these assets totalling \$4.45M have been transferred to accumulated surplus at 30 June 2003.

9 FINANCING FACILITIES

	2003 \$'000	2002 \$'000
Bank overdraft	2,500	2,500
Used facility	(2,335)	(2,479)
Unused facility	165	21

10 INTEREST-BEARING LIABILITIES

	Note	2003 \$'000	2002 \$'000
Current			
Bank overdraft		2,335	2,479
Loans – secured	12	527	1,832
Defined benefit superannuation liability	13	315	888
		3,177	5,199
Non-current			
Loans – secured	12	6,095	6,622
Defined benefit superannuation liability	13	2,833	-
		8,928	6,622
Total interest-bearing liabilities		12,105	11,821

Notes to and forming part of the Financial Report

11 COMMITMENTS AND CONTINGENCIES

	2003 \$'000	2002 \$'000
11.1 Operating lease commitments (Note)		
Not later than one year	757	765
Later than 1 year but less than 5 years	1,537	2,423
Over 5 years	-	-
	2,294	3,188

Note: The lease payments are in respect of the revolving operating lease facility for its computer equipment from the Commonwealth Bank of Australia (CBA). The lease agreement became operative from 1 April 2002.

11.2 Capital commitments		
Not later than one year	949	1,574
Later than 1 year but less than 5 years	-	-
Over 5 years	-	-
	949	1,574
11.3 Works and services contracts		
Not later than one year	8,910	9,238
Later than 1 year but less than 5 years	15,695	4,679
Over 5 years	6,542	16
	31,147	13,933

12 FINANCIAL INSTRUMENTS

12.1 Accounting policy, terms and conditions

RECOGNISED FINANCIAL INSTRUMENTS	NOTE	ACCOUNTING POLICY	TERMS AND CONDITIONS
FINANCIAL ASSETS			
Cash on call	5.1	Valued at face value. Interest is recognised as it accrues.	On call deposits returned floating interest rates of between 4.40% and 5.23% (2001-02 2.91% and 6.77%). The rate at balance date was 4.90% (2001-2002 5.46%)
Bank deposits on call	5.1	Valued at cost. Interest is recognised as it accrues.	Withdrawals are on 24 hours notice. Bank Deposits returned between 4.14% and 6.75% net of fees (2001-2002 4.57% and 6.02%).
Rates debtors	5.2	Rates are a charge attached to the rateable land 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 was 12.25% at balance date for general rates (2001-2002 11.5%)
General debtors	5.2	Receivables are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debt 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 was obtained to repay the amount owing to the Local Authorities Superannuation Board (LASB) in respect of superannuation liability \$5,500,000. The balance of the loan as at June 30, 2003 was \$3,670,325 (\$4,167,978 as at June 30, 2002)	The loan is for ten years expiring April 2009 and principal & interest are repayable every three months. 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 obtained to repay the amount owing to the LASB in respect of the superannuation liability which is to be claimed against the City of Kingston, \$2,952,000.	This loan is secured by a mortgage over the council's general rates. The interest rate ruling on this loan is 7.58% and is fixed for the remainder of the term which expires in April 2004.

Notes to and forming part of the Financial Report

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							
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 %	2002 %
Financial Assets														
Rates debtors	1,673	1,575									1,673	1,575	12.25	11.5
General debtors								4,043	5,168	4,043	5,168			
Cash on call													4.40 to 5.23	2.91 to 6.77
Bank deposits	2,127	2,029								2,127	2,029	4.14 to 6.75	4.57 to 6.02	
Total Financial assets	3,800	3,604						4,043	5,168	7,843	8,772			
Financial liabilities														
Payables								8,790	7,802	8,790	7,802			
Interest-bearing liabilities (Note 10)			3,177	5,199	6,866	5,255	2,062	1,367		12,105	11,821	5.8/ 7.58	5.8/ 7.58	
Total Financial liabilities			3,177	5,199	6,866	5,255	2,062	1,367	8,790	7,802	20,895	19,623		

Note: The carrying amounts of financial assets and liabilities (except interest-bearing liabilities) equate to fair value due to their short-term nature. The fair value of interest-bearing liabilities is \$8.9M (\$7.6M in 2001-2002) as at balance date.

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 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.

LASPLAN members

The Fund's LASPLAN category 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 2002-2003). 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 2002-2003 the council's superannuation contributions relating to LASPLAN members was \$1,273,284 (\$1,014,253 in 2001-2002).

Defined Benefits members

The council makes employer contributions to the defined benefits category of the Fund at rates determined by the Fund's Trustee. The rate is currently 9.25% of superannuation salary (9.25% in 2001-2002).

During 2002-2003 the council's superannuation contributions relating to that year's defined benefits members' service was \$696,378 (\$742,087 in 2001-2002).

In addition, the council reimburses the Fund for the difference between resignation and retrenchment benefits paid to its retrenched employees. 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.

Past service liabilities

During 2002-2003 the council paid \$480.4K including tax to the Fund in full and final settlement of its past service superannuation liabilities that were brought forward to 2002-2003. The council also received a credit of \$93.9K in respect of staff who had previously been retrenched and reinstated during the year. These amounts were settled out of the debt owed by Kingston City Council to Greater Dandenong against superannuation obligations that had arisen at the time of the merger. Kingston paid those debts in full during the year (see Note 5.2).

Defined Benefits unfunded liability

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 fund experienced a 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.

This share of the fund's liability has been brought to account at 30 June 2003.

Notes to and forming part of the Financial Report

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 \$1.46 million (\$1.55 million as at June 30 2002). The council has also agreed to guarantee a bank overdraft taken out by the Springvale City Soccer Club to a maximum amount of \$20,000. The balance of the overdraft at 30 June was \$5,914.

Legal Actions

The council is involved in a number of Legal Actions. Council's exposure in these claims may be up to \$743K.

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 Greater Dandenong City Council during the reporting year are:

Councillors	Kevin Walsh (Mayor) 20 March 2003 to date
	Paul Donovan (Mayor) 19 March 2002 to 14 March 2003
	Youhom Chea
	Angela Long
	Roz Blades
	John Kelly
	Maria Sampsey
	Naim Melhem
	David Kelly - from 20 March 2003
	Peter Brown - from 20 March 2003
	Clare O'Neill - from 20 March 2003
	Geraldine Gonsalvez - 1 July 2002 to 14 March 2003
	Dale Wilson - 1 July 2002 to 24 February 2003
	Yvonne Herring - 1 July 2002 to 14 March 2003
Chief Executive Officer	Warwick Heine

REMUNERATION OF RESPONSIBLE PERSONS IN BANDS OF \$10,000		
INCOME RANGE	2003	2002
\$0 - \$9,999	5	-
\$10,000 - \$19,999	7	10
\$20,000 - \$29,999	-	-
\$30,000 - \$39,999	2	-
\$40,000 - \$49,999	-	1
\$180,000 - \$189,999	-	-
\$200,000 - \$209,999	1	1
Total	15	12
Total remuneration for the reporting year, for responsible persons included above, amounted to:	\$413K	\$394K

No retirement benefits were made by the council to a responsible person during the reporting year (Nil in 2002). No loans were made, guaranteed or secured by the council to a responsible person during the reporting year (Nil in 2002).

No transactions were entered into by the council with responsible persons, other than remuneration and reimbursement of expenses during the reporting year (Nil in 2002).

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, whose total remuneration exceeded \$80,000 during the financial year, is shown below in their relevant income bands:

INCOME RANGE	2003	2002
\$80,000 - \$89,999	4	9
\$90,000 - \$99,999	9	7
\$100,000 - \$109,999	3	5
\$110,000 - \$119,999	3	1
\$120,000 - \$129,999	-	2
\$130,000 - \$139,999	2	1
\$140,000 - \$149,999	1	-
\$150,000 - \$159,999	1	-
Total	23	25
Total remuneration for the financial year of senior officers included above amounted to:	\$2.44M	\$2.55M

Notes to and forming part of the Financial Report

16 DISCLOSURES REQUIRED BY THE LOCAL GOVERNMENT ACT 1989

The *Local Government Act 1989* requires that the following additional disclosures be incorporated into the notes accompanying the Financial Report.

16.1 Comparison of budgeted and actual operating results

REVENUES	NOTE	ACTUAL 2003 \$'000	BUDGET 2003 \$'000
Revenue			
Rates		42,295	42,213
Government grants	(i)	15,724	17,707
Fees, charges and fines		8,788	8,373
Contributions		1,370	580
Interest from investments		546	487
Asset sales	(ii)	2,122	1,680
Other		1,647	968
Total Revenues		72,492	72,008
Expenses			
Employee costs – including on costs	(iii)	30,876	26,600
Contract payments, materials and services		13,780	13,321
Depreciation	(iv)	15,832	15,000
Carrying amount of assets sold	(ii)	2,259	1,350
Interest		904	897
Grants and sponsorships		3,233	3,204
Other		12,149	10,714
Total Expenses		79,033	71,086
Operating surplus (deficit)		(6,541)	922

16.2 Budget and actual statement of cash flows (excluding GST)

REVENUES	NOTE	ACTUAL 2003 \$'000	BUDGET 2003 \$'000
Cash inflows			
Receipts from ratepayers		42,197	42,117
Grants income	(i)	15,724	17,707
Finance income		546	487
Fees & charges		9,021	8,268
Asset sales	(ii)	4,322	4,680
Other		1,647	1,353
Total inflows		73,457	74,612
Cash outflows			
Employee costs		26,881	26,746
Payments to suppliers		26,092	24,740
Grants and sponsorships		3,233	3,203
Borrowing costs		904	750
Trust monies returned		(65)	-
Total outflows		57,045	55,439
Net inflow before capital and loan repayments		16,412	19,173
Capital expenditure	(v)	14,338	16,695
Loan repayments		1,832	1,832
Net inflow after capital and loan repayments		242	646

Notes to comparison of Budgeted and Actual results

The major variations between budget and actual results for the year are explained below. The figures do not include GST.

- (i) **Grants income**
The grants income budget includes a government grant for the Dandenong town hall development of \$3M. It was not received as the works on the town hall was carried over to 2003-2004. Other community service grants exceeded budget across many council programs.
- (ii) **Asset sales**
Asset Sales revenue exceeded budget with better than planned sales of surplus property and other assets. Cash proceeds relating to asset sales include a receipt of \$3M from Vic Urban (the former Urban and Regional Land Corporation) in respect of the Dandenong saleyards development. This payment is an advance against future land sales under the development agreement between the council and Vic Urban.
- (iii) **Employee costs**
Employee costs include an unbudgeted provision of \$3.14M for additional superannuation benefits in the LASB defined benefits scheme. This amount was advised to the council by the scheme's trustee in May 2003, and was recognised in the financial statements at 30 June 2003. Other salary expenditure that exceeded budget has predominantly been funded by unbudgeted grants revenue for provision of services.

Notes to and forming part of the Financial Report

- (iv) **Depreciation**
The depreciation charge for the year exceeded budget following a change in depreciation rates in 2002 for road seal and kerbs, which are depreciated over a shorter period, better reflecting their true useful lives. Depreciation is also based on higher asset values for roads, drains and buildings, following asset revaluation increases at 30 June 2002.
The 2003 budget depreciation was determined prior to these changes in depreciation rates and revaluations.
- (v) **Capital expenditure**
Council's capital expenditure includes a number of City Improvement projects that were in progress and unpaid at 30 June 2003.

17 NOTES TO THE STATEMENT OF CASH FLOWS

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

	NOTE	2003 \$'000	2002 \$'000
Deficit for year		(6,541)	(10,758)
Add/(less)			
Depreciation	4.3	15,832	16,937
Write off of assets	4.7	-	6,719
(Increase)/decrease in other current assets	5.4	22	63
(Profit)/loss on sale of assets	3.7	137	(1,036)
Borrowing costs	4.6	904	796
(Increase)/decrease in receivables	5.2	3,155	3,022
(Decrease)/increase in payables	7.1	(1,257)	(1,227)
(Decrease)/increase in employee entitlements	7.2, 7.3	3995	34
Net cash provided by operating activities		16,247	14,550

17.2 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	2003 \$'000	2002 \$'000
Current asset - cash and deposits	5.1	2,127	2,029
Current liability - bank overdraft	10	(2,335)	(2,479)
Cash at balance date as per Statement of Cash Flows		(208)	(450)

18 FINANCIAL RATIOS

	2002-2003	2001-2002	2000-2001
<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>	1.25%	1.50%	1.49%
<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>	6.47%	10.23%	10.18%
<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>	58.34%	58.83%	59.60%
<p>Debt exposure ratio To identify council's exposure to debt. This is the ratio of total debt to total realisable assets. Total liabilities 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>	1:14	1:14	1:13
<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.</p>	1.16:1	1.17:1	1.54:1

Certification

In my opinion, the accompanying financial report has been prepared in accordance with the Local Government Act 1989, the Local Government Regulations 2001, Australian Accounting Standards and other mandatory professional reporting requirements.

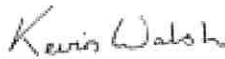


Joy Peries CPA
Principal Accounting Officer
Dated: 15 September 2003
Location: Springvale

In our opinion, the accompanying financial report presents fairly the financial transactions of the Greater Dandenong City Council for the year ended 30 June 2003 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.

On 1 September 2003 the Council authorised Cr. Kevin Walsh and Cr. Paul Donovan and the Chief Executive Officer to sign this financial report in its final form on behalf of the Council.



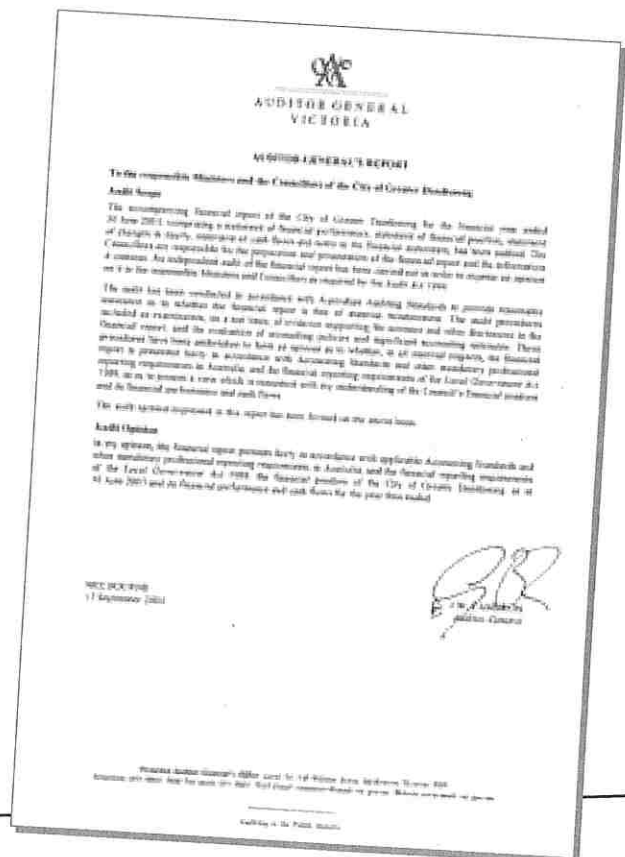
Cr. Kevin Walsh
Mayor



Cr. Paul Donovan



Warwick Heine
Chief Executive Officer
Dated: 15 September 2003
Location: Springvale



AUDITOR GENERAL
VICTORIA

AUDITOR GENERAL'S REPORT

To the responsible Ministers and the Councils of the City of Greater Dandenong

Audit Scope

The accompanying financial report of the City of Greater Dandenong for the financial year ended 30 June 2003 comprising a statement of financial performance, statement of financial position, statement of changes in equity, statement of cash flows and notes to the financial statements, has been audited. The Auditor General is responsible for the preparation and presentation of the financial report and the information contained therein. An independent audit of the financial report has been carried out in order to express an opinion on it in the independent Auditor General's Report as required by the Audit Act 1998.

The audit has been conducted in accordance with Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatements. The audit procedures included an examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to help us express an opinion on whether, in all material respects, the financial report is presented 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, as it is presented in a form which is consistent with the understanding of the Council's financial position and the financial performance and cash flows.

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

Audit Opinion

In my opinion, 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 the City of Greater Dandenong as at 30 June 2003 and its financial performance and cash flows for the year then ended.

RECORDED
15 September 2003

