



**Murrindindi Shire Council
Financial Report,
Standard Statements &
Performance Statement
for the year ended 30 June 2008**

Financial Report, Standard Statements and Performance Statement

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Income Statement for the Year Ended 30 June 2008

	Note	2008	2007
		\$	\$
CONTINUING OPERATIONS			
Revenue			
Rates and charges	2	10,844,678	10,024,589
Statutory fees and fines	3	552,656	508,591
User fees	4	1,686,315	3,026,288
Grants - Recurrent	5	4,922,990	4,659,602
Grants - Non-recurrent	5	2,620,568	3,015,667
Contributions - Cash	6	269,147	180,008
Reimbursements	7	166,494	146,207
Other revenue	8	780,760	791,569
Total revenue		21,843,608	22,352,521
Expenses			
Employee benefits	9	(9,072,973)	(8,599,032)
Materials and services	10	(6,676,179)	(8,027,400)
Depreciation and amortisation	11	(4,663,898)	(4,279,062)
Finance costs	12	(390,068)	(381,671)
Other expenses	13	(151,688)	(153,636)
Total expenses		(20,954,806)	(21,440,801)
Net gain(loss) on disposal of property, plant and equipment, infrastructure	14	53,160	(28,903)
Surplus for the financial year		941,962	882,817

The above statement should be read with the accompanying notes

Balance Sheet As at 30 June 2008

	Note	2008 \$'000	2007 \$'000
Assets			
Current assets			
Cash and cash equivalents	15	4,885,690	5,085,756
Trade and other receivables	16	1,756,467	2,458,396
Accrued income	17	47,182	49,759
Prepayments	18	141,427	267,623
Inventories	19	188,339	266,718
Total current assets		<u>7,019,105</u>	<u>8,128,252</u>
Non-current assets			
Trade and other receivables	16	36,422	21,508
Property, plant and equipment, infrastructure	20	202,313,182	180,954,204
Total non-current assets		<u>202,349,604</u>	<u>180,975,712</u>
Total assets		<u>209,368,709</u>	<u>189,103,964</u>
Liabilities			
Current liabilities			
Trade and other payables	21	1,392,605	2,063,694
Trust funds and deposits	22	682,827	727,241
Provisions	23	1,858,535	1,739,047
Interest-bearing loans and borrowings	24	1,027,217	931,062
Total current liabilities		<u>4,961,184</u>	<u>5,461,044</u>
Non-current liabilities			
Provisions	23	1,363,829	1,261,347
Interest-bearing loans and borrowings	24	4,130,058	4,657,275
Total non-current liabilities		<u>5,493,887</u>	<u>5,918,622</u>
Total liabilities		<u>10,455,071</u>	<u>11,379,666</u>
Net Assets		<u>198,913,638</u>	<u>177,724,298</u>
Equity			
Accumulated surplus		81,660,008	81,016,600
Reserves	25	117,253,630	96,707,698
Total Equity		<u>198,913,638</u>	<u>177,724,298</u>

The above statement should be read with the accompanying notes

Statement of Changes in Equity For the Year Ended 30 June 2008

	Note	Total 2008 \$	Accumulated Surplus 2008 \$	Asset Revaluation Reserve 2008 \$	Other Reserves 2008 \$
2008					
Balance at beginning of the financial year		177,724,298	81,016,600	95,385,603	1,322,095
Surplus for the year		941,962	941,962	-	-
Net asset revaluation increment	25(a)	20,247,378	-	20,247,378	-
Transfers to other reserves	25(b)	-	(392,134)	-	392,134
Transfers from other reserves	25(b)	-	93,580	-	(93,580)
Balance at end of the financial year		198,913,638	81,660,008	115,632,981	1,620,649

		Total 2007 \$	Accumulated Surplus 2007 \$	Asset Revaluation Reserve 2007 \$	Other Reserves 2007 \$
2007					
Balance at beginning of the financial year		160,143,297	80,248,266	78,687,419	1,207,612
Surplus for the year		882,817	882,817	-	-
Net asset revaluation increment	25(a)	16,698,184	-	16,698,184	-
Transfers to other reserves	25(b)	-	(327,291)	-	327,291
Transfers from other reserves	25(b)	-	212,808	-	(212,808)
Balance at end of the financial year		177,724,298	81,016,600	95,385,603	1,322,095

The above statement should be read with the accompanying notes

Cash Flow Statement For the Year Ended 30 June 2008

	Note	2008 Inflows/ (Outflows) \$	2007 Inflows/ (Outflows) \$
Cash flows from operating activities			
Rates		10,732,227	9,961,301
User charges and other fines (inclusive of GST)		3,372,029	4,842,188
Grants (inclusive of GST)		8,400,059	7,494,698
Interest		380,688	362,416
Net GST refund		802,043	640,984
Payments to suppliers (inclusive of GST)		(8,432,280)	(9,003,673)
Payments to employees (including redundancies)		(8,911,287)	(8,199,417)
Net cash provided by operating activities	26	6,343,479	6,098,497
Cash flows from investing activities			
Payments for property, plant and equipment, infrastructure		(6,024,794)	(5,613,162)
Proceeds from sale of property, plant and equipment, infrastructure	14	302,456	322,003
Net cash used in investing activities		(5,722,338)	(5,291,159)
Cash flows from financing activities			
Trust funds and deposits		(44,413)	(228,500)
Finance costs		(345,732)	(335,730)
Proceeds from interest bearing loans and borrowings		500,000	950,000
Repayment of interest bearing loans and borrowings		(931,062)	(808,183)
Net cash used in financing activities		(821,207)	(422,413)
Net increase (decrease) in cash and cash equivalents		(200,066)	384,925
Cash and cash equivalents at the beginning of the financial year		5,085,756	4,700,831
Cash and cash equivalents at the end of the financial year	15	4,885,690	5,085,756
Restrictions on cash assets	29	3,550,976	3,240,436

The above statement should be read with the accompanying notes

Introduction

- (a) The Murrindindi Shire Council was established by an Order of the Governor in Council on 18 November 1994. The Council's main office is located at Perkins Street, Alexandra.
- (b) The purpose of the Council is to:
- provide for the peace, order and good government of its municipal district;
 - to promote the social, economic and environmental viability and sustainability of the municipal district;
 - to ensure that resources are used efficiently and effectively and services are provided in accordance with the Best Value Principles to best meet the needs of the local community;
 - to improve the overall quality of life of people in the local community;
 - to promote appropriate business and employment opportunities;
 - to ensure that services and facilities provided by the Council are accessible and equitable;
 - to ensure the equitable imposition of rates and charges; and
 - to ensure transparency and accountability in Council decision making.

External Auditor - Auditor-General of Victoria

Internal Auditor - Richmond Sinnott & Delahunty

Solicitors - Russell Kennedy

Bankers - ANZ Bank

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

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

The financial statements were authorised for issue by Robert Croxford, General Manager Operations on 3 September 2008.

Note 1 Significant accounting policies

(a) Basis of accounting

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

This financial report has been prepared under the historical cost convention, except where specifically stated in notes 1(g), 1(i), and 1(k). Cost is based on the fair values of the consideration given in exchange for assets.

The presentation currency of the Council is the Australian dollar which has also been identified as the functional currency of the Council.

In the application of the Australian Accounting Standards (AASs), management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision, and future periods if the revision affects both current and future periods.

Judgments made by management in the application of AASs that have significant effects on the financial statements and estimates with a risk of material adjustments in the next year are disclosed throughout the notes in the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

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

(b) New Accounting Standards and Interpretations

Note 43 details the Australian Accounting Standards that have been issued or amended and are applicable to the Council but are not yet effective.

They have not been adopted in preparation of the financial statements at reporting date.

Note 1 Significant accounting policies (cont.)
(c) Revenue recognition

Rates, grants and contributions

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

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

A general provision for doubtful debts on rates has not been established as unpaid rates represents a charge against the rateable property that will be recovered when the property is next sold. However a specific provision is maintained for two properties considered doubtful due to current planning restrictions.

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

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in note 6. The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

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

User fees and fines

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

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

Sale of property, plant and equipment, infrastructure

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

Interest and rents

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

Dividends

Dividend revenue is recognised when the Council's right to receive payment is established.

(d) Inventories

Inventories held for distribution are measured at cost adjusted when applicable for any loss of service potential.

Other inventories are measured at the lower of cost and net realisable value.

Costs are assigned on the basis of weighted average costs.

Note 1 Significant accounting policies (cont.)

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

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

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

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

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

<u>Property</u>	Period
Land	n/a
Buildings	30 - 50 years
Heritage (art works and statues)	200 years
 <u>Plant and Equipment</u>	
plant, machinery and equipment	3 - 15 years
library books	3 - 10 years
 <u>Infrastructure</u>	
Roads - sealed roads and streets	
road formation	100 - 200 years
road pavements	20 - 40 years
original surfacing and major resurfacing	
bituminous seals	8 - 12 years
asphalt seals	15 - 20 years
Roads - unsealed roads	
road formation	100 - 200 years
road pavements	40 - 60 years
Bridges	
bridges - timber	30 - 40 years
bridges - steel and concrete	80 - 100 years
Drainage	50 - 85 years

Depreciation rates are consistent with the previous year.

(f) Repairs and maintenance

Routine maintenance, repair costs, and minor renewal costs are expensed as incurred. Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold the cost is capitalised and depreciated. The carrying value of the replaced asset is expensed.

(g) Borrowing costs

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

Borrowing costs include interest on bank overdrafts, interest on borrowings, and finance lease charges as well as the effect of unwinding of the discount factor used in the measurement of provisions.

(h) Recognition and measurement of assets

Acquisition

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

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

In accordance with Councils policy, the threshold limits of assets purchased in excess of \$2,000 is applied when recognising assets, with the exception of computer equipment which is recognised in excess of \$1,000. These thresholds are consistent with the prior year.

Note 1 Significant accounting policies (cont.)
(i) Recognition and measurement of assets (cont.)
Revaluation

Subsequent to the initial recognition of assets, non-current physical assets, other than plant and equipment, furniture and equipment, library books and heritage assets, are measured at their fair value, being the amount for which the assets could be exchanged between knowledgeable willing parties in an arms length transaction. At balance date, the Council reviewed the carrying value of the individual classes of assets measured at fair value to ensure that each asset materially approximated its fair value. Where the carrying value materially differed from the fair value at balance date the class of asset was revalued.

In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 3 to 5 years. The valuation is performed either by experienced council officers or independent experts.

Where the assets are revalued, the revaluation increments are credited directly to the asset revaluation reserve except to the extent that an increment reverses a prior year decrement for that class of asset that had been recognised as an expense in which case the increment is recognised as revenue up to the amount of the expense. Revaluation decrements are recognised as an expense except where prior increments are included in the asset revaluation reserve for that class of asset in which case the decrement is taken to the reserve to the extent of the remaining increments. Within the same class of assets, revaluation increments and decrements within the year are offset.

Land under roads

The Council has elected not to recognise land under roads as an asset in accordance with AASB 1045 "Land under Roads", which extends the requirement to present land under roads as an asset of Council until 30 June 2008.

(j) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts.

(k) Tender deposits

Amounts received as tender deposits and retention amounts controlled by Council are recognised as Trust funds until they are returned or forfeited (refer to note 28).

(l) Interest-bearing loans and borrowings

Interest bearing liabilities are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, interest bearing liabilities are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest bearing liability using the effective interest rate method.

Note 1 Significant accounting policies (cont.)

(m) Employee benefits

Wages and salaries

Liabilities for wages and salaries and rostered days off are recognised and are measured as the amount unpaid at balance date and include appropriate oncosts such as workers compensation and payroll costs.

Annual leave

Annual leave entitlements are accrued on a pro rata basis in respect of services provided by employees up to balance date. Annual leave expected to be paid within 12 months is measured at nominal value based on the amount, including appropriate oncosts, expected to be paid when settled. Annual leave expected to be paid later than one year has been measured at the present value of the estimated future cash outflows to be made for these accrued entitlements. Commonwealth bond rates are used for discounting future cash flows.

Long service leave

Long service leave entitlements payable are assessed at balance date having regard to expected employee remuneration rates on settlement, employment related oncosts and other factors including accumulated years of employment, on settlement, and experience of employee departure per year of service. Long service leave expected to be paid within 12 months is measured at nominal value based on the amount expected to be paid when settled. Long service leave expected to be paid later than one year has been measured at the present value of the estimated future cash outflows to be made for these accrued entitlements. Commonwealth bond rates are used for discounting future cash flows.

Classification of employee benefits

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

Superannuation

A liability is recognised in respect of Council's present obligation to meet the unfunded obligations of defined benefit superannuation schemes to which its employees are members. The liability is defined as the Council's share of the scheme's unfunded position, being the difference between the present value of employees' accrued benefits and the net market value of the scheme's assets at balance date. Council repaid its unfunded superannuation liability to Vision Super in the financial year 2005/2006.

The superannuation expense for the reporting year is the amount of the statutory contribution the Council makes to the superannuation plan which provides benefits to its employees together with any movements (favourable/unfavourable) in the position of any defined benefits schemes. Details of these arrangements are recorded in note 30.

(n) Provisions

Provisions are recognised when the Council has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recognised from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(o) Leases

Operating leases

Lease payments for operating leases are recognised as an expense in the years in which they are incurred as this reflects the pattern of benefits derived by the Council.

(p) Allocation between current and non-current

In the determination of whether an asset, other than cash or a cash equivalent, is current consideration is given as to whether the Council expects to realise or consume the asset within twelve months after the reporting date. All cash and cash equivalents are deemed as current. All other assets are recognised as non-current. Current liabilities are recognised when the liability is due to be settled within twelve months after reporting date or the Council does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

(q) Agreements equally proportionately unperformed

The Council does not recognise assets and liabilities arising from agreements that are equally proportionately unperformed in the balance sheet. Such agreements are recognized on an 'as incurred' basis.

Note 1 Significant accounting policies (cont.)

(r) Web site costs

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

(s) Goods and Services Tax (GST)

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

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

(t) Impairment of assets

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

(u) Change to Previous Years Comparative

Note 31 Commitments comparatives for the previous year 2006/2007 has been amended to remove reference to commitments for information systems and technology, as the commitments had already been included in Note 32 Operating leases. This adjustment has had no material impact on the result for 2006/2007.

Notes to the Financial Statements For The Year Ended 30 June 2008

	2008	2007
	\$	\$
Note 2 Rates and charges		
<p>Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The CIV of a property is its total value of land plus buildings and improvements.</p> <p>The valuation base used to calculate general rates for 2007-2008 was \$2.946 million (2006-2007 \$2.922 million). The 2007-2008 rate in the dollar for general rate was 0.002689 of the capital improved value of the property (2006-2007 - 0.002537). Council has a differential rate for Rural 1 land of 75% of the general rate. Rural 1 land means rateable land which is not less than 40 hectares in area.</p> <p>The 2007-2008 Municipal Charge was \$191.00 (2006-2007 \$180.00) per rateable assessment. In 2007-2008 the Garbage Service Charge was \$202.50 (2006-2007 \$193.00) and Recycling Charge \$60.00 (2006-2007 \$57.00).</p>		
Residential	3,483,281	3,234,367
Commercial	422,845	397,899
Rural 1	1,807,293	1,701,286
Rural 2	1,672,359	1,554,034
Municipal charge	1,702,462	1,589,753
Garbage charge	1,254,319	1,163,490
Recycling	364,401	335,603
Special rates and charges	88,261	-
Revenue in lieu of rates	49,457	48,157
	10,844,678	10,024,589
<p>The date of the last general revaluation of land for rating purposes within the municipal district was 1 January 2006, and the valuation first applied to the rating period commencing 1 July 2006.</p> <p>The date of the next general revaluation of land for rating purposes within the municipal district is 1 January 2008, and the valuation will be first applied in the rating year commencing 1 July 2008.</p>		
Note 3 Statutory fees and fines		
Building	202,130	199,285
Environmental health and local laws	177,669	159,665
Planning and subdivisions	127,720	119,227
Other	45,137	30,414
	552,656	508,591
Note 4 User fees		
External works - private works	217,703	1,412,420
Quarry product	218,700	275,251
Children services	127,760	237,244
Aged care	459,157	427,568
Valuation data	4,694	74,921
Saleyard fees	205,812	221,158
Recreation -pools and leisure centres	117,102	124,919
Waste - transfer station & landfill fees	302,755	215,745
Other fees and charges	32,632	37,062
	1,686,315	3,026,288

Notes to the Financial Statements For The Year Ended 30 June 2008

	2008 \$	2007 \$
Note 5 Grants		
Grants were received in respect of the following :		
<i>Recurrent</i>		
Civic	2,017,382	1,920,598
Human services	1,430,072	1,329,304
Planning and environmental services	30,044	20,017
Recreation and culture	115,123	115,626
Transport	1,314,679	1,258,757
Waste and environment	15,690	15,300
<u>Total recurrent</u>	4,922,990	4,659,602
<i>Non-recurrent</i>		
Civic	98,372	54,557
Economic development and tourism	15,467	205,982
Human services	215,276	159,151
Planning and environmental services	44,186	181,406
Recreation and culture	527,813	400,721
Transport	1,623,902	1,898,189
Waste and environment	95,552	115,661
<u>Total non-recurrent</u>	2,620,568	3,015,667
<i>Conditions on Grants</i>		
Grants recognised as revenue during the year that were obtained on condition that they be expended in a specified manner that had not occurred at balance date were:		
Economic development and tourism	-	45,144
Human services	106,040	18,693
Planning and environmental services	25,000	83,289
Recreation and culture	67,798	59,305
Transport	120,630	226,479
Waste and environment	-	11,059
	319,468	443,969
Grants which were recognised as revenue in prior years and were expended during the current year in the manner specified by the grantor were:		
Economic development and tourism	43,582	12,500
Human services	41,915	286,840
Planning and environmental services	70,789	1,734
Recreation and culture	144,513	7,591
Transport	354,413	259,389
Waste and environment	16,368	39,142
	671,580	607,196
Net increase (decrease) in restricted assets resulting from grant revenues for the year:	(352,112)	(163,227)

Notes to the Financial Statements For The Year Ended 30 June 2008

	2008	2007
	\$	\$
Note 6 Contributions		
Cash		
Public open space - development contributions	63,577	32,697
Parking and Infrastructure - development contributions	16,470	30,680
Tourism and economic development	1,391	16,350
Recreational, leisure and community facilities	148,707	47,732
Training and development	30,000	-
Roads, footpaths and cycleways	-	47,600
Other	9,002	4,949
	269,147	180,008
Note 7 Reimbursements		
Debt recovery	79,592	74,247
Service provision	86,902	71,960
	166,494	146,207
Note 8 Other revenue		
Interest	265,804	268,598
Interest on rates	105,453	97,617
Rental	90,774	91,965
Supervision and administration recoupment	25,528	43,482
Return on investment	276,899	272,837
Other	16,302	17,070
	780,760	791,569
Note 9 Employee benefits		
Wages and salaries	8,202,523	7,764,778
Superannuation	653,575	619,719
Workcover	216,875	214,535
	9,072,973	8,599,032
Note 10 Materials and services		
Utilities	376,073	349,361
Contractors	4,327,226	5,779,067
Legal Expenses	145,139	121,188
Insurance	349,695	368,981
Materials	1,063,486	957,999
Contributions	230,952	321,109
Consultants	183,608	129,695
	6,676,179	8,027,400

Notes to the Financial Statements For Year Ended 30 June 2008

	2008	2007
	\$	\$
Note 11 Depreciation and amortisation		
<u>Property</u>		
Buildings	514,509	450,444
<u>Plant and Equipment</u>		
Plant, machinery and equipment	496,423	490,392
Fixtures, fittings and furniture	107,725	107,834
Heritage plant and equipment	683	673
Library books	99,210	85,361
<u>Infrastructure</u>		
Roads, Streets & Bridges	3,356,052	3,060,099
Drainage	89,296	84,259
	4,663,898	4,279,062
Note 12 Finance costs		
Interest - borrowings	342,488	336,432
Interest - provision for landfill rehabilitation	47,580	45,239
Finance costs	390,068	381,671
Note 13 Other expenses		
Auditors' remuneration - auditing or reviewing the financial report	21,800	20,800
Auditors' remuneration - internal audit	18,094	18,571
Councillors' allowances	96,000	96,000
Other	15,794	18,265
	151,688	153,636
Note 14 Gain / (Loss) on Disposal of Capital Assets		
Proceeds from sales	302,456	322,003
less: Carrying amount of assets sold	249,296	350,906
	53,160	(28,903)
Note 15 Cash and cash equivalents		
Cash at Bank and on Hand	338,190	259,656
Term Deposits and at Call	4,547,500	4,826,100
	4,885,690	5,085,756
Note 16 Trade and other receivables		
<i>Current</i>		
Rates debtors	405,785	363,481
Garbage and Recycling debtors	106,807	99,634
Other debtors	1,091,621	1,801,020
Provision for doubtful debts - other debtors	(23,600)	(25,000)
Special rate debtors	60,535	6,598
Net GST receivable	115,319	212,663
	1,756,467	2,458,396
<i>Non-current</i>		
Special rate debtors	16,353	7,316
Loans and advances to community organisations	20,069	14,192
	36,422	21,508
	1,792,889	2,479,904
Total	1,792,889	2,479,904

Notes to the Financial Statements For The Year Ended 30 June 2008

	2008	2007
	\$	\$
Note 17 Accrued Income		
Accrued Interest	34,955	44,386
Accrued Income Other	12,227	5,373
	<u>47,182</u>	<u>49,759</u>
Note 18 Prepayments		
Prepaid Insurance	-	173,022
Prepaid Vehicle Registration	56,876	53,973
Other prepayments	84,551	40,628
	<u>141,427</u>	<u>267,623</u>
Note 19 Inventories		
Inventories for distribution at cost	188,339	266,718
	<u>188,339</u>	<u>266,718</u>

Notes to the Financial Statements For The Year Ended 30 June 2008

Note 20 Property, plant and equipment, infrastructure

	2008 \$'000	2007 \$'000
Summary		
at cost	21,201,665	31,974,131
Less accumulated depreciation	3,266,546	2,785,782
	17,935,119	29,188,349
at fair value	236,862,746	201,140,447
Less accumulated depreciation	52,484,683	49,374,592
	184,378,063	151,765,855
Total	202,313,182	180,954,204

Property

Land

at fair value as at 30 June 2007	-	14,692,713
at fair value as at 30 June 2008	16,875,851	-
	16,875,851	14,692,713

Total Land

	16,875,851	14,692,713
--	------------	------------

Buildings

at fair value as at 30 June 2007	-	24,934,425
at fair value as at 30 June 2008	29,155,774	-
	29,155,774	24,934,425

Total Buildings

	29,155,774	24,934,425
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Total Property

	46,031,625	39,627,138
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Valuation of land and buildings were undertaken by a qualified independent valuer Peter Hann FAPI Certified Practising Valuer of LG Valuation services as at 30 June 2007 and again as at 30 June 2008. The valuation of buildings is at fair value based on current replacement cost less accumulated depreciation at the date of valuation. The valuation of land is at fair value, being market value based on highest and best use permitted by relevant land planning provisions.

Plant and Equipment

Plant, machinery and equipment

at cost	5,481,872	5,109,275
Less accumulated depreciation	1,732,604	1,629,492
	3,749,268	3,479,783

Fixtures, fittings and furniture

at cost	947,673	910,650
Less accumulated depreciation	447,463	476,292
	500,210	434,358

Heritage Assets

at cost	136,360	135,360
Less accumulated depreciation	4,487	3,804
	131,873	131,556

Library books

at cost	857,063	791,954
Less accumulated depreciation	419,316	348,774
	437,747	443,180

Total Plant and Equipment

	4,819,098	4,488,877
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Notes to the Financial Statements For The Year Ended 30 June 2008

Property, plant and equipment, infrastructure (cont.)	2008 \$'000	2007 \$'000
<u>Infrastructure</u>		
Roads, Streets & Bridges		
at cost	13,177,762	9,831,076
Less accumulated depreciation	662,610	327,420
	12,515,152	9,503,656
at fair value as at 30 June 2004	181,827,069	167,892,031
Less accumulated depreciation	49,094,998	46,074,136
	132,732,071	121,817,895
Total Roads, Streets & Bridges	145,247,223	131,321,551
Drainage		
at cost	42,221	5,294
Less accumulated depreciation	66	-
	42,155	5,294
at fair value as at 30 June 2006	9,004,052	8,313,991
Less accumulated depreciation	3,389,685	3,300,456
	5,614,367	5,013,535
Total Drainage	5,656,522	5,018,829
Total Infrastructure	150,903,745	136,340,380
<p>Valuation of infrastructure assets have been determined by Council Officer Ian Ellett B.Eng. The valuation was first applied in the financial year ended 30 June 2004. Valuations have been indexed using Victorian road and bridge construction cost data provided by the Australian Bureau of Statistics.</p> <p>The valuation is at fair value based on replacement cost less accumulated depreciation as at the date of valuation.</p>		
Works in progress		
Buildings at cost	-	313,967
Drainage at cost	50,978	-
Roads Streets and Bridges at cost	498,422	179,295
Land at cost	9,314	4,547
Total Works in progress	558,714	497,809
Total Property, Plant and Equipment, Infrastructure	202,313,182	180,954,204

Notes to the Financial Statements For Year Ended 30 June 2008

Note 20 *Property, plant and equipment, infrastructure (cont.)*

2008	Balance at beginning of financial year	Acquisition of assets	Revaluation increments (decrements) (note 25)	Depreciation and amortisation (note 11)	Written down value of disposals	Impairment losses recognised in profit or loss (a)	Transfers	Balance at end of financial year
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property								
land	14,692,713	-	2,183,138	-	-	-	-	16,875,851
land improvements	-	-	-	-	-	-	-	-
Total land	14,692,713	-	2,183,138	-	-	-	-	16,875,851
buildings	24,934,425	998,704	3,439,141	514,509	15,955	-	313,968	29,155,774
Total buildings	24,934,425	998,704	3,439,141	514,509	15,955	-	313,968	29,155,774
Total property	39,627,138	998,704	5,622,279	514,509	15,955	-	313,968	46,031,625
Plant and Equipment								
plant and machinery	3,479,783	997,819	-	496,423	231,911	-	-	3,749,268
furniture and equipment	434,358	175,007	-	107,725	1,430	-	-	500,210
heritage assets	131,556	1,000	-	683	-	-	-	131,873
library books	443,180	93,777	-	99,210	-	-	-	437,747
Total plant and equipment	4,488,877	1,267,603	-	704,041	233,341	-	-	4,819,098
Infrastructure								
roads, streets & bridges	131,321,551	3,217,887	13,935,038	3,356,052	-	-	128,799	145,247,223
drainage	5,018,829	29,981	690,061	89,296	-	-	6,947	5,656,522
Total infrastructure	136,340,380	3,247,868	14,625,099	3,445,348	-	-	135,746	150,903,745
Works in progress								
buildings	313967	-	-	-	-	-	-313967	-
drainage	-	50978	-	-	-	-	-	50,978
roads	179295	454873	-	-	-	-	-135747	498421
land	4547	4768	-	-	-	-	-	9,315
Total works in progress	497,809	510,619	-	-	-	-	-449,714	558,714
Total property, plant and equipment, infrastructure	180,954,204	6,024,794	20,247,378	4,663,898	249,296	-	-	202,313,182

(a) Impairment losses

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

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

Notes to the Financial Statements For The Year Ended 30 June 2008

Note 20 *Property, plant and equipment, infrastructure (cont.)*

2007	Balance at beginning of financial year	<u>Acquisition of assets</u>	Revaluation increments (decrements) (note 25)	Depreciation and amortisation (note 11)	Written down value of disposals	Impairment losses recognised in profit or loss (a)	Transfers	Balance at end of financial year
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property								
land	11,773,395	-	2,919,318	-	-	-	-	14,692,713
land improvements	-	-	-	-	-	-	-	-
Total land	11,773,395	-	2,919,318	-	-	-	-	14,692,713
buildings	20,421,798	992,571	3,961,909	450,444	-	-	8,591	24,934,425
Total buildings	20,421,798	992,571	3,961,909	450,444	-	-	8,591	24,934,425
Total property	32,195,193	992,571	6,881,227	450,444	-	-	8,591	39,627,138
Plant and Equipment								
plant and machinery	3,581,843	737,140	-	490,392	348,808	-	-	3,479,783
furniture and equipment	454,638	89,652	-	107,834	2,098	-	-	434,358
heritage assets	129,729	2,500	-	673	-	-	-	131,556
library books	428,628	99,913	-	85,361	-	-	-	443,180
Total plant and equipment	4,594,838	929,205	-	684,260	350,906	-	-	4,488,877
Infrastructure								
roads, streets & bridges	121,528,533	3,361,076	9,353,760	3,060,099	-	-	138,281	131,321,551
drainage	4,634,597	5,294	463,197	84,259	-	-	-	5,018,829
Total infrastructure	126,163,130	3,366,370	9,816,957	3,144,358	-	-	138,281	136,340,380
Works in progress								
buildings	100,189	222,369	-	-	-	-	(8,591)	313,967
roads	219,476	98,100	-	-	-	-	(138,281)	179,295
bridges	-	4,547	-	-	-	-	-	4,547
Total works in progress	319,665	325,016	-	-	-	-	(146,872)	497,809
Total property, plant and equipment, infrastructure	163,272,826	5,613,162	16,698,184	4,279,062	350,906	-	-	180,954,204

(a) *Impairment losses*

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

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

Notes to the Financial Statements For The Year Ended 30 June 2008

	2008 \$	2007 \$
Note 21 Trade and other payables		
<i>Unsecured</i>		
Trade payables	944,726	1,622,696
Loan Interest	56,905	60,149
Expense other	311,507	324,210
Accrued expenses	79,467	56,639
	1,392,605	2,063,694
Note 22 Trust funds and deposits		
Refundable building deposits	47,000	47,000
Refundable planning permit bonds	294,488	379,051
Refundable contract deposits	51,541	53,555
Other refundable deposits	289,798	247,635
	682,827	727,241

These amounts have been received from person's organisations to guarantee performance of obligations under various building permits, planning permits and contract agreements. These funds will be refunded when requirements have been finalised or paid in accordance with instructions of persons/organisations on whose behalf the monies are held.

Notes to the Financial Statements For Year Ended 30 June 2008

Note 23 Provisions

	Annual leave	Long service leave	Landfill restoration	Marysville Retirement Village	Total
2008	\$	\$	\$	\$	\$
Balance at beginning of the financial year	684,397	1,349,191	916,806	50,000	3,000,394
Additional provisions	540,780	266,731	47,580	-	855,091
Amounts used	(515,382)	(117,739)	-	-	(633,121)
Balance at the end of the financial year	<u>709,795</u>	<u>1,498,183</u>	<u>964,386</u>	<u>50,000</u>	<u>3,222,364</u>
2007					
Balance at beginning of the financial year	600,910	1,104,935	871,567	50,000	2,627,412
Additional provisions	531,823	267,776	45,239	-	844,838
Amounts used	(448,336)	(23,520)	-	-	(471,856)
Balance at the end of the financial year	<u>684,397</u>	<u>1,349,191</u>	<u>916,806</u>	<u>50,000</u>	<u>3,000,394</u>

	2008	2007
	\$'000	\$'000
(a) Employee benefits		
Current (i)		
Annual leave	709,795	684,397
Long service leave	1,148,740	1,054,650
	<u>1,858,535</u>	<u>1,739,047</u>
Non-current (ii)		
Long service leave	349,443	294,541
	<u>349,443</u>	<u>294,541</u>
Aggregate carrying amount of employee benefits:		
Current	1,858,535	1,739,047
Non-current	349,443	294,541
	<u>2,207,978</u>	<u>2,033,588</u>

The following assumptions were adopted in measuring the present value of employee benefits:

Weighted average increase in employee costs	4.50%	4.15%
Weighted average discount rates	6.60%	6.36%

(i) Current

All Annual Leave and the long service leave entitlements representing 10 or more years of continuous service

- Short term employee-benefits, that fall due within 12 months after the end of the period measured at nominal value

785,247 743,603

- Other long-term employee benefits that do not fall due within 12 months after the end of the period measured at present value

1,073,288 995,444

1,858,535 1,739,047

(ii) Current

Long service leave representing less than 10 years of continuous service measured at present value

349,443 294,541

(b) Provisions

Non-current

Landfill Rehabilitation

964,386 916,806

Marysville Retirement Village - lifetime lease

50,000 50,000

1,014,386 966,806

1,363,829 1,261,347

Total Non-current Provisions

A provision has been recognised for the costs to be incurred for the restoration of the landfill site used for waste management. It is anticipated that the landfill will require restoration within 30 years. A discount rate adjusted to reflect the risk inherent in the Council's operations has been applied.

A provision has been made for the one unit at the Marysville retirement village that has a lifetime lease attached to it. The provision reflects the refund amount of the initial ingoing fee to the unit if the tenant moves out of the unit. The refund amount has previously been amortised over eight years to its fully discounted amount.

Notes to the Financial Statements For The Year Ended 30 June 2008

	2008	2007
	\$	\$
Note 24 Interest-bearing loans and borrowings		
<i>Current</i>		
Bank loans - secured	1,027,217	931,062
	<u>1,027,217</u>	<u>931,062</u>
<i>Non-current</i>		
Bank loans - secured	4,130,058	4,657,275
	<u>4,130,058</u>	<u>4,657,275</u>
Total	<u>5,157,275</u>	<u>5,588,337</u>
The maturity profile for Council's borrowings is:		
Not later than one year	1,027,217	931,062
Later than one year and not later than two years	1,095,403	992,978
Later than two years and not later than five years	1,507,873	1,969,719
Later than five years	1,526,782	1,694,578
	<u>5,157,275</u>	<u>5,588,337</u>
Bank Loans are secured by a charge over the general rates of the Council.		
Aggregate carrying amount of interest-bearing loans and borrowings:		
Current	1,027,217	931,062
Non-current	4,130,058	4,657,275
	<u>5,157,275</u>	<u>5,588,337</u>

Notes to the Financial Statements For The Year Ended 30 June 2008

Note 25 Reserves

	Balance at beginning of reporting period	Increment (decrement)	Balance at end of reporting period
	\$	\$	\$
(a) Asset revaluation reserves			
2008			
Property			
Land	9,788,752	2,183,138	11,971,890
Buildings	9,427,501	3,439,141	12,866,642
Plant & Equipment	857,559	-	857,559
Heritage Assets	32,474	-	32,474
Furniture & Equipment	28,056	-	28,056
Leased Computer Equipment	14,954	-	14,954
Library Bookstock	148,821	-	148,821
			0.00
	20,298,117	5,622,279	25,920,396
Infrastructure			
Roads, streets & bridges	71,786,339	13,935,038	85,721,377
Drainage	3,301,147	690,061	3,991,208
	75,087,486	14,625,099	89,712,585
Total Asset revaluation reserves	95,385,603	20,247,378	115,632,981

2007

Property

Land	6,869,434	2,919,318	9,788,752
Buildings	5,465,592	3,961,909	9,427,501
Plant & Equipment	857,559	-	857,559
Heritage Assets	32,474	-	32,474
Furniture & Equipment	28,056	-	28,056
Leased Computer Equipment	14,954	-	14,954
Library Bookstock	148,821	-	148,821
	13,416,890	6,881,227	20,298,117

Infrastructure

Roads, streets & bridges	62,432,579	9,353,760	71,786,339
Drainage	2,837,950	463,197	3,301,147
	65,270,529	9,816,957	75,087,486

Total Asset revaluation reserves

	78,687,419	16,698,184	95,385,603
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Asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in accounting policy note 1 (j).

	Balance at beginning of reporting period	Transfer from accumulated surplus	Transfer to accumulated surplus	Balance at end of reporting period
	\$	\$	\$	\$
(b) Other reserves				
2008				
Public Open Space Reserve	298,627	63,577	(30,000)	332,204
Garbage Reserve	615,979	158,560	-	774,539
Infrastructure Contributions Parking	30,680	16,470	-	47,150
Coster Street Units Reserve	17,289	3,153	(161)	20,281
Shaw Avenue Redevelopment	49,252	-	-	49,252
Road Maintenance - Subdividers Contribution	16,044	-	-	16,044
Alexandra Community Leisure Centre	2,798	-	(1,710)	1,088
Yea Saleyards	217,104	98,993	(56,135)	259,962
Alexandra Saleyards	34,645	10,779	(5,574)	39,850
Yea Caravan Park	11,117	35,098	-	46,215
Marysville Caravan Park	28,560	5,504	-	34,064
Total Other reserves	1,322,095	392,134	(93,580)	1,620,649

Notes to the Financial Statements For The Year Ended 30 June 2008

Note 25 Reserves (Cont.)

2007

Public Open Space Reserve	296,330	32,697	(30,400)	298,627
Garbage Reserve	502,887	113,092	-	15,979
Infrastructure Contributions Parking		30,680	-	30,680
Coster Street Units Reserve	12,393	5,853	(957)	17,289
Shaw Avenue Redevelopment	50,132	-	(880)	49,252
Road Maintenance - Subdividers Contribution	16,044	-	-	16,044
Alexandra Community Leisure Centre	10,276	-	(7,478)	2,798
Yea Saleyards	264,133	113,228	(160,257)	217,104
Alexandra Saleyards	37,292	10,189	(12,836)	34,645
Yea Caravan Park	7,495	3,622	-	11,117
Marysville Caravan Park	10,630	17,930	-	28,560
Total Other reserves	1,207,612	327,291	(212,808)	1,322,095

Public Open Space represents payments from Subdividers as specified under the Subdivisions Act, to fund future creation of areas of recreational land.

Infrastructure Contributions reserve represents payments from Subdividers set aside for future infrastructure works relating to provision of car parking.

Garbage reserve represents funds set aside for rehabilitation of Landfill site.

Coster Street Units reserve represents funds set aside for future maintenance costs of these units.

Shaw Avenue reserve represents funds set aside for redevelopment of remaining land.

Alexandra Community Leisure Centre reserve is surplus operational funds set aside for future capital works.

Road Maintenance reserve consists of contributions from Subdividers to future road maintenance cost impacted by respective subdivisions.

Yea Saleyards reserve is surplus operational funds set aside for future capital works.

Alexandra Saleyards reserve is surplus operational funds set aside for future capital works.

Yea Caravan Park reserve is surplus operational funds set aside for future capital works.

Marysville Caravan Park reserve is surplus operational funds set aside for future capital works.

Notes to the Financial Statements For Year Ended 30 June 2008

	2008	2007
	\$	\$
Note 26 Reconciliation of cash flows from operating activities to surplus		
Surplus for the financial year	941,962	882,817
Depreciation and amortisation	4,663,898	4,279,062
Finance Costs	345,732	335,730
(Gain)/loss on disposal of property, plant and equipment, infrastructure	(53,160)	28,903
<i>Change in assets and liabilities:</i>		
Increase/(decrease) in trade and other receivables	687,015	(322,602)
Decrease in inventories	78,378	44,717
Decrease in other current assets	128,773	42,256
Increase/(decrease) in trade and other payables	(671,089)	434,632
Increase in provisions	221,970	372,982
	6,343,479	6,098,497
Note 27 Reconciliation of cash and cash equivalents		
Cash and cash equivalents (see note 15)	4,885,690	5,085,756
	4,885,690	5,085,756
Note 28 Financing arrangements		
Secured bank loans at fixed interest rates:		
Facility available	5,157,275	5,588,337
Used facility	5,157,275	5,588,337
Unused facility	-	-
Secured bank overdraft subject to annual review and repayable at call:		
Facility available	400,000	400,000
Used facility	-	-
Unused facility	400,000	400,000
Should the bank overdraft be utilised the liability would be secured by a mortgage over the general rates of Council.		
Note 29 Restricted assets		
Council has cash and cash equivalents (note 15) that are subject to restrictions. As at the reporting date, Council had legislative restrictions in relation to employee entitlements (Long Service Leave) and reserve funds (Recreational Lands Reserves).		
Long service leave (note 23)	1,135,000	1,078,600
Trust funds and Deposits (note 22)	682,827	727,241
Quarry Bank Guarantee	112,500	112,500
Reserve funds (note 25)	1,620,649	1,322,095
	3,550,976	3,240,436
* Restricted asset for long service leave is based on the Local Government (Long Service Leave) Regulations 2002 and does not necessarily equate to the long service leave liability disclosed in note 29 due to a different basis of calculation prescribed by the regulation.		

Notes to the Financial Statements For Year Ended 30 June 2008

Note 30 Superannuation

Accumulation Funds - Council makes employer superannuation contributions in respect of its employees to the following accumulation funds

Local Authorities Super Fund - Vision Super Saver Accumulation Fund

Australian Super- Accumulation Fund

HESTA Super Fund - Accumulation Fund

Health Super Fund - Accumulation Fund

The above accumulation funds, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (9% required under Superannuation Guarantee Legislation). No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund. From 1 July 2008 employers are required to pay superannuation guarantee contributions based on Ordinary Time Earnings (OTE) which may put upward pressure on contributions levels.

Defined benefits Funds - Council makes employer superannuation contributions in respect of its employees to the following defined benefits funds

Local Authorities Super Fund - Defined Benefits Plan

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

Council makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund's Actuary. On the basis of the results of the most recent full actuarial investigation conducted by the Fund's actuary as at 31 December 2005, the Trustee has determined that the current funding arrangements are adequate for the expected Defined Benefit Plan liabilities. Council makes the following contributions:-

- 9.25% of members' salaries (same as previous year);

- the difference between resignation and retrenchment benefits paid to any retrenched employees (same as previous year);

The Fund's liability for accrued benefits was determined in the 30 June 2007 actuarial investigation pursuant to the requirements of Australian Accounting Standard AAS 25 as follows:

	30-Jun-07
	\$
Net Market Value of Assets	4,102,154
Accrued Benefits (per accounting standards)	3,923,436
Difference between Assets and Accrued Benefits	178,718
Vested Benefits	3,572,589

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

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

Details of contributions to superannuation funds during the year and contributions payable at 30 June are as follows:

	2008	2007
	\$	\$
Australian Super	9,191	3,825
Health Super	998	552
HEASTA Super Fund	11,704	9,890
Vision Super - Accumulation Fund	502,399	483,244
Vision Super - Defined Benefits Plan	129,283	122,208
	653,575	619,719

Notes to the Financial Statements For Year Ended 30 June 2008

Note 31 Commitments

The Council has entered into the following commitments

	Not later than 1 year \$	Later than 1 year and not later than 2 years \$	Later than 2 years and not later than 5 years \$	Later than 5 years \$	Total \$
2008					
<i>Operating</i>					
Garbage & Recycling Collection	841,701	841,701	1,262,552	-	2,945,954
Valuation Services	-	-	-	-	-
Cleaning contracts for council buildings	18,876	12,584	-	-	31,460
Elections	-	-	-	-	-
Total	860,577	854,285	1,262,552	-	2,977,414
<i>Capital</i>					
Buildings	-	-	-	-	-
Bridges	-	-	-	-	-
Plant	-	-	-	-	-
Total	-	-	-	-	-
	Not later than 1 year \$	Later than 1 year and not later than 2 years \$	Later than 2 years and not later than 5 years \$	Later than 5 years \$	Total \$
2007					
<i>Operating</i>					
Garbage & Recycling Collection	766,199	1,532,398	3,447,896	-	5,746,493
Valuation Services	119,884	-	-	-	119,884
Cleaning contracts for council buildings	18,876	18,876	12,584	-	50,336
Elections	32,180	-	-	-	32,180
Total	937,139	1,551,274	3,460,480	-	5,948,893
<i>Capital</i>					
Buildings	109,153	-	-	-	109,153
Bridges	11,500	-	-	-	11,500
Plant	139,396	-	-	-	139,396
Total	260,049	-	-	-	260,049

Note 32 Operating leases

Operating lease commitments

At the reporting date, the Council had the following obligations under non-cancellable operating leases for the lease of equipment and land and buildings for use within Council's activities (these obligations are not recognised as liabilities):

Not later than one year	268,834	276,709
Later than one year and not later than five years	687,334	786,175
Later than five years	50,888	24,286
	<u>1,007,056</u>	<u>1,087,170</u>

Notes to the Financial Statements For The Year Ended 30 June 2008

Note 33 Financial Instruments

(a) Accounting Policy, terms and conditions

Recognised financial instruments	Note	Accounting Policy	Terms and Conditions
Financial assets			
Cash and cash equivalents	15	<p>Cash on hand and at bank and money market call account are valued at face value.</p> <p>Interest is recognised as it accrues.</p> <p>Investments and bills are valued at cost.</p> <p>Investments are held to maximise interest returns of surplus cash.</p> <p>Interest revenues are recognised as they accrue.</p>	<p>On call deposits returned a floating interest rate of 7.15% (6.15% in 2006/2007).</p> <p>Funds returned fixed interest rate of between 6.37% and 8.5% (6.15% and 6.54% in 2006/2007) net of fees.</p>
Trade and other receivables			
Other debtors	16	<p>Receivables are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when there is objective evidence that an impairment loss has occurred.</p> <p>Collectibility of overdue accounts is assessed on an ongoing basis.</p>	<p>General debtors are unsecured and interest free. Credit terms are usually 30 days.</p>
Financial Liabilities			
Trade and other payables	21	<p>Liabilities are recognised for amounts to be paid in the future for goods and services provided to Council as at balance date whether or not invoices have been received.</p>	<p>General Creditors are unsecured, not subject to interest charges and are normally settled within 30 days of invoice receipt.</p>
Interest-bearing loans and borrowings	24	<p>Loans are carried at their principal amounts. Loan borrowings are subject to borrowing limits imposed by the State Government under Loan Council approval arrangements. Interest is accrued over the period it becomes due and recognised as part of payables.</p>	<p>Borrowings are secured by way of mortgages over the general rates of the Council.</p> <p>The weighted average interest rate on borrowings is 6.51% during 2007/2008 (6.4% in 2006/2007).</p>

Notes to the Financial Statements For The Year Ended 30 June 2008

Note 33 Financial instruments (cont.)

(b) Risk Exposure

(i) Financial assets - interest rate and credit risk exposure

	Weighted average effective interest rate	Carrying amount \$	Interest rate Exposure			Not past due and not impaired \$	Past due but not impaired					Impaired financial assets \$
			Fixed interest rate \$	Floating interest rate \$	Non-interest bearing \$		Less than 1 month \$	1 to 3 months \$	3 months to 1 year \$	1 to 5 years \$	Over 5 years \$	
2008												
Cash and cash equivalents	7.73%	4,885,690	338,190	4,547,500	-	4,885,690	-	-	-	-	-	-
Trade and other receivables	0.00%	1,203,409	-	-	1,203,409	1,203,409	-	-	-	-	-	23,600
Accrued income	0.00%	47,182	-	-	47,182	47,182	-	-	-	-	-	-
<i>Total financial assets</i>		<u>6,136,281</u>	<u>338,190</u>	<u>4,547,500</u>	<u>1,250,591</u>	<u>6,136,281</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2007												
Cash and cash equivalents	6.29%	5,085,756	259,656	4,826,100	-	5,085,756	-	-	-	-	-	-
Trade and other receivables	0.00%	2,002,875	-	-	2,002,875	2,002,875	-	-	-	-	-	25,000
Accrued income	0.00%	49,759	-	-	49,759	49,759	-	-	-	-	-	-
<i>Total financial assets</i>		<u>7,138,390</u>	<u>259,656</u>	<u>4,826,100</u>	<u>2,052,634</u>	<u>7,138,390</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,000</u>

(ii) Financial liabilities - interest rate and liquidity risk exposure

	Weighted average effective interest rate	Carrying amount \$	Interest rate Exposure			Contractual cash flows \$	Maturity dates				
			Fixed interest rate \$	Floating interest rate \$	Non-interest bearing \$		Less than 1 month \$	1 to 3 months \$	3 months to 1 year \$	1 to 5 years \$	Over 5 years \$
2008											
Trade and other payables	0.00%	1,392,605	-	-	1,392,605	1,392,605	-	-	-	-	-
Trust funds and deposits	0.00%	682,827	-	-	682,827	-	-	-	682,827	-	-
Interest-bearing loans and borrowings	6.51%	5,157,275	5,157,275	-	-	5,157,275	-	-	1,027,217	2,603,276	1,526,782
<i>Total financial liabilities</i>		<u>7,232,708</u>	<u>5,157,275</u>	<u>-</u>	<u>2,075,432</u>	<u>7,232,707</u>	<u>1,392,605</u>	<u>-</u>	<u>1,027,217</u>	<u>3,286,103</u>	<u>1,526,782</u>
2007											
Trade and other payables	0.00%	2,063,694	-	-	2,063,694	2,063,694	2,063,694	-	-	-	-
Trust funds and deposits	0.00%	727,241	-	-	727,241	727,241	-	-	-	727,241	-
Interest-bearing loans and borrowings	6.40%	5,588,337	5,588,337	-	-	5,588,337	-	-	931,062	2,962,697	1,694,578
<i>Total financial liabilities</i>		<u>8,379,272</u>	<u>5,588,337</u>	<u>-</u>	<u>2,790,935</u>	<u>8,379,272</u>	<u>2,063,694</u>	<u>-</u>	<u>931,062</u>	<u>3,689,938</u>	<u>1,694,578</u>

Note 33 Financial instruments (cont.)

(c) Net Fair Values

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

Financial Instruments	Total carrying amount as per Balance Sheet		Aggregate net fair value	
	2008 \$	2007 \$	2008 \$	2007 \$
<i>(1) Financial assets</i>				
Cash and cash equivalents	4,885,690	5,085,756	4,885,690	5,085,756
Trade and other receivables	1,203,409	2,002,875	1,203,409	2,002,875
Accrued income	47,182	49,759	47,182	49,759
<i>Total financial assets</i>	<u>6,136,281</u>	<u>7,138,390</u>	<u>6,136,281</u>	<u>7,138,390</u>
<i>(2) Financial liabilities</i>				
Trade and other payables	1,392,605	2,063,694	1,392,605	2,063,694
Trust funds and deposits	682,827	727,241	682,827	727,241
Interest-bearing loans and borrowings	5,157,275	5,588,337	5,157,275	5,588,337
<i>Total Financial liabilities</i>	<u>7,232,708</u>	<u>8,379,272</u>	<u>7,232,708</u>	<u>8,379,272</u>

(d) Credit Risk

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

(e) Risks and mitigation

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

Market risk

Market risk is the risk that the fair value or future cash flows of our financial instruments will fluctuate because of changes in market prices.

The Council's exposures to market risk are primarily through interest rate risk with only insignificant exposure to other price risks and no exposure to foreign currency risk. Components of market risk to which the Council is exposed are discussed below.

Interest rate risk

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

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

Overdrafts are arranged with major Australian banks. We manage interest rate risk on our net debt portfolio by:

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

The Council manage the interest rate exposure on our net debt portfolio by appropriate budgeting strategies and obtaining approval for borrowings from the Australian Loan Council each year.

Investment of surplus funds is made with approved financial institutions under the Local Government Act 1989. The Council manage interest rate risk by adopting an investment policy that ensures:

- conformity with State and Federal regulations and standards,
- adequate safety,
- appropriate liquidity,
- diversification by credit rating, financial institution and investment product,
- monitoring of return on investment,
- benchmarking of returns and comparison with budget.

Maturity will be staggered to provide for interest rate variations and to minimise interest rate risk.

Notes to the Financial Statements For The Year Ended 30 June 2008

Note 33 Financial instruments (cont.)

Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause us to make a financial loss.

The Council have exposure to credit risk on all financial assets included in our balance sheet. To help manage this risk:

- the Council have a policy for establishing credit limits for the entities we deal with;
- the Council may require collateral where appropriate; and
- the Council only invest surplus funds with financial institutions which have a recognised credit rating specified in our investment policy.

Trade and other receivables consist of a large number of customers, spread across the consumer, business and government sectors. Credit risk associated with the Council's financial assets is minimal because the major debtor is the Victorian Government. Apart from the Victorian Government the Council do not have any significant credit risk exposure to a single customer or groups of customers. Ongoing credit evaluation is performed on the financial condition of our customers and, where appropriate, an allowance for doubtful debts is raised.

We may also be subject to credit risk for transactions which are not included in the balance sheet, such as when we provide a guarantee for another party. Details of our contingent liabilities are disclosed in note 35.

Details of credit risk exposure are provided in Note 33(b)(i)

Liquidity risk

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

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

To help reduce these risks the Council:

- have a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- have readily accessible standby facilities and other funding arrangements in place;
- have a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments;
- monitor budget to actual performance on a regular basis; and
- set limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

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

Details of liquidity risk exposure are provided in Note 33(b)(ii)

(f) Sensitivity disclosure analysis

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

- A parallel shift of +1% and -1% in market interest rates (AUD) from year-end rates of 7.5%

The table below discloses the impact net operating result and equity for each category of financial instruments held by the Council over the previously 12 months, on a weighed average basis, if the above movements were to occur.

As interest bearing loans and borrowings are at a fixed interest there would be no impact on net operating result or equity.

Market risk exposure

	Interest rate risk				
	<i>Carrying amount at year end</i>	-1% 100 basis points		1% 100 basis points	
		<i>Profit</i>	<i>Equity</i>	<i>Profit</i>	<i>Equity</i>
	\$	\$	\$	\$	\$
2008					
Financial assets:					
Cash and cash equivalents	4,885,690	(39,713)	(39,713)	39,713	39,713
Financial liabilities:					
Interest-bearing loans and borrowings	5,157,275	-	-	-	-
2007					
Financial assets:					
Cash and cash equivalents	5,085,756	(44,329)	(44,329)	44,329	44,329
Financial liabilities:					
Interest-bearing loans and borrowings	5,588,337	-	-	-	-

Notes to the Financial Statements For The Year The Ended 30 June 2008

Note 34 Auditors' remuneration	2008	2007
	\$	\$
Auditors' remuneration - auditing or reviewing the financial report	21,800	20,800
Auditors' remuneration - internal audit	18,094	18,571
	<hr/>	<hr/>
	39,894	39,371

Note 35 Contingent liabilities and contingent assets

Contingent liabilities

The Council is presently involved in several confidential legal matters, which are being conducted through Council's solicitors.

As these matters are yet to be finalised, and the financial outcomes are unable to be reliably estimated, no allowance for these contingencies has been made in the financial report.

Note 36 Events occurring after balance date

Council is unaware of any circumstances occurring after balance date which would render particulars in the financial statements to be misleading or inaccurate.

Notes to the Financial Statements For The Year Ended 30 June 2008

Note 37 Related party transactions

(i) Responsible Persons

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

Councillors Councillor Lyn Gunter -Mayor 05/12/07 to current
 Councillor Robert Flowers - Mayor 1/7/07 to 4/12/07
 Councillor Peter Beales
 Councillor Janet Gilmore
 Councillor Christopher Healy
 Councillor Leanne Pleash

Chief Executive Officer Mark C. Henderson 19/5/08 to current
 Daniel D. Hogan 01/07/07 to 21/4/08
 Robert J. Croxford (Acting CEO 22/4/08 to 18/5/08)

(ii) Remuneration of Responsible Persons

The numbers of Responsible Officers, whose total remuneration from Council and any related entities fall within the following bands:

	2008	2007
	No.	No.
\$10,000 - \$19,999	5	4
\$20,000 - \$29,999	2	2
\$130,000 - \$139,999	-	1
\$170,000 - \$179,999	1	-
	8	7
	\$	\$

Total Remuneration for the reporting year for Responsible Persons included above amounted to:

	283,896	233,574
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The Remuneration for the officer undertaking the role of Acting Chief Executive Officer has been included in the Senior Officer Remuneration, not in the Responsible Persons.

(iii) No retirement benefits have been made by the Council to a Responsible Person.

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

(v) Other Transactions

No transactions other than remuneration payments or the reimbursement of approved expenses were entered into by Council with Responsible Persons, or Related Parties of such Responsible Persons during the reporting year.

(vi) Senior Officers Remuneration

A Senior Officer other than a Responsible Person, is an officer of Council who has management responsibilities and reports directly to the Chief Executive Officer or whose total annual remuneration exceeds \$100,000.

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

	2008	2007
Income Range:	No.	No.
\$100,000 - \$109,999	1	1
\$120,000 - \$129,999	2	2
	3	3
	\$	\$
Total Remuneration for the reporting year for Senior Officers included above, amounted to	360,846	339,902

Notes to the Financial Statements For The Year Ended 30 June 2008

Note 38	Income, expenses and assets by function/activities	2008 \$	2007 \$
	Income		
	Civic	2,872,272	2,814,022
	Economic Development & Tourism	47,203	247,421
	Human Services	2,370,135	2,254,436
	Planning & Environmental Services	687,685	770,042
	Plant Sales	302,089	320,767
	Rates & Valuations	9,320,619	8,768,490
	Recreation & Cultural	1,020,475	740,131
	Transport	3,467,846	4,878,740
	Waste & Environment	2,057,740	1,880,475
		22,146,064	22,674,524
	Expenses		
	Civic	3,428,796	3,321,415
	Economic Development & Tourism	582,226	744,335
	Human Services	2,898,487	2,828,470
	Planning & Environmental Services	1,500,198	1,358,884
	Plant Carrying Value	232,775	349,114
	Rates & Valuations	270,989	300,344
	Recreation & Cultural	3,596,222	3,340,355
	Transport	6,841,180	7,656,754
	Waste & Environment	1,853,229	1,892,036
		21,204,102	21,791,707
	Increase/(Decrease) in net assets resulting from operations	941,962	882,817
	Assets attributed to functional areas		
	Civic	6,495,642	7,314,851
	Economic Development & Tourism	1,637,334	1,457,614
	Human Services	4,165,363	3,946,438
	Planning & Environmental Services	432,270	439,130
	Plant Operating	3,921,616	3,666,223
	Recreation & Cultural	29,559,651	24,210,524
	Transport	158,456,828	144,080,544
	Waste & Environment	4,700,004	3,988,640
		209,368,708	189,103,964

The activities relating to the municipality's components are as follows;

Civic - provides for the governance functions of Council. Revenue comprise general revenue grants, interest on investment and reimbursements from associated entities. Expenses comprise governance costs related directly in the provision of Local Government to the community

Economic Development & Tourism - Economic Development and Tourism Promotion

Human Services - Infants and mothers, education, preventative services, senior citizens centres, adult day care, HACC services, Family Day Care, youth support, Community and Aged housing

Planning & Environmental Services - Environmental Health, Building Control, Planning and Subdivision control, Local Laws and Saleyards.

Plant - Council's fleet. Proceeds from sale and carrying value of assets sold off.

Rates & Valuations - rate revenue, collection and valuations.

Recreation and Culture - maintenance of public halls, swimming pools, parks and gardens, recreation centres and reserves, operation of libraries and cultural activities.

Transport - construction and maintenance of roads, bridges, drainage works, footpaths, kerb and channels, parking facilities, traffic control, street lighting and depot maintenance

Waste & Environment - rubbish collection, operations of tips and transfer stations, recycling, street cleaning, public convenience cleaning and maintenance, emergency services and river management contribution.

Notes to the Financial Statements For The Year Ended 30 June 2008

Note 39	Financial ratios (Performance indicators)	2008 \$	2008 (%)	2007 \$	2007 (%)	2006 \$	2006 (%)
(a) Debt servicing ratio (to identify the capacity of Council to service its outstanding debt)							
<u>Debt servicing costs</u>		390,068		381,671		396,991	
Total revenue		21,843,608	= 1.79%	22,352,521	= 1.71%	21,310,001	= 1.86%
<p>Debt servicing costs refer to the payment of interest on loan borrowings, finance lease, and bank overdraft.</p> <p>The ratio expresses the amount of interest paid as a percentage of Council's total revenue.</p>							
(b) Debt commitment ratio (to identify Council's debt redemption strategy)							
<u>Debt servicing & redemption costs</u>		1,321,130		1,189,854		1,084,329	
Rate revenue		10,844,678	= 12.18%	10,024,589	= 11.87%	9,296,577	= 11.66%
<p>The strategy involves the payment of loan principal and interest, finance lease principal and interest.</p> <p>The ratio expresses the percentage of rate revenue utilised to pay interest and redeem debt principal.</p>							
(c) Revenue ratio (to identify Council's dependence on non-rate income)							
<u>Rate revenue</u>		10,844,678		10,024,589		9,296,577	
Total revenue		21,843,608	= 49.65%	22,352,521	= 44.85%	21,310,001	= 43.63%
<p>The level of Council's reliance on rate revenue is determined by assessing rate revenue as a proportion of the total revenue of Council.</p>							
(d) Debt exposure ratio (to identify Council's exposure to debt)							
<u>Total indebtedness</u>		9,320,071		10,301,066		9,770,771	
Total realisable assets		54,782,115	= 17.01%	49,391,592	= 20.86%	41,687,825	= 23.44%
<p>For the purposes of the calculation of financial ratios, realisable assets are those assets which can be sold and which are not subject to any restriction on realisation or use.</p> <p>Any liability represented by a restricted asset (note 29) is excluded from total indebtedness.</p> <p>The following assets are excluded from total assets when calculating Council's realisable assets: land and buildings on Crown land; restricted assets; heritage assets; total infrastructure assets; and Council's investment in associate.</p> <p>This ratio enables assessment of Council's solvency and exposure to debt. Total indebtedness refers to the total liabilities of Council. Total liabilities are compared to total realisable assets which are all Council assets not subject to any restriction and are able to be realised. The ratio expresses the percentage of total liabilities for each dollar of realisable assets.</p>							

Notes to the Financial Statements For The Year Ended 30 June 2008

Note 39	Financial ratios (Performance indicators) (cont.)	2008	2008	2007	2007	2006	2006
		\$'000	(%)	\$'000	(%)	\$'000	(%)

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

<u>Current assets</u>	<u>7,019,105</u>	=	141.48%	<u>8,128,252</u>	=	148.84%	<u>7,490,476</u>	=	155.66%
Current liabilities	4,961,184			5,461,044			4,812,176		

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

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

<u>Current assets</u>	<u>7,019,105</u>	=	180.54%	<u>8,128,252</u>	=	182.02%	<u>7,490,476</u>	=	183.64%
Current liabilities	3,887,896			4,465,600			4,078,994		

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

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

Notes to the Financial Statements For The Year Ended 30 June 2008

	Note	2008 \$	2007 \$
Note 40 Capital expenditure			
Capital expenditure areas			
Buildings		998,704	992,571
Drainage		29,981	5,294
Furniture & Equipment		175,007	89,652
Historical Assets		1,000	2,500
Library Resources		93,777	99,913
Plant and equipment		997,819	737,140
Roads, Streets & Bridges		3,217,887	3,361,076
Works in Progress		510,619	325,016
Total capital works		6,024,794	5,613,162
Represented by:			
Renewal of infrastructure	(a)	2,598,440	2,383,380
Upgrade of infrastructure	(b)	1,685,303	1,972,950
Expansion of infrastructure	(c)	111,640	221,710
New buildings		248,429	62,303
New drainage		29,980	-
New furniture & equipment		175,007	89,652
New historical assets		1,000	2,500
New roads street & bridges		78,631	39,068
New land		4,768	4,546
New library resources		93,777	99,913
New plant and equipment		997,819	737,140
Total capital works		6,024,794	5,613,162

Property, plant and equipment, infrastructure movement

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

Total capital works		6,024,794	5,613,162
Asset revaluation movement	25(a)	20,247,378	16,698,184
Depreciation/amortisation	11	(4,663,898)	(4,279,062)
Written down value of assets sold	20	(249,296)	(350,906)
Net movement in property, plant and equipment, infrastructure	20	21,358,978	17,681,378

(a) Renewal

Expenditure on an existing asset which returns the service potential or the life of the asset up to that which it had originally. It is periodically required expenditure, relatively large (material) in value compared with the value of the components or sub-components of the asset being renewed. As it reinstates existing service potential, it has no impact on revenue, but may reduce future operating and maintenance expenditure if completed at the optimum time.

(b) Upgrade

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

(c) Expansion

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

Notes to the Financial Statements For The Year Ended 30 June 2008

	Note	2008	2007
Note 41	Special committees and other activities		
	<u>Marysville Retirement Village Committee of Management</u>	\$	\$
	<p>The Marysville Retirement Village comprises 11 units (7 single bedroom and 4 two-bedroom units) and a central meeting room/function room for its residents. One (1) of these units is owned by Murrindindi Shire Council which is occupied by a resident who has a "life long lease" over the unit.</p> <p>The Committee of Management is responsible for the upkeep of the facility including maintenance of gardens and buildings and setting of maintenance contributions from residents.</p> <p>All Financial transactions of the Committee of Management are conducted through the accounts of Murrindindi Shire Council and are included in these financial statements under the appropriate functional area.</p>		

Note 42	Significant items		
	There are no significant items that require separate disclosure		

Notes to the Financial Statements For Year Ended 30 June 2008

Note 43 Pending Accounting Standards

The following Australian Accounting Standards have been issued or amended and are applicable to the Council but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

AASB amendment	Standards affected	Outline of amendment	Application date of Standard	Application date for Council
AASB 2006-3 Amendments to Australian Accounting Standards	AAS 27 Financial Reporting by Local Governments AASB 1045 Land Under Roads: Amendments to AAS 27A, AAS 29A and AAS 31A	From the beginning of the reporting period to which this Standard is first applied, until the end of the first reporting period ending on or after 31 December 2007, transitional provisions shall apply. Under those provisions, local governments, while encouraged to apply the full provisions of this Standard, may elect instead not to recognise land under roads as an asset in the balance sheet .	October 2006	01-Jul-08
AASB 1004 Contributions	AAS 27 Financial Reporting by Local Governments	As this Standard broadly reproduces the requirements relating to contributions contained in AAS 27, there will be no direct impact on the financial report.	01-Jul-08	01-Jul-08
AASB 1051 Land Under Roads	AAS 27 Financial Reporting by Local Governments	In respect to land under roads acquired before 30 June 2008: allows a Council to elect to recognise or not to recognise an asset; requires any adjustment upon recognition to be made against accumulated surplus; requires a Council to disclose its accounting policy; allows a Council to elect to adopt the fair value or a previous revaluation; requires any above elections to be made effective as at 1 July 2008. Requires that land under roads acquired after 30 June 2008 is accounted for in accordance with AASB 116. The impact of any changes that may be required cannot be reliably estimated and is not disclosed in the financial report.	01-Jul-08	01-Jul-08
AASB 1052 Disaggregated Disclosures	AAS 27 Financial Reporting by Local Governments	As this Standard broadly reproduces the requirements relating to disaggregated disclosures contained in AAS 27, there will be no direct impact on the financial report.	01-Jul-08	01-Jul-08
AASB 2007-9 Amendments to Australian Accounting Standards arising from the Review of AASs 27, 29 and 31	AAS 27 Financial Reporting by Local Governments Amendments to: AASB 3, AASB 5, AASB 8, AASB 101, AASB 114, AASB 116, AASB 127, AASB 137	As this Standard broadly reproduces the requirements relating to certain relevant requirements contained in AAS 27, there will be no direct impact on the financial report.	01-Jul-08	01-Jul-08
AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project	AASB 5, 7 101, 102, 107, 108, 110, 116, 118, 119, 120, 123, 127, 128 129, 131, 132, 134, 136, 138, 139, 140, 141, 1023 & 1038	The amendment to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting.	01-Jan-09	01-Jul-09
AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	AASB 1 First time Adoption of Australian Equivalents to IFRS AASB 5 Non Current Assets held for Sale and Discontinued Operations.	This standard includes requirements relating to a sale plan involving the loss of control of a subsidiary.	01-Jul-09	01-Jul-09

Certification of the Financial Report

In my opinion the accompanying financial statements have been prepared in accordance with the *Local Government Act 1989*, the *Local Government (Finance and Reporting) Regulations 2004*, Australian Accounting Standards and other mandatory professional reporting requirements.



Jennifer Lewis
Principal Accounting Officer

Date: 3 September 2008
Alexandra

In our opinion the accompanying financial statements present fairly the financial transactions of Murrindindi Shire Council for the year ended 30 June 2008 and the financial position of the Council as at that date.

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

We have been authorised by the Council on 2 September 2008 to certify the financial statements in their final form.

Lyn Gunter
Councillor



Date: 3 September 2008
Alexandra

Christopher Healy
Councillor



Date: 3 September 2008
Alexandra

Mark Henderson
Chief Executive Officer



Date: 3 September 2008
Alexandra

STANDARD INCOME STATEMENT

For the year ending 30 June 2008

	Budget	Variances		Ref	Actuals
	2007/2008	\$	%		2007/2008
	\$	\$	%		\$
Revenue					
Rates and charges	11,775,594	930,916	7.9	1	10,844,678
Statutory fees and fines	563,760	11,104	2.0		552,656
User fees	2,776,062	1,089,747	39.3	2	1,686,315
Contributions	209,004	60,143	28.8	3	269,147
Grants - recurrent	4,742,882	180,108	3.8		4,922,990
Grants - non-recurrent	2,002,520	618,048	30.9	4	2,620,568
Reimbursements	94,400	72,094	76.4	5	166,494
Other revenue	749,516	31,244	4.2		780,760
Total revenue	22,913,738	1,070,130	4.7		21,843,608
Expenses					
Employee benefits	9,103,656	30,683	0.3		9,072,973
Materials and services	7,930,790	1,254,611	15.8	6	6,676,179
Finance costs	406,517	16,449	4.0		390,068
Depreciation and amortisation	4,313,414	350,484	8.1		4,663,898
Other expenses	154,655	2,967	1.9		151,688
Total expenses	21,909,032	954,226	4.4		20,954,806
Net gain (loss) on disposal of assets	1,500	51,660	3,444.0		53,160
Surplus (deficit) for the period	1,006,206	64,244	6.4		941,962

Net gain (loss) on disposal of assets

Proceeds from Sale of Fixed Assets

Carrying value of assets sold

268,271	34,185	12.7	7	302,456
266,771	17,475	6.6		249,296
1,500	51,660	3,444.0		53,160

STANDARD INCOME STATEMENT

For the year ending 30 June 2008

Variance Explanation Report

<u>Ref.</u>	<u>Item</u>	<u>Explanation</u>
1	Rates and charges (revenue)	Although within 10% threshold, this significant variance relates to proposed Special Charge Schemes for Taylor Bay Left Arm \$900,000 and Green Street Alexandra \$75,000 that did not proceed in 2007/08. Supplementary valuations from subdivisions and new dwellings increased rates and waste charges by \$44,000.
2	User fees (revenue)	Council's business unit, Murrindindi Construction, undertook minimal external works of \$217,704 against a budget of \$1,220,000, due to a change in focus on completion of Council's works program. Sale of quarry product was also down \$168,797 due to reduced crushing production. This is offset by under spend in material and contractors. Increased service provision in home care in particular private debtors at full cost recovery has increased user charges significantly in this area. Saleyards income was higher than anticipated. Swimming pools income was under budget. Commercial Garbage Collections charges and tipping fees were higher than anticipated.
3	Contributions (revenue)	Additional contributions from subdividers to infrastructure development (car parking) and Public Open Space. This together with contributions from community groups towards capital projects and training programs make up the bulk of the favourable variance.
4	Grants- non recurrent (revenue)	Vic Roads TIRES funding of \$266,699, VLine Bus Stop Upgrades \$180,000, Vic Forests Rubicon Road \$64,795, Emergency Generator \$47,000 and Highlands Hall \$61,887 make up the bulk of the favourable variance. Several minor projects have received funds in advance however this is offset by other projects yet to be finalised and claimed.
5	Reimbursements (revenue)	Reimbursement of legal fees in collection of debts was higher than budgeted due to an increased focus on debt recovery. Increased Veteran Affairs Home Care services and reimbursement of insurance claim expenses have also contributed to the increase in revenue.
6	Materials & Contractors (expenses)	Favourable variance external works \$758,000 and Quarry crushing \$137,000 offsetting user charges. Under expenditure on Engineering projects \$39,000, Computer operating \$62,000, Public Relations \$45,000, Tourism Projects \$39,000, Roads maintenance \$66,000 and Garbage disposal \$118,000. Over expenditure on Parks & gardens (\$69,000) and legals - feedlot (\$32,000). The balance of \$90,000 favourable variance is spread over numerous accounts, however with both over and under variances.
7	Proceeds from Sale of Fixed Assets	Better than anticipated sale price for Tandem Tipper and Prime mover have realised additional revenue.

Murrindindi Shire Council
2007/2008 Standard Statements

STANDARD BALANCE SHEET

As at 30 June 2008

	<i>Budget</i>		<i>Variances</i>	<i>Ref</i>	<i>Actuals</i>
	<i>2007/2008</i>				<i>2007/2008</i>
	\$	\$	%		\$
<i>Current assets</i>					
Cash and cash equivalents	3,725,438	1,160,252	31.1	8	4,885,690
Trade and other receivables	1,320,485	435,982	33.0	9	1,756,467
Inventories	207,000	18,661	9.0		188,339
Prepayments	300,000	158,573	52.9	10	141,427
Other - Accrued Income	40,000	7,182	18.0	11	47,182
Total current assets	5,592,923	1,426,182	25.5		7,019,105
<i>Non-current assets</i>					
Trade and other receivables	46,012	9,590	20.8	12	36,422
Property, plant and equipment, infrastructure	187,440,169	14,873,013	7.9	13	202,313,182
Total non-current assets	187,486,181	14,863,423	7.9		202,349,604
Total assets	193,079,104	16,289,605	8.4		209,368,709
<i>Current liabilities</i>					
Trade and other payables	1,604,855	212,250	13.2	14	1,392,605
Trust funds and deposits	689,203	6,376	0.9		682,827
Provisions	1,896,087	37,552	2.0		1,858,535
Interest bearing loans and borrowings	1,030,218	3,001	0.3		1,027,217
Total current liabilities	5,220,363	259,179	5.0		4,961,184
<i>Non-current liabilities</i>					
Provisions	1,340,259	23,570	1.8		1,363,829
Interest bearing loans and borrowings	4,109,377	20,681	0.5		4,130,058
Total non-current liabilities	5,449,636	44,251	0.8		5,493,887
Total liabilities	10,669,999	214,928	2.0		10,455,071
Net assets	182,409,105	16,504,533	9.0		198,913,638
<i>Equity</i>					
Accumulated surplus	82,022,333	362,325	0.4		81,660,008
Asset revaluation reserve	99,109,168	16,523,813	16.7	15	115,632,981
Other reserves	1,277,604	343,045	26.9	16	1,620,649
Total equity	182,409,105	16,504,533	9.0		198,913,638

STANDARD BALANCE SHEET

As at 30 June 2008

Variance Explanation Report

Ref.	Item	Explanation
8	Cash and cash equivalents	Additional cash held at year end relates mainly to unexpended capital works. Although capital works expenditure achieved in 2007/08 was \$6 million, the total program including carry forwards from 2006/07 and additional grant funding in 2007/08 was \$7.7million, showing a carry forward of \$1.7million. The favourable variance in cash of \$1.2million together with increased debtor levels of \$0.4million (ref note 9.) account for most of this deferred works.
9	Trade and other receivables (non-current)	A higher level of debtors at year end than budgeted resulted due to grant funded projects claims invoiced in late June. Rate Debtors have also shown a slight increase. Although the level was higher as at 30 June 2007, debtor levels were budgeted to reduce to prior year average levels in 2007/08.
10	Prepayments	Council's Public Liability insurance premium for 2008/09 was not processed as pre payment in 2007/08, and paid in July 2008. However Vision Super defined benefits contribution were pre-paid.
11	Other - Accrued Income	Investment terms maturing after 30 June 2008 increased the level of accrued interest revenue.
12	Trade and other receivables (non-current)	Increase in long term debtors relates mainly to arrangements for progress payments of planning contributions for infrastructure.
13	Property, Plant and Equipment, Infrastructure	The majority of the increase is a result of the revaluation of land and buildings and indexation of Infrastructure assets, although some allowance was made revaluations exceeded budgets (refer to note 15). Actual levels of capital expenditure are best referenced from Notes 24 to 30.
14	Trade and other payables	A lower level of sundry creditors relating to the 2007/08 financial year were processed after year end.
15	Asset revaluation reserve	Revaluations of property and infrastructure during the year resulted in increases to the asset revaluation reserve of \$20.2million. Budgeted increase was \$9.9million and this variance of \$10.3million., together with increased reserve level from 2006/07 make up the variance of \$16.5million.
16	Other reserves	Infrastructure contributions for car parking, deferment of projects funded from Public Open Space, Waste Management operating surplus, carry forward projects at Caravan Parks and increase in user charges for Saleyards reflect an increase in reserve balances at year end.

Murrindindi Shire Council
2007/2008 Standard Statements

STANDARD CASH FLOW STATEMENT

For the year ending 30 June 2008

	Budget		Ref	Actuals
	2007/2008	Variances		2007/2008
	\$	\$	%	\$
Cash flows from operating activities				
Receipts from Ratepayers	10,707,259	24,968	0.2	17
User Charges and Reimbursements (inclusive of GST) *	5,333,344	1,961,315	36.8	18
Government Grants (inclusive of GST) *	6,915,402	1,484,657	21.5	19
Interest received	327,800	52,888	16.1	20
Net GST refund/payment *	800,000	2,043	0.3	
Payments to Suppliers (inclusive of GST) *	(9,237,445)	805,165	8.7	
Payments to employees	(8,812,913)	98,374	1.1	
Net cash inflow (outflow) from operating activities	6,033,447	310,032	5.1	6,343,479
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment, infrastructure	268,271	34,185	12.7	21
Payments for property, plant and equipment, infrastructure	(6,542,516)	517,722	7.9	22
Net cash inflow (outflow) from investing activities	(6,274,245)	551,907	8.8	(5,722,338)
Cash flows from financing activities				
Proceeds from interest bearing loans and borrowings	500,000	-	-	
Repayment of interest bearing loans and borrowings	(948,742)	17,680	1.9	
Finance Costs	(363,232)	17,500	4.8	
Trust Funds & Deposits	(49,545)	5,132	10.4	23
Net cash inflow (outflow) from financing activities	(861,519)	40,312	4.7	(821,207)
Net increase (decrease) in cash and cash equivalents	(1,102,317)	902,251	81.9	(200,066)
Cash and cash equivalents at the beginning of the year	4,827,756	258,000	5.3	
Cash and cash equivalents at the end of the year	3,725,439	1,160,251	31.1	4,885,690
Reconciliation of Surplus (Deficit) and Net Cash Flows from Operating Activities				
For the year ending 30 June 2006				
Surplus (deficit)	1,006,206	64,244	6.4	941,962
Depreciation and amortisation	4,313,414	350,484	8.1	
(Profit) Loss on sale of property, plant and equipment, infrastructure	(1,500)	51,660	3,444.0	
Finance Costs - cash proportion	363,252	17,520	4.8	
Net movement in current assets and liabilities	352,075	92,972	26.4	
Net cash inflow (outflow) from operating activities	6,033,447	310,032	5.1	6,343,479

* Please Note - Council's published budget did not include GST within the Budgeted Cash Flow Statement. Adjustments for GST to the budgeted Cash Flow's have been included for comparative purposes.

Murrindindi Shire Council
2007/2008 Standard Statements

STANDARD CASH FLOW STATEMENT

For the year ending 30 June 2008

Variance Explanation Report

<u>Ref.</u>	<u>Item</u>	<u>Explanation</u>
17	Receipts from Ratepayers (inflow)	Favourable variance relates mainly to special charge scheme income reclassified as Rates and charges, but budgeted for in cash flow under user charges. Additional rates and waste services charges were also raised, however there is minimal variance as the level of rate and special charge debtors has also increased.
18	User Charges and Reimbursements (inflow)	User charges revenue was significantly under budget as per note 2 - mainly external works. Increases in contributions - refer to note 3 and reimbursements - refer to note 5, together with a decrease in the level of general sundry debtors at year end has contributed to additional cash reducing the overall unfavourable variance. Special Charges Schemes for Taylor Bay Left Arm and Green Street Alexandra were also budgeted as cash flows from User charges - which has also contributed to the unfavourable variance as these schemes did not proceed in 2007/08.
19	Government Grants (inflow)	Additional recurrent and non recurrent grants received totaling \$798,000 combined with a reduction in Government Grant Debtors \$686,000 from the previous year end's high level has generated this favourable variance.
20	Interest received (inflow)	Better than expected interest rates together with additional cash holdings throughout the year resulted in additional interest received on cash and short term investments.
21	Proceeds from sale of property, plant and equipment.	As per note 7 - favourable sale prices with Tandem Tipper and Prime Mover above budget estimates.
22	Payments for property, plant and equipment, infrastructure	Variances in payments for fixed assets can be better analysed with reference to the Standard Statement of Capital Works and notes 24 to 30.
23	Trust Funds and Deposits	Council had budgeted for a reduced level of Trust funds and deposits which has a minor variance of \$5,132. There has been an increased in grant funds held required to be returned to funding body due to the program being finished, however the level of planning permit deposits and contract retentions has reduced by a similar amount.
	General Note :	Budgeted Cash Flows have been adjusted to include GST for comparative purposes. Council's published 2007/08 Budget did not included GST within the Cash Flow Statement.

Murrindindi Shire Council
2007/2008 Standard Statements

STANDARD STATEMENT OF CAPITAL WORKS

For the year ending 30 June 2008

Capital Works Areas	Budget		Ref	Actuals	
	2007/2008	Variances		2007/2008	
	\$	\$	%		\$
Roads Streets & Bridges	4,387,381	714,621	16.3	24	3,672,760
Drainage	205,410	124,451	60.6	25	80,959
Buildings	930,064	68,640	7.4		998,704
Plant & Equipment	797,352	200,467	25.1	26	997,819
Historical Assets	4,500	3,500	77.8	27	1,000
Furniture & Equipment	136,353	38,654	28.3	28	175,007
Library Resources	81,456	12,321	15.1	29	93,777
Land	-	4,768	-	30	4,768
Total capital works	6,542,516	517,722	7.9		6,024,794
Represented by:					
Renewal of infrastructure	2,474,025	124,415	5.0		2,598,440
Upgrade of infrastructure	2,590,815	905,512	35.0		1,685,303
Expansion of infrastructure	46,500	65,140	140.1		111,640
New infrastructure	105,000	26,369	25.1		78,631
New buildings	261,305	12,876	4.9		248,429
New drainage	45,210	15,230	33.7		29,980
New plant and equipment	797,352	200,467	25.1		997,819
New furniture & equipment	136,353	38,654	28.3		175,007
New library resources	81,456	12,321	15.1		93,777
New land	-	4,768	-		4,768
New historical assets	4,500	3,500	77.8		1,000
Total capital works	6,542,516	517,722	7.9		6,024,794
Property, plant and equipment, infrastructure movement reconciliation worksheet					
	Budget	Variances			Actuals
	2006/2007				2006/2007
	\$	\$	%		\$
The movement between the previous year and the current year in property, plant and equipment, infrastructure as shown in the Balance Sheet links to the net of the following items:					
Total capital works	6,542,516	517,722	7.9		6,024,794
Asset revaluation movement	9,950,000	10,297,378	103.5	30	20,247,378
Depreciation and amortisation	(4,313,414)	350,484	8.1		(4,663,898)
Written down value of assets sold	(266,771)	17,475	6.6		(249,296)
Net movement in property, plant and equipment, infrastructure	11,912,331	9,446,647	79.3		21,358,978

STANDARD STATEMENT OF CAPITAL WORKS

For the year ending 30 June 2008

Variance Explanation Report		Explanation
<u>Ref.</u>	<u>Item</u>	
24	Roads Streets & Bridges	Several major road work projects have been deferred and carried forward in the 2008/2009 Budget - in particular Taylor Bay Left Arm \$900,000 and Green Street Alexandra \$150,000 Special Charge projects. The variance however is reduced by expenditure on unbudgeted grant projected from VicRoads of \$260,000 plus carry forward of unexpended projects from 2006/2007 in particular the Local Works Infrastructure Projects on pathways.
25	Drainage	Downey Street Alexandra Drainage works are yet to be completed but under budget to date. Several other drainage renewal projects with minimal expenditure will be carried forward to the 2008/09 financial year.
26	Plant and Equipment	The purchase of the flocon truck ordered in 2006/07 but not delivered before 30 June 2007, was carried forward into 2007/08. The installation of the emergency generator, although receiving grant funding was also unbudgeted expenditure in 2007/08.
27	Historical Assets	In 2007/08 only one Art Show prize was acquired from the Marysville Art Show.
28	Furniture & Equipment	Above ground fuel tank purchase was carried forward from previous years 2006/07 budget. Minor over expenditure on pool equipment replacement has also contributed to this unfavourable variance.
29	Library Resources	Additional expenditure on library bookstock has been funded by unbudgeted bookstock grant of \$13,314.
30	Land	The land purchase of a road reserve is yet to be finalised only recognising legal expenses to date.
	General Note on Capital Works.	Please Note: a complete listing of all capital works projects completed within the 2007/08 financial year will be provided in the front part of the Annual Report.

Notes to the Standard Statements

1. Basis of preparation of Standard Statements

Council is required to prepare and include audited Standard Statements within its Annual Report.

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

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

The Standard Statements are not a substitute for the General Purpose Financial Report, which are included on pages 1 to 4 of the Financial Report. They have not been prepared in accordance with all Australian Accounting Standards or other authoritative professional pronouncements.

The Standard Statements compare Council's Strategic Resource Plan, expressed through its budget, with actual performance. The Local Government Act 1989 requires explanation of any material variances. Council has adopted a materiality **threshold of 10 per cent**. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures included in the Standard Statements are those adopted by Council on 28 August 2007. 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 the Council Plan in order to meet Council's business plan and financial performance targets for both the short and long term. The budget did not reflect any changes to equity resulting from assets revaluations, as their impacts were not considered predictable.

Detailed information on the actual financial results are contained in the General Purpose Financial Report on pages 1 to 4. The detailed budget can be obtained by contacting Council or through Council's website. The Standard Statements must be read with reference to these documents.

CERTIFICATION OF STANDARD STATEMENTS

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



Principal Accounting Officer
Jennifer Lewis
Dated: 3 September 2008

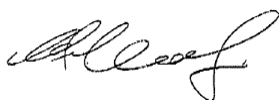
In our opinion the accompanying standard statements have been prepared on accounting bases consistent with the financial statements and in accordance with the Local Government Act 1989 and the Local Government (Finance and Reporting) Regulations 2004.

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 2 September 2008, to certify the standard statements in their final form.



Councillor
Lyn Gunter
Dated: 3 September 2008



Councillor
Christopher Healy
Dated: 3 September 2008



Chief Executive Officer
Mark Henderson
Dated: 3 September 2008



Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT

Murrindindi Shire Council

To the Councillor's

The Financial Report and Standard Statements

The accompanying financial report for the year ended 30 June 2008 of Murrindindi Shire Council which comprises of the income statement, balance sheet, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the certification of the financial report has been audited.

The accompanying standard statements for the year ended 30 June 2008 of Murrindindi Shire Council which comprises of the standard income statement, standard balance sheet, standard cash flow statements, standard statement of capital works the related notes and the certification of standard statements have been audited.

The Councillor's Responsibility for the Financial Report and Standard Statements

The Councillor's of Murrindindi Shire Council are responsible for the preparation and the fair presentation of:

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

This responsibility includes:

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and standard statements. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report and standard statements, whether due to fraud or error.

Independent Auditor's Report (continued)

In making those risk assessments, consideration is given to internal control relevant to the entity's preparation and fair presentation of the financial report and standard statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used, and the reasonableness of accounting estimates made by the Councillors, as well as evaluating the overall presentation of the financial report and standard statements.

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

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

This auditor's report relates to the financial statements published in both the annual report and on the website of Murrindindi Shire Council for the year ended 30 June 2008. The Councillors of Murrindindi Shire Council are responsible for the integrity of the web site. I have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on Murrindindi Shire Council web site.

Independence

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

Auditor's Opinion

In my opinion:

- the financial report presents fairly, in all material respects, the financial position of Murrindindi Shire Council as at 30 June 2008 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations), and the financial reporting requirements of the *Local Government Act 1989*.
- The standard statements present fairly, in all material respects, in accordance with the basis of preparation as described in note 1 to the statements and comply with the requirements of the *Local Government Act 1989*.

MELBOURNE
9 September 2008


for D D R Pearson
Auditor-General

**PERFORMANCE STATEMENT FOR THE YEAR
1 JULY 2007 TO 30 JUNE 2008**

Key Strategic Activity	Performance Measure	How Data is reported	2007/08 Performance Target	2007/08 Actual Result	Note
Theme 1 – Environment					
Replacement of street and park litter bins in Alexandra and Marysville.	Project completed by due date and within budget.	Management reports.	Completion by December 2007.	Not completed.	1.
Town Planning.	Community satisfaction rating for town planning	Annual community satisfaction survey.	Greater than 56	59	
Theme 2 - Community					
Complete the Capital Works program.	Completion by 30 June 2008.	Report to Council on a quarterly basis.	Greater than 80%	80%	2.
Theme 3 - Infrastructure					
Reduce the Infrastructure Gap	Infrastructure Gap	Annual Report and Road and Bridge Strategy 2007/08.	Less than \$1.7 mil.	\$1.185 mil	3.
Reduce the Renewal and Maintenance Gap	Renewal and Maintenance Gap	Annual Report	80%	73%	4.
Theme 4 – Local Economy					
Community Satisfaction	Economic Development	State Govt. annual Community survey.	Greater than 59	60	
Theme 5 - Governance					
Advocacy	Rating for Council's advocacy and community representation on key local issues.	Local Govt Vic Annual Community Satisfaction Survey.	Greater than 64	62	5.
Community Engagement	Rating for engagement in decision making on key local issues.	Local Govt Vic Annual Community Satisfaction Survey.	Greater than 60	63	
Business Excellence / Best Value program	Completion of Business Excellence / Best Value requirements.	Annual Report	100%	50 %.	6.

The above statement should be read in conjunction with the accompanying notes.

NOTES TO AND FORMING PART OF THE PERFORMANCE STATEMENT FOR 2007/ 2008

Performance Statement Variances

Explanatory notes:

1. Project was not funded in the 2007/08 Budget. Additional community consultation required. This target should have been removed after the late decision in the budget process not to fund the project.
2. A target of greater than 80% was not originally selected as there are several large projects in the capital program over which the Council does not have control of the process. Examples of this are the Taylor Bay and Green Street Special Charge Schemes. These schemes were not commenced in 2007/08. The Taylor Bay Scheme went before VCAT in April 2008 following a challenge. The Scheme process will be recommenced in September 2008. Green Street is now scheduled for completion in 2008/09.
3. The most recent STEP Asset Management independent review was undertaken in April 2008 and confirmed the August 2007 gap of \$1.185 million. A further review will be undertaken in October 2008, which will take account of 2007/08 capital expenditure and asset revaluation data. The original target of \$1.7 million was chosen as there was some concern over the accuracy of asset data collected particularly on the Council's buildings. In hindsight, a target of around \$1.2 million would have been more appropriate.
4. An increase in assets valuations has increased the AAAC (Average Annual Asset Consumption), which is the amount of expenditure required to meet asset renewal. Council has expended a similar amount on capital renewal in 2007/2008 as in 2006/2007, however expenditure on maintenance in 2007/08 was reduced. This was mainly attributed to reallocation from the building maintenance budget (included in the renewal and maintenance gap calculation) to capital upgrades, as well as additional expenditure on roadside vegetation control, which is also not part of the calculation in determining the gap.
5. 38% of respondents to the state government survey commented that the Council, "was not doing enough/ need to lobby harder" on key local issues. There is no clarity in the survey on the specifics of this result.
6. 50% completed. Only 4 out of 8 Best Value Reviews were completed as at 30 June 2008. Managers have had difficulty in completing the Best Value process as well as delivering on operational aspects of their roles. It is expected that the remaining reviews will be completed in time for the Annual Report.

COUNCIL APPROVAL OF THE PERFORMANCE STATEMENT

In our opinion, that accompanying performance statement of the Murrindindi Shire Council in respect of 2007/ 2008 financial year is presented fairly in accordance with the Local Government Act 1989.

The statement outlines the performance targets and measures set out in relation to the achievement of the business plan in respect of that year described in Council's Community Plan and describes the extent to which the business plan was met in that year having regard to those targets and measures.

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

Councillor
Lyn Gunter



Dated: 3 September 2008
Alexandra

Councillor
Christopher Healy



Dated: 3 September 2008
Alexandra

Chief Executive Officer
Mark Henderson



Dated: 3 September 2008
Alexandra



Victorian Auditor-General's Office

INDEPENDENT AUDIT REPORT

Murrindindi Shire Council

To the Councillors

The Performance Statement

The accompanying performance statement for the year ended 30 June 2008 of Murrindindi Shire Council which comprises the statement, the related notes and the council approval of the performance statement has been audited.

The Councillors Responsibility for the Performance Statement

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

Auditor's Responsibility

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

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

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

Matters Relating to the Electronic Presentation of the Audited Performance Statement

This auditor's report relates to the statement of performance published in both the annual report and on the website of Murrindindi Shire Council for the year ended 30 June 2008. The Councillors are responsible for the integrity of the web site. I have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited performance statement to confirm the information included in the audited performance statement presented on the Council's web site.

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Victorian Auditor-General's Office

Independent Audit Report (continued)

Independence

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

Auditor's Opinion

In my opinion, the performance statement of Murrindindi Shire Council in respect of the 30 June 2008 financial year presents fairly, in all material respects, in accordance with the *Local Government Act 1989*.

MELBOURNE
9 September 2008


D D R Pearson
Auditor-General