

**Financial Report
Standard Statements
Performance Report**

**For year ended
30 June 2007**

Murrindindi Shire Council
Financial Report, Standard Statements and Performance Statement
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**Income Statement
For the Year Ended 30 June 2007**

	Note	2007 \$	2006 \$
CONTINUING OPERATIONS			
Revenue			
Rates and charges	2	10,024,589	9,296,577
Statutory fees and fines	3	508,591	526,740
User fees	4	3,026,288	2,209,916
Grants - Recurrent	5	4,659,602	4,669,889
Grants - Non-recurrent	5	3,015,667	3,321,469
Contributions - Cash	6	180,008	364,723
Reimbursements	7	146,207	98,232
Other revenue	8	791,569	822,455
Total revenue		22,352,521	21,310,001
Expenses			
Employee benefits	9	(8,599,032)	(7,977,593)
Materials and services	10	(8,027,400)	(7,565,730)
Depreciation and amortisation	11	(4,279,062)	(3,953,862)
Other expenses	12	(153,636)	(156,396)
Finance costs	13	(381,671)	(396,991)
Total expenses		(21,440,801)	(20,050,572)
Net gain(loss) on disposal of property, plant and equipment, infrastructure	14	(28,903)	7,343
Surplus for the financial year		882,817	1,266,772

The accompanying notes form part of this financial report

Balance Sheet
As at 30 June 2007

	Note	2007 \$'000	2006 \$'000
Assets			
Current assets			
Cash and cash equivalents	15	5,085,756	4,700,831
Trade and other receivables	16	2,458,396	2,118,572
Accrued income	17	49,759	50,766
Prepayments	18	267,623	308,872
Inventories	19	266,718	311,435
Total current assets		<u>8,128,252</u>	<u>7,490,476</u>
Non-current assets			
Trade and other receivables	16	21,508	38,730
Property, plant and equipment, infrastructure	20	180,954,204	163,272,826
Total non-current assets		<u>180,975,712</u>	<u>163,311,556</u>
Total assets		<u>189,103,964</u>	<u>170,802,032</u>
Liabilities			
Current liabilities			
Trade and other payables	21	2,063,694	1,629,062
Trust funds and deposits	22	727,241	955,741
Provisions	23	1,739,047	1,419,190
Interest-bearing loans and borrowings	24	931,062	808,183
Total current liabilities		<u>5,461,044</u>	<u>4,812,176</u>
Non-current liabilities			
Provisions	23	1,261,347	1,208,222
Interest-bearing loans and borrowings	24	4,657,275	4,638,337
Total non-current liabilities		<u>5,918,622</u>	<u>5,846,559</u>
Total liabilities		<u>11,379,666</u>	<u>10,658,735</u>
Net Assets		<u>177,724,298</u>	<u>160,143,297</u>
Equity			
Accumulated surplus		81,016,600	80,248,266
Reserves	25	96,707,698	79,895,031
Total Equity		<u>177,724,298</u>	<u>160,143,297</u>

The accompanying notes form part of this financial report

**Statement of Changes in Equity
For the Year Ended 30 June 2007**

	Note	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)	0	(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

		Total 2006 \$	Accumulated Surplus 2006 \$	Asset Revaluation Reserve 2006 \$	Other Reserves 2006 \$
2006					
Balance at beginning of the financial year		145,927,546	79,059,305	65,738,440	1,129,801
Surplus for the year		1,266,772	1,266,772	-	-
Net asset revaluation increment	25(a)	12,948,979	-	12,948,979	-
Transfers to other reserves	25(b)	-	(601,018)	-	601,018
Transfers from other reserves	25(b)	-	523,207	-	(523,207)
Balance at end of the financial year		160,143,297	80,248,266	78,687,419	1,207,612

The accompanying notes form part of this financial report

**Cash Flow Statement
For the Year Ended 30 June 2007**

	2007	2006
	Inflows/ (Outflows)	Inflows/ (Outflows)
Note	\$	\$
Cash flows from operating activities		
Rates	9,961,301	9,178,347
User charges and other fines (inclusive of GST)	4,842,188	3,286,501
Grants (inclusive of GST)	7,494,698	8,275,037
Interest	362,416	290,021
Net GST refund/payment	640,984	648,387
Payments to suppliers (inclusive of GST)	(9,003,673)	(8,806,448)
Payments to employees (including redundancies)	(8,199,417)	(7,798,460)
Finance costs	(335,730)	(347,077)
Net cash provided by operating activities	26 <u>5,762,767</u>	<u>4,726,308</u>
Cash flows from investing activities		
Payments for property, plant and equipment, infrastructure	(5,613,162)	(5,211,482)
Proceeds from sale of property, plant and equipment, infrastructure	14 <u>322,003</u>	<u>448,419</u>
Net cash used in investing activities	<u>(5,291,159)</u>	<u>(4,763,063)</u>
Cash flows from financing activities		
Trust funds and deposits	(228,500)	(80,186)
Proceeds from interest bearing loans and borrowings	950,000	1,300,000
Repayment of interest bearing loans and borrowings	(808,183)	(1,186,501)
Net cash provided by (used in) financing activities	<u>(86,683)</u>	<u>33,313</u>
Net increase (decrease) in cash and cash equivalents	384,925	(3,442)
Cash and cash equivalents at the beginning of the financial year	4,700,831	4,704,273
Cash and cash equivalents at the end of the financial year	15 <u>5,085,756</u>	<u>4,700,831</u>
Restrictions on cash assets	29 3,240,436	2,821,348

The accompanying notes form part of this financial report

**Notes to the Financial Report
For the Year Ended 30 June 2007**

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.

The following information could also be provided here:

External Auditor - Auditor-General of Victoria
Internal Auditor - Richmond Sinnott & Defahunty
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 6 September, 2007.

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 equivalents to the International Financial Reporting Standards ("A-IFRS"), 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 A-IFRS 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

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.

**Notes to the Financial Report
For the Year Ended 30 June 2007**

Note 1 Significant accounting policies (cont.)

- (i) AASB amendment-
AASB 2005-10 Amendments to Australian Accounting Standard

Standard Affected-

AASB 1 First time Adoption of AIFRS
AASB 10 Presentation of Financial Statements
AASB 117 Leases
AASB 139 Financial Instruments: Recognition and Measurement

Outline of Amendment-

The disclosure requirements of AASB 132: Financial Instruments: Disclosure and Presentation have been replaced due to the issuing of AASB7: Financial Instruments : Discloser in August 2005. These amendments will involve changes to financial instrument disclosures within the financial report. However, there will be no direct impact on amounts included in the financial report as it is a disclosure standard.

Application date of Standard 1/7/07

Application date for Council 1/7/07

- (ii) AASB amendment-
AASB 7 Financial Instruments: Disclosure

Standard Affected-

AASB 132 Financial Instruments: Disclosure and Presentation

Outline of Amendment-

The disclosure requirements of AASB 132: Financial Instruments: Disclosure and Presentation have been replaced due to the issuing of AASB7: Financial Instruments : Discloser in August 2005. These amendments will involve changes to financial instrument disclosures within the financial report. However, there will be no direct impact on amounts included in the financial report as it is a disclosure standard.

Application date of Standard 1/7/07

Application date for Council 1/7/07

- (iii) AASB amendment-
AASB 2006-3 Amendments to Australia Accounting Standards

Standard Affected-

AAS 27 Financial Reporting by Local Governments
AASB 1045 Land Under Roads Amendments to AAS27A, AAS29A and AAS 31A

Outline of Amendment-

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 these provisions, local government, while encouraged to apply the full provision of this Standard, may elect instead not to recognise land under roads as an asset in the balance sheet.

The impact of any changes that may be required when the transitional provisions cease cannot be reliably estimated and is not disclosed in the financial report

Application date of Standard October 2006

Application date for Council 1/7/08

- (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 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.

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.

**Notes to the Financial Report
For the Year Ended 30 June 2007**

Note 1 Significant accounting policies (cont.)

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) 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:

	Period
<u>Property</u>	
Land	n/a
Buildings	30 - 50 years
Artworks 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 and earthworks	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 and earthworks	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.

**Notes to the Financial Report
For the Year Ended 30 June 2007**

Note 1 Significant accounting policies (cont.)

(e) 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.

(f) 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.

(g) 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.

(g) 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 2009.

(h) Inventories

Inventories held for distribution are measured at the lower of cost and current replacement cost.

Cost for all other inventory is measured on the basis of weighted average cost.

(i) Cash and cash equivalents

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

(j) 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).

**Notes to the Financial Report
For the Year Ended 30 June 2007**

Note 1 Significant accounting policies (cont.)

(k) 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.

(l) 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 work cover charges.

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 previous 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.

(m) 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 cashflows.

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.

(n) 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.

**Notes to the Financial Report
For the Year Ended 30 June 2007**

Note 1 Significant accounting policies (cont.)

(o) 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.

(p) Agreements equally proportionately unperformed

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

(q) Web site costs

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

(r) Goods and Services Tax (GST)

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

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

(s) Impairment of assets

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

**Notes to the Financial Report
For the Year Ended 30 June 2007**

2007 2006
\$ \$

Note 2 Rates and charges

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.

The valuation base used to calculate general rates for 2006/2007 was \$2.935 million (2005-2006 \$2.405 million). The 2006/2007 rate in the dollar for general rate was 0.002537 of the capital improved value of the property (2005-2006 - 0.002883). 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.

The 2006-2007 Municipal Charge was \$180.00 (2005-2006 \$168.00) per rateable assessment. In 2006-2007 the Garbage Service Charge was \$193.00 (2005-2006 \$173.00) and Recycling Charge \$57.00 (2005-2006 \$52.00).

Residential	3,234,367	2,976,165
Commercial	397,899	365,788
Rural 1	1,701,286	1,630,782
Rural 2	1,554,034	1,488,184
Municipal charge	1,589,753	1,470,354
Garbage charge	1,163,490	1,019,689
Recycling	335,603	298,906
Revenue in lieu of rates	48,157	46,709
	<u>10,024,589</u>	<u>9,296,577</u>

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.

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.

Note 3 Statutory fees and fines

Building	199,285	200,530
Environmental health and local laws	159,665	177,397
Planning and subdivisions	119,227	117,950
Other	30,414	30,863
	<u>508,591</u>	<u>526,740</u>

Note 4 User fees

External works - private works	1,412,420	833,716
Quarry product	275,251	385,343
Children services	237,244	242,521
Aged care	427,568	274,058
Valuation data	74,921	3,791
Saleyard fees	221,158	175,937
Recreation -pools and leisure centres	124,919	91,883
Waste - transfer station & landfill fees	215,745	184,511
Other fees and charges	37,062	18,156
	<u>3,026,288</u>	<u>2,209,916</u>

**Notes to the Financial Report
For the Year Ended 30 June 2007**

	2007	2006
	\$	\$
Note 5 Grants		
Grants were received in respect of the following :		
Recurrent		
Civic	1,920,598	1,987,738
Human services	1,329,304	1,312,260
Planning and environmental services	20,017	12,348
Recreation and culture	115,626	111,255
Transport	1,258,757	1,231,363
Waste and environment	15,300	14,925
Total recurrent	4,659,602	4,669,889
Non-recurrent		
Civic	54,557	65,500
Economic development and tourism	205,982	92,453
Human services	159,151	386,577
Planning and environmental services	181,406	98,909
Recreation and culture	400,721	511,243
Transport	1,898,189	1,856,762
Waste and environment	115,661	310,025
Total non-recurrent	3,015,667	3,321,469
Conditions on Grants		
Grants recognised as revenue during the year that were obtained on condition that they be expended in a specified manner that had not occurred at balance date were:		
Economic development and tourism	45,144	12,500
Human services	18,693	311,709
Planning and environmental services	83,289	0
Recreation and culture	59,305	47,591
Transport	226,479	841,777
Waste and environment	11,059	44,451
	443,969	1,258,028
Grants which were recognised as revenue in prior years and were expended during the current year in the manner specified by the grantor were:		
Civic	0	21,741
Economic development and tourism	12,500	4,650
Human services	286,840	43,657
Planning and environmental services	1,734	65,866
Recreation and culture	7,591	5,543
Transport	259,389	175,000
Waste and environment	39,142	0
	607,196	316,457
Net increase (decrease) in restricted assets resulting from grant revenues for the year:	(163,227)	941,571

**Notes to the Financial Report
For the Year Ended 30 June 2007**

	2007	2006
	\$	\$
Note 6 Contributions		
Cash		
Public open space - development contributions	32,697	167,568
Roads, footpaths and cycleways	47,600	101,650
Tourism and economic development	16,350	24,237
Recreational, leisure and community facilities	47,732	26,883
Training and development	0	40,000
Parking and infrastructure - development contributions	30,680	0
Other	4,949	4,385
	<u>180,008</u>	<u>364,723</u>
 Note 7 Reimbursements		
Debt recovery	74,247	48,126
Service provision	71,960	50,106
	<u>146,207</u>	<u>98,232</u>
 Note 8 Other revenue		
Interest	268,598	208,158
Interest on rates	97,617	97,445
Rental	91,965	83,500
Supervision and administration recoupment	43,482	121,704
Return on investment	272,837	264,449
Other	17,070	47,199
	<u>791,569</u>	<u>822,455</u>
 Note 9 Employee benefits		
Wages and salaries	7,764,778	7,167,931
Superannuation	619,719	573,175
Workcover	214,535	236,487
	<u>8,599,032</u>	<u>7,977,593</u>
 Note 10 Materials and services		
Utilities	349,361	343,268
Contractors	5,779,067	5,234,786
Legal Expenses	121,188	106,182
Insurance	368,981	341,809
Materials	957,999	912,529
Contributions	321,109	259,451
Consultants	129,695	367,705
	<u>8,027,400</u>	<u>7,565,730</u>

**Notes to the Financial Report
For the Year Ended 30 June 2007**

	2007	2006
	\$	\$
Note 11 Depreciation and amortisation		
<u>Property</u>		
Buildings	450,444	404,336
<u>Plant and Equipment</u>		
Plant, machinery and equipment	490,392	474,589
Fixtures, fittings and furniture	107,834	106,297
Heritage plant and equipment	673	655
Library books	85,361	74,121
<u>Infrastructure</u>		
Roads, Streets & Bridges	3,060,099	2,821,168
Drainage	84,259	72,696
	4,279,062	3,953,862
Note 12 Other expenses		
Auditors' remuneration	39,371	37,245
Councillors' allowances	96,000	96,000
Other	18,265	23,151
	153,636	156,396
Note 13 Finance costs		
Interest - Borrowings	336,432	353,989
Interest - provision for landfill rehabilitation	45,239	43,002
Finance costs	381,671	396,991
Note 14 Gain / (Loss) on Disposal of Capital Assets		
Proceeds from sales	322,003	448,419
less: Carrying amount of assets sold	350,906	441,076
	(28,903)	7,343
Note 15 Cash and cash equivalents		
Cash at Bank and on Hand	259,656	750,367
Term Deposits and at Call	4,826,100	3,950,464
	5,085,756	4,700,831
Note 16 Trade and other receivables		
<i>Current</i>		
Rates debtors	363,481	321,192
Garbage and Recycling debtors	99,634	78,636
Other debtors	1,801,020	1,685,559
Provision for doubtful debts - other debtors	(25,000)	(29,000)
Special rate debtors	6,598	7,178
Net GST receivable	212,663	55,007
	2,458,396	2,118,572
<i>Non-current</i>		
Special rate debtors	7,316	16,600
Loans and advances to community organisations	14,192	22,130
	21,508	38,730
Total	2,479,904	2,157,302

**Notes to the Financial Report
For the Year Ended 30 June 2007**

	2007	2006
	\$	\$
Note 17		
Accrued Income		
Accrued Interest	44,386	40,587
Accrued Income Other	5,373	10,179
	<u>49,759</u>	<u>50,766</u>
Note 18		
Prepayments		
Prepaid Insurance	173,022	216,228
Prepaid Vehicle Registration	53,973	53,073
Other prepayments	40,628	39,571
	<u>267,623</u>	<u>308,872</u>
Note 19		
Inventories		
Inventories for distribution at cost	266,718	311,435
	<u>266,718</u>	<u>311,435</u>

**Notes to the Financial Report
For the Year Ended 30 June 2007**

Note 20	Property, plant and equipment, infrastructure	2007	2006
		\$'000	\$'000
	Summary		
	at cost	17,281,419	17,435,018
	Less accumulated depreciation	2,785,783	2,333,388
		14,495,636	15,101,630
	at fair value	215,833,160	195,683,277
	Less accumulated depreciation	49,374,592	47,512,081
		166,458,568	148,171,196
	Total	180,954,204	163,272,826
	Property		
	Land		
	at cost	0	200,000
	at fair value as at 30 June 2007	14,692,713	11,573,395
		14,692,713	11,773,395
	Total Land	14,692,713	11,773,395
	Buildings		
	at cost	0	3,845,712
	Less accumulated depreciation	0	70,424
		0	3,775,288
	at fair value as at 30 June 2007	24,934,425	17,720,817
	Less accumulated depreciation	0	1,074,307
		24,934,425	16,646,510
	Total Buildings	24,934,425	20,421,798
	Total Property	39,627,138	32,195,193
	Valuation of land and buildings were undertaken by a qualified independent valuer Peter Hann FAPI Certified Practising Valuer of LG Valuation services. 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	5,109,275	4,983,131
	Less accumulated depreciation	1,629,492	1,401,288
		3,479,783	3,581,843
	Fixtures, fittings and furniture		
	at cost	910,650	916,651
	Less accumulated depreciation	476,292	462,013
		434,358	454,638
	Heritage Assets		
	at cost	135,360	132,860
	Less accumulated depreciation	3,804	3,131
		131,556	129,729
	Library books		
	at cost	791,954	705,279
	Less accumulated depreciation	348,774	276,651
		443,180	428,628
	Total Plant and Equipment	4,488,877	4,594,838

**Notes to the Financial Report
For the Year Ended 30 June 2007**

Property, plant and equipment, infrastructure (cont.)	2007 \$'000	2006 \$'000
Infrastructure		
Roads, Steets & Bridges		
at cost	9,831,076	6,331,720
Less accumulated depreciation	327,420	119,881
	9,503,656	6,211,839
at fair value as at 30 June 2007	167,892,031	158,538,271
Less accumulated depreciation	46,074,136	43,221,577
	121,817,895	115,316,694
Drainage		
at cost	5,294	0
	5,294	0
at fair value as at 30 June 2007	8,313,991	7,860,794
Less accumulated depreciation	3,300,466	3,216,197
	5,013,535	4,634,597
Total Infrastructure	136,340,380	126,163,130
<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	100,189
Roads Streets and Bridges at cost	179,295	219,476
Land at cost	4,547	
Total Works in progress	497,809	319,665
Total Property, Plant and Equipment, Infrastructure	180,954,204	163,272,826

**Notes to the Financial Report
For the Year Ended 30 June 2007**

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

2007	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	11,773,395	0	2,919,318		0	0	0	14,692,713
land improvements	0	0	0	0	0	0	0	0
Total land	11,773,395	0	2,919,318	0	0	0	0	14,692,713
buildings	20,421,798	992,571	3,961,909	450,444	0	0	8,591	24,934,425
Total buildings	20,421,798	992,571	3,961,909	450,444	0	0	8,591	24,934,425
Total property	32,195,193	992,571	6,881,227	450,444	0	0	8,591	39,627,138
Plant and Equipment								
plant and machinery	3,581,843	737,140	0	490,392	348,808	0	0	3,479,783
furniture and equipment	454,638	89,652	0	107,834	2,098	0	0	434,358
heritage assets	129,729	2,500	0	673	0	0	0	131,556
library books	428,628	99,913	0	85,361	0	0	0	443,180
Total plant and equipment	4,594,838	929,205	0	684,260	350,906	0	0	4,488,877
Infrastructure								
roads, streets & bridges	121,528,533	3,361,076	9,353,760	3,060,099	0	0	138,281	131,321,551
drainage	4,634,597	5,294	463,197	84,259	0	0	0	5,018,829
Total infrastructure	126,163,130	3,366,370	9,816,957	3,144,358	0	0	138,281	136,340,380
Works in progress								
buildings	100,189	222,369	0	0	0	0	(8,591)	313,967
roads	219,476	98,100	0	0	0	0	(138,281)	179,295
land	0	4,547	0	0	0	0	-	4,547
Total works in progress	319,665	325,016	0	0	0	0	(146,872)	497,809
Total property, plant and equipment, infrastructure	163,272,826	5,613,162	16,698,184	4,279,062	350,906	0	0	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 Report
For the Year Ended 30 June 2007**

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

2006	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	10,871,374	162,834	730,376	0	28,355	0	37,166	11,773,395
land improvements	0	0	0	0	0	0	0	0
Total land	10,871,374	162,834	730,376	0	28,355	0	37,166	11,773,395
buildings	18,797,993	1,005,812	973,323	404,336	74,776	0	123,782	20,421,798
Total buildings	18,797,993	1,005,812	973,323	404,336	74,776	0	123,782	20,421,798
Total property	29,669,367	1,168,646	1,703,699	404,336	103,131	0	160,948	32,195,193
Plant and Equipment								
plant and machinery	3,502,318	888,403	0	474,589	334,289	0	0	3,581,843
furniture and equipment	450,891	113,700	0	106,297	3,656	0	0	454,638
heritage assets	126,384	4,000	0	655	0	0	0	129,729
library books	405,680	97,069	0	74,121	0	0	0	428,628
Total plant and equipment	4,485,273	1,103,172	0	655,662	337,945	0	0	4,594,838
Infrastructure								
roads, streets & bridges	113,300,824	2,641,547	8,407,330	2,821,168	0	0	0	121,528,533
drainage	1,830,297	39,046	2,837,950	72,696	0	0	0	4,634,597
Total infrastructure	115,131,121	2,680,593	11,245,280	2,893,864	0	0	0	126,163,130
Works in progress								
buildings	123,782	100,189	0	0	0	0	(123,782)	100,189
roads	60,594	158,882	0	0	0	0	-	219,476
bridges	37,166	0	0	0	0	0	(37,166)	0
Total works in progress	221,542	259,071	0	0	0	0	(160,948)	319,665
Total property, plant and equipment, infrastructure	149,507,303	5,211,482	12,948,979	3,953,862	441,076	0	0	163,272,826

(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 Report
For the Year Ended 30 June 2007**

	2007	2006
	\$	\$
Note 21 Trade and other payables		
<i>Unsecured</i>		
Trade payables	1,622,696	1,262,029
Loan Interest	60,149	59,448
Expense other	324,210	252,338
Accrued expenses	56,639	55,247
	<u>2,063,694</u>	<u>1,629,062</u>
 Note 22 Trust funds and deposits		
Refundable building deposits	47,000	47,000
Refundable planning permit bonds	379,051	375,303
Refundable contract deposits	53,555	82,398
Primary care partnerships holding account	0	237,969
Other refundable deposits	247,635	213,071
	<u>727,241</u>	<u>955,741</u>

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 Report
For the Year Ended 30 June 2007**

Note 23 Provisions

	Annual leave	Long service leave	Landfill restoration	Marysville retirement Village	Total
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	0	844,838
Amounts used	(448,336)	(23,520)	0	0	(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>
2006					
Balance at beginning of the financial year	548,470	999,725	828,565	50,000	2,426,760
Additional provisions	449,424	190,308	43,002	0	682,734
Amounts used	(396,984)	(85,098)	0	0	(482,082)
Balance at the end of the financial year	<u>600,910</u>	<u>1,104,935</u>	<u>871,567</u>	<u>50,000</u>	<u>2,627,412</u>
				2007	2006
				\$'000	\$'000

(a) Employee benefits

Current (i)

Annual leave	684,397	600,910
Long service leave	1,054,650	818,280
	<u>1,739,047</u>	<u>1,419,190</u>

Non-current (ii)

Long service leave	294,541	286,655
	<u>294,541</u>	<u>286,655</u>

Aggregate carrying amount of employee benefits:

Current	1,739,047	1,419,190
Non-current	294,541	286,655
	<u>2,033,588</u>	<u>1,705,845</u>

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

Weighted average increase in employee costs	4.15%	4.15%
Weighted average discount rates	6.36%	5.84%
Weighted average settlement period	12	12

(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	743,603	686,008
- Other long-term employee benefits that do not fall due within 12 months after the end of the period measured at present value	995,444	733,182
	<u>1,739,047</u>	<u>1,419,190</u>

(ii) Non-current

Long service leave representing less than 10 years of continuous service measured at present value	294,541	286,655
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(b) Provisions

Non-current		
Landfill Rehabilitation	916,806	871,567
Marysville Retirement Village - lifetime lease	50,000	50,000
Total	<u>966,806</u>	<u>921,567</u>

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
For the Year Ended 30 June**

	2007	2006
	\$	\$
Note 24 Interest-bearing loans and borrowings		
<i>Current</i>		
Bank loans - secured	931,062	808,183
	931,062	808,183
<i>Non-current</i>		
Bank loans - secured	4,657,275	4,638,337
	4,657,275	4,638,337
Total	5,588,337	5,446,520

The maturity profile for Council's borrowings is:

Not later than one year	931,062	808,183
Later than one year and not later than two years	992,978	862,369
Later than two years and not later than five years	1,969,719	2,256,335
Later than five years	1,694,578	1,519,633
	5,588,337	5,446,520

Bank Loans are secured by a charge over the general rates of the Council.

Aggregate carrying amount of interest-bearing loans and borrowings:

Current	931,062	808,183
Non-current	4,657,275	4,638,337
	5,588,337	5,446,520

**Notes to the Financial Report
For the Year Ended 30 June 2007**

Note 25 Reserves

	Balance at beginning of reporting period	Increment (decrement)	Share of increment (decrement) on revaluation of <name asset class> by an associate	Balance at end of reporting period
	\$	\$	\$	\$
(a) Asset revaluation reserves				
2007				
Property				
Land	6,869,434	2,919,318	0	9,788,752
Buildings	5,465,592	3,961,909	0	9,427,501
Plant & Equipment	857,559	(0)	0	857,559
Heritage Assets	32,474	0		32,474
Furniture & Equipment	28,056	(0)		28,056
Leased Computer Equipment	14,954	(0)		14,954
Library Bookstock	148,821	(0)		148,821
	13,416,890	6,881,227	0	20,298,117
Infrastructure				
Roads, streets & bridges	62,432,579	9,353,760	0	71,786,339
Drainage	2,837,950	463,197	0	3,301,147
	65,270,529	9,816,957	0	75,087,486
Total Asset revaluation reserves	78,687,419	16,698,184	0	95,385,603
2006				
Property				
Land	6,139,058	730,376	0	6,869,434
Buildings	4,492,269	973,323	0	5,465,592
Plant & Equipment	857,559	0	0	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	0	0	148,821
	11,713,191	1,703,699	0	13,416,890
Infrastructure				
Roads, streets & bridges	54,025,249	8,407,330	0	62,432,579
Drainage	0	2,837,950	0	2,837,950
	54,025,249	11,245,280	0	65,270,529
Total Asset revaluation reserves	65,738,440	12,948,979	0	78,687,419

Asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in accounting policy note 1 (g).

	Balance at beginning of reporting period	Transfer from accumulated surplus	Transfer to accumulated surplus	Balance at end of reporting period
	\$	\$	\$	\$
(b) Other reserves				
2007				
Public Open Space Reserve	296,330	32,697	(30,400)	298,627
Garbage Reserve	502,887	113,092	-	615,979
Infrastructure Contributions Parking	0	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	284,133	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

**Notes to the Financial Report
For the Year Ended 30 June 2007**

Note 25 Reserves (continued)

2006

Public Open Space Reserve	232,062	167,568	(103,300)	296,330
Garbage Reserve	282,165	220,722	-	502,887
Marysville Retirement Village Reserve	214,670	89,900	(304,570)	0
Coster Street Units Reserve	7,092	5,754	(453)	12,393
Shaw Avenue Redevelopment	63,087	-	(12,955)	50,132
Alexandra Community Leisure Centre	-	10,276	-	10,276
Road Maintenance - Subdividers Contribution	16,044	-	-	16,044
Yea Saleyards	185,578	83,180	(4,625)	264,133
Alexandra Saleyards	30,604	22,708	(16,020)	37,292
Information Technology Reserve	69,855	-	(69,855)	0
Yea Caravan Park	6,585	910	-	7,495
Marysville Caravan Park	22,059	-	(11,429)	10,630
Total Other reserves	1,129,801	601,018	(523,207)	1,207,612

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 Report
For the Year Ended 30 June 2007**

	2007	2006
	\$	\$
Note 26 Reconciliation of cash flows from operating activities to surplus		
Surplus for the financial year	882,817	1,266,772
Depreciation and amortisation	4,279,062	3,953,862
(Profit)/loss on disposal of property, plant and equipment, infrastructure	28,903	(7,343)
<i>Change in assets and liabilities:</i>		
Increase in trade and other receivables	(322,602)	(752,427)
(Increase)/decrease in inventories	44,717	(31,912)
(Increase)/decrease in other current assets	42,256	(35,293)
Increase in trade and other payables	434,632	131,997
Increase in provisions	372,982	200,652
Net cash provided by operating activities	5,762,767	4,726,308

Note 27 Reconciliation of cash and cash equivalents

Cash and cash equivalents (see note 15)	5,085,756	4,700,831
	5,085,756	4,700,831

Note 28 Financing arrangements

Secured bank overdraft subject to annual review and repayable at call:		
Facility available	400,000	400,000
Used facility	0	0
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

LSL

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)	1,078,600	887,964
Trust funds and Deposits (note 22)	727,241	613,272
Quarry Bank Guarantee	112,500	112,500
Reserve funds (note 25)	1,322,095	1,207,612
	3,240,436	2,821,348

* 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 Report
For the Year Ended 30 June 2007**

Note 30 Superannuation

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

The Fund's accumulation category, Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (9% required under Superannuation Guarantee Legislation). No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

The Fund's Defined Benefit Plan is a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by 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 2006 actuarial investigation pursuant to the requirements of Australian Accounting Standard AAS 25 as follows:

	30-Jun-06
	\$
Net Market Value of Assets	3,443,686
Accrued Benefits (per accounting standards)	3,319,598
Difference between Assets and Accrued Benefits	124,088
Vested Benefits	3,040,433

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:

	2007	2006
	\$	\$
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	609,277	573,175
HEASTA Super Fund	9,890	
Health Super	552	
	619,719	573,175

**Notes to the Financial Report
For the Year Ended 30 June 2007**

Note 31 Commitments

The Council has entered into the following commitments

2007	Not later than 1	Later than 1	Later than 2	Later than 5	Total
	year	year and not later than 2	years and not later than 5		
	\$	\$	\$	\$	\$
Operating					
Garbage & Recycling Collection	766,199	1,532,398	3,447,896	0	5,746,493
Valuation Services	119,884	0	0	0	119,884
Information systems & technology	81,980	81,980	163,960	0	327,920
Cleaning contracts for council buildings	18,876	18,876	12,584	0	50,336
Elections	32,180	0	0	0	32,180
Total	1,019,119	1,633,254	3,624,440	0	6,276,813
Capital					
Buildings	109,153	0	0	0	109,153
Bridges	11,500	0	0	0	11,500
Plant	139,396	0	0	0	139,396
Total	260,049	0	0	0	260,049

2006	Not later than 1	Later than 1	Later than 2	Later than 5	Total
	year	year and not later than 2	years and not later than 5		
	\$	\$	\$	\$	\$
Operating					
Garbage & Recycling Collection	864,250	768,250	2,304,749	0	3,937,249
Valuation Services	11,000	0	0	0	11,000
Audit Internal	13,000	0	0	0	13,000
Cleaning	18,876	18,876	37,752	0	75,504
Total	907,126	787,126	2,342,501	0	4,036,753
Capital					
Buildings	241,303	0	0	0	241,303
Bridges	199,446	0	0	0	199,446
Total	440,749	0	0	0	440,749

**Notes to the Financial Report
For the Year Ended 30 June 2007**

	2007	2006
	\$	\$
Note 32		
Operating leases		
Operating lease commitments		
<p>At the reporting date, the Council had the following obligations under non-cancellable operating leases for the lease of equipment and land and buildings for use within Council's activities (these obligations are not recognised as liabilities):</p>		
Not later than one year	276,709	208,838
Later than one year and not later than five years	786,175	289,875
Later than five years	24,286	21,077
	<u>1,087,170</u>	<u>519,790</u>

**Notes to the Financial Report
For the Year Ended 30 June 2007**

Note 33 Financial Instruments

(a) Accounting Policy, terms and conditions

financial instruments	Note	Accounting Policy	Terms and Conditions
Financial assets			
Cash and cash equivalents	15	Cash on hand and at bank and money market call account are valued at face value. Interest is recognised as it accrues. Investments and bills are valued at cost. Investments are held to maximise interest returns of surplus cash. Interest revenues are recognised as they accrue.	On call deposits returned a floating interest rate of 6.15% (5.65% in 2005/2006). Funds returned fixed interest rate of between 6.15% and 6.54% (5.33% and 6.02% in 2005/2006) net of fees.
Trade and other receivables			
Rates debtors	16	Rates are carried at nominal amounts due plus interest. Rate debts are a charge attached to the rateable land and are recoverable on sale, therefore, no provision for doubtful debts is made. Interest rates are reviewed annually.	Rates are payable by four instalments during the year. Arrears, including deferred rates, attract interest. The interest rate was 11% (11.5% in 2005/2006) at balance date for general rates. Interest rates charged for Special Rate and Private Street Schemes was 11% at balance date (11.5% in 2005/2006).
Other debtors	16	Receivables are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection in full is no longer probable. Collectibility of overdue accounts is assessed on an ongoing basis.	General debtors are unsecured and interest free. Credit terms are usually 30 days.
Financial Liabilities			
Trade and other payables	21	Liabilities are recognised for amounts to be paid in the future for goods and services provided to Council as at balance date whether or not invoices have been received.	General Creditors are unsecured, not subject to interest charges and are normally settled within 30 days of invoice receipt.
Interest-bearing loans and borrowings	24	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.	Borrowings are secured by way of mortgages over the general rates of the Council. The weighted average interest rate on borrowings is 6.4% during 2006/2007 (6.37% in 2005/2006).

**Notes to the Financial Report
For the Year Ended 30 June 2007**

Note 33 Financial Instruments (cont.)

(b) Financial Risk Management Objectives

The Council's activities expose it primarily to the financial risks of changes in interest rates. The Council does not enter into derivative financial instruments to manage its exposure to interest rate risk.

The Council does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(c) Interest Rate Risk

The exposure to interest rate risk and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised, at balance date are as follows:

2007

	Floating interest rate \$	Fixed interest maturing in:			Non-interest bearing \$	Total \$
		1 year or less \$	Over 1 to 5 years \$	More than 5 years \$		
Financial assets						
Cash and cash equivalents	5,085,756	0	0	0	0	5,085,756
Trade and other receivables	0	469,713	19,822	1,687	1,988,683	2,479,904
Accrued income	0	0	0	0	49,759	49,759
Total financial assets	5,085,756	469,713	19,822	1,687	2,038,442	7,615,419
Weighted average interest rate	6.29%	11.00%	11.00%			
Financial liabilities						
Trade and other payables	0	0	0	0	2,063,694	2,063,694
Trust funds and deposits	0	0	0	0	727,241	727,241
Interest-bearing loans and borrowings	0	931,062	2,962,697	1,694,578	0	5,588,337
Total financial liabilities	0	931,062	2,962,697	1,694,578	2,790,935	8,379,272
Weighted average interest rate		6.41%	6.20%	6.42%		
Net financial assets (liabilities)	5,085,756	(461,349)	(2,942,876)	(1,692,892)	(752,493)	(763,853)

2006

	Floating interest rate \$	Fixed interest maturing in:			Non-interest bearing \$	Total \$
		1 year or less \$	Over 1 to 5 years \$	More than 5 years \$		
Financial assets						
Cash and cash equivalents	4,700,831	0	0	0	0	4,700,831
Trade and other receivables	0	407,006	38,730	0	1,711,566	2,157,302
Accrued income	0	0	0	0	50,766	50,766
Total financial assets	4,700,831	407,006	38,730	0	1,762,332	6,908,899
Weighted average interest rate	5.77%	11.50%	11.50%			
Financial liabilities						
Trade and other payables	0	0	0	0	1,629,062	1,629,062
Trust funds and deposits	0	0	0	0	955,741	955,741
Interest-bearing loans and borrowings	0	808,183	3,498,236	1,140,101	0	5,446,520
Total financial liabilities	0	808,183	3,498,236	1,140,101	2,584,803	8,031,323
Weighted average interest rate		6.45%	6.50%	6.21%		
Net financial assets (liabilities)	4,700,831	(401,177)	(3,459,506)	(1,140,101)	(822,471)	(1,122,424)

Note 33 Financial instruments (cont.)

(d) Net Fair Values

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

Financial Instruments	Total carrying amount as per Balance Sheet		Aggregate net fair value	
	2007	2006	2007	2006
	\$	\$	\$	\$
<i>(1) Financial assets</i>				
Cash and cash equivalents	5,085,756	4,700,831	5,085,756	4,700,831
Trade and other receivables	2,479,904	2,157,302	2,479,904	2,157,302
Accrued income	49,759	50,766	49,759	50,766
<i>Total financial assets</i>	<u>7,615,419</u>	<u>6,908,899</u>	<u>7,615,419</u>	<u>6,908,899</u>
<i>(2) Financial liabilities</i>				
Trade and other payables	2,063,694	1,629,062	2,063,694	1,629,062
Trust funds and deposits	727,241	955,741	727,241	955,741
Interest-bearing loans and borrowings	5,588,337	5,446,520	5,588,337	5,446,520
<i>Total Financial liabilities</i>	<u>8,379,272</u>	<u>8,031,323</u>	<u>8,379,272</u>	<u>8,031,323</u>

(e) 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.

5.3 Note 34 Auditors' remuneration	2007	2006
	\$	\$
Audit fee to conduct external audit - Victorian Auditor-General	20,800	20,400
Internal audit fees	18,571	16,845
	<u>39,371</u>	<u>37,245</u>

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.

5.1 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.

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 Robert Flowers - Mayor 6/12/06 to current
Councillor Lyn Gunter - Mayor 01/07/06 to 5/12/06
Councillor Peter Beales
Councillor Janet Gilmore
Councillor Christopher Healy
Councillor Leanne Pleash

Chief Executive Officer Daniel D. Hogan

(ii) Remuneration of Responsible Persons

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

	2007	2006
	No.	No.
\$1 - \$9,999	0	7
\$10,000 - \$19,999	4	2
\$20,000 - \$29,999	2	1
\$130,000 - \$139,999	1	1
	<u>7</u>	<u>11</u>
	\$	\$
Total Remuneration for the reporting year for Responsible Persons included above amounted to:	233,574	230,594

(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:

	2007	2006
	No.	No.
Income Range:		
\$100,000 - \$109,999	1	0
\$120,000 - \$129,999	2	1
	<u>3</u>	<u>2</u>
	\$	\$
Total Remuneration for the reporting year for Senior Officers included above, amounted to	339,902	220,227

**Notes to the Financial Report
For the Year Ended 30 June 2007**

Note 38	Income, expenses and assets by function/activities	2007	2006
		\$	\$
	Income		
	Civic	2,814,022	2,665,530
	Economic Development & Tourism	247,421	143,463
	Human Services	2,254,436	2,512,968
	Planning & Environmental Services	770,042	974,777
	Plant Operating	320,767	301,297
	Rates & Valuations	8,768,490	8,124,935
	Recreation & Cultural	740,131	778,799
	Transport	4,878,740	4,410,696
	Waste & Environment	1,880,475	1,845,955
		<u>22,674,524</u>	<u>21,758,420</u>
	Expenses		
	Civic	3,321,415	2,616,888
	Economic Development & Tourism	744,335	789,143
	Human Services	2,828,470	2,666,703
	Planning & Environmental Services	1,358,884	1,637,157
	Plant Operating	349,114	334,289
	Rates & Valuations	300,344	277,019
	Recreation & Cultural	3,340,355	2,703,277
	Transport	7,656,754	7,537,939
	Waste & Environment	1,892,036	1,909,233
		<u>21,791,707</u>	<u>20,491,648</u>
	Increase/(Decrease) in net assets resulting from operations	<u>882,817</u>	<u>1,266,772</u>
	Assets attributed to functional areas		
	Civic	7,314,851	5,336,243
	Economic Development & Tourism	1,457,614	676,601
	Human Services	3,946,438	3,478,765
	Planning & Environmental Services	439,130	429,980
	Plant Operating	3,666,223	3,766,146
	Recreation & Cultural	24,210,524	19,947,794
	Transport	144,080,544	133,406,696
	Waste & Environment	3,988,640	3,759,807
		<u>189,103,964</u>	<u>170,802,032</u>

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, counseling services.

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

Plant Operating - Operations and maintenance of Council's fleet.

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 Report
For the Year Ended 30 June 2007**

Note 39 Financial ratios (Performance indicators)

	2007	2007	2006	2006	2005	2005
	\$	(%)	\$	(%)	\$	(%)

(a) Debt servicing ratio (to identify the capacity of Council to service its outstanding debt)

<u>Debt servicing costs</u>	381,671		396,991		373,813	
<u>Total revenue</u>	22,352,521	= 1.71%	21,310,001	= 1.86%	20,690,977	= 1.81%

Debt servicing costs refer to the payment of interest on loan borrowings, finance lease, and bank overdraft.

The ratio expresses the amount of interest paid as a percentage of Council's total revenue.

(b) Debt commitment ratio (to identify Council's debt redemption strategy)

<u>Debt servicing & redemption costs</u>	1,189,854		1,084,329		920,685	
<u>Rate revenue</u>	10,024,589	= 11.87%	9,296,577	= 11.66%	8,652,912	= 10.64%

The strategy involves the payment of loan principal and interest, finance lease principal and interest.

The ratio expresses the percentage of rate revenue utilised to pay interest and redeem debt principal.

(c) Revenue ratio (to identify Council's dependence on non-rate income)

<u>Rate revenue</u>	10,024,589		9,296,577		8,652,912	
<u>Total revenue</u>	22,352,521	= 44.85%	21,310,001	= 43.63%	20,690,977	= 41.82%

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

(d) Debt exposure ratio (to identify Council's exposure to debt)

<u>Total indebtedness</u>	10,301,067		9,770,771		7,875,394	
<u>Total realisable assets</u>	49,391,592	= 20.86%	41,687,825	= 23.44%	38,176,399	= 20.63%

For the purposes of the calculation of financial ratios, realisable assets are those assets which can be sold and which are not subject to any restriction on realisation or use.

Any liability represented by a restricted asset (note 29) is excluded from total indebtedness.

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

land and buildings on Crown land; restricted assets; heritage assets; total infrastructure assets; and Council's investment in associate.

This ratio enables assessment of Council's solvency and exposure to debt. Total indebtedness refers to the total liabilities of Council. Total liabilities are compared to total realisable assets which are all Council assets not subject to any restriction and are able to be realised. The ratio expresses the percentage of total liabilities for each dollar of realisable assets.

**Notes to the Financial Report
For the Year Ended 30 June 2007**

Note 39 Financial ratios (Performance indicators) (cont.)

	2007	2007	2006	2006	2005	2005
	\$'000	(%)	\$'000	(%)	\$'000	(%)
(e) Working capital ratio (to assess Council's ability to meet current commitments)						
<u>Current assets</u>	8,128,252		7,490,476		6,639,253	
Current liabilities	5,461,044	= 148.84%	4,812,176	= 155.66%	4,486,979	= 147.97%

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>	8,128,252		7,490,476		6,639,253	
Current liabilities	4,465,600	= 182.02%	4,078,994	= 183.64%	3,837,501	= 173.01%

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 Report
For the Year Ended 30 June 2007**

	Note	2007 \$	2006 \$
Note 40 Capital expenditure			
Capital expenditure areas			
Buildings		992,571	1,005,812
Drainage		5,294	39,046
Furniture & Equipment		89,652	113,700
Historical Assets		2,500	4,000
Land		0	162,834
Library Resources		99,913	97,069
Plant and equipment		737,140	888,403
Roads, Streets & Bridges		3,361,076	2,641,547
Works in Progress		325,016	259,071
Total capital works		<u>5,613,162</u>	<u>5,211,482</u>
Represented by:			
Renewal of infrastructure	(a)	2,383,380	1,387,791
Upgrade of infrastructure	(b)	1,972,950	2,213,487
Expansion of infrastructure	(c)	221,710	124,064
New buildings		62,303	187,547
New furniture & equipment		89,652	113,700
New historical assets		2,500	4,000
New roads street & bridges		39,068	32,587
New land		4,546	162,834
New library resources		99,913	97,069
New plant and equipment		737,140	888,403
Total capital works		<u>5,613,162</u>	<u>5,211,482</u>

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		5,613,162	5,211,482
Asset revaluation movement	25(a)	16,698,184	12,948,979
Depreciation/amortisation	11	(4,279,062)	(3,953,862)
Written down value of assets sold	20	(350,906)	(441,076)
Net movement in property, plant and equipment, infrastructure	20	<u>17,681,378</u>	<u>13,765,523</u>

(a) Renewal

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

(b) Upgrade

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

(c) Expansion

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

Note	2007	2006
	\$	\$

Note 41 Special committees and other activities

Marysville Retirement Village Committee of Management

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.

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.

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.

Note 42 Significant items

There are no significant items that require separate disclosure

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 report



Daniel D. Hogan
Principal Accounting Officer

Date : 06-Sep-07
Alexandra

In our opinion the accompanying financial statements present fairly the financial transactions of Murrindindi Shire Council for the year ended 30 June 2007 and

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 28 August 2007 to certify the financial statements in their final form.



Robert Flowers
Councillor

Date : 06-Sep-07
Alexandra



Lyn Gunter
Councillor

Date : 06-Sep-07
Alexandra



Daniel D. Hogan
Chief Executive Officer

Date : 06-Sep-07
Alexandra

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STANDARD INCOME STATEMENT

For the year ending 30 June 2007

	<i>Budget</i> 2006/2007 \$	<i>Variances</i> \$	%	<i>Ref</i>	<i>Actuals</i> 2006/2007 \$
Revenue					
Rates and charges	10,014,837	9,752	0.1		10,024,589
Statutory fees and fines	570,528	61,937	10.9	1	508,591
User fees	2,583,795	442,493	17.1	2	3,026,288
Contributions	125,880	54,128	43.0	3	180,008
Grants - recurrent	4,630,703	28,899	0.6		4,659,602
Grants - non-recurrent	2,834,531	181,136	6.4		3,015,667
Reimbursements	71,500	74,707	104.5	4	146,207
Other revenue	722,056	69,513	9.6	5	791,569
Total revenue	21,553,830	798,691	3.7		22,352,521
Expenses					
Employee benefits	8,841,943	242,911	2.7		8,599,032
Materials and services	7,818,805	208,595	2.7		8,027,400
Finance costs	369,511	12,160	3.3		381,671
Depreciation and amortisation	4,144,809	134,253	3.2		4,279,062
Other expenses	157,366	3,730	2.4		153,636
Total expenses	21,332,434	108,367	0.5		21,440,801
Net gain (loss) on disposal of assets	-	28,903	-		(28,903)
Surplus (deficit) for the period	221,396	661,421	298.8		882,817

Net gain (loss) on disposal of assets
Proceeds from Sale of Fixed Assets
Carrying value of assets sold

	-	-		
	335,828	13,825	4.1	322,003
	335,828	15,078	4.5	350,906
	-	28,903	-	(28,903)

STANDARD INCOME STATEMENT

For the year ending 30 June 2007

Variance Explanation Report

<u>Ref.</u>	<u>Item</u>	<u>Explanation</u>
1	Statutory fees and fines (revenue)	Reduced level of activity in Planning has seen a reduction in planning and subdivision fees together with septic tank inspection fees. Health registrations and animal registrations are also down on previous year.
2	User fees (revenue)	Council's business unit, Murrindindi Construction, achieved a higher level of external works anticipated. This however was offset by reduced income from sale of quarry product. 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. Community Centre income has shown a decrease.
3	Contributions (revenue)	Contributions from subdividers to infrastructure development (car parking) not previously received. This together with contributions from community groups towards capital projects and training programs make up the bulk of the favourable variance.
4	Reimbursements (revenue)	Reimbursement of legal fees in collection of debts was higher than budgeted. Increased Veteran Affairs Home Care services and reimbursement of Fire Support expenses have also contributed the increase in revenue.
5	Other revenue (revenue)	Interest on investment was higher than anticipated due to increased levels of cash held. Supplementary funds from Roads to Recovery received in June 2006 will be allocated over the three subsequent financial years.

STANDARD BALANCE SHEET

As at 30 June 2007

	Budget 2006/2007 \$	Variances \$	%	Ref	Actuals 2006/2007 \$
Current assets					
Cash and cash equivalents	3,480,863	1,604,893	46.1	6	5,085,756
Trade and other receivables	1,247,916	1,210,480	97.0	7	2,458,396
Inventories	207,000	59,718	28.8	8	266,718
Prepayments	300,000	32,377	10.8	9	267,623
Other - Accrued Income	30,000	19,759	65.9	10	49,759
Total current assets	5,265,779	2,862,473	54.4		8,128,252
Non-current assets					
Trade and other receivables	64,898	43,390	66.9	11	21,508
Property, plant and equipment, infrastructure	157,120,530	23,833,674	15.2	12	180,954,204
Total non-current assets	157,185,428	23,790,284	15.1		180,975,712
Total assets	162,451,207	26,652,757	16.4		189,103,964
Current liabilities					
Trade and other payables	1,589,900	473,794	29.8	13	2,063,694
Trust funds and deposits	648,571	78,670	12.1	14	727,241
Provisions	1,679,313	59,734	3.6		1,739,047
Interest bearing loans and borrowings	933,124	2,062	0.2		931,062
Total current liabilities	4,850,908	610,136	12.6		5,461,044
Non-current liabilities					
Provisions	1,178,565	82,782	7.0		1,261,347
Interest bearing loans and borrowings	4,621,621	35,654	0.8		4,657,275
Total non-current liabilities	5,800,186	118,436	2.0		5,918,622
Total liabilities	10,651,094	728,572	6.8		11,379,666
Net assets	151,800,113	25,924,185	17.1		177,724,298
Equity					
Accumulated surplus	80,179,218	837,382	1.0		81,016,600
Asset revaluation reserve	70,588,246	24,797,357	35.1	15	95,385,603
Other reserves	1,032,649	289,446	28.0	16	1,322,095
Total equity	151,800,113	25,924,185	17.1		177,724,298

STANDARD BALANCE SHEET

As at 30 June 2007

Variance Explanation Report

<u>Ref.</u>	<u>Item</u>	<u>Explanation</u>
6	Cash assets and cash equivalents	Receipt of grant funding for projects in future years has increased the level of cash held at year end. Unexpended capital works is somewhat offset by the increased level of Receivables.
7	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. This higher than anticipated level of debtors was not provided for in the 2006/07 Budget, although there was a significant increase in the level of debtors at 30 June 2006.
8	Inventories	Sales of quarry product were less than anticipated leaving higher levels of stock at year end.
9	Prepayments	A significant reduction in Council's Public Liability insurance premium for 2007/08 is reflected in reduced prepayment at 30 June 2007.
10	Other - Accrued Income	Investment terms maturing after June 30 increased level of accrued interest revenue.
11	Trade and other receivables (non-current)	Budgeted Private Street Schemes for 2006/07 did not eventuate, thus there was no increase in long term debtors.
12	Property, Plant and Equipment, Infrastructure	The increase as a result of the valuation of land & buildings and indexation of Infrastructure assets was not taken into account in the 2006/2007 Budget.
13	Trade and other payables	A higher level of sundry creditors relating to 2006/07 were processed at year end.
14	Trust funds and deposits	The increase in Trust funds and deposits more accurately reflects the current level of deposits held for Planning Permits and contract retentions. Additional funds held for Yea Hall Clock Trust.
15	Asset revaluation reserve	Revaluations of property and infrastructure during the year resulted in increases to the asset revaluation reserve of \$16.6 million. In addition no allowance was made in the 2006/07 Budget for the increase for the previous year 2006. These amounts exceeded the budget forecast made for the revaluations.
16	Other reserves	Infrastructure contributions reserve for car parking has been established, deferment of projects funded from Public Open Space, Waste Management operating surplus and increase user charges for Yea Saleyards reflect an increase in reserve balances at year end.

STANDARD CASH FLOW STATEMENT

For the year ending 30 June 2007

	Budget 2006/2007 \$	Variances \$ %		Ref	Actuals 2006/2007 \$
Cash flows from operating activities					
Receipts from Ratepayers	9,964,671	3,370	0.0		9,961,301
User Charges and Reimbursements (inclusive of GST)	4,043,744	798,444	19.7	17	4,842,188
Government Grants (inclusive of GST)	7,765,234	270,536	3.5		7,494,698
Interest received	298,478	63,938	21.4	18	362,416
Net GST refund/payment	640,000	984	0.2		640,984
Payments to Suppliers (inclusive of GST)	(9,160,200)	156,527	1.7		(9,003,673)
Payments to employees	(8,575,979)	376,562	4.4		(8,199,417)
Finance Costs	(374,059)	38,329	10.2	19	(335,730)
	-	-	-		-
Net cash inflow (outflow) from operating activities	4,601,889	1,160,878	25.2		5,762,767
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment, infrastructure	335,828	13,825	4.1		322,003
Payments for property, plant and equipment, infrastructure	(6,431,577)	818,415	12.7	20	(5,613,162)
	-	-	-		-
Net cash inflow (outflow) from investing activities	(6,095,749)	804,590	13.2		(5,291,159)
Cash flows from financing activities					
Proceeds from interest bearing loans and borrowings	950,000	-	-		950,000
Repayment of interest bearing loans and borrowings	(841,775)	33,592	4.0		(808,183)
Trust Funds & Deposits	(44,150)	184,350	417.6	21	(228,500)
	-	-	-		-
Net cash inflow (outflow) from financing activities	64,075	150,758	235.3		(86,683)
Net increase (decrease) in cash and cash equivalents	(1,429,785)	1,814,710	126.9		384,925
Cash and cash equivalents at the beginning of the year	4,910,648	209,817	4.3		4,700,831
Cash and cash equivalents at the end of the year	3,480,863	1,604,893	46.1		5,085,756
Reconciliation of Surplus (Deficit) and Net Cash Flows from Operating Activities					
For the year ending 30 June 2006					
Surplus (deficit)	221,396	661,421	298.8		882,817
Depreciation and amortisation	4,144,809	134,253	3.2		4,279,062
(Profit) Loss on sale of property, plant and equipment, infrastructure	-	28,903	-		28,903
Net movement in current assets and liabilities	235,684	336,301	142.7		571,985
Net cash inflow (outflow) from operating activities	4,601,889	1,160,878	25.2		5,762,767

STANDARD CASH FLOW STATEMENT

For the year ending 30 June 2007

Variance Explanation Report

<u>Ref.</u>	<u>Item</u>	<u>Explanation</u>
17	User Charges & Reimbursements (inflow)	User charges and reimbursements increased significantly as per notes 2, 3 & 4 of Standard Income Statement. A decrease in the level of general sundry debtors at year end has also contributed to additional cash. Although Note 7 shows a significant increase against budget, this variance has also been compounded by higher levels of receivables at 30 June 2006.
18	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.
19	Finance Costs (outflow)	The deferring of take up of loan funds from October 2006 until April 2007 has reduced overall interest expenses.
20	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 22, 24 & 26.
21	Trust Funds & Deposits	Council had budgeted for a reduced level of Trust funds and deposits, however the transfer of funds held for Lower Hume Primary Care Partnership is the major influence on this variance.

STANDARD STATEMENT OF CAPITAL WORKS

For the year ending 30 June 2007

Capital Works Areas	Budget	Variances		Ref	Actuals
	2006/2007	\$	%		2006/2007
	\$	\$	%		\$
Roads Streets & Bridges	3,941,369	482,193	12.2	22	3,459,176
Drainage	60,750	55,456	91.3	23	5,294
Buildings	1,197,752	17,189	1.4		1,214,941
Plant & Equipment	912,498	175,358	19.2	24	737,140
Historical Assets	4,000	1,500	37.5	25	2,500
Furniture & Equipment	195,931	106,279	54.2	26	89,652
Library Resources	99,277	636	0.6		99,913
Land	20,000	15,454	77.3	27	4,546
Total capital works	6,431,577	818,415	12.7		5,613,162
Represented by:					
Renewal of infrastructure	2,440,252	56,872	2.3		2,383,380
Upgrade of infrastructure	2,380,489	407,539	17.1		1,972,950
Expansion of infrastructure	136,000	85,710	63.0		221,710
New infrastructure	39,290	222	0.6		39,068
New buildings	203,840	141,537	69.4		62,303
New plant and equipment	912,498	175,358	19.2		737,140
New furniture & equipment	195,931	106,279	54.2		89,652
New library resources	99,277	636	0.6		99,913
New land	20,000	15,454	77.3		4,546
New historical assets	4,000	1,500	37.5		2,500
Total capital works	6,431,577	818,415	12.7		5,613,162

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	6,431,577	818,415	12.7		5,613,162
Asset revaluation movement	1,971,750	14,726,434	746.9		16,698,184
Depreciation and amortisation	(4,144,809)	134,253	3.2		(4,279,062)
Written down value of assets sold	(335,828)	15,078	4.5		(350,906)
Net movement in property, plant and equipment, infrastructure	3,922,690	13,758,688	350.7		17,681,378

STANDARD STATEMENT OF CAPITAL WORKS

For the year ending 30 June 2007

Variance Explanation Report

<u>Ref.</u>	<u>Item</u>	<u>Explanation</u>
22	Roads Streets & Bridges	Several road work projects have been deferred and carried forward in the 2007/2008 Budget - in particular Eildon Town Entrance project, Marks & Pratt's Special Charge project, Goat Track intersection and Vic Roads funded project on Dyes Lane.
23	Drainage	Budget allocation for Drainage was redirected into the completion of Marysville Streetscape project.
24	Plant and Equipment	The purchase of flocon truck was ordered but unable to be delivered prior to 30 June 2007.
25	Historical Assets	In 2006/07 Council did not acquire the Art Show prize from the Alexandra Art Show.
26	Furniture & Equipment	New computer server was not installed until July 2007. Yea Office and Library furniture purchases were deferred until 2007/08 pending the completion of building upgrade project.
27	Land	The land purchase of a road reserve is yet to be finalised only recognising legal expenses to date.

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 Annual Report. They have not been prepared in accordance with all Australian Accounting Standards or other authoritative professional pronouncements.

The Standard Statements compare council's strategic Resource Plan plan, expressed through its budget, with actual performance. The Local Government Act 1989 requires explanation of any material variances. The Council has adopted a materiality **threshold of 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.

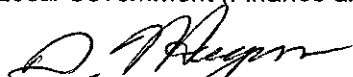
The budget figures included in the Standard Statements are those adopted by Council on 1 August 2006. The budget was based on assumptions that were relevant at the time of adoption of the budget. The Council set guidelines and parameters for revenue and expense targets in this the Council Plan in order 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 Statements Report on pages 1 to 4. The detailed budget can be obtained by contacting council or through the council's website. The Standard Statements must be read with reference to these documents.

**STANDARD STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2007**

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
Daniel D. Hogan
Dated: 6 September 2007

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 28 August 2007, to certify the standard statements in their final form.



Councillor
Robert Flowers
Dated: 6 September 2007



Councillor
Lyn Gunter
Dated: 6 September 2007



Chief Executive Officer
Daniel D. Hogan
Dated: 6 September 2007

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Victorian Auditor-General's Office

INDEPENDENT AUDIT REPORT

Murrindindi Shire Council

To the Councillors

The Financial Report and Standard Statements

The accompanying financial report for the year ended 30 June 2007 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 2007 of the Council which comprises of the standard income statement, standard balance sheet, standard cash flow statement, standard statement of capital works, the related notes and the certification of standard statements have been audited.

The Responsibility of the Councillors' for the Financial Report and Standard Statements

The Councillors 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.

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Auditing in the Public Interest

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Victorian Auditor-General's Office

Independent Audit Report (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and standard statements. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report and standard statements, whether due to fraud or error. In making those risk assessments, consideration is given to internal control relevant to the Councillors' 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 Council'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.

Independence


The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. The Auditor-General, his staff and delegates comply 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 2007 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
19 September 2007


R.D.R. Pearson
Auditor-General

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Auditing in the Public Interest

PERFORMANCE STATEMENT FOR THE YEAR
1 JULY 2006 TO 30 JUNE 2007

Key Strategic Activity	Performance Measure	How Data is reported	2006/07 Performance Target	2006/07 Actual Result	Note
Theme 1 – Environment					
Complete the Rural Land Study for consideration and adoption by the Council in partnership with state government directions on new farming zones.	Completion of the study.	Report to Council.	Study adopted by 30 June 2007.	Target not achieved. Study not adopted.	1.
Complete the three (3) year monitoring report on the performance of the Murrindindi Planning Scheme and processes (statutory requirement).	Completion of the report.	Report to Council.	Report adopted by 30 June 2007.	Target not achieved. Report not adopted.	2.
Finalise and adopt the Waste Management Strategy 2006.	Percentage of tonnes of waste to landfill per head of population	Calculation	Less than 0.62%	Target achieved 0.57 %	3.
Theme 2 - Community					
Complete the Yea Children's Precinct and address Pioneer Reserve traffic management issues.	Completion of project.	Occupancy Certificate and report to Council on traffic issues.	Building able to be occupied. Council adopts report on traffic measures by 30 June 2007.	Target achieved. Occupancy permit issued on 15 June 2007. Council report 1 May 2007	4.
Theme 3 - Infrastructure					
Implement the Roads and Bridge Construction Strategy.	Renewal Gap	STEP asset management annual review	Less than \$1.68 mil.	Target achieved. Gap = \$1.32 mil	5.
Theme 4 – Local Economy					
Develop a new program of business and tourism awards.	New program	Local press	Awards made by 30 June 2007.	Target achieved.	
Theme 5 - Governance					
Review and develop a system that integrates risk assessment, insurance audits, workcover inspections, public liability, occupational health and safety, and fraud.	Civic Mutual Plus (CMP) audit overall score.	Audit data published.	Greater than 54%.	Target achieved. CMP Score = 63%	
Address issues raised in the staff satisfaction survey.	Staff satisfaction overall score.	Survey data published.	Greater than 65.6%	Target not achieved. Satisfaction Score = 65.5%	6.

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

**NOTES TO AND FORMING PART OF THE PERFORMANCE STATEMENT
FOR 2006/ 2007**

Performance Statement Variances

Explanatory notes:

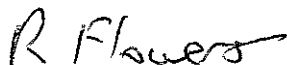
1. The Council was advised on the 15 May 2007 (item 5.3.4) of the status of this item. The Council supports the postponement of the Rural Land Study whilst the Department of Sustainability and Environment (DSE) resolve the future of the Rural Activities Zone.
2. The Council was advised on the 15 May 2007 (item 5.3.4) of the status of this item. The project has been postponed because of staff resourcing issues.
3. The Council considered the draft Waste Management Study on 15 May 2007 and referred it to a future workshopping session for further consideration. Further information has now been provided as part of the 2007/08 Budget process. The score of 0.57% has been achieved with a waste to landfill of 8,140 tonnes and an estimated population of 14,160 people.
4. The Council on 1 May 2007 considered a report on traffic issues at the Yea Children's precinct and directed that preliminary works proceed pending the development of a traffic management plan for the adjacent Pioneer Reserve.
5. The Manager Assets and Infrastructure has calculated the Infrastructure Gap at \$1.319 mil which represents an improvement over the previous year.
6. The staff satisfaction score for 2006/07 was 65.5%. The score for 2005/06 was 65.6%. Statistically there is no significant change in the score.

COUNCIL APPROVAL OF THE PERFORMANCE STATEMENT

In our opinion, that accompanying performance statement of the Murrindindi Shire Council in respect of 2006/ 2007 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.



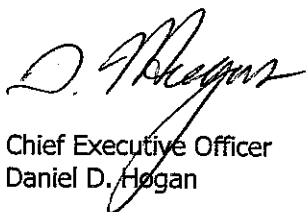
Councillor
Robert Flowers

Dated: 6 September 2007
Alexandra



Councillor
Lyn Gunter

Dated: 6 September 2007
Alexandra



Chief Executive Officer
Daniel D. Hogan

Dated: 6 September 2007
Alexandra

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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 2007 of Murrindindi Shire Council which comprises the statement, the related notes and the council approval of the performance statement has been audited.

The Responsibility of the Councillors 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 Councillors' 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 Council'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.

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Auditing in the Public Interest

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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. The Auditor-General, his staff and delegates comply 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 2007 financial year presents fairly, in all material respects, in accordance with the *Local Government Act 1989*.

MELBOURNE
19 September 2007


D.D.R. Pearson
Auditor-General

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Auditing in the Public Interest