



LATROBE CITY COUNCIL

MINUTES OF THE SPECIAL COUNCIL MEETING

HELD IN THE
NAMBUR WARIGA MEETING ROOM,
CORPORATE HEADQUARTERS, MORWELL
AT 7:00 PM ON 13 SEPTEMBER 2010

PRESENT:

Cr Kellie O'Callaghan, Mayor - Burnet Ward
Cr Sandy Kam, Deputy Mayor - Galbraith Ward
Cr Rohan Fitzgerald - Dunbar Ward
Cr Sharon Gibson - Merton Ward
Cr Bruce Lougheed - Tanjil Ward
Cr Graeme Middlemiss - Rintoull Ward
Cr Ed Vermeulen - Gunyah Ward
Cr Darrell White - Firmin Ward
Paul Buckley, Chief Executive Officer
Michael Edgar, General Manager Community Liveability
Michelle Franke Acting General Manager Organisational Excellence
Carol Jeffs, General Manager Governance
Allison Jones, General Manager Economic Sustainability
Tom McQualter, Manager Council Operations and Legal Services
Peter Quigley, General Manager Built and Natural Environment Sustainability
Grantley Switzer, General Manager Recreational and Cultural Liveability

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1. Opening Prayer

The Opening Prayer was read by the Mayor.

Recognition of Traditional Landholders

The Recognition of Traditional Landholders was read by the Mayor.

2. Apologies for Absence

Cr Lisa Price - Farley Ward

3. Declaration of Interests

Nil

GOVERNANCE

11.6.1 AUTHORISATION OF COUNCILLORS FOR CERTIFICATION OF 2009-2010 FINANCIAL STATEMENTS

AUTHOR: General Manager Governance
(ATTACHMENT – YES)

1. PURPOSE

The purpose of this report is to seek Council's approval in principle to the 2009/2010 financial, standard and performance statements and to authorise two Councillors, on behalf of the Council, to certify the financial, standard and performance statements for the year ended 30 June 2010 in their final form.

2. DECLARATION OF INTERESTS

No officer declared an interest under the *Local Government Act* 1989 in the preparation of this report.

3. POLICY IMPLICATIONS

This report is consistent with Latrobe 2026: The Community Vision for Latrobe Valley and the Latrobe City Council Plan 2010-2014.

Latrobe 2026 and Council Plan 2010-2014

Strategic Objectives – Governance

In 2026, Latrobe Valley has a reputation for conscientious leadership and governance, strengthened by an informed and engaged community committed to enriching local decision making.

Latrobe City Council Plan 2010 - 2014

Strategic Direction – Governance

Provide regular reports on Council's performance including strategic objectives and Council's progress towards Latrobe 2026.

Provide timely, effective and accessible information about Latrobe City Council's activities.

Ensure that Latrobe City continues to meet the highest standards of financial probity.

Ensure that all strategic decisions reflect Latrobe City Council's Long Term Financial Plan and Annual Budget.

Service Provision – Governance

Administer financial management, advice and services of Latrobe City Council.

Legislation –

Local Government Act 1989

Local Government (Financial and Reporting) Regulations 2004

Section 131(7) of the *Local Government Act 1989* states the following:

131 Annual report

(7) *The Council must not submit the standard statements or the financial statements to its auditor or the Minister unless it has passed a resolution giving its approval in principle to the standard statements and the financial statements.*

Section 132 (6) of the *Local Government Act 1989* states the following:

132 Performance statement

(6) *The Council must not submit the statement to its auditor or the Minister unless the Council has passed a resolution giving its approval in principle to the statement.*

Key Strategic Actions

Policy – Audit Policy 09 POL-3

The role of the Audit Committee is to assist Council in the discharge of its responsibilities for financial reporting, maintaining a reliable system of internal controls and fostering the organisation's ethical development.

4. BACKGROUND

The *Local Government Act 1989* requires Council to prepare an annual report that includes a report on its operations for the completed financial year. The annual report includes audited financial, standard and performance statements.

The auditor must not sign the auditor's report concerning the financial, standard and performance statements unless Council has completed the certification of the statements in the manner prescribed in the *Local Government Act 1989* and the *Local Government (Financial and Reporting) Regulations 2004*.

The annual report, including the audited financial, standard and performance statements, must be lodged with the Minister within three months of the end of the financial year, which is by 30 September 2010.

5. ISSUES

Under the provisions of the *Local Government Act 1989*, a Council cannot submit its financial, standard and performance statements to the Auditor-General or the Minister for Local Government (the Minister) unless a resolution has been passed by Council authorising two Councillors to certify the financial statements in their final form.

Once the auditor's report has been received by Council, public notice will be given in accordance with Section 131 (12) of the *Local Government Act 1989* and the auditor's reports will be made available for inspection at all Council offices.

Similarly, once the Annual Report has been submitted to the Minister, public notice will also be given advising that the Annual Report can be inspected at all Council offices. In accordance with Section 134 of the *Local Government Act 1989* a meeting of Council will be held as soon as practicable, to consider the annual report, within the time required by the regulations, being one month after providing the annual report to the Minister.

The table below sets out the process:

Process	Date
Draft Audited Financial Statements presented to Audit Committee	06/09/2010
Council approval for two Councillors to certify the financial, standard and performance statements in their final form	13/09/2010
Certifications signed by the two nominated Councillors	Date advised by Auditor General
Auditor General issues audit reports	Upon receipt of signed certifications

Process	Date
Public notice given that audit reports have been received	Following receipt of audit reports
Annual report, including financial, standard and performance reports sent to the Minister for Local Government	By 30/09/2010
Public notice given that the annual report is available for inspection and the date of the Council meeting that Council will consider the annual report	Council meeting within one month of submitting the annual report to the Minister for Local Government

6. FINANCIAL AND RESOURCES IMPLICATIONS

The subject reports are in respect of the Council's financial position and operations for the year ended 30 June 2010. There are no financial or resource implications.

7. INTERNAL / EXTERNAL CONSULTATION

Councillors Fitzgerald and Vermeulen were the Council nominated representatives in attendance at the Audit Committee meeting held on 6 September 2010 where the Audit Committee reviewed and discussed the draft financial, standard and performance statements and provided their endorsement for Council approval in principle.

Staff from WHK Audit (VIC), who conducted the Latrobe City audit, attended the audit committee meeting on 6 September 2010. They tabled a closing audit report to the audit committee which concluded that the financial reports of Latrobe City Council do present fairly in all material aspects.

8. OPTIONS

This process is a legislative requirement which Council is required to comply with.

9. CONCLUSION

As Councillors Fitzgerald and Vermeulen were Council's nominated representatives in attendance at the Audit Committee meeting held on 6 September 2010 where the 2009/2010 financial, standard and performance statements were reviewed in their final form, it is appropriate that they be nominated to certify the financial, standard and performance statements, on behalf of Council.

The recommendations below are necessary to comply with statutory requirements of the *Local Government Act 1989* and the *Local Government (Financial and Reporting) Regulations 2004*.

10. RECOMMENDATION

- 1. That Council, in accordance with Section 131 (7) and 132 (6) of the *Local Government Act 1989*, gives its approval in principle to the 2009/2010 financial, standard and performance statements.**
- 2. That Council, in accordance with Section 131 (8) and 132 (7) of the *Local Government Act 1989*, authorises Councillors Rohan Fitzgerald and Ed Vermeulen to certify the financial, standard and performance statements on behalf of Council for the year ended 30 June 2010 in their final form.**

Moved: Cr Gibson

Seconded: Cr White

That the Recommendation be adopted.

CARRIED UNANIMOUSLY

ATTACHMENTS

LATROBE CITY COUNCIL

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 JUNE 2010**

DRAFT: 31 AUGUST 2010



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Latrobe City Council
COMPREHENSIVE INCOME STATEMENT
Year Ended 30th June 2010

	NOTE	2010 \$'000s	2009 \$'000s
INCOME			
Rates	2	50,727	47,624
Grants	3	36,368	34,505
User Charges, Fees & Fines	4	15,453	13,640
Developer Cash Contributions	5	526	351
Developer Contributed Assets	6	3,148	5,654
Non-operating Interest		1,448	1,341
Net gain(loss) on disposal of assets	13(b)/15(b)	568	(1,171)
Recognition of Previously Unrecognised Assets		172	0
Total Income		108,410	101,944
EXPENSES			
Employee Benefits	7	(38,203)	(34,645)
Materials & Services	8	(35,655)	(39,204)
Bad and Doubtful Debts	9	11	(105)
Depreciation and Amortisation	10	(17,380)	(16,198)
Finance Costs		(1,236)	(1,048)
Revaluation Decrement		(855)	0
Write off Previously Recognised Assets		(1,056)	(189)
Total Expenses		(94,374)	(91,389)
SURPLUS/(DEFICIT) FOR THE PERIOD		14,036	10,555
OTHER COMPREHENSIVE INCOME			
Net Asset Revaluation increment(decrement)	21(a)	108,430	0
COMPREHENSIVE RESULT		122,466	10,555

The above statement should be read with the accompanying notes

Latrobe City Council
BALANCE SHEET
As at 30th June 2010

	NOTE	2010 \$'000s	2009 \$'000s
CURRENT ASSETS			
Cash and Cash Equivalents	28	34,349	29,881
Prepayments		999	422
Trade and Other Receivables	11	8,807	6,341
Non-current assets held for sale	13(a)	0	777
Total Current Assets		44,155	37,421
NON CURRENT ASSETS			
Property, Infrastructure, Plant and Equipment	15(a)	905,780	780,230
Trade and Other Receivables	11	84	104
Other Financial Assets	12	2	2
Total Non-Current Assets		905,866	780,336
TOTAL ASSETS		950,021	817,757
CURRENT LIABILITIES			
Trade and Other Payables	16	7,101	5,407
Interest-bearing Liabilities	18	2,679	2,441
Employee Benefits	17	7,602	7,042
Provisions	19	920	1,000
Other Current Liabilities	20	1,378	1,145
Total Current Liabilities		19,680	17,035
NON CURRENT LIABILITIES			
Interest-bearing Liabilities	18	17,678	16,030
Employee Benefits	17	1,163	856
Provisions	19	15,721	10,524
Total Non-Current Liabilities		34,562	27,410
TOTAL LIABILITIES		54,242	44,445
NET ASSETS		895,779	773,312
EQUITY			
Accumulated Surplus		589,415	575,396
Reserves	21	306,364	197,916
TOTAL EQUITY		895,779	773,312

The above statement should be read with the accompanying notes

Latrobe City Council
STATEMENT OF CHANGES IN EQUITY
Year Ended 30 June 2010

	TOTAL 2010	ACCUMULATED SURPLUS	ASSET REVALUATION RESERVE	OTHER RESERVES Note 21(b)
	\$'000s	\$'000s	\$'000s	\$'000s
Equity at beginning of year	773,312	575,396	196,217	1,699
Surplus/(Deficit) for the period	14,036	14,036		
Net Asset Revaluation Increment/(decrement)	108,430		108,430	
Transfers to Reserves		(526)		526
Transfers from Reserves		509		(509)
Equity at 30 June 2010	895,779	589,415	304,647	1,716

The above statement should be read with the accompanying notes

Latrobe City Council
STATEMENT OF CHANGES IN EQUITY
Year Ended 30 June 2009

	TOTAL 2009	ACCUMULATED SURPLUS	ASSET REVALUATION RESERVE	OTHER RESERVES Note 21(b)
	\$'000s	\$'000s	\$'000s	\$'000s
Equity at beginning of year	775,710	577,976	196,217	1,517
Prior Year Correction of Errors:				
Error in processing of depreciation	655	655		
(Derecognised) / Found Assets	(13,608)	(13,608)		
Restated Opening Equity	762,757	565,023	196,217	1,517
Surplus/(Deficit) for the period	10,555	10,555		
Transfers to Reserves		(351)		351
Transfers from Reserves		169		(169)
Equity at 30 June 2009	773,312	575,396	196,217	1,699

The above statement should be read with the accompanying notes

Latrobe City Council
CASH FLOW STATEMENT
Year Ended 30th June 2010

	NOTE	2010 \$'000s Inflows (Outflows)	2009 \$'000s Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES			
INFLOWS			
Receipts from ratepayers		50,948	47,647
Government Grants (inclusive of GST)		36,405	33,492
Interest received		1,286	1,428
User charges, fines and fees (inclusive of GST)		14,708	13,479
Developer Contributions		526	351
OUTFLOWS			
Payments to Employees		(37,020)	(33,804)
Payments to Suppliers (inclusive of GST)		(36,486)	(41,408)
Net Cash provided by Operating Activities	28	30,368	21,185
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant, equipment and infrastructure assets		(27,949)	(21,486)
Proceeds from Sale of Assets	13(b)/15(b)	1,400	1,388
Net Cash used in Investing Activities		(26,549)	(20,098)
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance Costs		(1,236)	(1,048)
Loan Funds		4,350	4,450
Repayment of Borrowings		(2,465)	(2,507)
Net Cash provided by (used in) Financing Activities		649	895
Net Increase (Decrease) in Cash and Cash Equivalents		4,468	1,982
Cash and Cash Equivalents at beginning of the Financial Year		29,881	27,899
Cash and Cash Equivalents at the end of the Financial Year	28	34,349	29,881

The above statement should be read with the accompanying notes

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010****INTRODUCTION**

The Latrobe City Council was established by an Order of the Governor in Council on 2 December 1994. The Council's main office is located at 141 Commercial Road Morwell 3840.

This financial report is a general purpose financial report that consists of a Comprehensive Income Statement, a Balance Sheet, a Cash Flow Statement, and Statement of Changes in Equity and Notes accompanying these 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 (Financial and Reporting) Regulations 2004.

NOTE 1**(a) BASIS OF ACCOUNTING**

This financial report has been prepared on an accrual basis and going concern basis.

The financial report has been prepared under the historical cost convention except where otherwise noted.

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

(b) STATEMENT OF COMPLIANCE**(i) Adoption of new Australian Accounting Standard requirements**

No accounting standard has been adopted earlier than the effective date in the current period.

(ii) Financial Statement Presentation

The entity has applied the revised AASB101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires a Comprehensive Income Statement. All non-owner changes in equity must now be presented in the Comprehensive Income Statement.

NOTE 1 (CONTINUED)**(iii) Pending Accounting Standard**

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.

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning	Impact on Local Government Financial Statements
AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project. [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	Some amendments will result in accounting changes for presentation, recognition or measurement purposes, while other amendments will relate to terminology and editorial changes.	1 January 2010	Terminology and editorial changes. Impact minor.
AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions. [AASB 2]	The amendments clarify the scope of AASB 2.	1 January 2010	No impact. AASB 2 does not apply to Local Government; consequently this Standard does not apply.
AASB 2009-9 Amendments to Australian Accounting Standards – Additional Exemptions for First-time Adopters [AASB 1]	Applies to entities adopting Australian Accounting Standards for the first time, to ensure entities will not face undue cost or effort in the transition process in particular situations.	1 January 2010	No impact. Relates only to first time adopters of Australian Accounting Standards.
AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]	The Standard makes amendments to AASB 132, stating that rights issues must now be classed as equity rather than derivative liabilities.	1 February 2010	No impact. Local Government do not issue rights, warrants and options, consequently the amendment does not impact on the statements.
AASB 9 Financial Instruments	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> (AASB 139 <i>Financial Instruments; Recognition and Measurement</i>).	1 January 2013	Detail of impact is still being assessed.

NOTE 1 (CONTINUED)

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning	Impact on Local Government Financial Statements
AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and interpretations 10 & 12]	This gives effect to consequential changes arising from the issuance of AASB 9.	1 January 2013	Detail of impact is still being assessed.
AASB 2009-12 Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	This Standard amends AASB 8 to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for purposes of certain operating segment disclosures. This standard also makes numerous editorial amendments to other AASs.	1 January 2011	AASB 8 does not apply to Local Government therefore no impact expected. Otherwise, only editorial changes arising from amendments to other standards, no major impact. Impacts of editorial amendments are not expected to be significant.
AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19. [AASB 1]	Consequential amendment to AASB 1 arising from publication of Interpretation 19.	1 July 2010	Local Governments do not extinguish financial liabilities with equity instruments, therefore requirements of Interpretation 17 and related amendments have no impact.
AASB 2009-14 Amendment to Australian Interpretation – Prepayments of a Minimum Funding Requirements [AASB Interpretation 14]	Amendment to Interpretation 14 arising from the issuance of <i>Prepayments of a Minimum Funding Requirement</i> .	1 January 2011	Expected to have no significant impact.

(c) LATROBE CITY COUNCIL REPORTING ENTITY

In the process of reporting on the Council as a single unit, all transactions and balances between the Council and controlled entities have been eliminated in full.

(i) Other Operations not controlled by Council

Pre-schools operate from Council owned land and buildings. Council provides grants and can obtain financial information on request. The Council is the employer of teaching and relief staff.

These operations of the Pre-school Committees are not considered as forming part of the reporting entity on the basis that Council does not have the capacity to control these operations. However, the Land/Buildings are included in Council's assets and applicable depreciation charges are included in the Comprehensive Income Statement.

NOTE 1 (CONTINUED)**(ii) Special Committees**

Special Committees of Council include sporting, recreational and foreshore committees. Council contributes significantly to the operation of these Committees and has a representative on each Committee.

On the basis of materiality, only the operations of the Latrobe Regional Airport Committee have been incorporated into the financial statements. However, the Land and Buildings of all Committees are included in the Balance Sheet.

(d) SIGNIFICANT ACCOUNTING POLICIES**(i) 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, any direct labour and an appropriate share of directly attributable variable and fixed overheads.

Council has certain assets that require major periodic maintenance to be undertaken to ensure that they achieve their full service potential as anticipated at the time of acquisition and/or construction. Major cyclical maintenance costs are capitalised if the expenditure meets the criteria for recognition as an asset. Maintenance, repair costs and minor renewals are charged as expenses as incurred.

Capitalisation Thresholds

Capitalisation thresholds for all classes of assets, with the exception of Land, are as shown below which are consistent with prior year unless otherwise stated. Land including Land Under Roads has no capitalisation threshold.

ASSET TYPE	THRESHOLD \$
Property	
Buildings & Improvements	10,000
Plant and Equipment	
Office Furniture & Equipment	1,000
Plant & Equipment	1,000
Art Works Collection	500
Infrastructure	
Drainage Works	10,000
Roads & Streets	10,000
Bridges	10,000
Playgrounds	5,000

NOTE 1 (CONTINUED)**Revaluation**

Subsequent to the initial recognition of assets, non-current physical assets, other than plant and equipment are measured at 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 within land and buildings and infrastructure assets to ensure that each asset materially approximates its fair value. Where the carrying value materially differs from the fair value the class of asset is 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 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 extent of the remaining increments. Within the same class of assets, revaluation increments and decrements within the year are offset.

Plant and Equipment are valued at cost.

Refer to note 15 for the basis of revaluation of all non-current assets.

(ii) Depreciation and amortisation of property, infrastructure, plant and equipment

Buildings, plant and equipment, infrastructure 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.

Depreciation is provided based on the residual useful life as determined each year. There has been no change in the estimated useful life of assets as compared to the previous financial year. The following table summarises the estimated useful life and the depreciation rates applied for the different categories of assets:

Asset Category	Depreciation/Amortisation Useful Life (Years)	Estimated Rate (%)
Building & Improvements	30 – 50	2 – 3.3
Office Furniture & Equipment	5 – 10	10 – 20
Plant & Equipment	5	20
Drainage Works	50 – 70	2
Roads & Streets	7 – 73	2 – 14
Bridges	75	2
Art Works Collection	N/A	N/A
Playgrounds	11	9
Landfill Improvements	6-31	3 - 17

Various sub-categories of furniture and equipment, plant and equipment, car parks and roads have different estimated useful lives and therefore attract different depreciation rates. Where 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.

Land, Land Under Roads, Road earthworks and Artworks are not depreciated.

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the date they are completed and held ready for use.

NOTE 1 (CONTINUED)**(iii) Employee Benefits****Wages and Salaries**

Liabilities for wages and salaries and rostered days off are measured as the amount unpaid at balance date. Entitlements include oncosts that are calculated using employee remuneration rates as at balance date.

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.

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.

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. The liability also includes applicable contributions tax of 17.65%.

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 set out in Note 26.

Sick Leave

No provision has been made for sick leave as the entitlement is non-vesting and it is not considered probable that the entitlement that will accrue in the future will be greater than the amount of sick leave taken.

(iv) Accounts Receivable**Rate Debtors**

Rates are carried at nominal amounts due plus interest and are secured by a charge over the ratepayer's property. A provision for doubtful rate debtors is not required due to the Council's extensive legal powers for recovery, unless the value of the specific property involved is less than the outstanding debt.

Other Debtors

Other debtors represent amounts due to Council for the provision of services, advances and accrued income. The carrying amount of non-rate debtors (including any loans made) has been assessed for recovery at year end and provision made for doubtful debts as deemed necessary. Recoverability of debtors is reviewed on an ongoing basis throughout the course of each financial year and debts which are known to be uncollectable are written off.

NOTE 1 (CONTINUED)**(v) User Fees and Fines**

User fees and fines (including parking 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.

(vi) Investments

Investments are recognised and brought to account at their cost. Interest revenues are recognised as they accrue.

(vii) Leases

All Council's leases are deemed to be "operating leases" as the lessor effectively retains substantially all of the risks and benefits incidental to ownership of the leased items. The related rentals are expensed as incurred. (refer to Note 24)

(viii) Rates, grants, donations and other contributions

Rates, grants, donations and contributions (including developer contributions), other than reciprocal contributions, are recognised 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 represent 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.

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 3. 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.

(ix) Sale of property, plant and equipment

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

(x) Interest and rents

Interest and rentals are recognised as revenue when the payment is due, the value of the payment is notified, or the payment is received, whichever first occurs.

(xi) Dividends

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

(xii) Deposits and Retentions

Amounts received as tender deposits and retention amounts controlled by Council are included in the financial statements as liabilities until they are returned or forfeited. Amounts received and paid by Council where it has merely acted as a collection agent have been eliminated.

(xiii) Creditors and Other Current Liabilities

Creditors and other current liabilities are amounts due to external parties for the purchase of goods and services and are recognised as liabilities when the goods and services are received. Creditors are normally paid within 30 days after initial recognition. Interest is not payable on these liabilities.

NOTE 1 (CONTINUED)**(xiv) Finance Costs**

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

(xv) Allocation between Current and Non-Current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next twelve months, being the Council's operational cycle or if the Council does not have an unconditional right to defer settlement of a liability for at least 12 months after the reporting date.

(xvi) 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 comprehensive income statement, unless the asset is carried at the revalued amount in which case, the impairment loss is recognised directly against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

(xvii) Rounding

Unless otherwise stated, amounts in the financial report have been rounded to the nearest thousand dollars. Figures in the financial statements may not equate due to rounding.

(xiii) 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 short periods to maturity that are readily convertible to cash on hand at the Council's option and are subject to insignificant risk of changes in value, net of outstanding bank overdrafts.

(xix) Other Financial Assets

Managed funds are valued at fair value, being market value, at balance date. Any unrealised gains and losses on holdings at balance date are recognised as either a revenue or expense.

(xx) Non-Current Assets held for sale

A non-current asset held for sale is measured at the lower of its carrying amount and fair value less costs to sell and are not subject to depreciation. Non current assets are treated as current and classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale is expected to be completed within 12 months from the date of classification.

(xxi) Financial Guarantees

Financial guarantee contracts are recognised as a liability at the time the guarantee is issued. The liability is initially measured at fair value, and if there is material increase in the likelihood that the guarantee may have to be exercised, at the higher of the amount determined in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation, where appropriate. In the determination of fair value, consideration is given to factors including the probability of default by the guaranteed party and the likely loss to Council in the event of default.

(xxii) 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.

NOTE 1 (CONTINUED)**(xxiii) Contingent assets and contingent liabilities and commitments**

Contingent assets and contingent liabilities are not recognised in the Balance Sheet, but are disclosed by way of a note and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

Commitments are not recognised in the Balance Sheet. Commitments are disclosed at their nominal value and exclusive of the GST payable.

(xxiv) Prior Year Correction

The revaluation process of Council's infrastructure classes of assets identified roads that had been derecognised in previous reporting periods by Council engineering staff that had not been processed to the asset registers. The reasons for derecognition were that they were either not Council's responsibility to maintain or the lengths had been recorded incorrectly. This led to an overstatement of the written down value of \$13.608M. It was also discovered that an error in the calculation of depreciation for Roads, Streets and Bridges had resulted in an overstatement of depreciation in 2009 of \$655K. These corrections has resulted in net adjustments of \$12.953M to opening accumulated surplus and the 2008/2009 comparative figures for Property, Plant and Equipment.

A third balance sheet has not been presented to disclose the prior year error as they were considered not material to the comparative amounts included in the Balance Sheet.

	2009 as previously stated \$'000s	Prior Year Adjustment \$'000s	2009 Restated Balance \$'000s
Balance Sheet			
Non Current Assets			
Property, Infrastructure, Plant & Equipment	793,183	(12,953)	780,230
Equity			
Accumulated Surplus	588,349	(12,953)	575,396

NOTE 2**RATES**

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 land and improvements value.

This valuation base was used to calculate general rates, excluding valuations for power generation companies and Australian Paper Maryvale LTD:

The valuation base used to calculate general rates for 2009/2010 was \$7,542,375,000 (2008/2009 was \$7,397,962,000).

The applicable rates in the CIV dollar were:

	2010	2009
- General	0.00443739	0.00419717
- Farm	0.00332804	0.00314788
- Recreation Land	0.00221870	0.00209859

This derived Rate revenues of:

	2010 \$'000s	2009 \$'000s
Residential	25,762	24,074
Commercial/Industrial	5,189	4,795
Farm	2,010	1,916
Recreation Land	25	24
Rating Agreements	7,928	7,683
Municipal Charge	3,401	3,188
Garbage Charge	6,412	5,944
Total Rates	50,727	47,624

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2008, and the valuation was first applied in the rating year commencing 1 July 2008.

The date of the next general revaluation of land for rating purposes within the municipal district is 1 January 2010, and the valuation will be first applied in the rating year commencing 1 July 2010.

NOTE 3**GRANTS AND CONTRIBUTIONS**

Grants and contributions were received in respect of the following:

	2010	2009
	\$'000s	\$'000s
Recurrent		
Commonwealth Government – Roads to Recovery	1,175	1,038
Victorian Grants Commission – General Purpose	8,453	10,165
Victorian Grants Commission – Local Roads	2,076	2,484
Aged & Disability	3,621	3,304
Pre Schools	2,229	2,146
Employment Facilitation Programs	607	339
Libraries	459	458
Family Day Care	286	310
Maternal & Child Health	414	362
Arts	160	252
Enhanced Home Visiting Program	164	155
School Crossing Supervision	83	86
Health Programs	67	130
Community Development & Support Programs	153	281
Rural Access Program	95	94
Family & Children	240	173
Other	46	32
Total Recurrent	20,328	21,809
Non Recurrent		
Bushfire Recovery	3,592	2,349
Churchill Leisure Centre Redevelopment	2,270	450
Bushfire Recovery Case Management	1,901	462
Callignee Community Centre	1,898	435
Moe Activity Centre Plan Development	1,469	0
Moe Early Learning Centre Development	1,444	500
Ted Summerton Reserve Redevelopment	1,103	1,575
Other Infrastructure Grants	725	1,475
Other Recreation Facilities	276	932
Moe Newborough Leisure Centre Redevelopment	250	1,000
Traralgon Activity Centre Plan & Growth Review	210	0
Federal Blackspot Program (Vic Roads)	172	0
Better Roads Victoria Program	157	0
Family & Children	148	42
Community Support & Development Programs	134	410
Arts	94	0
Economic Development	92	180
Employment Facilitation Programs	29	112
Transit Cities Projects	20	212
Churchill Intergenerational Hub	0	1,760
Regional Airport	0	501
Roads to Recovery Program	0	195
Other	56	106
Total Non Recurrent	16,040	12,696
Total Grants, Subsidies and Reimbursements	36,368	34,505

NOTE 3 (CONTINUED)**Conditions on Grants and Contributions**

Grants & Contributions recognised as revenue during the year and were obtained on the condition that they be expended in a specified manner, that had not occurred at balance date were:

	2010	2009
	\$'000s	\$'000s
Recurrent		
Family & Children Programs	479	269
Employment Facilitation Programs	247	126
Community Support & Development	21	161
Aged & Disability Programs	399	303
Health & Immunisation	3	48
Libraries	23	62
Victorian Grants Commission – General Purpose	2,099	2,070
Victorian Grants Commission – Local Roads	516	509
Total Recurrent	3,787	3,548
Non Recurrent		
Bushfire Recovery	1,617	357
Moe Early Learning Centre Development	1,444	500
Callignee Community Centre	590	391
Ted Summerton Reserve Redevelopment	581	1,575
Other Infrastructure	479	688
Recreation	144	915
Traralgon Activity Centre Plan & Growth Review	91	0
Community Support & Development	72	217
Economic Development	40	60
Transit Cities Projects	13	150
Other	91	76
Total Non Recurrent	5,162	4,929
Total	8,949	8,477

NOTE 3 (CONTINUED)

Grants & Contributions which were recognised as revenue in prior years and were expended during the current year in the manner specified by the grantor were:

	2010	2009
	\$'000s	\$'000s
Recurrent		
Victorian Grants Commission – General Purpose	2,070	0
Victorian Grants Commission – Local Roads	509	0
Families & Children Programs	269	561
Aged & Disability Programs	214	196
Community Support & Development Programs	140	138
Employment Facilitation Programs	133	64
Libraries	69	0
Health	45	18
Other Grants & Contributions	0	40
Total Recurrent	3,449	1,017
Non Recurrent		
Ted Summerton Reserve Redevelopment	1,575	0
Other Infrastructure	683	809
Recreation	527	152
Callignee Community Centre	391	0
Bushfire Recovery	384	0
Moe Early Learning Centre Development	319	0
Transit Cities Projects	239	377
Community Support & Development Programs	197	106
Families & Children Programs	109	42
Economic Development	81	101
Other Grants & Contributions	187	453
Total Non Recurrent	4,692	2,040
Total	8,141	3,057
Net Increase/(Decrease) in Restricted Assets Resulting from Grant Revenues for the Year	808	5,420

NOTE 4**USER CHARGES, FEES & FINES**

	2010	2009
	\$'000s	\$'000s
Leisure Centres	2,848	2,755
Outdoor Pools	106	125
Child Care / Pre Schools	3,669	3,384
Aged Services	1,898	1,686
Recreation (Halls and Reserves)	487	514
Planning	389	411
Building Services	177	145
Health Services	374	316
Local Laws	1,143	952
Waste Services	2,155	792
Property Rentals	95	100
Other Fees and Charges	2,112	2,460
Total User Charges, Fees and Fines	15,453	13,640

NOTE 5**DEVELOPER CASH CONTRIBUTIONS**

	2010 \$'000s	2009 \$'000s
Street Lighting	0	0
Carparking	91	0
Public Open Space	85	2
Drainage Headworks	299	160
Street Trees	45	29
Future Roadworks	6	160
Total Developer Cash Contributions	526	351

NOTE 6**DEVELOPER CONTRIBUTED ASSETS**

	2010 \$'000s	2009 \$'000s
Roads	1,340	2,523
Drains	816	1,090
Footpaths	484	878
Kerb and Channel	353	525
Land	135	597
Land Under Roads	20	41
Total Developer Contributed Assets	3,148	5,654

NOTE 7**EMPLOYEE COSTS (EXCLUDING AMOUNTS CAPITALISED)**

	2010 \$'000s	2009 \$'000s
Salaries and Wages	33,055	29,557
Superannuation	2,924	2,568
Workcover	496	709
Other OnCosts	1,340	1,453
Fringe Benefits Tax	388	358
Total Employee Costs	38,203	34,645

NOTE 8**MATERIALS AND SERVICES**

	2010 \$'000s	2009 \$'000s
Contracts	16,735	20,642
Plant Hire	1,277	1,189
Utilities	2,051	1,982
Building Maintenance	1,584	1,117
Grants & Contributions	1,291	1,246
Advertising	208	191
Telephones & Communications	743	753
IT Software Maintenance	494	399
Levies	428	39
Family Day Care	1,946	1,860
Other Materials	8,898	9,786
Total Materials and Contracts	35,655	39,204

NOTE 9**BAD AND DOUBTFUL DEBTS**

	2010 \$'000s	2009 \$'000s
Other Debtors	(11)	105
Total Bad and Doubtful Debts	(11)	105

NOTE 10**DEPRECIATION AND AMORTISATION EXPENSES**

Depreciation and amortisation expense for the year was charged in respect of:

	2010 \$'000s	2009 \$'000s
Building and Improvements	2,588	2,469
Furniture and Office Equipment	614	602
Playground Improvements	69	69
Plant and Equipment	1,344	1,169
Roads, Streets and Bridges	9,638	10,236
Drainage Works	1,349	1,341
Landfill Rehabilitation	1,778	312
Total Depreciation	17,380	16,198

NOTE 11**TRADE AND OTHER RECEIVABLES**

Current	2010 \$'000s	2009 \$'000s
Child Care	54	55
Family Day Care	150	85
Home Care / Maintenance / Meals on Wheels	261	243
Rates	1,296	1,507
Government Grants and Subsidies	3,157	2,132
Private Schemes	0	1
Accrued Interest	254	92
Staff Advances	15	12
Pre Schools	9	16
Health Registrations	14	5
Advances to Community Groups/ Vendor Term Loans	19	20
Pension Claim	1	2
Latrobe Regional Airport Projects	20	114
Landfill	329	320
Latrobe Leisure Churchill Upgrade	1,413	0
Other	1,874	1,845
Provision for Doubtful Debts	(59)	(108)
Total Current	8,807	6,341

Rates are payable by four instalments during the year or by lump sum in February. Arrears attract interest, currently at the rate of 10.5% per annum.

Non Current

Advances to Community Group/ Vendor Term Loans	84	104
Total Non Current	84	104

NOTE 12**OTHER FINANCIAL ASSETS**

Non Current	2010 \$'000s	2009 \$'000s
MAPS Group Ltd. Shares	2	2
Total Non Current	2	2

NOTE 13**(a) ASSETS HELD FOR SALE**

ASSET CLASS	Carrying Amount 30/06/09 \$'000s	WDV T'fer Assets Held for Sale (i) \$'000s	WDV Disposals \$'000s	Carrying Amount 30/06/10 \$'000s
Land	418	(191)	(227)	0
Building & Improvements	359	(359)		0
Total Fixed Assets	777	(550)	(227)	0

(i) Assets that meet/(no longer meet) the criteria under AASB5 *Non Current Assets held for sale*, transferred from/(to) Property, Infrastructure, Plant and Equipment (Note 15).

(b) GAIN/(LOSS) ON DISPOSAL OF ASSETS HELD FOR SALE

	Land \$'000s	Properties \$'000s	Total 2010 \$'000s	Total 2009 \$'000s
Proceeds of Sales	425		425	583
Book Values	(227)		(227)	(1,787)
Profit/(loss) on Sales	198	0	198	(1,204)

NOTE 14**RESTRICTED ASSETS****Cash**

Council has cash and cash equivalents (Note 28) that are subject to restrictions as at the reporting date. Council has legislative restrictions in relation to employee entitlements (Long Service Leave) and non discretionary reserve and grant funds.

Restricted Cash Assets	2010 \$'000s	2009 \$'000s
Long Service Leave (1) (Note 17)	5,449	4,842
Street Lighting Reserve (2)	9	9
Off Street Parking Contributions (2)	440	463
Drainage Contributions (2)	585	566
Playground/ Public Open Space Contributions (2)	139	130
Tree Planting Contributions (2)	211	204
Future Roadwork (2)	333	327
Unexpended Grants & Contributions (Note 3)	9,890	9,082
Total Restricted Cash Assets	17,056	15,623
Other		
Morwell Civic Centre Site (3)	3,500	3,500
Total Other Restricted Assets	3,500	3,500

(1) 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 17 due to a different basis of calculation prescribed by the regulation.

(2) Funds required to be spent on projects for which contributions have been received.

(3) Land held by Council for which a covenant exists requiring that the land be used for municipal or education purposes.

NOTE 15

PROPERTY, INFRASTRUCTURE, PLANT AND EQUIPMENT	2010 \$'000s	2009 \$'000s
Land (1)		
- at independent valuation 2010	168,846	89,673
- at cost		1,747
Total Land	<u>168,846</u>	<u>91,420</u>
Building and Improvements (1)		
- at independent valuation 2010	157,882	111,611
- at cost		15,944
	<u>157,882</u>	<u>127,555</u>
Less Accumulated Depreciation		(7,057)
Total Buildings and Improvements	<u>157,882</u>	<u>120,498</u>
Office Furniture and Equipment (3)		
- at cost	4,523	3,994
Less Accumulated Depreciation	(2,552)	(1,938)
Total Office Furniture and Equipment	<u>1,972</u>	<u>2,056</u>
Plant and Equipment (3)		
- at cost	10,147	9,120
Less Accumulated Depreciation	(3,430)	(3,665)
Total Plant and Equipment	<u>6,717</u>	<u>5,455</u>
Drainage Works (2)		
- at Council valuation	134,910	93,437
- at cost		871
	<u>134,910</u>	<u>94,308</u>
Less Accumulated Depreciation	(50,207)	(10,935)
Total Drainage Works	<u>84,703</u>	<u>83,373</u>
Land Under Roads (6)		
- at Fair value	14,431	10,721
Total Land Under Roads	<u>14,431</u>	<u>10,721</u>
Roads, Streets and Bridges (2)		
- at Council valuation	601,318	452,020
- at cost		37,494
	<u>601,318</u>	<u>489,514</u>
Less Accumulated Depreciation	(157,951)	(39,912)
Total Roads, Streets and Bridges	<u>443,368</u>	<u>449,602</u>
Landfill Improvements (5)		
- at Council valuation	5,440	5,440
- at cost	12,806	7,609
	<u>18,246</u>	<u>13,049</u>
Less Accumulated Depreciation	(3,302)	(1,525)
Total Landfill Improvements	<u>14,943</u>	<u>11,524</u>

NOTE 15 (CONTINUED)

PROPERTY, INFRASTRUCTURE, PLANT AND EQUIPMENT	2010 \$'000s	2009 \$'000s
Playground Improvements (2)		
- at Council valuation 2010	1,386	859
- at cost		777
	<u>1,386</u>	<u>1,636</u>
Less Accumulated Depreciation	(721)	(196)
Total Playground Improvements	<u>665</u>	<u>1,440</u>
Art Collection (4)		
- at valuation	1,733	1,733
- at cost	65	45
Total Art Collection	<u>1,798</u>	<u>1,778</u>
Works in Progress - at cost	10,455	2,364
Total Property, Plant and Equipment	<u>905,780</u>	<u>780,231</u>
Property, Plant and Equipment		
At Valuation	1,071,515	754,773
At Cost	37,996	79,965
At Fair Value	14,431	10,721
Less Accumulated Depreciation	(218,162)	(65,228)
Total Property, Plant and Equipment	<u>905,780</u>	<u>780,231</u>

(1) Land (excluding land under roads) has been stated at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Buildings and Improvements have been stated at fair value on the basis of written down replacement cost as at 30 June 2010. Valuations were carried out by:

- CJA Lee Property – Valuers and Consultants

(2) Roads, Streets and Bridges, Playground improvements and Drainage assets have been valued on the basis of written down replacement cost, using the Greenfield approach, by Council's Engineering staff. The majority of the assets have been valued as at 30 June 2010 with additions since that time being added at valuation.

(3) Plant and Equipment and Office furniture and equipment have been stated at cost.

(4) Art collection has been valued at market value by an independent art valuer.

(5) Landfill Improvements has been valued at the expected whole of life cost for required improvement works by council's Coordinator Landfill Services.

(6) Land under roads is valued at fair value. Fair value is based on Council valuations at 30 June 2010 for land under roads in existence at that date and at the date acquired for subsequent acquisitions using site values adjusted for englobo (undeveloped and/or unserviced) characteristics, access rights and private interests of other parties and entitlements of infrastructure assets and services. The valuation has been undertaken by council's finance and infrastructure staff.

NOTE 15 (CONTINUED)**(a) PROPERTY, INFRASTRUCTURE, PLANT & EQUIPMENT****2010**

	Carrying Amount 30/06/09	Adjustment to opening Equity 01/07/09 WDV	Restated Carrying Amount 01/07/09 WDV	Impaired/ Written Off Assets (i)	WDV T'fer Assets Held for Sale	Additions 2009/2010	WDV Disposals	Depreciation & Amortisation Expense	Revaluation Increment/ (Decrement)	Carrying Amount 30/06/10
ASSET CLASS	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Land	91,420		91,420	(765)	191	1,197			76,803	168,846
Building & Improvements	120,498		120,498		359	6,024		(2,588)	33,589	157,882
Furniture & Equipment	2,056		2,056			530		(614)		1,972
Plant & Equipment	5,455		5,455			3,212	(605)	(1,345)		6,717
Drainage Works	83,373		83,373			1,172		(1,349)	1,507	84,703
Land Under Roads	10,721		10,721			20			3,690	14,431
Roads, Streets & Bridges	449,602		449,602	(214)		10,776		(9,637)	(7,159)	443,368
Landfill Improvements	11,524		11,524			5,197		(1,778)		14,943
Playground Improvements	1,440		1,440	(855)		150		(70)		665
Art Collection	1,778		1,778			20				1,798
Works in Progress	2,364		2,364	(77)		8,168				10,455
Total Fixed Assets	780,231	0	780,231	(1,911)	550	36,466	(605)	(17,381)	108,430	905,779

(i) The total of \$1.911M under impaired/written off assets comprises \$1.056M for write off of previously recognised assets and \$855K for revaluation decrements as disclosed in the Comprehensive Income Statement. These write-offs consist mainly of land assets found to be not Council owned/controlled, a bridge that will be replaced and a valuation decrement to Council Playgrounds.

NOTE 15 (CONTINUED)

2009

ASSET CLASS	Carrying Amount 30/06/08	Adjustment to opening Equity 01/07/08 WDV	Restated Carrying Amount 01/07/08 WDV	Impaired/ Written Off Assets	WDV T'fer Assets Held for Sale (Note 13(a))	Additions 2008/2009	WDV Disposals	Depreciation & Amortisation Expense	Carrying Amount 30/06/09
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Land	90,517		90,517		(397)	1,510	(210)		91,420
Building & Improvements	114,986		114,986		(61)	8,122	(95)	(2,454)	120,498
Furniture & Equipment	1,924		1,924			735	(1)	(602)	2,056
Plant & Equipment	4,850		4,850			2,241	(467)	(1,169)	5,455
Drainage Works	83,441	(2)	83,439			1,275		(1,341)	83,373
Land Under Roads	10,609	71	10,680			41			10,721
Roads, Streets & Bridges	459,837	(13,022)	446,815			13,023		(10,236)	449,602
Landfill Improvements	4,227		4,227			7,609		(312)	11,524
Playground Improvements	1,236		1,236			272		(69)	1,440
Art Collection	1,769		1,769			9			1,778
Works in Progress	2,641		2,641	(189)		(88)			2,364
Total Fixed Assets	776,037	(12,953)	763,084	(189)	(458)	34,749	(773)	(16,183)	780,231

NOTE 15 (CONTINUED)**(b) GAIN ON DISPOSAL OF FIXED ASSETS**

Details of fixed assets sales during the year were as follows:

	Land \$000s	Properties \$000s	Plant \$000s	Furn & Equip \$000s	Total 2010 \$000s	Total 2009 \$000s
Proceeds of Sales			975		975	806
Sales Expenses						
Net Proceeds	0	0	975	0	975	806
Book Values			(605)		(605)	(773)
Profit/(loss) on Sales	0	0	370	0	370	33

NOTE 16**TRADE AND OTHER PAYABLES**

Current	2010 \$'000s	2009 \$'000s
Payables	5,951	4,561
Accrued Salaries and Wages	1,147	838
Accrued Loan Interest	3	8
	7,101	5,407

General Creditors are unsecured, not subject to interest charges and are normally settled within 30 days on invoice receipt.

NOTE 17

EMPLOYEE BENEFITS	2010 \$'000s	2009 \$'000s
Current (i)		
Annual Leave	3,316	3,056
Long Service Leave	4,286	3,986
	7,602	7,042
Non-Current (ii)		
Long Service Leave	1,163	856
Aggregate carrying amount of employee benefits		
Current	7,602	7,042
Non-Current	1,163	856
	8,765	7,898

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

Weighted average increase in employee costs	4.48%	4.45%
Weighted average discount rates	4.81%	4.81%
Weighted average settlement period	12	12

(i) Current

All annual leave and Long Service Leave entitlements representing 10+ years of continuous service

Short-term employee benefits that fall due within 12 months after the end of the period measured at nominal value	3,816	3,356
Other long-term employee benefits that do not fall due within 12 months after the end of the period measured at present value	3,786	3,686
	7,602	7,042

(ii) Non-Current

Long Service Leave representing less than 10 years of continuous service measured at present value	1,163	856
--	--------------	------------

NOTE 18**INTEREST-BEARING LIABILITIES**

	2010 \$'000s	2009 \$'000s
Current		
Loan – Secured	2,679	2,441
	2,679	2,441
Non-Current		
Loan – Secured	17,678	16,030
	17,678	16,030
Total Interest-Bearing Liabilities	20,357	18,471

The loans are secured over the Council's Rate Revenue.

Loans are Repayable as follows:

Within 12 months	2,679	2,441
Later than 1 year but not later than 5 years	10,669	9,700
After 5 years	7,009	6,330
	20,357	18,471

Interest rates are fixed. Weighted average interest rates applicable to the loans are:

7.15%	6.94%
-------	-------

NOTE 19**PROVISIONS**

	2010 \$'000s	2009 \$'000s
Current		
Landfill Improvements		
Provision at the beginning of the reporting period	1,000	588
Provision recognised/(works undertaken) during the reporting period	(80)	412
Provision at the end of the reporting period	920	1,000
Non-Current		
Landfill Improvements		
Provision at the beginning of the reporting period	10,524	3,639
Provision recognised/(works undertaken) during the reporting period	5,197	6,885
Provision at the end of the reporting period	15,721	10,524
Total Provisions	16,641	11,524

Council is obligated to rehabilitate landfill sites to a particular standard. Current engineering projections indicate that all landfill sites will cease operation in 2039/40. The forecast for life of the landfill site is based on current estimates of remaining capacity and the forecast rate of infill. The provision for landfill rehabilitation has been calculated based on the present value of the expected cost of works to be undertaken. The expected cost of works has been estimated based on current understanding of work required to restore the site to a suitable standard. Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs.

NOTE 20**OTHER LIABILITIES**

	2010 \$'000s	2009 \$'000s
Current		
Contracts & Sundry Deposits	1,378	1,145
Total Other Liabilities	1,378	1,145

NOTE 21**RESERVES****(a) Asset Revaluation Reserve**

	Balance at beginning of reporting period		Increment (decrement)		Balance at end of reporting period	
	2010 \$'000s	2009 \$'000s	2010 \$'000s	2009 \$'000s	2010 \$'000s	2009 \$'000s
Land	52,210	52,210	76,803	0	129,013	52,210
Buildings and Improvements	52,199	52,199	33,589	0	85,788	52,199
Land Under Roads	0	0	3,690	0	3,690	0
Plant and Equipment	14	14	0	0	14	14
Roads, Streets & Bridges	56,149	56,149	(7,159)	0	48,990	56,149
Drainage	35,645	35,645	1,507	0	37,152	35,645
Total	196,217	196,217	108,430	0	304,647	196,217

(b) Other Reserves

	2010 \$'000s	2009 \$'000s
Balance at beginning of reporting period	1,699	1,518
Increment/(decrement)	18	181
Balance at end of reporting period	1,717	1,699
Total Reserves	306,364	197,916

Accumulated funds are held in other reserves as required. These funds are controlled and held by the Council for specific development purposes. Such purposes include off street parking, drainage, playgrounds and public open spaces and tree planting development.

NOTE 22**CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

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.

Council has obligations under a defined benefit superannuation scheme that may result in the need to make additional contributions to the scheme to ensure that the liabilities of the fund are covered by the assets of the fund. As a result of the increased volatility in financial markets the likelihood of making such contributions in future periods has increased. At this point in time it is not known if additional contributions will be required, their timing or potential amount.

NOTE 23**COMMITMENTS**

At the reporting date, the council had entered into the following commitments:

	2010		2009	
	Not Later than 1 Year \$'000s	Later than 1 Year \$'000s	Not Later than 1 Year \$'000s	Later than 1 Year \$'000s
Operating				
Garbage Collection	3,296	0	3,147	3,241
Transfer Station	400	0	378	389
Materials recovery Facility-Recycling	270	0	258	267
Green Waste	542	0	424	437
Public Convenience Cleaning	206	212	152	0
Feasibility Studies	0	0	93	0
Traralgon Growth Area Review & Activity Centre Plan	183	0	0	0
Landfill Development	0	0	124	0
	4,897	212	4,576	4,334
Capital Construction				
Land	57	0	57	57
Buildings & Improvements	371	0	298	0
Plant & Equipment	0	0	188	0
Roads, Streets and Bridges	357	0	152	0
Moe Early Learning Centre	5,576	0	0	0
Ted Summerton Reserve Redevelopment	1,563	0	0	0
Moe Community Hub Design	1,372	0	0	0
Churchill Leisure Centre Upgrade	1,317	0	0	0
Callignee Community Centre	1,286	0	0	0
	11,899	0	695	57

NOTE 24**OPERATING LEASES**

At the reporting date, the municipality had the following obligations under non-cancellable operating leases. (These obligations are not recognised as liabilities):

	2010 \$'000s	2009 \$'000s
- Not later than one year	27	31
- Later than one year and not later than five years	23	27
- Later than five years	15	21
	65	79

NOTE 25**EVENTS OCCURRING AFTER BALANCE DATE**

There have been no post balance sheet events that impact on the financial statements. (2008/09: \$Nil)

NOTE 26**POST EMPLOYMENT BENEFIT**

Council makes employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). Obligations for contributions are recognised as an expense in profit or loss when they are due. The Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. Council also makes employer superannuation contributions in respect of its employees to various other superannuation funds in accordance with the requirements of the superannuation Guarantee Legislation.

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.

Defined Benefit Plan

The Fund's Defined Benefit Plan is a multi-employer sponsored plan. As the Plan's assets and liabilities are pooled and are not allocated by employer, the Actuary is unable to reliably allocate benefit liabilities, assets and costs between employers. As provided under Paragraph 32 (b) of AASB 119, Latrobe City 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 2008, 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, plus contribution tax (same as previous year);

The Fund surplus or deficit (ie the difference between fund assets and liabilities) are calculated differently for funding purposes (ie calculating required contributions) and for the calculation of accrued benefits as required in AAS 25 to provide the values needed for the AASB 119 disclosure in a council's financial statements. AAS 25 requires that the present value of the benefit liability which is calculated in respect of membership completed at the calculation date makes no allowance for future benefits that may accrue. The actuarial investigation concluded that although the Net Market Value of Assets was in excess of Accrued Benefits at 31 December 2008, based on the assumptions adopted, there was a shortfall of \$71 million when the funding of future benefits was also considered. However, the council has been advised that no additional contributions will be required as at 30 June 2010. The Actuary will undertake the next actuarial investigation to ascertain if additional contributions would be required. The Actuarial review will be as at 30 June 2010.

The result of the actuarial review is expected to be finalised during October 2010. Should the review identify a funding shortfall requiring additional contributions, the Council will be notified of any amount payable by November 2010 for payment on 1 July 2011. A further actuarial review will be undertaken as at 30 June 2011. Based on the results of this further review, a detailed funding plan will be developed and implemented to achieve the target of fully funding the Fund by 31 December 2013.

Accounting Standard Disclosure

The Fund's liability for accrued benefits was determined by the Actuary at 31 December 2008 pursuant to the requirements of Australian Accounting Standard AAS25 follows:

	31 December 2008
	\$'000s
Net Market Value of Assets	3,630,432
Accrued Benefits (per accounting standards)	3,616,422
Difference between Assets and Accrued Benefits	<u>14,010</u>
Vested Benefits	<u>3,561,588</u>

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

Net Investment Return	8.50% p.a.
Salary Inflation	4.25% p.a.
Price Inflation	2.75% p.a.

NOTE 26 (CONTINUED)

Defined Benefit Plans	2010 \$'000s	2009 \$'000s
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	608	513
Employer contributions payable to Local Authorities Superannuation Fund (Vision Super) at reporting date	0	0
	608	513
Accumulation Funds	2010 \$'000s	2009 \$'000s
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	1,580	1,476
Employer contributions to Other Superannuation Funds	454	280
	2,034	1,756
Employer contributions payable to Local Authorities Superannuation Fund (Vision Super) at reporting date	240	202
Employer contributions payable to Other Superannuation Funds	42	30
	282	232

NOTE 27**RELATED PARTY TRANSACTIONS****(i) Responsible Persons**

Names of persons holding the position of Responsible Person at the Latrobe City Council during the reporting period are:

	From	To
Councillors:		
Darrell White	01/07/09	30/06/10
Graeme Middlemiss	01/07/09	30/06/10
Lisa Price	01/07/09	30/06/10
Bruce Lougheed	01/07/09	30/06/10
Sandy Kam	01/07/09	30/06/10
Kellie O'Callaghan	01/07/09	30/06/10
Rohan Fitzgerald	01/07/09	30/06/10
Ed Vermeulen	01/07/09	30/06/10
Sharon Gibson	01/07/09	30/06/10
Chief Executive Officer:		
Paul Buckley	01/07/09	30/06/10

NOTE 27 (CONTINUED)**(ii) Remuneration of Responsible Persons**

The numbers of Responsible Officers, whose total remuneration from Council and any related entities fall within the following bands of \$10,000:

	2010 No.	2009 No.
Income Range		
\$0 - \$9,999	0	4
\$10,000 - \$19,999	0	7
\$20,000 - \$29,999	7	0
\$30,000 - \$39,999	0	1
\$40,000 - \$49,999	2	1
\$230,000 - \$239,999	0	1
\$260,000 - \$269,999	1	0
TOTAL	10	14

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

	2010 \$'000s	2009 \$'000s
Total Remuneration for Responsible Persons	508	443

(iii) 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 \$120,000 (Previously \$100,000).

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

	2010 No.	2009 No.
Income Range		
<\$100,000	4	10
\$100,000 - \$109,999	1	7
\$110,000 - \$119,999	2	6
\$120,000 - \$129,999	3	2
\$130,000 - \$139,999	0	0
\$140,000 - \$149,999	0	1
\$150,000 - \$159,999	1	0
\$160,000 - \$169,999	0	1
\$170,000 - \$179,999	3	2
\$180,000 - \$189,999	2	2
TOTAL	16	31

Total remuneration for the reporting period for senior officers included above, amounted to:

	2010 \$'000s	2009 \$'000s
Total Remuneration for Senior Officers	1,851	3,517

NOTE 27 (CONTINUED)**(iv)**

No Retirement benefits have been paid by the Council in connection with the retirement of Responsible Persons of the Council. (2008/09: \$Nil)

(v)

No Loans have been made, guaranteed or secured by the Council to a Responsible Person of the Council during the reporting period. (2008/09: \$Nil)

(vi) Other Transactions

Other related party transactions required disclosure have been considered and there are no matters to report. (2008/09: \$Nil)

(vii)

(a) Aggregate amounts of revenue or expense for the reporting period that resulted from transactions with Responsible Persons of the Council of their Responsible Person related parties, other than noted above, include:

Aggregate amount of the following items(s): \$Nil

(b) Other Receivable from and payables to Responsible Persons of the Council or their Responsible Person related parties recognised as at reporting date include:

Aggregate amounts payable at balance date of the following item(s) \$Nil

(c) The Council does not recognise any provisions for doubtful receivables as at the reporting date in respect of loans subject to (v) or other receivables subject to paragraph (vii)(b).

(d) The Council does not recognise any other benefits derived during the reporting period by Responsible Persons of the Council or their Responsible Person related parties.

NOTE 28**NOTES TO THE STATEMENT OF CASH FLOWS**

	2010 \$'000s	2009 \$'000s
	Inflows / (Outflows)	Inflows / (Outflows)
Reconciliation of cashflows from operating activities to surplus/(deficit)		
Net result	14,036	10,555
Depreciation	17,380	16,198
Finance Costs	1,236	1,048
(Profit)/Loss on Sale of Fixed Assets	(568)	1,171
Write off Previously Recognised Assets	1,056	189
Revaluation Decrement	855	0
Recognition of previously unrecognised assets	(172)	0
Landfill Rehabilitation	(80)	0
Developer contributions for contributed assets	(3,148)	(5,654)
(Increase)/decrease in Trade and Other Receivables	(2,447)	(2,430)
Increase/(decrease) in Trade and Other Payables	1,379	(498)
(Increase)/decrease in Prepayments	(577)	(86)
Increase/(decrease) in Employee Benefits	1,183	841
Increase/(decrease) in Contract and Security Deposits	233	(149)
Net cash provided by Operating Activities	30,368	21,185

Reconciliation of Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash includes on hand and in banks, and at call and short term deposit investments and money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the balance sheet as follows:

Cash at Bank	29,499	25,511
Investments	4,850	4,370
Total Cash and Cash Equivalents	34,349	29,881

The weighted average rate of interest applicable to each type of investment is as follows:

Term Deposits	6.14%	4.23%
At Call Deposits	4.29%	2.86%

NOTE 29**FINANCIAL INSTRUMENTS****(a) Accounting Policy, Terms and Conditions**

Recognised Financial Instrument	Note	Accounting Policy	Terms and Conditions
Financial Assets			
Cash and cash equivalents	28	<p>Cash on hand and at bank and money market call account are valued at face value.</p> <p>Interest is recognised as it accrues.</p> <p>Investments and Bills were valued at cost Investments are held to maximise interest returns of surplus cash. Interest revenues are recognised as they accrue. Managed funds are measured at market value.</p>	<p>At call deposits returned a floating interest rate of 4.29% (2.86% in 2008/2009). The interest rate at balance date was 4.29% (2.86% in 2008/2009).</p> <p>Funds returned fixed interest rates of between 2.90% (2.90% in 2008/2009), and 6.91% (9.79% in 2008/2009) net of fees.</p>
Other Debtors	11	<p>Receivables are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when there is objective evidence that an impairment loss has occurred..</p>	<p>General debtors are unsecured and arrears attract an interest rate of 10.5% (10% in 2008/2009). Credit terms are based on 30 days.</p>
Financial Liabilities			
Trade and other Payables	16	<p>Liabilities are recognised for amounts to be paid in the future for goods and services provided to Council as at balance date whether or not invoices have been received.</p>	<p>General Creditors are unsecured, not subject to interest charges and are normally settled within 30 days of invoice receipt.</p>
Interest Bearing Liabilities	18	<p>Loans are carried at their principal amounts, which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recognised as part of payables</p>	<p>Borrowings are secured by way of mortgage over the general rates of the Council.</p> <p>The weighted average interest rate on borrowings is 7.15% during 2009/2010(6.94% in 2008/2009)</p>
Bank Overdraft	18	<p>Overdrafts are recognised at the principal amount. Interest is charged as an expense as it accrues.</p>	<p>The overdraft is subject to annual review. Council has a \$1M overdraft facility.</p> <p>It is secured by a mortgage over Council's general rates and is repayable on demand.</p> <p>No overdraft was utilised during 2009/2010. (No overdraft was utilised during 2008/2009)</p>

NOTE 29 (CONTINUED)**(b) Interest Rate Risk**

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

	Fixed Interest Maturing In:											
	Floating Interest Rate		1 Year or Less		Over 1 to 5 Years		More than 5 Years		Non-Interest Bearing		Total	
	2010 \$'000s	2009 \$'000s	2010 \$'000s	2009 \$'000s	2010 \$'000s	2009 \$'000s	2010 \$'000s	2009 \$'000s	2010 \$'000s	2009 \$'000s	2010 \$'000s	2009 \$'000s
Financial Instruments												
Financial Assets												
Cash and Cash Equivalents	1,758	2,201	27,574	22,165	5,000	5,500	0	0	17	15	34,349	29,881
Trade and Other Receivable	0	0	0	0	0	0	0	0	6,867	4,175	6,867	4,175
Total Financial Assets	1,758	2,201	27,574	22,165	5,000	5,500	0	0	6,884	4,190	41,216	34,056
Weighted average interest rates	4.00%	2.50%	5.91%	3.38%	6.04%	4.43%						
Financial Liabilities												
Trade and Other Payable	0	0	0	0	0	0	0	0	8,479	6,552	8,479	6,552
Interest-Bearing Liabilities	0	0	2,679	2,441	10,669	9,700	7,009	6,330	0	0	20,357	18,471
Total Financial Liabilities	0	0	2,679	2,441	10,669	9,700	7,009	6,330	8,479	6,552	28,836	25,023
Weighted average interest rates			7.15%	6.94%	7.15%	6.94%	7.15%	6.94%				
Net Financial Assets (Liabilities)	1,758	2,201	24,895	19,724	(5,669)	(4,200)	(7,009)	(6,330)	(1,595)	(2,362)	12,380	9,033

NOTE 29 (CONTINUED)**(c) Net Fair Values**

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

	Total Carrying Amount as per Balance Sheet		Aggregate Net Fair Value	
	2010 \$'000s	2009 \$'000s	2010 \$'000s	2009 \$'000s
Financial Instruments				
Financial Assets				
Cash and Cash Equivalents	34,349	29,881	34,349	29,881
Trade and Other Receivables	6,867	4,175	6,867	4,175
Total Financial Assets	41,216	34,056	41,216	34,056
Financial Liabilities				
Trade and Other Payables	8,479	6,552	8,479	6,552
Interest-Bearing Liabilities	20,357	18,471	20,357	18,471
Total Financial Liabilities	28,836	25,023	28,836	25,023

(d) Risks and Mitigation

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

Market risk

Market risk is the risk that the fair value or future cash flows of our financial instruments will fluctuate because of changes in market prices. The Council's exposures to market risk are primarily through interest rate risk with only insignificant exposure to other price risks and no exposure to foreign currency risk. Components of market risk to which we are exposed are discussed below.

Interest rate risk

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

Our loan borrowings are sourced from major Australian banks by a tender process. We manage interest rate risk on our net debt portfolio by:

- setting prudential limits on interest repayments as a percentage of rate revenue.

We manage the interest rate exposure on our net debt portfolio by appropriate budgeting strategies and obtaining approval for borrowings from the Department of Planning and Community Development each year.

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

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

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

NOTE 29 (CONTINUED)**Credit Risk**

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause us to make a financial loss. We have exposure to credit risk on all financial assets included in our balance sheet. To help manage this risk:

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

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

We may also be subject to credit risk for transactions which are not included in the balance sheet, such as when we provide a guarantee for another party. Details of our contingent liabilities are disclosed in note 22.

Movement in Provision for Doubtful Debts

	2010 \$'000s	2009 \$'000s
Balance at the beginning of the year	108	542
New Provisions recognised during the year	20	50
Amounts already provided for and written off as uncollectible	19	484
Amounts provided for but recovered during the year	50	0
Balance at end of year	59	108

Ageing of Trade and Other Receivables

At balance date other debtors representing financial assets were past due but not impaired. These amounts relate to a number of independent customers for whom there is no recent history of default. The ageing of the Councils' Trade & Other Receivables was:

	2010 \$'000s	2009 \$'000s
The aging of the Council's Trade & Other Receivables at reporting date was:		
Current (not yet overdue)	5,876	2,646
Past due by up to 30 days	633	835
Past due between 31 and 60 days	151	282
Past due between 61 and 90 days	53	129
Past due by more than 90 days	154	283
	6,867	4,175

NOTE 29 (CONTINUED)**Liquidity risk**

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

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

To help reduce these risks we:

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

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

The table below lists the contractual maturities for Council's Financial Liabilities.

These amounts undiscounted gross payments including both principal and interest amounts.

	6 mths or less \$'000s	6-12 months \$'000	1-2 years \$'000s	2-5 years \$'000s	>5 years \$'000s	Total Amount	Carrying Amount
2010							
Trade and Other Payables	8,479					8,479	8,479
Interest-Bearing Liabilities	2,075	1,974	3,949	10,338	8,117	26,453	20,357
	10,554	1,974	3,949	10,338	8,117	34,932	28,836
2009							
Trade and Other Payables	6,552					6,552	6,552
Interest-Bearing Liabilities	1,827	1,828	3,425	9,487	7,316	23,883	18,471
	8,379	1,828	3,425	9,487	7,316	30,435	25,023

(e) Sensitivity Disclosure Analysis

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

- A parallel shift of +1% and -2% in market interest rates (AUD) from year-end rates of 4.50%. (2008/09 3%)

The statement below discloses the impact on net operating result and equity for each category of financial instruments held by the Council at year end, if the above movements were to occur.

Based on a market interest rate (AUD) at year end of 4.50% (2008/09 3.00%) a parallel shift of +1% will result in an increase of \$17.58K (2008/09 \$22.01K) in operating surplus and equity and accordingly a parallel shift of -2% would have resulted in a decrease of \$35.16K and (2008/09 \$44.02K) in operating surplus and equity on those balances subject to floating interest rates.

NOTE 30**AUDITOR'S REMUNERATION**

Audit Fee to conduct External Audit – Victorian Auditor General
Internal Audit Fees

	2010 \$'000s	2009 \$'000s
	57	55
	79	61
	136	116

NOTE 31

INCOME, EXPENSES AND ASSETS BY FUNCTION/ACTIVITIES

2010

	TOTAL	EXECUTIVE OFFICE	ECONOMIC SUSTAINABILITY	ORGANISATIONAL EXCELLENCE	RECREATIONAL AND CULTURAL LIVEABILITY	BUILT AND NATURAL ENVIRONMENT SUSTAINABILITY	COMMUNITY LIVEABILITY	GOVERNANCE	OTHER
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
INCOME									
Grants	36,368		97		298	3,033	13,316	117	19,507
Other	72,042	35	492	1	3,486	6,682	6,138	1,699	53,509
TOTAL	108,410	35	589	1	3,784	9,715	19,454	1,816	73,016
EXPENSES	94,374	1,232	1,903	4,106	10,910	21,358	23,155	6,809	24,901
SURPLUS (DEFICIT) FOR THE YEAR	14,036	(1,197)	(1,314)	(4,105)	(7,126)	(11,643)	(3,701)	(4,993)	48,115
ASSETS ATTRIBUTED TO FUNCTION/ACTIVITIES*	950,021	406	10,927	517	218,164	591,377	90,840	37,789	0

*Assets have been attributed to functions/activities based on the control and/or custodianship of specific assets.

NOTE 31 (CONTINUED)

2009

	TOTAL	EXECUTIVE OFFICE	ECONOMIC SUSTAINABILITY	ORGANISATIONAL EXCELLENCE	RECREATIONAL AND CULTURAL LIVEABILITY	BUILT AND NATURAL ENVIRONMENT SUSTAINABILITY	COMMUNITY LIVEABILITY	GOVERNANCE	OTHER
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
INCOME									
Grants	34,505	0	189	0	4,367	9,551	10,042	151	10,205
Other	68,610	3	531	3	3,710	7,880	5,608	1,508	49,367
TOTAL	103,115	3	720	3	8,077	17,431	15,650	1,659	59,572
EXPENSES	92,560	1,126	2,368	3,893	12,750	43,103	21,483	6,789	1,048
SURPLUS (DEFICIT) FOR THE YEAR	10,555	(1,123)	(1,648)	(3,890)	(4,673)	(25,672)	(5,833)	(5,130)	58,524
ASSETS ATTRIBUTED TO FUNCTION/ ACTIVITIES*	817,757	250	12,000	500	183,608	534,355	66,977	20,067	0

*Assets have been attributed to functions/activities based on the control and/or custodianship of specific assets.

NOTE 31 (CONTINUED)**EXECUTIVE OFFICE**

This division is responsible for the management of council operations and chief executive office functions.

ECONOMIC SUSTAINABILITY

This division is responsible for investment facilitation, tourism and Latrobe Regional Airport activities.

ORGANISATIONAL EXCELLENCE

This division is responsible for people management and development, corporate strategy and information services.

RECREATIONAL AND CULTURAL LIVEABILITY

This division is responsible for recreational and cultural activities.

BUILT AND NATURAL ENVIRONMENT SUSTAINABILITY

This division is responsible for the management of capital projects, statutory and strategic planning, infrastructure operations such as roads and drains, building services, transit cities and natural environment sustainability including the management of waste and cleansing services.

COMMUNITY LIVEABILITY

This division is responsible for the provision of family and children services programs including preschool, childcare and maternal and child health. Community Liveability is also responsible for community wellbeing programs including home care, meals on wheels ADASS and environmental health. This division also manages community information services including libraries and service centres. Community capacity building programs are also part of this division's responsibility.

GOVERNANCE

This division is responsible for council operations and legal counsel, financial management, community relations and legislative compliance including risk management and local laws.

OTHER

Other includes the Victoria Grants Commission general purpose grants and rate revenue together with expenditure that is not attributable to any other division.

NOTE 32

FINANCIAL RATIOS

	\$'000s	2010	2009	2008	2007
(i) Debt Servicing Ratio					
(to identify the capacity of Council to service its outstanding debt)					
<u>Debt Servicing Debt</u> Total Revenue	<u>1,236</u> 107,671	1.15%	1.02%	0.97%	1.16%
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.					
(ii) Debt Commitment Ratio					
(to identify a Council's debt redemption strategy)					
<u>Debt Servicing & Redemption Costs</u> Rate Revenue	<u>3,701</u> 50,727	7.30%	7.46%	6.99%	7.83%
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.					
(iii) Operating Revenue Ratio					
(to identify a Council's dependence on non-rate income)					
<u>Rate Revenue</u> Total Revenue	<u>50,727</u> 107,671	47.11%	46.19%	50.50%	52.94%
The level of Council's reliance on rate revenue is determined by assessing rate revenue as a proportion of the total revenue of Council.					

NOTE 32 (CONTINUED)

	\$'000s	2010	2009	2008	2007
(iv) Debt Exposure Ratio					
(to identify a Council's exposure to debt)					
<u>Total Indebtedness</u>	<u>54,242</u>				
Total Realisable Assets	379,658	14.29%	17.30%	14.11%	13.69%
For the purpose 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 14) 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 and total infrastructure assets.					
The 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 to total liabilities for each dollar of realisable assets.					
(v) Working Capital Ratio					
(to assess a Council's ability to meet current commitments)					
<u>Current Assets</u>	<u>44,155</u>				
Current Liabilities	19,680	2.24:1	2.20:1	2.11:1	1.93:1
The ratio expresses the level of current assets the Council has available to meet its current liabilities.					
(vi) Adjusted Working Capital Ratio					
(to assess a Council's ability to meet current commitments)					
<u>Current Assets</u>	<u>44,155</u>				
Current Liabilities	15,894	2.78:1	2.80:1	2.62:1	2.36:1
The ratio expresses the level of current assets the Council has available to meet its adjusted 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.					

CERTIFICATION OF FINANCIAL STATEMENTS

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

Principal Accounting Officer

Matthew Rogers, CPA
Dated: dd month 2010

In our opinion the accompanying financial statements present fairly the financial transactions of the Latrobe City Council for the year ended 30 June 2010 and the financial position of the Council as at the date.

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

We have been authorised by the Council on dd month 2010 to certify the financial statements in their final form.

Councillor

Cr. XX
Dated: dd month 2010

Councillor

Cr. XX
Dated: dd month 2010

Chief Executive Officer

Paul Buckley
Dated: dd month 2010

Latrobe City Council
STANDARD INCOME STATEMENT
Year Ended 30th June 2010

	NOTE	Budget 2009/10 \$'000s	Actual 2009/10 \$'000s	Variances \$'000s	%
REVENUES FROM ORDINARY ACTIVITIES					
Rates	2(a)	50,628	50,727	99	0
Operating grants and contributions	2(b)	18,935	25,458	6,523	34
Capital grants and contributions	2(c)	9,748	10,910	1,162	12
Interest	2(d)	800	1,448	648	81
User fees and charges	2(e)	13,362	15,453	2,091	16
Developer Contributions	2(f)	360	526	166	46
Developer Contributed Assets	2(g)	2,000	3,148	1,148	57
Total Revenues		95,833	107,671	11,838	12
EXPENDITURE FROM ORDINARY ACTIVITIES					
Employee Costs	2(h)	(36,418)	(38,203)	(1,785)	(5)
Materials and services	2(i)	(31,320)	(35,655)	(4,335)	(14)
Bad and Doubtful Debts	2(j)	(36)	11	47	131
Finance Costs	2(k)	(1,148)	(1,236)	(88)	(8)
Depreciation	2(l)	(16,000)	(17,380)	(1,380)	(9)
Total Expenses		(84,922)	(92,462)	(7,540)	(9)
		10,911	15,209	4,298	39
Net gain (loss) on disposal or property, infrastructure and equipment	2(m)	0	568	568	0
Revaluation Decrement	2(n)	0	(855)	(855)	0
Recognition of Previously Unrecognised Assets	2(o)	0	172	172	0
Write off Previously Recognised Assets	2(p)	0	(1,056)	(1,056)	0
SURPLUS(DEFICIT) FOR THE PERIOD		10,911	14,036	3,125	29

Latrobe City Council
STANDARD BALANCE SHEET
As at 30th June 2010

	NOTE	Budget 2009/10 \$'000s	Actual 2009/10 \$'000s	Variances \$'000s	%
CURRENT ASSETS					
Cash and Cash Equivalents	2(q)	13,099	34,349	21,250	162
Trade and Other Receivables	2(r)	4,729	8,807	4,078	86
Prepayments	2(s)	965	999	34	4
Non-current assets held for sale	2(t)	0	0	0	0
Total Current Assets		18,793	44,155	25,362	135
NON CURRENT ASSETS					
Receivables	2(u)	111	84	(27)	(24)
Property, Plant and Equipment	2(v)	796,112	905,780	109,668	14
Other Financial Assets	2(w)	2	2	0	0
Total Non Current Assets		796,225	905,866	109,641	14
TOTAL ASSETS		815,018	950,021	135,003	17
CURRENT LIABILITIES					
Trade and Other Payables	2(x)	4,513	7,101	2,588	57
Interest-bearing Liabilities	2(y)	2,736	2,679	(57)	(2)
Employee Benefits	2(z)	6,803	7,602	799	12
Provisions	2(aa)	1,350	920	(430)	(32)
Other Current Liabilities	2(bb)	1,435	1,378	(57)	(4)
Total Current Liabilities		16,837	19,680	2,843	17
NON CURRENT LIABILITIES					
Interest-bearing Liabilities	2(cc)	17,610	17,678	68	0
Employee Benefits	2(dd)	1,114	1,163	49	4
Provisions	2(ee)	5,289	15,721	10,432	197
Total Non Current Liabilities		24,013	34,562	10,549	44
TOTAL LIABILITIES		40,851	54,242	13,392	33
NET ASSETS		774,167	895,779	121,611	16
EQUITY					
Accumulated Surplus	2(ff)	576,644	589,415	12,771	2
Reserves	2(gg)	197,523	306,364	108,841	55
TOTAL EQUITY		774,167	895,779	121,612	16

Latrobe City Council
STANDARD CASH FLOW STATEMENT
Year Ended 30th June 2010

NOTE	Budget 2009/10 \$'000s	Actuals 2009/10 \$'000s	Variances \$'000s	%
CASHFLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	64,218	66,183	1,965	3
Payments to suppliers	(68,279)	(73,506)	(5,227)	8
	(4,060)	(7,323)	(3,263)	80
Interest Received	800	1,286	486	61
Government receipts	28,682	36,405	7,723	27
Net Cash Flows from Operating Activities	25,422	30,368	4,946	19
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from property, plant, equipment	2,739	1,400	(1,339)	(49)
Payments for property, plant, equipment	(35,820)	(27,949)	7,871	(22)
Net Cash Flows from Investing Activities	(33,081)	(26,549)	6,532	(20)
CASH FLOWS FROM FINANCING ACTIVITIES				
Finance Costs	(1,148)	(1,236)	(88)	8
Proceeds from Borrowings	4,350	4,350	0	0
Repayment of Borrowings	(2,464)	(2,465)	(1)	0
Net Cash Flows from Financing Activities	739	649	(90)	(12)
Net Increase (Decrease) in Cash Held	(6,920)	4,468	11,388	(165)
Cash at Beginning of Financial Year	20,019	29,881	9,862	49
Cash at End of Financial Year	13,099	34,349	21,250	162

Latrobe City Council
STANDARD CAPITAL WORKS STATEMENT
Year Ended 30th June 2010

	NOTE	Budget 2009/10 \$'000s	Actual 2009/10 \$'000s	Variances \$'000s	%
CAPITAL WORKS AREAS					
Roads / Paths / Bridges & Carparks		13,238	9,830	3,408	26
Drainage		294	355	(61)	(21)
Land, Buildings & Improvements		18,524	13,854	4,670	25
Plant & Equipment		3,161	3,212	(51)	(2)
Furniture & Equipment		460	530	(70)	(15)
Playgrounds		133	150	(17)	(13)
Artworks		10	19	(9)	(90)
Total Capital Works	2(hh)	35,820	27,949	7,871	22
Represented by:					
Renewal		22,568	21,183	1,385	6
New Assets		13,252	6,766	6,486	49
Total Capital Works		35,820	27,949	7,871	22

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. Four Statements are required - a Standard Income Statement, a Standard Balance Sheet, a Standard Cash Flow Statement, and a Standard Capital Works Statement, together with explanatory notes.

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 an accounting basis consistent with those used for the General Purpose Financial Statements and the Budget. The results reported in these statements are consistent with those reported in the General Purpose Financial Statements.

The Standard Statements are not a substitute for the General Purpose Financial Statements, which are included at the beginning of the Financial Statements section 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 financial 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 Statements are those adopted by Council on 6 July 2009. The budget was based on assumptions that were relevant at the time of adoption of the budget. The Council set guidelines and parameters for revenue and expense targets in this budget in order to meet council's business plan and financial performance targets for both the short and long term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

Detailed information on the actual financial results is contained in the General Purpose Financial Statements. The detailed budget can be obtained by contacting council. The Standard Statements must be read with reference to these documents.

2. Notes on significant Variances

STANDARD INCOME STATEMENT

(a) Rates

The minor favourable variance is mainly due to additional garbage services and additional growth.

(b) Operating Grants and Contributions

	\$'000s
During the 2009/10 year additional grants were received for programs / projects as follows;	
Bushfire Recover Other	2,762
Bushfire Recovery Case Management	1,901
Bushfire Recovery Community Assistance Gift	700
Child and Family Services Grant	373
Employment Programs	337
Victorian Grants Commission – Additional Grant & Advance 2010/11 Grant	258
Home and Community Care Programs	193
Traralgon Activity Centre Plan	180
Community Support & Development Programs	91
Latrobe City Soccer Surfaces – Strengthening the World Game	90
Arts	60
Economic Development	52
Significant unfavourable variances were as follows;	
Monash University Synthetic Hockey Pitch Upgrade – Project Delayed	(300)
Solar Panels on Preschools – Unsuccessful Funding Application	(188)
Other minor net variances	14
TOTAL	6,523

NOTES TO THE STANDARD STATEMENTS (CONTINUED)**(c) Capital Grants and Contributions**

	\$'000s
The Capital Grants/ Contributions were received in addition to budget;	
Callignee Community Centre – Bushfire funding not included in budget	1,898
Ted Summerton Reserve Redevelopment – Additional funding received	1,151
VicRoads Blackspot & Better Roads Funding – New funding received	329
Traralgon East Community Centre – New funding received	100
Traralgon South Shared Pathway – New funding received	75
Traralgon South Recreation Reserve – Kitchen Upgrade – New funding received	65
Morwell Taxi Rank Shelter Upgrade – New funding received	62
Hazelwood South Soccer Facilities Funding – Included in 10/11 budget received in June	54
Other minor variances	57
The following budgeted capital grants/ contributions will now be received in 2010/11;	
Churchill Leisure Centre Upgrade	(1,530)
Moe Activity Centre Development	(443)
Moe Early Learning Centre	(656)
TOTAL	1,162

(d) Interest

Interest rates increased steadily after the 2009/10 budget was adopted, this together with additional surplus funds held due to the receipt of additional program and project funding in advance of the timing of expenditure and some delays in capital major projects has caused the favourable variance to budget.

(e) User Fees and Charges

Additional revenue, over the adopted budget, was raised for various services as follows:

	\$'000s
Childcare – higher than anticipated utilisation of services mainly in Family Day Care	458
Landfill Operations – higher than anticipated gate fees	299
Home and Community Care Services – increased utilisation of full cost recovery home care	275
Local Laws – higher than anticipated pound release fees and other fines	161
Interest on outstanding Rates and Charges	139
Insurance Reimbursements	133
Rates – Debt Collection and Valuation Fees	90
Asset Protection Permits and Fines	85
Bushfire Recovery Donations	80
Health Registrations	57
Building Approvals	44
Council Election Fines	43
Various other fees and charges	227
TOTAL	2,091

NOTES TO THE STANDARD STATEMENTS (CONTINUED)**(f) Developer Contributions**

Additional cash contributions for carparking, drainage and public open space were received.

(g) Developer Contributed Assets

The actual value of assets handed over to the Council by developers was greater than the value estimated for budget purposes. Details of the subdivisions and the value of assets handed over to Council during the reporting period are as follows:

	\$'000s
Erin Park Estate	294
Morrow Court Estate	88
Mountain Grey Circuit	346
Old Sale Road Estate Stage 2	577
Old Sale Road Estate Stage 3	179
Shelby Crescent Estate	191
Surdex Drive Estate	519
Sweetwater Place Estate	533
The Strand Estate	181
Woodcutter Place Estate	240
	3,148

(h) Employee Costs

The unfavourable variance of \$1,785K is mainly due to additional temporary staff for the Bushfire Recovery team to be fully funded by external sources along with increases in home care for full cost recovery services.

(i) Materials and Services

During the year significant additional materials and services were expended on the following programs and services these amounts have all been funded from additional income and/or savings in other areas.

	\$'000s
Bushfire Recovery – Funded from additional grants & contributions	2,274
Building Maintenance	162
Family and Children Services – Additional usage of services and new programs	700
Landfill Operations	273
Art Programs	250
Recreation	291
Community Support and Development	90
Employment Development Programs	87
Economic Development	74
Various other programs/ projects	134
	4,335

(j) Bad and Doubtful Debts

The favourable variance of \$47K is due to the reversal of a Provision for doubtful debts made at 30th June 2009 for \$50K being fully recovered in 2009/10.

(k) Finance Costs

The unfavourable variance is due to a higher than budgeted interest rate on a council loan along with the current loan being taken out earlier than anticipated.

NOTES TO THE STANDARD STATEMENTS (CONTINUED)**(l) Depreciation**

The unfavourable variance is mainly due to increases in amortisation charges for landfill rehabilitation. Increased State Government requirements around the rehabilitation of landfill sites have caused an increase in Council's landfill asset which has led to this increased expense.

(m) Net Gain on Disposal of Property, Infrastructure and Equipment

Plant and vehicle sales together with property sale proceeds generated a surplus over the budgeted amount.

(n) Revaluation Decrement

A review of council's playground assets found this asset category to be overvalued.

(o) Recognition of Previously Unrecognised Assets

During the revaluation of Council land and buildings one vacant reserve and two buildings were found that had previously not been included in Council's asset register.

(p) Write off Previously Recognised Assets

During the reporting period a review of Council's asset registers found some assets that have been disposed or duplicated and some work in progress on projects that are not proceeding.

STANDARD BALANCE SHEET**(q) Cash and Cash Equivalents**

Cash assets are higher than budgeted due to early an additional receipt of grant funding together with incomplete capital works at the end of the reporting period.

(r) Trade and Other Receivables

The higher than budgeted level of receivables is mainly due to outstanding grant claims, predominantly due to a Natural Disaster funding claim in relation to the bushfires.

(s) Prepayments

There was no material variance from budget at year end.

(t) Non-Current Assets Held for Sale

No variance.

(u) Receivables (Non-Current)

The minor variance relates to community group loans.

(v) Property, Plant and Equipment

The increase in the value of fixed assets is due to revaluation of assets carried out during the reporting period on land, buildings and infrastructure assets. Revaluation movements are not shown in the budget due to their difficulty to predict.

(w) Other Financial Assets (Non-Current)

No variance.

(x) Trade and Other Payables

A significant number of contractor payments for works undertaken prior to 30 June 2010 were accrued into the 2009/2010 financial statements. These payments had been budgeted to be paid prior to 30 June 2010.

(y) Interest Bearing Liabilities (Current)

There was no material variance from budget at year end.

(z) Employee Benefits (Current)

The increase in the provision relating to annual leave and long service leave was greater than anticipated in the original budget.

(aa) Provisions (Current)

The variance to budget relates to the expected landfill rehabilitation works to be undertaken in 2010/2011.

(bb) Other Current Liabilities

There was no material variance from budget at year end.

NOTES TO THE STANDARD STATEMENTS (CONTINUED)**(cc) Interest Bearing Liabilities (Non-Current)**

There was no material variance from budget at year end.

(dd) Employee Benefits (Non-Current)

There was no material variance from budget at year end.

(ee) Provisions (Non-Current)

The variance to budget relates to increases in the provision for landfill rehabilitation, recognising an increase in the estimated future costs.

(ff) Accumulated Surplus

The variance relates to higher than budgeted surpluses in 2008/2009 and 2009/2010 together with the recognition of land under roads in 2008/09 after the adoption of the 2009/2010 budget.

(gg) Reserves

Asset revaluations have been processed on land, buildings and infrastructure assets resulting in an overall increase to the reserve of \$108M. The significant increases were in land and buildings partially offset by a reduction in Roads, Streets and Bridges (see Note 21 to the financial statements for more detail).

STANDARD CASH FLOW STATEMENT

Refer to the notes for Standard Income Statement and Standard Balance Sheet for details on variances related to the cash flow items.

NOTES TO THE STANDARD STATEMENTS (CONTINUED)**STANDARD CAPITAL WORKS STATEMENT****(hh) Total Capital Works**

Overall capital expenditure was \$7.871 million under budget. This was mainly as a result of several projects that were incomplete at the end of the reporting period. These projects were delayed due to the timing of funding agreement negotiations with government bodies or through planning and appeal processes. Some unfavourable variances were incurred on projects due to funding that was received in previous financial periods but not expended until the current reporting period and additional funding received from external sources during the current reporting period. The significant project variances are listed below:

	\$'000s
Projects Delayed	
Roads / Paths / Bridges & Carparks	
- Churchill Pedestrian Plaza/ Phillip Parade Rehabilitation	1,937
- Wallace Street Morwell Rehabilitation	420
- Franklin Street Traralgon Bridge	300
- Coalville Road Moe Footpath	277
- Sealing of Rural Gravel Roads	265
- Bassets Lane Bridge Glengarry	165
Land, Building & Improvements	
- Moe Early Learning Centre	3,581
- Churchill Leisure Centre Upgrade	1,357
- Moe Activity Centre Plan	1,281
- Hyland Way Landfill Meeting & Amenities Building	432
- Traralgon West Sports Complex Pavilion	394
- Northern Reserve Morwell Clubrooms Redevelopment	360
- Latrobe Regional Airport works	334
Projects Funded from Previous Periods / Additional Funding	
- Callignee Community Centre	(1,605)
- Ted Summerton Reserve Redevelopment	(1,805)
TOTAL	7,693

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*, the Local Government (Financial and Reporting) Regulations 2004.

Principal Accounting Officer

Matthew Rogers, CPA
Dated: dd Month 2010

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 (Financial 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 dd month 2010 to certify the standard statements in their final form.

Councillor

Cr. XX
Dated: XX Month 2010

Councillor

Cr. XX
Dated: XX Month 2010

Chief Executive Officer

Paul Buckley
Dated: XX Month 2010

INSERT AUDIT REPORT HERE

**PERFORMANCE STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010**

INTRODUCTION TO THE PERFORMANCE STATEMENT

The Performance Statement reports the result of Strategic Activities adopted by Council in its annual budget in accordance with the requirements of the *Local Government Act 1989*.

Governance

Key Strategic Activity:

Review the Community Engagement Policy and Strategy, and present a Community Engagement Plan to Council for consideration.

Not Achieved - Engagement activities were a key component in the review of the Community Engagement Policy and Strategy 2005. During the review and development of the plan, the level of community engagement became more intensive than initially anticipated. For this reason the KSA measure of "Time" was impacted and has resulted in the development of the Community Engagement Plan continuing into the next financial year. The performance measures of "Cost" and "Quality" were not impacted by this delay. The quantity measure was impacted by the delay because the report had not been presented to Council by 30 June.

Performance Measure and Target:

Cost:

Target - Latrobe City Council's financial contribution to the strategy review and Community Engagement Plan development will be no greater than \$50,000 in the 2009/10 financial year.

Actual - Achieved. Latrobe City Council's financial contribution was \$49,237

Time:

Target - The Ordinary Council Meeting, at which the Community Engagement Plan is presented to Council for consideration, will be no later than 30 June 2010.

Actual – Not Achieved. The draft Community Engagement Plan is expected to be presented to Council in early 2010/2011.

Quantity:

Target - The Community Engagement Plan will contain a communication matrix guide.

Actual – Not achieved. Whilst the draft Community Engagement Plan includes a communication matrix guide this target will not be considered as achieved until the plan is presented to Council.

Quality:

Target - Latrobe City Council will provide a minimum of three avenues in which the community can participate in the review and development process.

Actual – Achieved. Community consultation activities supporting the development of the Community Engagement Plan included hard copy, telephone and online surveys, shopping centre displays online blogs, twitter, facebook, targeted advertisements and guest speakers at community meetings and service clubs.

Community Capacity Building

Key Strategic Activity:

Review Latrobe 2021, and present a revised version of the long-term strategic vision to Council for consideration.

Achieved - The Community Vision for Latrobe Valley was achieved within the 2009/10 financial year, with all performance targets met, as outlined below.

Performance Measure and Target:

Cost:

Target - Latrobe City Council's financial contribution to the revised vision will be no greater than \$130,000 in the 2009/10 financial year.

Actual – Achieved. Latrobe City Council's financial contribution was \$111,990.

Time:

Target - The Ordinary Council Meeting, at which the vision is presented to Council for consideration, will be no later than 30 June 2010.

Actual – Achieved. Presented to Ordinary Council Meeting on 3 May 2010.

Quantity:

Target - The revised vision will include an outline of the community's aspirations, a forecast of the changing demographics for the Latrobe Valley, and an articulation of the different stakeholders that contribute to the community vision.

Actual – Achieved. All targets included in the publication.

Quality:

Target - Community participation received will include representation from every stakeholder category identified in the stakeholder analysis in the project plan.

Actual – Achieved. Representation from every category in stakeholder list.

Key Strategic Activity:

Develop a Latrobe City Council policy position on the expected impacts on the local community and economy of the Carbon Pollution Reduction Scheme and advocate for appropriate transitional support.

Achieved - within the 2009/10 financial year, with performance targets met, as outlined below.

Performance Measure and Target:

Cost:

Target - Latrobe City Council's financial contribution to the development, consultation and consideration of the policy will be no greater than \$150,000 in the 2009/10 financial year.

Actual - Achieved. Latrobe City Council's financial contribution was \$145,000.

Time:

Target - The Ordinary Council Meeting, at which the policy is presented to Council for consideration, will be no later than 30 June 2010.

Actual - Achieved. Presented to Ordinary Council Meeting on 6 April 2010.

Quantity:

Target - A minimum of 10 media releases will be issued by Latrobe City Council in relation to the Carbon Pollution Reduction Scheme.

Actual – Not achieved, Council issued 6 media releases and 2 public notices as well as 5 radio interviews. Media releases were discontinued when the CPRS legislation was stalled. This being beyond Council's control, it was considered inappropriate to continue issuing media releases under the circumstances.

Quality:

Target - The establishment of a Carbon Pollution Reduction Scheme Transition Committee will be a measure of the outcome for this project.

Actual – Achieved. At the Ordinary Council Meeting on 6 April 2010 it was resolved to pursue the committee post the introduction of relevant legislation to the Australian Parliament.

Sustainability

Key Strategic Activity:

Coordinate and deliver the 2010 Eastern Victoria Major Projects and Opportunities Summit.

Achieved - within the 2009/10 financial year, with all performance targets met, as outlined below.

Performance Measure and Target:

Cost:

Target - Latrobe City Council's financial contribution to the delivery of the summit will be no greater than \$20,000 in the 2009/10 financial year.

Actual - Achieved. Latrobe City Council's financial contribution was \$4,644.

Time:

Target - The delivery date for the summit will be no later than 30 April 2010.

Actual – Achieved. Summit held on 10 February 2010.

Quantity:

Target - The summit will showcase a minimum of five projects and opportunities underway or planned for the region.

Actual – Achieved. The summit showcased six projects and opportunities.

Quality:

Target - The quality of the summit will be measured by the level of attendance, including the diversity of representation.

Actual – Achieved. Over 200 attendees as per attendance list.

Key Strategic Activity:

Progress Stage 1 of the Building Asset Management Plan.

Achieved - within the 2009/10 financial year, with all performance targets met, as outlined below.

Performance Measure and Target:

Cost:

Target - Latrobe City Council's financial contribution to the development of the plan will be limited to the cost of internal resources only.

Actual – Achieved. Latrobe City Council's contribution was limited to the cost of internal resources only.

Time:

Target - The Ordinary Council Meeting, at which the plan is presented to Council for consideration, will be no later than 30 June 2010.

Actual – Achieved. Presented to Ordinary Council Meeting on 21 June 2010.

Quantity:

Target - The plan will include 100% of the Latrobe City Council owned and/or controlled building assets.

Actual – Achieved. The Building Asset Management Plan includes a comprehensive list of all known Council owned and/or controlled buildings.

Quality:

Target - An audit of nominated Latrobe City Council owned and/or controlled building assets will be completed, and incorporated into the plan.

Actual – Achieved. Audits have been conducted on Latrobe City Council's Leisure Facilities and Children's Service Centre locations. A comprehensive listing can be found in the Building Asset Management Plan.

Key Strategic Activity:

Review the Public Toilet Strategy, and present to Council for consideration.

Achieved - within the 2009/10 financial year, with all performance targets met, as outlined below.

Performance Measure and Target:**Cost:**

Target - Latrobe City Council's financial contribution to the review of the strategy will be limited to the cost of internal resources only.

Actual - Achieved. Latrobe City Council's contribution was limited to the cost of internal resources only.

Time:

Target - The Ordinary Council Meeting, at which the revised strategy is presented to Council for consideration, will be no later than 30 June 2010.

Actual – Achieved. The revised strategy was presented for consideration to the Ordinary Council Meeting of 7 June 2010.

Quantity:

Target - The revised strategy will contain an assessment of requirements for each town in the municipality, an update of existing infrastructure and a four year action plan that is based on the requirements of each town.

Actual – Achieved. The revised strategy includes an assessment of the requirements for each town, an update of existing facilities and a four year action plan based on the requirements of each town.

Quality:

Target - Community and stakeholder participation and input into the review process for the strategy will be used to measure the quality of the revised strategy. (Latrobe City Council acknowledges the subjective nature of this measure, but is constrained in its ability to provide an alternative quality measure that is quantifiable within the reporting period).

Actual - Achieved. There were 6 submissions received and considered.

Key Strategic Activity:

Finalise the design of the Moe Early Learning Centre.

Achieved - within the 2009/10 financial year, with all performance targets met, as outlined below.

Performance Measure and Target:**Cost:**

Target - Latrobe City Council's financial contribution to the design of the Moe Early Learning Centre will be no greater than \$300,000 in the 2009/10 financial year.

Actual - Achieved. Latrobe City Council's financial contribution was \$205,177.

Time:

Target - The design of the centre will be finalised by 30 June 2010.

Actual - Achieved. Design was finalised on 11 June 2010.

Quantity:

Target - The design of the centre will form part of the construction tender specifications.

Actual – Achieved. The design has been incorporated into the tender specifications for the construction of the Moe Early Learning Centre. Construction is to commence in early in the 2010/2011 financial year.

Quality:

Target - A Community Engagement Plan that is compliant with Latrobe City Council's Community Engagement Strategy and Policy, will be developed and accomplished.

Actual – Achieved. This has been achieved through the establishment of a Stakeholder reference group, two community workshops, newsletters, a community survey, media releases, a web page dedicated to the project and the provision of project signage.

Key Strategic Activity:

Finalise stage three of the Planning Scheme (Municipal Strategic Statement) review by implementing a planning scheme amendment.

Achieved - within the 2009/10 financial year, with performance targets met, as outlined below.

Performance Measure and Target:**Cost:**

Target - Latrobe City Council's financial contribution to the planning scheme amendment will be no greater than \$10,000 in the 2009/10 financial year.

Actual – Not Achieved. Latrobe City Council's financial contribution was \$39,487. Planning Panel fees of \$29,460 were incurred that had been expected in the 2008/09 financial year at the time of setting the KSA..

Time:

Target - The Ordinary Council Meeting, at which stage three of the Planning Scheme (Municipal Strategic Statement) review is presented to Council for consideration, will be no later than 31 December 2009.

Actual - Achieved. Presented to Ordinary Council Meeting on 16 November 2009.

Quantity:

Target - The Main Town Structure Plans will be incorporated into the Latrobe Planning Scheme by no later than 30 June 2010.

Actual – Achieved. Incorporated into the Latrobe Planning Scheme on 14 January 2010.

Quality:

Target - The quality of the planning scheme amendment will be measured by the Department of Planning and Community Development's level of satisfaction with the review process. (Latrobe City Council acknowledges the subjective nature of this measure, but is constrained in its ability to provide an alternative quality measure that is quantifiable within the reporting period).

Actual – Achieved. The Department of Planning and Community Development approved Amendment C62 (Stage 3) on 14 January 2010.

Key Strategic Activity:

Develop the Northern Towns (Yallourn North, Tyers, Glengarry and Toongabbie) Outdoor Recreation Plan, and present to Council for consideration.

Achieved - within the 2009/10 financial year, with all performance targets met, as outlined below.

Performance Measure and Target:**Cost:**

Target - Latrobe City Council's financial contribution to the development of the plan will be no greater than \$60,000 in the 2009/10 financial year.

Actual – Achieved. Latrobe City Council's financial contribution was \$39,930.

Time:

Target - The Ordinary Council Meeting, at which the plan is presented to Council for consideration, will be no later than 30 June 2010.

Actual - Achieved. Presented to Ordinary Council Meeting on 7 June 2010

Quantity:

Target - The plan includes five master plans across the Northern Towns of Latrobe City.

Actual - Achieved. The plan delivered master plans for Yallourn North (George Bates & Town Oval), Glengarry Recreation Reserve, Tyers Recreation Reserve and Toongabbie Recreation Reserve.

Quality:

Target - Community participation will be received from a minimum of 60% of stakeholders identified on the stakeholder list in the project plan.

Actual - Achieved. Community Consultation was undertaken with each of the reserves and user groups of the reserves.

Key Strategic Activity:

Conduct a feasibility study for an indoor aquatic facility in Traralgon, and present to Council for consideration.

Not Achieved – The first draft of the Feasibility Study was completed and prepared for consideration of Council in April 2010. At this time, at the request of Councillors, the scope of the project brief was increased. Further work has therefore been requested of the consultants to complete this study. This work is progressing and a report will be presented to Council in August 2010 for consideration.

Performance Measure and Target:**Cost:**

Target - Latrobe City Council's financial contribution to the feasibility study will be no greater than \$70,000 in the 2009/10 financial year.

Actual – Not Achieved. Latrobe City Council's financial contribution was \$73,600.

Time:

Target - The Ordinary Council Meeting, at which the feasibility study is presented to Council for consideration, will be no later than 31 March 2010.

Actual – Not achieved. To be presented early in August 2010.

Quantity:

Target - Provision of a report which addresses the need for an indoor aquatic facility in Traralgon and options for the provision of this should the need be established.

Actual – Not achieved. Whilst the draft feasibility study was substantially completed prior to 30 June this target will not be considered to be achieved until the study is presented to Council.

Quality:

Target - The quality of this study will be determined by the process and extent of research and consultation carried out. (Latrobe City Council acknowledges the subjective nature of this measure, but is constrained in its ability to provide an alternative quality measure that is quantifiable within the reporting period).

Actual – Not achieved. An extensive research process has been conducted and a wide range of stakeholders have been consulted within the reporting period, however this measure cannot be considered fully achieved until the final study is released.

COUNCIL APPROVAL OF THE PERFORMANCE STATEMENT

In our opinion the accompanying performance statement of the Latrobe City Council in respect of the 2009/2010 financial year is presented fairly.

At the time of signing we are not aware of any circumstance which would render any particular in the statement to be misleading or inaccurate.

We have been authorised by the Council on dd Month 2010 to certify the performance statement in its final form.

Councillor

Cr. XXX
Dated: dd Month 2010

Councillor

Cr. XX
Dated: dd Month 2010

Chief Executive Officer

Paul Buckley
Dated: dd Month 2010

INSERT AUDITOR REPORT HERE

**THERE BEING NO FURTHER BUSINESS THE MEETING WAS DECLARED
CLOSED AT 7.03 PM.**

**I CERTIFY THAT THESE MINUTES COMPRISE 82 PAGES IN TOTAL AND
THAT THEY HAVE BEEN CONFIRMED.**

MAYOR: _____

DATE: _____