

**CITY OF PORT PHILLIP
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2009**

CITY OF PORT PHILLIP

Financial Report

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Victorian Auditor-General's Report on Financial Report and Standard Statements

**Income Statement
for the Year Ended 30 June 2009**

	Note	2009 \$'000	2008 \$'000
Revenue			
Rates and garbage charges	2	74,943	71,344
Parking fees and fines	3	23,828	22,696
User charges and other fines	4	10,816	10,271
Statutory fees and fines	5	2,242	2,321
Grants	6	11,912	9,989
Contributions	7	6,582	24,940
Other revenue	8	3,163	2,661
Interest		2,100	2,720
Rent		6,054	5,953
Total Revenue		141,640	152,895
Expenses			
Employee benefits	10	48,911	44,028
External contracts	11	30,614	28,476
Materials and consumables	12	18,073	18,191
Bad and doubtful debts	13	2,212	1,594
Depreciation	14	15,852	14,310
Professional services		4,775	4,105
Utility payments		2,127	1,823
Other expenses	15	5,129	3,859
Finance costs	16	245	342
Total Expenses		127,938	116,728
Net loss on disposal of property, infrastructure, plant and equipment	9	2,470	44,045
Surplus / (deficit) for the year		11,232	(7,878)

The above income statement should be read with the accompanying notes

**Balance Sheet
as at 30 June 2009**

	Note	2009 \$'000	2008 \$'000
Assets			
Current assets			
Cash and cash equivalents	17	25,407	23,307
Financial assets	18	7,716	8,000
Receivables	19	10,075	10,585
Other assets	20	1,747	786
Assets held for sale	21	1,200	1,200
Total current assets		46,145	43,878
Non-current assets			
Financial assets	18	6,268	6,005
Property, infrastructure, plant and equipment	22	1,826,687	1,923,556
Total non-current assets		1,832,955	1,929,561
Total assets		1,879,100	1,973,439
Liabilities			
Current liabilities			
Payables	23	10,954	10,538
Trust funds and deposits	24	1,776	1,799
Provisions	25	7,221	6,992
Interest-bearing loans and borrowings	26	779	663
Total current liabilities		20,730	19,992
Non-current liabilities			
Provisions	25	1,437	952
Interest-bearing loans and borrowings	26	3,029	3,220
Total non-current liabilities		4,466	4,172
Total liabilities		25,196	24,164
Net Assets		1,853,904	1,949,275
Equity			
Accumulated surplus		569,433	559,736
Reserves	27	1,284,471	1,389,539
Total Equity		1,853,904	1,949,275

The above balance sheet should be read with the accompanying notes

**Statement of Changes in Equity
for the Year Ended 30 June 2009**

2009		Total	Accumulated Surplus	Asset Revaluation Reserves	Other Reserves
	Note	2009 \$'000	2009 \$'000	2009 \$'000	2009 \$'000
Balance at beginning of the financial year		1,954,188	559,736	1,368,340	21,199
Surplus / (deficit) for the year		11,232	11,232	-	-
Net asset revaluation increment/(decrement)	27(a)	(106,603)	-	(106,603)	-
Transfers to other reserves	27(b)	-	(11,668)	-	11,668
Transfers from other reserves	27(b)	-	10,133	-	(10,133)
Balance at end of the financial year		1,858,817	569,433	1,261,737	22,734
2008		Total	Accumulated Surplus	Asset Revaluation Reserves	Other Reserves
	Note	2008 \$'000	2008 \$'000	2008 \$'000	2008 \$'000
Balance at beginning of the financial year		1,688,544	573,070	1,094,818	15,743
Surplus / (deficit) for the year		(7,878)	(7,878)	-	-
Net asset revaluation increment/(decrement)	27(a)	273,522	-	273,522	-
Transfers to other reserves	27(b)	-	(13,871)	-	13,871
Transfers from other reserves	27(b)	-	8,415	-	(8,415)
Balance at end of the financial year		1,954,188	559,736	1,368,340	21,199

The above statement of changes in equity should be read with the accompanying notes

Cash Flow Statement for the year ended 30 June 2009

	Note	2009 Inflows/ (Outflows) \$'000	2008 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rates and garbage charges		75,152	70,650
Parking fees and fines		21,920	21,403
User charges and other fines (inclusive of GST)		13,178	12,735
Grants (inclusive of GST)		12,269	10,151
Contributions		4,622	2,446
Interest		2,095	2,842
Rent (inclusive of GST)		6,478	6,280
Other receipts (inclusive of GST)		3,303	2,596
Net GST refund		6,232	4,573
Payments to suppliers (inclusive of GST)		(41,911)	(35,655)
Payments to employees (including redundancies)		(48,138)	(44,359)
Other payments		(23,953)	(19,971)
Net cash provided by operating activities	28	31,247	33,691
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment		(26,536)	(32,945)
Proceeds from sale of property, infrastructure, plant and equipment		-	48
Proceeds from sale of other financial assets		8,000	4,600
Payments for other financial assets		(9,716)	(14,000)
Net cash (used in) investing activities		(28,252)	(42,297)
Cash flows from financing activities			
Repayment of interest bearing liabilities		(650)	(4,647)
Finance costs		(245)	(342)
Net cash (used in) financing activities		(895)	(4,989)
Net increase in cash and cash equivalents		2,100	(13,595)
Cash and cash equivalents at the beginning of the financial year		23,307	36,902
Cash and cash equivalents at the end of the financial year	29	25,407	23,307
Financing arrangements	30		
Restrictions on cash assets	31		
Non-cash financing and investing activities	26		

The above cash flow statement should be read with the accompanying notes

Notes to the Financial Report for the year ended 30 June 2009

Introduction

The City of Port Phillip was established by an Order of the Governor in Council on 22 June 1994 and is a body corporate. The Council's main office is located at 99a Carlisle St, St Kilda.

The purpose of Council is to:

- provide for the peace, order and good government of its municipal district;
- promote the social, economic and environmental viability and sustainability of the municipal district;
- ensure that resources are used efficiently and effectively and services are provided in accordance with Best Value Principles to meet the needs of the local community;
- improve the overall quality of life of people in the local community;
- promote appropriate business and employment opportunities;
- ensure that services and facilities provided by the Council are accessible and equitable;
- ensure the equitable imposition of rates and charges; and
- ensure transparency and accountability in Council decision making.

External Auditor -	Auditor-General of Victoria
Internal Auditor -	Pitcher Partners
Bankers -	Commonwealth Bank of Australia
Website -	www.portphillip.vic.gov.au

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

Note 1 Significant accounting policies

(a) Basis of accounting

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

This financial report has been prepared under the historical cost convention, except where specifically stated.

Unless otherwise stated, all accounting policies are consistent with those applied in the prior year. Where appropriate, comparative figures have been amended to accord with current presentation, and disclosure has been made of any material changes to comparatives. Please refer to note 1(b) for further disclosure of material changes to comparatives.

All entities controlled by Council that have material assets or liabilities have been included in this financial report. All transactions between these entities and the Council have been eliminated in full. Council has a 50% interest in the Streetsahead cleaning services as a joint venture with Stonnington City Council.

Notes to the Financial Report for the year ended 30 June 2009

Note 1 **Significant accounting policies (cont.)**

(b) Correction of prior period errors

At 30 June 2009, Council identified the following errors relating to prior periods.

Transfer of operating expenses from work in progress

A review of work in progress amounts within Property, Infrastructure, Plant and Equipment assets identified a number of capital works projects undertaken and completed in prior financial years. At 30 June 2009, these projects had not yet been capitalised as an asset, and it was identified that the work in progress balance included expenditure which was operating in nature, for example landscaping costs or building maintenance expenditure. It was determined that \$7.589 million in operating costs should have been recognised as an expense in the year in which they were incurred, \$4.913 million relating to 2006/07 and prior and \$2.676 million relating to 2007/08.

As identified above, some errors were made in a financial year prior to the comparative year, and as a result, the Balance Sheet opening balances as at 1 July 2007 were restated as follows:

- Property, infrastructure, plant and equipment decreased by \$4.913 million to recognise the transfer of operating costs from assets to expenses.
- Accumulated surplus decreased by \$4.913 million

In addition, the errors outlined above resulted in restatement of the following line items for the year ending 30 June 2008:

- Materials and consumables expense increased by \$2.676 million
- Deficit for the year increased by \$2.676 million
- Property, infrastructure, plant and equipment assets decreased by \$2.676 million
- Accumulated surplus decreased by \$2.676 million

Impairment of asset held for sale

At 30 June 2009, Council held an asset for sale, 2 Princes Street, with a carrying value of \$1.642 million. On 6 September 2007, Council entered into a contract of sale for the property with a purchase price of \$1.200 million and a settlement date two (2) years from the signing of the contract.

Council's accounting policy is to review the carrying value of its assets to determine whether there is any indication that the 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 asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed.

It has been determined that the asset held for sale is impaired and subsequently a write down of \$442,000 to bring the asset's carrying value to \$1.200 million in line with the contracted sale price, is to be recognised in 2007/08, being the year the contract of sale was entered into.

This error resulted in restatement of the following line items for the year ending 30 June 2008:

- Other expenses increased by \$442,000
- Deficit for the year increased by \$442,000
- Asset held for sale decreased by \$442,000
- Accumulated surplus decreased by \$442,000

Disposal of community housing asset

In 2007/08, Council transferred its interest in community housing assets valued at \$39.909 million that it had developed in conjunction with the Office of Housing to the Port Phillip Housing Trust. During 2008/09 Council identified an additional asset valued at \$4.136 million, which should have been disposed as a result of the title transferring to the Port Phillip Housing Trust in 2007/08.

This error resulted in restatement of the following line items for the year ending 30 June 2008:

- Loss on the disposal of property, infrastructure, plant and equipment increased by \$4.136 million
- Deficit for the year increased by \$4.136 million
- Property, infrastructure, plant and equipment assets decreased by \$4.136 million
- Accumulated surplus decreased by \$4.136 million

Notes to the Financial Report for the year ended 30 June 2009

Note 1 Significant accounting policies (cont.)

(b) Correction of prior period errors (cont.)

Financial Report Line Item / Balance Affected	Note	Actual 2008 \$'000	Correction \$'000	Corrected Actual 2008 \$'000
Income Statement Extract				
Expenses				
Materials and consumables	12	15,515	2,676	18,191
Other expenses	15	3,417	442	3,859
Total expenses		113,610	3,118	116,728
Loss on disposal of property, infrastructure, plant and equipment	9	39,909	4,136	44,045
Deficit for the year		(624)	(7,254)	(7,878)

Balance Sheet Extract

Current assets				
Asset held for sale	21	1,642	(442)	1,200
Total current assets		44,320	(442)	43,878
Non current assets				
Property, infrastructure, plant and equipment	22	1,935,281	(11,725)	1,923,556
Total non current assets		1,941,286	(11,725)	1,929,561
Total assets		1,985,606	(12,167)	1,973,439
Net assets		1,961,442	(12,167)	1,949,275
Equity				
Accumulated surplus		571,903	(12,167)	559,736
Total equity		1,961,442	(12,167)	1,949,275

Statement of Changes in Equity Extract

Balance at beginning of the financial year		577,983	(4,913)	573,070
Surplus/(deficit) for the year		(624)	(7,254)	(7,878)
Balance at the end of the financial year		571,903	(12,167)	559,736

Note 9 - Disposal of property, infrastructure, plant and equipment extract

Buildings				
Written down value of assets disposed/scrapped		(17,351)	(4,136)	(21,487)
(Loss) on disposal of buildings		(17,351)	(4,136)	(21,487)
SUMMARY				
Written down value of assets disposed/scrapped		(39,957)	(4,136)	(44,093)
(Loss) on disposal of assets		(39,909)	(4,136)	(44,045)

Note 22 - Property, infrastructure, plant and equipment extract

Buildings				
at fair value as at 30 June 2007		113,210	(4,136)	109,074
Total		157,473	(4,136)	153,337
Work in progress - at cost		32,098	(7,589)	24,509
Total property, infrastructure, plant and equipment		1,935,281	(11,725)	1,923,556

Notes to the Financial Report for the year ended 30 June 2009

Note 1 Significant accounting policies (cont.)

(c) Revenue recognition

Rates, grants and contributions

Rates, grants and contributions (including developer contributions) are recognised as revenue 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.

Contribution 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 revenue 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 at Note 6 and 7. The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

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

User charges, fees and fines

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

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

Sale of property, infrastructure, plant and equipment

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

Interest and rent

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

Notes to the Financial Report for the year ended 30 June 2009

Note 1 Significant accounting policies (cont.)

(d) Depreciation of property, infrastructure, plant and equipment

Buildings, land improvements, heritage assets, infrastructure and plant and equipment 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. Land is regarded as a non-depreciable asset.

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

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

Major asset lives used are listed below and are consistent with the prior year unless otherwise stated:

ASSET TYPE	PERIOD
Land and buildings	
Buildings	100 years
Land improvements	10 - 100 years
Plant and equipment	
Communications equipment	3 years
Furniture & fittings	5 years
Information Technology	3 years
Library books	5 years
Motor vehicles	5 years
Office Equipment	5 years
Pay parking equipment	5 - 10 years
IT Software	3 years
Heritage assets	100 years
Works of Art	100 years
Infrastructure	
Roads	
- Substructure	100 years
- Seal	
- Asphalt	18 years
- Spray	12 years
Footpaths	40 - 50 years
Kerb and channel	50 years
Drains	150 years
Bridges	
- Substructure	40 - 80 years
- Deck	20 - 80 years
Lanes (Right of Ways)	18 - 100 years

(e) Repairs and maintenance

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

Notes to the Financial Report for the year ended 30 June 2009

Note 1 Significant accounting policies (cont.)

(f) Borrowing costs

Borrowing costs are recognised as an expense in the year in which they are incurred. Borrowing costs include interest on bank overdrafts, interest on borrowings and finance lease charges.

(g) Recognition and measurement of assets

Acquisition

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

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

The following classes of assets have been recognised in Note 22. In accordance with Council's policy, the threshold limits detailed below have applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year:

ASSET CLASS	THRESHOLD LIMIT
Land and buildings	
Land	All
Buildings	\$5,000
Land improvements	\$5,000
Plant and equipment	
Communications equipment	\$2,000
Furniture & fittings	\$2,000
Information Technology	\$2,000
Library books	All
Motor vehicles	\$2,000
Office Equipment	\$2,000
Pay parking equipment	\$2,000
IT Software	\$10,000
Heritage assets	All
Works of Art	All
Infrastructure	
Roads	\$5,000
Substructure	\$5,000
Seal	\$5,000
- Asphalt	\$5,000
- Spray	\$5,000
Footpaths	\$5,000
Kerb and channel	\$5,000
Drains	\$5,000
Bridges	\$5,000
- Substructure	\$5,000
- Deck	\$5,000
Lanes (Right of Ways)	\$5,000

Notes to the Financial Report for the year ended 30 June 2009

Note 1 Significant accounting policies (cont.)

(h) Recognition and measurement of assets (cont.)

Revaluation

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

In addition, Council undertakes the formal revaluation of land, buildings, land improvements, works of art, heritage assets and infrastructure assets on a regular basis ranging from one to three 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 appropriate asset revaluation reserve except to the extent that an increment reverses a prior year decrement for that class of asset that had been recognised as an expense in which case the increment is recognised as revenue up to the amount of the prior expense. Revaluation decrements are recognised as an expense except where prior increments are included in the asset revaluation reserve for that class of asset in which case the decrement is taken to the reserve to the extent of the remaining increments. Revaluation increments and decrements within the year are offset within the same class of asset.

Land under roads

Land under roads is brought to account using the fair value basis. Council does not recognise land under roads that is controlled prior to 30 June 2008 in its financial report.

(i) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with short periods to maturity that are readily convertible to cash on hand at Council's option and are subject to insignificant risk of changes in values, net of outstanding bank overdrafts.

(j) Financial assets

Other financial assets including bank bills and Municipal Association Purchasing Scheme (MAPS) shares, are held to maturity and measured at cost.

Notes to the Financial Report for the year ended 30 June 2009

Note 1 Significant accounting policies (cont.)

(k) Community Housing Agreements

In the prior financial year Council transferred its interest in Community Housing assets that it had developed in conjunction with the Office of Housing to the Port Phillip Housing Trust. The Port Phillip Housing Association has been appointed the Trustee. This transfer was made in recognition of the fact that the Port Phillip Housing Association manages and maintains these properties and provides disadvantaged members of the Port Phillip community with access to affordable housing within the municipality. The transfer facilitates increased growth in affordable housing in the municipality and is in accordance with Council's policy objectives and outcomes identified in the Council Plan.

During the year Council had an interest in 3 properties (2007/2008: 3), one which is Council owned (2007/2008: 1), one part-owned with the State Government's Office of Housing (2007/2008: 1) and one wholly owned by the Office of Housing (2007/2008: 1). These assets are included as part of Land and Buildings in Note 22 and are subject to joint venture agreements with the Office of Housing. Additional information in regard to restrictions on these assets is disclosed at Note 31.

(l) Tender deposits

Amounts received as tender deposits controlled by Council are recognised as Trust funds until they are returned or forfeited.

(m) Employee benefits

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled. The liability for employee benefits includes annual leave, long service leave and retirement gratuities. No provision has been made for sick leave as sick leave is non-vesting and the average sick leave taken in future years by Council employees is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employee remuneration to the extent that the leave is likely to be taken during service rather than paid out on termination.

Classification as current and non-current

Employee benefit liabilities are classified as current if Council does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Consequently, all annual leave, retirement gratuities and unconditional long service leave entitlements are classified as current. All conditional long service leave entitlements are classified as non-current.

Wages and salaries

Liabilities for wages and salaries and rostered days off are recognised and are measured at the amount unpaid at balance date and include appropriate oncosts such as superannuation and WorkCover charges.

Annual leave

All annual leave is deemed to be current. Annual leave entitlements are accrued on a pro rata basis in respect of services provided by employees up to balance date and are measured at the amount expected to be paid with reference to estimated settlement of the leave as at 30 June 2009 taking into account attrition rates, pay increases through promotion and certified agreements and increments. 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.

Long service leave

Long service leave accrued for an employee with more than 7 years of service is classified as current, the amount under 7 years is classified as non-current. 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.

Retirement gratuities

Retirement gratuities were provided to certain employees who joined the Council prior to June 1995. The liability represents a set proportion of accumulated sick leave that is payable on termination. At balance date, the liability is deemed to be current and is measured at the present value of estimated future cash flows to be made for this entitlement.

Superannuation

A liability is recognised in respect of Council's present obligation to meet the unfunded obligation of the defined benefit superannuation scheme to which its employees are members. The liability is defined as 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. Any liability also includes applicable contributions tax.

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 scheme. Details of these arrangements are recorded in Note 32.

Notes to the Financial Report for the year ended 30 June 2009

Note 1 Significant accounting policies (cont.)

(n) Leases

Operating leases

Lease payments for operating leases are recognised as an expense in the years in which they are incurred.

Finance leases

Leases of assets where substantially all the risks and benefits incidental to ownership of the asset, but not the legal ownership, are transferred to the Council are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual value. Lease payments are allocated between the reduction of the lease liability and the interest expense. Leased assets are amortised on a straight line basis over their estimated useful lives to the Council where it is likely that the Council will obtain ownership of the asset or over the term of the lease, whichever is the shorter.

(o) 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 Council's operational cycle.

(p) Web Site costs

Costs in relation to Council's web site are expensed in the year in which they are incurred.

(q) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of GST, except where the GST incurred is not recoverable from the Australian Taxation 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 expense. Réceivables 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.

(r) Rounding

Unless otherwise stated, amounts in the financial report have been rounded to the nearest thousand dollars.

(s) Assets held for sale

An asset held for sale is measured at the lower of its carrying amount and fair value less costs to sell.

(t) Impairment of assets

At each reporting date, the Council reviews the carrying value of its assets to determine whether there is any indication that the 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 asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed.

Notes to the Financial Report for the year ended 30 June 2009

Note 1 Significant accounting policies (cont.)

(u) Pending accounting standards and interpretations

AASB amendment	Standards Affected		Outline of amendment	App. date of Std	App. date for Council
AASB 2008 - 11	AASB 3	Business Combinations	Amends an earlier version of AASB 3 issued in July 2004. However, before the mandatory application of this Standard the Australian Accounting Standards Board will consider the suitability of this Standard for combinations in the not for profit sector. This may result in further amendments to this Standard or an additional scope exclusion. Consequently, it is not possible to assess the likely impact of this Standard on Council.	01-Jul-09	01-Jul-09
AASB 2007 - 06	AASB 101	Presentation of Financial Statements	Amends an earlier version of AASB 101 issued in July 2006. This Standard introduces the concept of a "complete set of financial statements" and amends the title of some statements in the accounts. The other change of some relevance to Council relates to reporting owner changes in equity and comprehensive income. No significant impacts are expected to arise from this Standard.	01-Jan-09	01-Jan-09
AASB 2007 - 08	AASB 123	Borrowing Costs	Amends an earlier version of AASB 123 issued in July 2004. This Standard requires borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset to be capitalised. Previously, entities had the option of expensing such costs. Subject to the existence of borrowings for the purpose of funding capital expenditure, this standard will require related borrowing costs to be capitalised rather than expensed. It is not expected that this will have a material impact on the reported financial performance or position of Council.	01-Jan-09	01-Jan-09
AASB 2008 - 5	AASB 127	Consolidated and Separate Financial Statements	Amends an earlier version of AASB 127 issued in July 2004. This standard makes various relatively minor changes. This Standard is not expected to have any impact on Council.	01-Jul-09	01-Jul-09
AASB 2008-1, AASB 2008-2, AASB 2008-3, AASB 2008-5, AASB 2008-6AASB 2008-7,	Various	Various	These standards make revisions, which are generally minor, to a range of other accounting standards. It is not expected that these Standards will have any significant impact on Council.	01-Jan-09	01-Jan-09

Notes to the Financial Report for the year ended 30 June 2009

	2009	2008
	\$'000	\$'000
Note 2		
Rates and garbage charges		
Council uses Net Annual Value (NAV) as the basis of valuation for rating purposes of all properties within the municipal district. The NAV of a property is its imputed rental value.		
The valuation base used to calculate general rates for 2008/2009 was \$2,042 million (2007/2008 was \$1,477 million). The 2008/2009 rate in the NAV dollar was 3.6088 cents (2007/2008: 4.7967 cents).		
Residential	55,487	52,383
Commercial	14,496	14,684
Industrial	3,010	3,153
Supplementary rates and rate adjustments	1,265	495
Garbage bin charge	197	186
Interest on rates overdue	488	443
	74,943	71,344
The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2008 and this valuation was first applied to the rating period commencing 1 July 2008.		
The date of the previous general revaluation of land for rating purposes within the municipal district was 1 January 2006 and the valuation was first applied to the rating year commencing 1 July 2006.		
Note 3		
Parking fees and fines		
Parking fines and other charges	13,208	12,075
Parking fees - ticket machines	9,530	9,553
Parking permits	1,090	1,068
	23,828	22,696
Note 4		
User charges and other fines		
Aged services	1,094	1,361
Animal management services	326	344
Arts and festivals	315	784
Building services	407	502
Child care, childrens' services and programs	4,746	3,606
Derelict vehicles	343	245
Fines and cost recoveries	66	97
Market fees	455	303
Planning fees	1,278	1,239
Re-instatement works	157	206
Services fees and charges	264	248
Waste management	412	412
Other fees and charges	513	481
Planning and development	32	36
Parking administration fees	408	407
	10,816	10,271
Note 5		
Statutory fees and fines		
Crane permit fees	222	185
Health and food act fees	269	156
Kerbside permits	1,624	1,818
Land information certificates	127	162
	2,242	2,321

Notes to the Financial Report for the year ended 30 June 2009

Note 6	Grants	2009 \$'000	2008 \$'000
	Grants were received in respect of the following:		
	Summary of grants		
	Federally funded grants	1,062	670
	State funded grants	10,850	9,319
	Other	-	-
		11,912	9,989
	Recurrent		
	Commonwealth Government - Respite and Home Support	9	15
	Commonwealth Government - Emergency Services	5	25
	Commonwealth Government - Family Planning	34	25
	Commonwealth Government - Child Care	282	320
	Commonwealth Government - Adventure Playground and Leisure	243	240
	Commonwealth Government - Vacation Care	44	2
	Commonwealth Government - Immunisation	15	15
	Commonwealth Government - Arts	78	28
	Commonwealth Government - Capital Grants	352	-
	Respite and home support	328	316
	Emergency services	5	-
	Maintenance services	163	251
	Building inclusive communities	295	144
	Home care- Elderly	1,884	1,840
	Meal services	273	300
	Social support	250	242
	Maternal and child health	411	439
	Child care	280	257
	Adventure playground and leisure	27	47
	Vacation care	52	-
	Drug prevention	33	32
	Immunisation	45	63
	Family support	351	348
	Arts	188	51
	Isepich	250	253
	Beach cleaning	368	311
	Drought relief	10	55
	Grappling with graffiti	-	1
	VicRoads	232	244
	School crossing	57	63
	Capital grants	1,516	(37)
	Diversity program	-	19
	Victorian grants commission	2,570	1,887
	Sport and recreation	86	510
	Tobacco activity	8	9
	Community development	59	125
	Community transport	94	-
	Business group program	44	37
	Library subsidy	546	476
	Roads to Recovery	171	178
		11,658	9,131

Notes to the Financial Report for the year ended 30 June 2009

Note 6	Grants (continued)	2009 \$'000	2008 \$'000
	Non-recurrent		
	Traffic management- safe taxi rank	-	51
	Sport & recreation lighting	-	16
	Place management	-	79
	National Competition Policy	-	12
	Excelsior Hall remediation	-	150
	Child care capital grant	-	550
	Albert Park & Port Melbourne Baptist Church	1	-
	St Kilda LSC Feasibility Study & Design	24	-
	Housing requirements planning	35	-
	Waterfront revitalisation	75	-
	Beacon Cove planning scheme	100	-
	Municipal Emergency Control Centre Grant	4	-
	St Kilda Wayfinding project	15	-
		254	858
	Total grants	11,912	9,989
	Summary of the nature of grants received		
	<i>Conditions on Grants</i>		
	Grants recognised as revenue during the year that were obtained on the condition that they be expended in a specified manner that had not occurred at balance date were:		
	Cultural and recreational services	80	189
	Water conservation program	-	50
	Community Health	-	132
	Vic Roads	-	72
	Aged care and social support	131	884
	Grappling with graffiti	-	5
	Child care services	169	323
	Urban and strategic planning	117	660
	Drugs strategy	33	-
	Community facilities	32	-
	Place management	65	-
	Capital grants	265	-
		892	2,315
	Grants which were recognised as revenue in prior years and were expended during the current year in the manner specified by the grantor were:		
	Capital grants	-	11
	Cultural and recreational services	69	319
	Drug strategy	-	39
	Social support	66	185
	Urban planning	68	128
	Grappling with graffiti	-	12
	Vic Roads	-	250
	Recycling program	-	52
	Child Care services	180	156
	Water Conservation Program	47	30
	Road Maintenance	59	-
	Business development programs	30	-
		519	1,182
	Net increase (decrease) in restricted assets resulting from grant revenues for the year	373	1,133

Notes to the Financial Report for the year ended 30 June 2009

Note 7	Contributions	2009 \$'000	2008 \$'000
	Cash		
	Capital works contributions	686	207
	Developer contributions	3,936	2,239
	Non-monetary		
	Land assets transferred to Council *	1,820	12,111
	Building assets transferred to Council *	140	10,383
		6,582	24,940

* In 2008/09, the control of land and building assets located at 186 Esplanade West, Port Melbourne (known as Lady Forster Kindergarten) were transferred by the State Government to Council under the Crown Land (Reserves) Act 1978, effective 8 May 2009 making Council the Committee of Management. Council has entered into an agreement to redevelop the site into a new family and childrens centre.

* In 2007/08, the control of land and building assets located at 10 & 14 Lower Esplanade, St Kilda (known as part of the Triangle Site) were transferred by the State Government to Council under the Land (St Kilda Triangle) Act 2006 effective 1 July 2007 making Council the Committee of Management. Council has entered into an agreement with BBC Triangle Investments Pty Ltd who will develop this site.

Note 8	Other revenue		
	Donations	932	537
	Sales - festivals and community activities	456	421
	Insurance recovery	156	238
	Sale of derelict vehicles	51	8
	Property and valuations income	478	26
	Sale of right of ways	350	669
	Sundry income	732	762
	Other Income	8	-
		3,163	2,661

Notes to the Financial Report for the year ended 30 June 2009

	2009	2008
Note 9	\$'000	\$'000
Disposal of property, infrastructure, plant and equipment		
<i>Land</i>		
Proceeds from sale of assets	-	-
Written down value of assets disposed/scrapped	(949)	(20,602)
(Loss) on disposal of land	(949)	(20,602)
<i>Land Improvements</i>		
Proceeds from sale of assets	-	-
Written down value of assets disposed/scrapped	(16)	(41)
(Loss) on disposal of buildings	(16)	(41)
<i>Buildings</i>		
Proceeds from sale of assets	-	-
Written down value of assets disposed/scrapped	-	(21,487)
(Loss) on disposal of buildings	-	(21,487)
<i>Roads, footpaths and bridges</i>		
Proceeds from sale of assets	-	-
Written down value of assets disposed/scrapped	(1,304)	(1,897)
(Loss) on disposal of roads, footpaths and bridges	(1,304)	(1,897)
<i>Drainage</i>		
Proceeds from sale of assets	-	-
Written down value of assets disposed/scrapped	(86)	(62)
(Loss) on disposal of drains	(86)	(62)
<i>Plant and equipment</i>		
Proceeds from sale of assets	-	-
Written down value of assets disposed/scrapped	(109)	-
(Loss) on disposal of plant and equipment	(109)	-
<i>Furniture and fittings</i>		
Proceeds from sale of assets	-	48
Written down value of assets disposed/scrapped	(6)	(4)
Profit/(Loss) on disposal of furniture and fittings	(6)	44
SUMMARY		
Proceeds from sale of assets	-	48
Written down value of assets disposed/scrapped	(2,470)	(44,093)
(Loss) on disposal of assets	(2,470)	(44,045)

Notes to the Financial Report for the year ended 30 June 2009

	2009	2008
	\$'000	\$'000
Note 10		
Employee benefits		
Wages and salaries	35,552	33,041
Casual staff	3,441	3,198
Annual leave and long service leave	4,549	3,504
Superannuation	3,457	3,048
Fringe benefits tax and WorkCover	1,166	947
Redundancy costs	746	290
	48,911	44,028
Note 11		
External contracts		
Cleaning	4,893	3,878
Health, child care centres, kindergartens and schools	477	131
Festivals and programs	1,198	745
Food production	733	535
Information systems	310	107
Maintenance and construction	4,696	5,076
Parking administration and management	1,797	1,638
Parks, gardens and reserves	5,019	4,964
Perin lodgement fees	1,253	1,260
Recycling and waste management	4,728	4,367
Revenue and rates management	-	357
Community service agreements	950	834
Security services	1,081	1,024
Valuations	699	582
Relocation and recruitment	328	311
Search fees	264	267
Corporate functions support	437	742
Insurance	49	40
Publications	57	94
Derelict vehicles	326	128
Social and community services	164	146
Holiday program	66	70
Environmental and outdoor design	262	476
Graffiti removal	91	141
Other	736	563
	30,614	28,476
Note 12		
Materials and consumables		
Advertising	988	765
Contributions - other	2,332	1,693
Insurance	996	1,582
Metropolitan Fire Brigade levy	1,930	1,836
Operating leases	3,192	2,534
Printing and stationery	849	917
Telephone charges	1,344	1,286
Training	535	413
Maintenance	4,394	5,692
Materials	1,513	1,473
	18,073	18,191

Notes to the Financial Report for the year ended 30 June 2009

	2009	2008
	\$'000	\$'000
Note 13	Bad and doubtful debts	
Parking fine debtors	59	34
Parking related debtors - PERIN Court	2,034	1,491
Other debtors	119	69
	2,212	1,594
Note 14	Depreciation	
Buildings	3,596	2,776
Heritage and works of art	93	97
Plant and equipment	975	903
Furniture and fittings	2,168	1,494
Roads, footpaths and bridges	6,928	6,793
Land improvements	1,452	1,271
Drainage	640	976
	15,852	14,310
Note 15	Other expenses	
Activities / programs	696	809
Bank charges	369	339
Catering charges	632	506
General transport	272	253
Postage	224	251
Waste rebates	110	100
Software costs	264	223
Subscriptions	175	183
Travel	55	28
Impairment loss *	1,737	442
Rent	142	149
Cab charges	56	54
Licence fees and permits	79	223
Periodicals and journals	52	57
Other	266	242
	5,129	3,859

* In 2008/09, Council recognised an impairment charge of \$1.747 million on one of the investments it holds, being a floating rate note for \$3 million with Deutsche Bank which has a maturity date of 23 November 2012. This is an unrealised loss and current expectations are that this loss will be written back in subsequent years as the global financial crisis recedes.

* In 2007/08, Council held an asset for sale, 2 Princes Street, with a carrying value of \$1.642 million. On 6 September 2007, Council entered into a contract of sale for the property with a purchase price of \$1.200 million and a settlement date two (2) years from the signing of the contract.

It has been determined that the asset held for sale is impaired and subsequently a write down of \$442,000 to bring the asset's carrying value to \$1.200 million in line with the contracted sale price, was recognised in 2007/08, being the year the contract of sale was entered into.

Note 16	Borrowing costs	
Interest	191	289
Interest - Joint Venture	54	53
	245	342

Notes to the Financial Report for the year ended 30 June 2009

	2009	2008
	\$'000	\$'000
Note 17	Cash and cash equivalents	
	24	36
	9,383	10,271
	16,000	13,000
	25,407	23,307
	* Refer to Note 31 for restrictions on cash assets	
Note 18	Other financial assets	
	Current	
	7,716	8,000
	7,716	8,000
	Non-Current	
	6,263	6,000
	5	5
	6,268	6,005
	13,984	14,005
Note 19	Receivables	
	Current	
	2,026	2,235
	15,156	14,736
	(10,701)	(10,692)
	3,153	2,949
	(211)	(103)
	652	1,460
	10,075	10,585
	Non-Current	
		-
	10,075	10,585
Note 20	Other Assets	
	Prepayments	
	1,306	339
	34	-
	-	-
	-	45
	1,340	384
	Accrued Income	
	407	402
	1,747	786
Note 21	Assets held for sale	
	1,200	1,200
	1,200	1,200

Notes to the Financial Report for the year ended 30 June 2009

Note 22	Property, infrastructure, plant and equipment	2009 \$'000	2008 \$'000
Summary			
	at cost	96,919	84,693
	at fair value as at 30 June 2006	11,537	44,550
	at fair value as at 30 June 2007	527,631	530,881
	at fair value as at 1 July 2007	22,494	22,494
	at fair value as at 30 June 2008	91,201	1,533,040
	at fair value as at 30 June 2009	1,375,261	-
	Less accumulated depreciation	(298,356)	(292,102)
		1,826,687	1,923,556
Land and buildings			
Land			
	at cost	-	-
	at fair value as at 30 June 2008 ¹	-	374,396
	controlled land at fair value as at 30 June 2008 ¹	-	1,067,303
	at fair value as at 30 June 2009 ¹	360,849	-
	controlled land at fair value as at 30 June 2009 ¹	971,771	-
	Total	1,332,620	1,441,699
Land improvements			
	at cost	-	183
	at fair value as at 30 June 2006 ³	-	33,013
	at fair value as at 30 June 2009 ³	41,969	-
	Less: accumulated depreciation	(13,053)	(13,212)
	Total	28,916	19,984
Buildings			
	at cost	35,628	31,008
	at fair value as at 30 June 2007 ²	109,074	109,074
	controlled buildings at fair value as at 1 July 2007 ²	22,494	22,494
	controlled buildings at fair value as at 30 June 2007 ²	104,253	104,253
	at fair value as at 30 June 2009 ²	672	-
	Less: accumulated depreciation	(117,620)	(113,492)
	Total	154,501	153,337
Plant and equipment			
Plant and equipment			
	at cost	7,740	8,499
	Less: accumulated depreciation	(4,235)	(4,657)
	Total	3,505	3,842
Furniture and fittings			
	at cost	12,314	15,095
	Less: accumulated depreciation	(7,210)	(10,331)
	Total	5,104	4,764
Heritage assets and works of art			
	at cost	49	21
	at fair value as at 30 June 2007 ⁴	9,299	9,299
	Less: accumulated depreciation	(190)	(97)
	Total	9,158	9,223

Notes to the Financial Report for the year ended 30 June 2009

Note 22	Property, infrastructure, plant and equipment (continued)	2009 \$'000	2008 \$'000
Infrastructure			
Roads, lanes, footpaths, kerb and channel and bridges			
	at cost	10,016	5,378
	at fair valuation as at 30 June 2006 ⁵	11,537	11,537
	at fair valuation as at 30 June 2007 ⁶	305,005	308,255
	Less: accumulated depreciation	(121,145)	(115,997)
	Total	205,413	209,173
Drains			
	at cost	690	-
	at fair value as at 30 June 2008 ⁷	91,201	91,341
	Less: accumulated depreciation	(34,903)	(34,316)
	Total	56,988	57,025
	Work in progress - at cost	30,482	24,509
	Total property, infrastructure, plant & equipment	1,826,687	1,923,556

1 Land revaluations as at 30 June 2009 were performed by an independent qualified valuer Mr Frank Carbone, Certified Practising Valuer.

2 Building revaluations as at 30 June 2007 were performed by an independent qualified valuer Mr Frank Carbone, Certified Practising Valuer. Contributed assets were received at 1 July 2007 and 30 June 2009 and were valued by an independent qualified valuer Mr Frank Carbone, Certified Practising Valuer, see Note 7 for further information. An assessment during 2008/09 of the value of all building assets has indicated that there is no material change required to be made to their carrying value.

3 Land improvement revaluations as at 30 June 2009 were performed by Mr D Elson BE (Civil).

4 Heritage and works of art valuations as at 30 June 2007 were performed by the following independent valuers:

- Blaski & Sons - mayoral robes, chains & other attire;
- David Thomas - contemporary, visual & public art;
- John Sainsbury - historical photographs; and
- Leonard Joel - historical items & historical artworks.

5 Street furniture and bridges were valued as at 30 June 2006 by Mr D Yeouart BE, MIE Aust., CP Eng. An assessment during 2008/09 of the value of all street furniture and bridge assets has indicated that there is no material change required to be made to their carrying value.

6 Roads, lanes, footpaths and kerb and channel were valued as at 30 June 2007 by Mr D Yeouart BE, MIE Aust., CP Eng. An assessment during 2008/09 of the value of all roads, footpaths and kerb and channel assets has indicated that there is no material change required to be made to their carrying value.

7 Drains were valued as at 30 June 2008 by Mr D Yeouart BE, MIE Aust., CP Eng. An assessment during 2008/09 of the value of all drainage assets has indicated that there is no material change required to be made to their carrying value.

Land and Buildings

Valuation of land, buildings and land improvements were undertaken by a qualified independent valuer. The valuation of buildings and land improvements is at replacement cost less accumulated depreciation. The valuation of land is market value based on highest and best use permitted by relevant land planning provisions. All freehold land reserved for public open space is valued using a discount rate of 30% to arrive at a market value.

Roads, Footpaths and Bridges

The valuation of roads, footpaths and bridges is at fair value based on replacement cost less accumulated depreciation as at the date of valuation.

Drains

The valuation of drains is at fair value based on replacement cost less accumulated depreciation as at the date of valuation.

Heritage assets and works of art

Valuation of heritage assets and works of art were undertaken by qualified independent valuers. The valuation is market value based on current market prices for similar types of assets based on use, type and condition.

Notes to the Financial Report for the year ended 30 June 2009

Note 22 **Property, infrastructure, plant and equipment reconciliation**

2009				
Infrastructure	Roads, Lanes, Footpaths, Kerb & Channel and Bridges	Drains	Total Infrastructure 2009 \$'000	
WDV at beginning of financial year:	209,173	57,025	266,198	
Acquisition of assets	4,639	689	5,328	
Depreciation (Note 14)	(6,928)	(640)	(7,568)	
Transfer to operating	(12)	-	(12)	
WDV of disposals (Note 9)	(1,304)	(86)	(1,390)	
Transfer of assets	(155)	-	(155)	
WDV at end of financial year	205,413	56,988	262,401	
Land and Buildings	Land - freehold and controlled	Buildings on freehold and controlled land	Land Improvements	Total Land and Buildings 2009 \$'000
WDV at beginning of financial year:	1,441,699	153,337	19,984	1,615,020
Acquisition of assets	-	4,620	6,898	11,518
Contributed assets (Note 7)	1,820	140	-	1,960
Depreciation (Note 14)	-	(3,596)	(1,452)	(5,048)
Revaluation increment / (decrement) (Note 27)	(109,950)	-	3,347	(106,603)
WDV of disposals (Note 9)	(949)	-	(16)	(965)
Transfer of assets	-	-	155	155
WDV at end of financial year	1,332,620	154,501	28,916	1,516,037
Plant and equipment	Plant and Equipment	Furniture, Vehicles and IT equipment	Heritage and Art works	Total Plant and Equipment 2009 \$'000
WDV at beginning of financial year:	3,842	4,764	9,223	17,829
Acquisition of assets	747	1,897	28	2,672
Council share of Joint Venture assets (Note 39)	-	643	-	643
Depreciation (Note 14)	(975)	(2,168)	(93)	(3,236)
Revaluation increment (Note 27)	-	-	-	-
Transfer to operating	-	(26)	-	(26)
WDV of disposals (Note 9)	(109)	(6)	-	(115)
WDV at end of financial year	3,505	5,104	9,158	17,767
Total			Work In Progress	Total Non Current Assets 2009 \$'000
WDV at beginning of financial year:			24,509	1,923,556
Acquisition of assets			17,336	36,854
Contributed Assets (Note 7)			-	1,960
Council share of Joint Venture Assets (Note 39)			-	643
Depreciation (Note 14)			-	(15,852)
Revaluation increment / (decrement) (Note 27)			-	(106,603)
WDV of disposals (Note 9)			-	(2,470)
Transfer to operating			(977)	(1,015)
Capitalisations of W.I.P			(10,386)	(10,386)
WDV at end of financial year			30,482	1,826,687

Notes to the Financial Report for the year ended 30 June 2009

Note 22 Property, infrastructure, plant and equipment reconciliation

2008

Infrastructure	Roads, Lanes, Footpaths, Kerb & Channel and Bridges	Drains	Total Infrastructure 2009 \$'000
WDV at beginning of financial year:	212,345	52,419	264,764
Acquisition of assets	5,378	806	6,184
Depreciation (Note 14)	(6,793)	(976)	(7,769)
Revaluation increment (Note 27)	-	4,977	4,977
Transfer to operating	5	(4)	1
WDV of disposals (Note 9)	(1,897)	(62)	(1,959)
Transfer of assets	135	(135)	-
WDV at end of financial year	209,173	57,025	266,198

Land and Buildings	Land - freehold and controlled	Buildings on freehold and controlled land	Land Improvements	Total Land and Buildings 2009 \$'000
WDV at beginning of financial year:	1,180,490	137,375	21,113	1,338,978
Acquisition of assets	-	31,008	183	31,191
Contributed assets (Note 7)	12,111	10,383	-	22,494
Depreciation (Note 14)	-	(2,776)	(1,271)	(4,047)
Revaluation increment (Note 27)	268,545	-	-	268,545
WDV of disposals (Note 9)	(20,602)	(21,487)	(41)	(42,130)
Transfer to operating	-	(11)	-	(11)
Transfer of assets	1,155	(1,155)	-	-
WDV at end of financial year	1,441,699	153,337	19,984	1,615,020

Plant and equipment	Plant and Equipment	Furniture, Vehicles and IT equipment	Heritage and Art works	Total Plant and Equipment 2009 \$'000
WDV at beginning of financial year:	3,514	3,296	9,299	16,109
Acquisition of assets	1,230	2,928	21	4,179
Council share of Joint Venture assets (Note 39)	-	38	-	38
Depreciation (Note 14)	(903)	(1,494)	(97)	(2,494)
Revaluation increment (Note 27)	-	-	-	-
Transfer to operating	1	-	-	1
WDV of disposals (Note 9)	-	(4)	-	(4)
WDV at end of financial year	3,842	4,764	9,223	17,829

Total	Work In Progress	Total Non Current Assets 2009 \$'000
WDV at beginning of financial year:	35,823	1,655,674
Acquisition of assets	19,137	60,691
Contributed Assets (Note 7)	-	22,494
Council share of Joint Venture Assets (Note 39)	-	38
Depreciation (Note 14)	-	(14,310)
Revaluation increment (Note 27)	-	273,522
WDV of disposals (Note 9)	-	(44,093)
Transfer to operating	(3,149)	(3,158)
Capitalisations of W.I.P	(27,302)	(27,302)
WDV at end of financial year	24,509	1,923,556

Notes to the Financial Report for the year ended 30 June 2009

	2009	2008
	\$'000	\$'000
Note 23		
Payables		
Trade creditors	5,280	5,392
Accrued expenses	4,684	4,879
Other	990	267
	10,954	10,538
Note 24		
Trust funds and deposits		
Refundable contract deposits	209	198
Refundable tender deposits	1	4
Refundable civic facilities deposits	26	-
Refundable asset protection deposits	806	864
Refundable Statewide Primary Care Partnership funds	18	100
Refundable tenancy bonds	132	172
Other refundable deposits	584	461
	1,776	1,799

Notes to the Financial Report for the year ended 30 June 2009

Note 25 Provisions

	Annual leave \$ '000	Long service leave \$ '000	Retirement gratuity \$ '000	Joint venture employees \$ '000	Other \$ '000	Total \$ '000
2009						
Balance at beginning of the financial year	2,625	4,597	168	547	7	7,944
Additional provisions	3,331	1,283	37	248	363	5,262
Amounts used	(3,169)	(754)	(36)	(170)	(355)	(4,484)
Increase (decrease) in the discounted amount arising because of time and the effect of any change in the discount rate	(26)	(81)	43	-	-	(64)
Balance at the end of the financial year	2,761	5,045	212	625	15	8,658
2008						
Balance at beginning of the financial year	2,656	4,426	302	552	130	8,066
Additional provisions	2,803	631	(25)	195	183	3,787
Amounts used	(2,719)	(649)	(94)	(200)	(306)	(3,968)
Increase (decrease) in the discounted amount arising because of time and the effect of any change in the discount rate	(115)	189	(15)	-	-	59
Balance at the end of the financial year	2,625	4,597	168	547	7	7,944
					2009	2008
					\$'000	\$'000
(a) Employee benefits						
Current (i)						
Annual leave					2,761	2,625
Long service leave					3,608	3,645
Retirement gratuity					212	168
Joint venture employees					625	547
Other					15	7
					7,221	6,992
Non-current (ii)						
Annual leave					-	-
Long service leave					1,437	952
Retirement gratuity					-	-
Joint venture employees					-	-
					1,437	952
Aggregate carrying amount of employee benefits:						
Current					7,221	6,992
Non-current					1,437	952
					8,658	7,944
The following assumptions were adopted in measuring the present value of employee benefits:						
Weighted average increase in employee costs					4.45%	4.75%
Weighted average discount rates					4.76%	6.61%
(i) Current						
- Short-term employee benefits, that fall due within 12 months after the end of the period measured at nominal value					5,156	4,889
- Other short-term employee benefits that do not fall due within 12 months after the end of the period measured at present value					2,065	2,103
					7,221	6,992
(ii) Non-current						
Long service leave representing less than 7 years of continuous service measured at present value					1,437	952
					1,437	952
					No.	No.
Average employee numbers during the financial year					768	731
Number of full time equivalents (FTE) at year end					619	574

Notes to the Financial Report for the year ended 30 June 2009

Note 26	Interest-bearing liabilities	2009	2008
		\$'000	\$'000
	Current		
	Borrowings - secured against rates and charges	495	466
	Joint venture finance lease liability	284	197
		779	663
	Non-current		
	Borrowings - secured against rates and charges	2,312	2,807
	Joint venture finance lease liability	717	413
		3,029	3,220
		3,808	3,883
	The maturity profile for Council's borrowings is:		
	Not later than one year	779	663
	Later than one year and not later than five years	3,029	2,175
	Later than five years	-	1,045
		3,808	3,883
	Finance leases		
	Included in the above is Council's obligations under finance leases for the lease of equipment through the joint venture 'Streetsahead'. The sum is recognised as a liability after deduction of future lease finance charges included in the obligation.		
	Not later than one year	359	247
	Later than one year and not later than five years	829	458
	Later than five years	-	-
	Minimum lease payments	1,188	705
	Less: Future finance charges	(187)	(95)
	Recognised in the balance sheet as:	1,001	610
	Current		
	Leases	284	197
	Non-current		
	Leases	717	413
		1,001	610

Notes to the Financial Report for the year ended 30 June 2009

Note 27 Reserves

	Balance at beginning of year \$'000	Increment (decrement) \$'000	Balance at end of year \$'000	
(a) Asset revaluation reserves				
2009				
Property				
Land	1,177,247	(109,950)	1,067,297	
Land improvements	4,507	3,347	7,854	
Arts & Heritage	2,416	-	2,416	
Buildings	93,146	-	93,146	
	1,277,316	(106,603)	1,170,713	
Infrastructure				
Roads, footpaths and bridges	73,188	-	73,188	
Drainage	17,836	-	17,836	
	91,024	-	91,024	
Total Asset revaluation reserves	1,368,340	(106,603)	1,261,737	
2008				
Property				
Land	908,702	268,545	1,177,247	
Land improvements	4,507	-	4,507	
Arts & Heritage	2,416	-	2,416	
Buildings	93,146	-	93,146	
	1,008,771	268,545	1,277,316	
Infrastructure				
Roads, footpaths and bridges	73,188	-	73,188	
Drainage	12,859	4,977	17,836	
	86,047	4,977	91,024	
Total Asset revaluation reserves	1,094,818	273,522	1,368,340	
(b) Other reserves				
	Balance at beginning of year \$'000	Transfer from accumulated surplus \$'000	Transfer to accumulated surplus \$'000	Balance at end of year \$'000
2009				
General Reserve	18,643	7,733	(8,410)	17,966
Resort and recreation reserve	1,437	3,778	(1,723)	3,492
Contributions for car parking reserve	980	-	-	980
Contribution for C13 infrastructure reserve	139	157	-	296
Total Other reserves	21,199	11,668	(10,133)	22,734
2008				
General Reserve	13,126	11,632	(6,115)	18,643
Resort and recreation reserve	1,498	2,239	(2,300)	1,437
Contributions for car parking reserve	980	-	-	980
Contribution for C13 infrastructure reserve	139	-	-	139
Total Other reserves	15,743	13,871	(8,415)	21,199
Total Reserves			2009 \$'000	2008 \$'000
			1,284,471	1,389,539

Resort and recreation reserve

The resort and recreation reserve is for the accumulation of developers contributions which are to be expended at a future date on recreational infrastructure.

Contributions for car parking reserve

The car parking reserve is for the accumulation of developers contributions which are to be expended at a future date on improved car parking facilities.

Contributions for C13 infrastructure reserve

The C13 infrastructure reserve is for the accumulation of developers contributions which are to be expended at a future date on specific infrastructure.

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Notes to the Financial Report for the year ended 30 June 2009

	2009 \$'000	2008 \$'000
Note 28	Reconciliation of cash flows provided by operating activities to surplus for the year	
Surplus / (deficit) for the year	11,232	(7,878)
Depreciation (see Note 14)	15,852	14,310
Loss on disposal of property, plant and equipment (see Note 9)	2,470	44,045
Impairment loss related to non current financial asset	1,737	442
Non monetary contributed assets	(1,960)	(22,494)
Work in progress amounts transferred to operating expenses	1,015	2,676
Finance costs (see Note 16)	245	342
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in receivables	510	(1,951)
(Increase)/decrease in accrued income	(5)	122
(Increase)/decrease in prepayments	(956)	(298)
Increase/(decrease) in payables & trust funds	393	4,497
Increase/(decrease) in provisions	714	(122)
Net cash provided by operating activities	31,247	33,691
Note 29	Reconciliation of cash and cash equivalents	
Cash deposits (see Note 17)	9,407	10,307
Cash equivalents - Bank Bills with maturity less than 3 months	16,000	13,000
	25,407	23,307
Note 30	Financing arrangements	
Bank overdraft	1,500	1,500
Used facilities	-	-
Unused facilities	1,500	1,500
Credit Card facilities	99	94
Used facilities	2	4
Unused facilities	97	90
Note 31	Restricted assets	
Council has Cash Assets (Note 17) and Other Financial Assets (Note 18) that are subject to restrictions. As at the reporting date, Council had legislative restrictions in relation to employee entitlements (Long Service Leave) and reserve funds (Recreational Lands Reserves).		
Trust Funds (Note 24)	1,776	1,799
Long service leave*	5,280	5,000
Statutory reserve balances (Note 27b)	4,768	2,556
	11,824	9,355

* 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 25 due to a different basis of calculation prescribed by the regulation.

Additionally, included in Assets Note 22 'Property, infrastructure, plant and equipment' are housing assets which have restrictions on them. These assets which total \$7.1 million (2007/2008: \$7.5 million) are used for community housing and were purchased with assistance from State Government. This funding imposes restrictions preventing Council from using these assets for any other purpose. If the funding conditions in the respective funding agreements for each property are defaulted upon, Council is liable to repay to the State Government an amount determined in those agreements. Based upon the \$7.1 million written down value included in the accounts, the amount that would be required to be repaid to the State Government in a default situation would be \$5.7 million (2007/2008: \$6.0 million).

Notes to the Financial Report for the year ended 30 June 2009

Note 32 Post-employment benefits

Council makes employer superannuation contributions in respect of its employees to the Vision Super - Local Authorities Superannuation Fund (the Fund). Obligations for contributions are recognised as an expense in the profit and loss when they are due. The Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently.

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

Defined Benefit Plan

The Fund's Defined Benefit Plan is a multi-employer sponsored plan which was closed to new members from 31 December 1993. As the Plan's assets and liabilities are pooled and are not allocated by employer, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided under Paragraph 32(b) of AASB 119, Council does not use defined benefit accounting for these contributions.

Council makes employer contributions to the defined benefits 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) and
- the difference between resignation and retrenchment benefits paid to any retrenched employees, plus contribution tax (same as previous year).

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 2009. The Actuary will undertake the next actuarial investigation as at 30 June 2010 to ascertain if additional contributions are required.

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-Dec-08 \$'000
Net market value of assets	3,630,432
Accrued benefits	3,616,422
Difference between assets and accrued benefits	<u>14,010</u>
Vested benefits (minimum sum which must be paid to members when they leave the fund)	3,561,588

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.

	2009 \$'000	2008 \$'000
City of Port Phillip employer contributions to Local Authorities Superannuation Fund (Vision Super) - Defined Benefits Plan	469	456
City of Port Phillip employer contributions to Local Authorities Superannuation Fund (Vision Super) - Accumulation	2,988	2,592
City of Port Phillip employer contributions payable to Local Authorities Superannuation Fund (Vision Super at reporting date)	277	-
	3,734	3,048

Refer to Note 35 for Council's ongoing exposure in relation to the Fund's Defined Benefit Plan.

Notes to the Financial Report for the year ended 30 June 2009

Note 33 Commitments

The Council has entered into the following commitments:

2009	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating					
Assurance services/Internal audit	70	70	35	-	175
Civil infrastructure construction	11,557	10,526	21,051	-	43,134
Cleaning	2,298	-	-	-	2,298
Computer services	699	657	323	-	1,679
Debt collection services	286	286	571	-	1,143
Electricity supply	799	799	799	-	2,397
Fleet services	1,446	1,446	1,446	-	4,338
Food production (Aged and Community care)	739	739	739	-	2,217
Parking services	3,188	2,231	-	-	5,419
Printing and publishing	124	124	222	-	470
Recruitment services	1,019	1,019	1,019	-	3,057
Recycling collection	1,618	1,618	3,235	-	6,471
Rubbish collection	2,262	2,211	2,211	-	6,684
Security services	7	-	-	-	7
St Kilda film festival	30	-	-	-	30
Street tree & parks maintenance	6,237	118	-	-	6,355
Valuations	645	645	-	-	1,290
Vehicle management	277	277	70	-	624
	33,301	22,766	31,721	-	87,788
Capital					
Construction	1,120	-	1,000	-	2,120
TOTAL	34,421	22,766	32,721	-	89,908
2008					
	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 1 year and not later than 5 years	Later than 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating					
Assurance services/Internal audit	30	-	-	-	30
Civil infrastructure construction	7,097	28,388	7,097	-	42,582
Cleaning	1,665	579	-	-	2,244
Community centre maintenance	54	54	54	-	162
Computer services	490	505	-	-	995
Election services	317	-	-	-	317
Electricity supply	1,200	1,200	1,200	-	3,600
Food production (Aged and Community care)	550	-	-	-	550
Health services	50	50	50	-	150
Parking services	1,995	1,995	1,235	-	5,225
Publicity and advertising	245	245	200	-	690
Recycling collection	1,528	1,528	2,292	-	5,348
Rubbish collection	1,764	1,764	2,304	-	5,832
Street furniture	200	200	800	-	1,200
Street tree & parks maintenance	3,958	3,958	3,958	-	11,874
Valuations	250	-	-	-	250
Vehicle management	100	100	200	-	400
	21,493	40,566	19,390	-	81,449
Capital					
Construction	5,524	-	-	-	5,524
TOTAL	27,017	-	19,390	-	86,973

Notes to the Financial Report for the year ended 30 June 2009

Note 34	Operating lease commitments	2009 \$'000	2008 \$'000
	<i>a) Operating lease commitments</i>		
	At the reporting date, Council had the following obligations under non-cancellable operating leases for the lease of equipment and land and buildings for use within Council's activities. These obligations are not recognised as liabilities.		
	Not later than one year	1,617	1,154
	Later than one year and not later than five years	1,718	1,281
	Later than five years	-	-
		3,335	2,435
	At the reporting date, Council was a party as lessor under non-cancellable operating leases for the lease of land and buildings. These future commitments of income inflows are not recognised as assets.		
	<i>b) Operating lease and licence receivables</i>		
	The Council has entered into commercial property leases on its investment properties. These properties held under operating leases have general lease terms of between 1 and 10 years. Most leases include a CPI based revision of the rental charge annually. Council also enters into yearly licence agreements with stallholders at the South Melbourne Market.		
	Not later than one year	5,071	3,292
	Later than one year and not later than five years	9,313	7,469
	Later than five years	6,229	7,906
		20,613	18,667

Notes to the Financial Report for the year ended 30 June 2009

Note 35	2009 \$'000	2008 \$'000
Contingent liabilities and contingent assets		
Contingent liabilities		
Superannuation		
<p>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</p>		
Public & Products Liability		
<p>As a local authority with ownership of numerous parks, reserves, roads and other land holdings, the Council regularly receives claims and demands allegedly arising from incidents which occur on land belonging to Council. There are a number of outstanding claims against Council in this regard. Council carries \$400 million of public & products liability insurance and had an excess of \$10,000 for individual claims on this policy in 2008/2009. Therefore, the maximum liability of Council in any single claim is the extent of its excess. The primary insurer is Civic Mutual Plus. There are no claims of which Council is aware which would fall outside of the terms of Council's policy.</p>		
Professional Indemnity		
<p>As a local authority with statutory responsibilities, including the responsibility of issuing permits and approvals, Council receives claims and demands for damages allegedly arising from actions of Council or its officers. Council carries \$300 million of professional indemnity insurance and had an excess of \$20,000 on this policy in 2008/2009. Therefore, the maximum liability of Council in any single claim is the extent of its excess. The primary insurer is Civic Mutual Plus. There are no claims of which Council is aware which would fall outside of the terms of Council's policy.</p>		
Legal matters		
<p>The Council is presently involved in a number of confidential legal matters which are being conducted through Council's solicitors. These matters are yet to be finalised and the financial outcome cannot be determined.</p>		
Contingent assets		
Open space contributions		
<p>Council estimates that assets will pass to Council in the future in respect of anticipated development contributions for open space improvements.</p>		<p>1,200 1,415</p>

Notes to the Financial Report for the year ended 30 June 2009

Note 36 Financial Instruments

(a) Accounting policy, terms and conditions

Recognised Financial Instruments	Note	Accounting Policy	Terms and Conditions
Financial Assets			
Cash and cash equivalent assets	17	Cash on hand and at bank and money market call account are valued at face value. Bank bills with a maturity of less than three months are recognised as cash equivalents and are valued at cost.	On call deposits returned floating interest rates of between 2.90% and 8.00% in 2008/2009 (2007/2008: 6.15% and 8.10%). The interest rate at balance date was 2.90% (2007/2008: 7.15% and 8.10%).
Financial assets	18	Bank bills are valued at cost. Investments are held to maximise interest returns of surplus cash. Interest revenues are recognised as they accrue.	Bank Bills returned fixed interest rates of between 3.40% and 8.94% in 2008/2009 (2007/2008: 6.53% to 8.94%).
Other debtors	19	Receivables are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection in full is no longer probable. Collectability of overdue accounts is assessed on an ongoing basis.	General debtors are unsecured and do not attract interest. Credit terms are based between 0 and 30 days depending on nature of service.
Financial Liabilities			
Payables	23	Liabilities are recognised for amounts to be paid in the future for goods and services provided to Council as at balance date whether or not invoices have been received.	General creditors are unsecured, not subject to interest charges and are normally settled within 30 days of invoice.
Interest-bearing loans and borrowings	26	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 recognised as part of payables. Finance leases are accounted for at their principal amount with the lease payments discounted to present value using the interest rates implicit in the leases.	Borrowings are secured by way of mortgages over the general rates of the Council. The weighted average interest rate on borrowings was fixed at 6.15% in 2008/2009 (6.15% in 2007/2008). As at balance date, the Council did not directly hold any finance leases other than through their interest in the Joint Venture 'Streetsahead'. Lease terms are generally between 2 and 6 years in duration. Penalties may apply should cancellation occur. Interest charges vary according to when the contract was implemented. At balance date, interest rates ranged from 7.33% to 9.03% in 2008/2009
Trust Funds and deposits	24	Funds received on behalf of third parties and to which CoPP has no present entitlement are carried at the gross amount and do not attract interest.	Trust funds are unsecured, not subject to interest charges and vary in the timing of settlement in accordance with their specific terms.

Notes to the Financial Report for the year ended 30 June 2009

Note 36 Financial instruments (continued)

(b) Interest rate risk

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

2009	Fixed interest maturing in:					Total \$'000
	Floating Interest rate \$'000	1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000	Non-interest bearing \$'000	
Financial assets						
Cash and cash equivalents	9,383	16,000	-	-	24	25,407
Other financial assets	-	7,716	6,263	-	-	13,979
Receivables (excluding Rates, Parking and GST receivables)	2,942	-	-	-	-	2,942
Total financial assets	12,325	23,716	6,263	-	24	42,328
Weighted average interest rate	2.90%	4.09%	4.13%	n/a	n/a	
Financial liabilities						
Payables	-	-	-	-	10,954	10,954
Trust funds	-	-	-	-	1,776	1,776
Interest-bearing loans and borrowings including finance leases	-	779	3,029	-	-	3,808
Total financial liabilities	-	779	3,029	-	12,730	16,538
Weighted average interest rate	n/a	6.15%	6.15%	6.15%	n/a	
Net financial assets (liabilities)	12,325	22,937	3,234	-	(12,706)	25,790
2008						
2008	Fixed interest maturing in:					Total \$'000
	Floating Interest rate \$'000	1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000	Non-interest bearing \$'000	
Financial assets						
Cash and cash equivalents	10,271	13,000	-	-	36	23,307
Other financial assets	-	8,000	6,000	-	-	14,000
Receivables (excluding Rates, Parking and GST receivables)	2,846	-	-	-	-	2,846
Total financial assets	13,117	21,000	6,000	-	36	40,153
Weighted average interest rate	7.86%	7.78%	8.62%	n/a	n/a	
Financial liabilities						
Payables	-	-	-	-	10,538	10,538
Trust funds	-	-	-	-	1,799	1,799
Interest-bearing loans and borrowings including finance leases	-	663	2,175	1,045	-	3,883
Total financial liabilities	-	663	2,175	1,045	12,337	16,220
Weighted average interest rate	n/a	6.15%	6.15%	6.15%	n/a	
Net financial assets (liabilities)	13,117	20,337	3,825	(1,045)	(12,301)	23,933

Notes to the Financial Report for the year ended

Note 36 Financial instruments (continued)**(c) Net fair values**

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

Financial Instruments	Total carrying amount as per Balance Sheet		Aggregate net fair value	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Financial assets				
Cash assets	25,407	23,307	25,407	23,307
Other financial assets	13,979	14,000	13,979	14,000
Receivables	2,942	2,846	2,942	2,846
Total financial assets	42,328	40,153	42,328	40,153
Financial liabilities				
Payables	10,954	10,538	10,954	10,538
Trust funds	1,776	1,799	1,776	1,799
Interest bearing loans and borrowings including finance leases	3,808	3,883	3,808	3,883
Total financial liabilities	16,538	16,220	16,538	16,220

(d) Credit risk

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

Notes to the Financial Report for the year ended 30

Note 36 Financial instruments (continued)

(e) Risks and mitigation

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

Market risk

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. Finance leases are sourced from major Australian financial institutions. Overdrafts are arranged with major Australian banks. We manage interest rate risk on our net debt portfolio by:

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

We manage the interest rate exposure on our 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,
- capital protection,
- 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.

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 some 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 35.

Notes to the Financial Report for the year ended 30 June 2009

	2009	2008
	\$'000	\$'000

Note 36 Financial instruments (continued)

Movement in provision for doubtful debts - other debtors

Balance at 1 July 2008	103	55
New Provisions recognised during the year	97	48
Amounts already provided for and written off as uncollectable	11	-
Balance at 30 June 2009	211	103

Ageing of Trade and Other Receivables (Other Debtors)

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 Council's Trade & Other Receivables was:

Current (not yet due)	1,768	1,494
Past due by up to 30 days	58	537
Past due by up to 31 - 60 days	497	200
Past due by up to 61 - 90 days	57	153
Past due by up to 91 plus days	18	361
	2,398	2,745

Ageing of individually impaired Trade and Other Receivables (Other Debtors)

At balance date, other debtors representing financial assets with a nominal value of \$755,526 (2008: \$204,460) were impaired. The amount of the provision raised against these debtors was \$211,356 (2008: \$103,074). The individually impaired debtors relate to general and sundry debtor and have been impaired as a result of their doubtful collection. Many of the long outstanding past due amounts have been lodged with Council's debt collectors or are on payment arrangements.

The ageing of Trade and Other Receivables that have been individually determined as impaired at reporting date was:

Current (not yet overdue)	411	-
Past due by up to 30 days	81	-
Past due by up to 31 - 60 days	28	-
Past due by up to 61 - 90 days	37	-
Past due by up to 91 plus days	198	204
	755	204

Notes to the Financial Report for the year ended 30 June 2009

Note 36 Financial instruments (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 a financial asset at all.

To help reduce these risks we:

- have a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- have readily accessible standby facilities and other funding arrangements in place;
- have a portfolio structure that requires surplus funds to be invested within various bands of liquid instruments and with varying maturity dates to meet future cashflow requirements;
- 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 Councils 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 Financial Liabilities

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

2009	0 - 12 months	1 - 2 years	2 - 5 years	> 5 years	Contracted	Carrying
	\$'000	\$'000	\$'000	\$'000	Cash Flows	Amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other payables	10,954	-	-	-	10,954	10,954
Trust funds and deposits	1,776	-	-	-	1,776	1,776
Interest bearing liabilities including finance leases	1,015	863	2,593	-	4,471	3,808
	13,745	863	2,593	-	17,201	16,538
2008	0 - 12 months	1 - 2 years	2 - 5 years	> 5 years	Contracted	Carrying
	\$'000	\$'000	\$'000	\$'000	Cash Flows	Amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other payables	10,538	-	-	-	11,592	10,538
Trust funds and deposits	1,799	-	-	-	1,799	1,799
Interest bearing liabilities including finance leases	903	884	2,314	657	4,758	3,883
	13,240	884	2,314	657	18,149	16,220

Notes to the Financial Report for the year ended 30 June 2009

Note 36 Financial instruments (continued)

(f) Sensitivity disclosure analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, the Council believes the following movements are 'reasonably possible' over the next 12 months:

- A parallel shift of -0.5% and +1% in market interest rates (AUD) from weighted average year-end rates of 3.94%.

The table 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.

		Interest rate risk			
		-0.5		+1	
2009	\$'000	-50 Profit \$'000	basis points Equity \$'000	+100 Profit \$'000	basis points Equity \$'000
Financial assets:					
Cash and cash equivalents	25,407	(127)	(127)	254	254
Financial assets	13,979	(70)	(70)	140	140
Receivables	2,942	-	-	-	-
Financial liabilities					
Payables	10,954	-	-	-	-
Trust funds	1,776	-	-	-	-
Interest bearing loans	3,808	-	-	-	-

Notes to the Financial Report for the year ended 30 June 2009

	2009 \$'000	2008 \$'000
Note 37 Auditors' remuneration		
Audit fee to conduct external audit - Victorian Auditor-General	62	54
Internal audit fees and other like services - WHK Day Neilson	86	58
Internal audit fees and other like services - Pitcher Partners	49	-
	197	112

Note 38 Related party transactions**(i) Responsible Persons**

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

Councillors

Frank O'Connor (Mayor 8 December 2008 to Current)
 Judith Klepner (Councillor)
 Janet Bolitho (Councillor)
 Serge Thomann (Councillor from 8 December 2008)
 Rachel Powning (Councillor from 8 December 2008)
 John Middleton (Councillor from 8 December 2008)
 Jane Touzeau (Councillor from 8 December 2008)
 Janet Cribbes (Mayor - 1 July 2008 to 29th November 2008)
 Dick Gross (Councillor to 29 November 2008)
 Peter Logan (Councillor to 29 November 2008)
 Darren Ray (Councillor to 29 November 2008)
 Karen Sait (Councillor to 29 November 2008)

Chief Executive Officer

Kay Rundle (18 May 2009 to Current)
 Interim - Darrell Treloar (13 February 2009 to 17 May 2009)
 David Spokes (1 July 2008 to 21 January 2009)

	2009 No.	2008 No.
(ii) Remuneration of Responsible Persons		
Annual remuneration of responsible persons were within the following bands:		
\$0 - \$9,999	4	-
\$10,000 - \$19,999	5	5
\$20,000 - \$29,999	2	-
\$30,000 - \$39,999	1	1
\$40,000 - \$49,999	-	1
\$50,000 - \$59,999	1	-
\$80,000 - \$89,999	1	-
\$290,000 - \$299,999	-	1
\$380,000 - \$389,999 *	1	-
	15	8
	\$'000	\$'000
Total remuneration for the year for Responsible Persons included above amounted to	734	460

(iii) No retirement benefits have been paid by the Council to a Responsible Person (2007/2008: Nil).

(iv) No loans have been made, guaranteed, or secured by the Council to a Responsible Person during the reporting year (2007/2008: Nil).

(v) Other Transactions

No transactions, other than remuneration payments or the reimbursement of approved expenses, were entered into by Council with Responsible Persons, or Related Parties of such Responsible Persons, during the reporting year (2007/2008: Nil).

(vi) Senior Officers Remuneration

A Senior Officer, other than a Responsible Person, is an officer of Council who has management responsibilities and reports directly to the Chief Executive Officer or whose total annual remuneration of \$100,000 or greater. The number of Senior Officers, other than Responsible Persons, are shown below in their relevant income bands:

	2009 No.	2008 No.
Income Range:		
\$100,000 - \$109,999	21	9
\$110,000 - \$119,999	9	6
\$120,000 - \$129,999	4	3
\$130,000 - \$139,999	3	6
\$140,000 - \$149,999	8	2
\$150,000 - \$159,999	3	1
\$160,000 - \$169,999	1	1
\$170,000 - \$179,999	1	-
\$200,000 - \$209,999	-	2
\$220,000 - \$229,999	1	1
\$440,000 - \$449,999 *	1	-
\$500,000 - \$509,999 *	1	-
	53	31
	\$'000	\$'000
Total Remuneration for the reporting year for Senior Officers	7,290	4,066

* Total remuneration includes payment of accumulated employee leave entitlements, including annual leave and long service leave accrued during the senior officers employment within local government and any termination payments following their departure from the Council.

Notes to the Financial Report for the year ended 30 June 2009

Note 39 **Joint venture information****JOINT VENTURE - STREETS AHEAD CLEANING SERVICE**

In 2000, Port Phillip City Council and Stonnington City Council, pursuant to an agreement, commenced operating a joint venture 'Streetsahead' for the purpose of providing street cleaning, beach and foreshore cleaning, litter bin clearing etc. to their municipalities. Council purchases cleaning services from 'Streetsahead' on normal commercial terms and conditions. Council has a 50% interest in the joint venture which is detailed below.

The results from operations and the assets and liabilities of Streetsahead have been consolidated into Council's accounts. The figures below represent Council's 50% share of Streetsahead's accounts as at 30 June 2009. As at the date of producing this report Streetsahead's accounts were awaiting audit clearance.

	2009 \$'000	2008 \$'000
Revenue from continuing operations	3,784	3,471
Expenses from continuing operations	3,658	3,437
Net surplus from continuing operations	126	34
Income tax expense	-	-
Surplus for the year	126	34

Council's share of the joint venture assets and liabilities are as follows:		
	2009 \$'000	2008 \$'000
Current Assets		
Cash assets	1,286	1,044
Receivables	361	343
Other	9	5
Total Current Assets	1,656	1,392
Non-Current Assets		
Property, plant and equipment	1,157	742
Total Non-current Assets	1,157	742
Total Assets	2,813	2,134
Current Liabilities		
Payables	292	208
Employee benefits	529	466
Interest bearing liabilities	284	197
Total Current Liabilities	1,105	871
Non-Current Liabilities		
Employee benefits	96	81
Interest bearing liabilities	717	413
Total Non-Current Liabilities	813	494
Total Liabilities	1,918	1,365
Net Assets	895	768
Represented by:		
Accumulated surplus	423	296
Joint Venture Equity	472	472
Total Equity	895	768

Notes to the Financial Report for the year ended 30 June 2009

Note 40 **Income, expenses and assets by function/activity**

Rather than provide segment information as required per Accounting Standards, the Local Government Regulations require the following program based disclosures:

	Community Assets & Services		Community Development & Planning		Organisation Systems & Support		CEO & Finance		Other* Not Attributed		Total	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
INCOME												
Grants	6,798	5,386	2,523	2,591	4	13	2,587				11,912	7,990
Other	13,533	10,790	35,668	36,221	3,146	4,056	478		76,903	93,838	129,728	144,905
TOTAL INCOME	20,331	16,176	38,191	38,812	3,150	4,069	3,065		76,903	93,838	141,640	152,895
EXPENSES	54,969	53,231	36,019	32,401	19,804	31,096	17,146		2,470	44,045	130,408	160,773
NET SURPLUS/ (DEFICIT) FOR YEAR	(34,638)	(37,055)	2,172	6,411	(16,654)	(27,027)	(14,081)		74,433	49,793	11,232	(7,878)
TOTAL ASSETS BY DIVISION	35,425	31,233	(13,261)	(11,513)	1,313	3,079	1,855,623	1,950,640			1,879,100	1,973,439

*The column 'Other * Not Attributed' includes general rates, reserves write back and current assets

ACTIVITIES**Community Assets & Services**

Responsible for ensuring effective delivery of environmental, engineering, customer and community services.

The Division includes the following Departments:

Asset Services, Infrastructure Services, Community Services, Parks & Open Spaces, South Melbourne Market and Building Services.

Community Development & Planning

Responsible for economic development & tourism, strategic and community planning and facilitation, building and planning, culture & recreation, health and amenity services and parking enforcement.

The Division includes the following Departments:

City Development, Parking Health & Enforcement, Economic Development & Tourism, Environment & Renewal, Culture & Recreation and Community Development & Participation

Organisation Systems & Support

Responsible for internal business support in information systems and human resources; as well as property and regulatory services, and corporate planning.

The Division includes the following Departments:

Governance & Risk Management, Information Management Group, People & Culture, Customer Service, Communications and Corporate Planning & Performance.

Chief Executive Officer & Finance

Responsible for the collection of rates and other income, payment of suppliers, payroll, fleet management and financial management.

This Division includes the CEO & Finance Department.

Notes to the Financial Report for the year ended 30 June 2009

Note 42 Comparison of Actual to Rate Determination Budget

The principal budget document used by Council to monitor its financial performance is the Cash Income Statement or Rate Determination Statement. This note has been included to provide the reader with a snapshot of Council's performance against the budget. The surplus of \$8.776 million is primarily attributable to a cumulative capital works carry over of \$6.869 million which will be funded in the 2009/10 budget (2008/09 - \$7.149 million).

	Rate Determination			
	2009 Actual \$'000	2009 Budget \$'000	2008 Actual \$'000	2008 Budget \$'000
Revenue				
Rates	74,943	73,680	71,344	70,847
Government grants	9,874	8,010	9,848	7,647
Capital revenue	3,936	1,665	2,239	1,645
Parking revenue	21,735	21,927	21,205	22,429
Capital grants	2,725	630	348	805
Fees and charges	13,058	14,887	12,592	13,624
Interest received	2,039	1,650	2,720	1,650
Other income	9,572	8,026	9,852	7,952
Total revenue from ordinary activities	137,882	130,475	130,147	126,599
Expenses				
Employee costs	46,884	46,126	44,326	41,412
Contract services	34,029	35,252	29,713	33,474
Materials & other costs	25,767	24,025	22,917	23,795
Depreciation	-	-	-	-
Interest paid	191	191	342	218
Total expenses from ordinary activities	106,871	105,594	97,299	98,899
Net cash surplus from operations for the year	31,011	24,881	32,848	27,700
Capital expenditure	(29,031)	(28,777)	(35,134)	(22,839)
Loan repayments	(466)	(466)	(4,497)	(4,497)
Reserve transfers (net)	(1,535)	3,520	(5,456)	(449)
Brought forward surplus	8,797	8,797	21,036	21,036
Rate determination surplus	8,776	7,955	8,797	20,951

Notes to the Financial Report for the year ended 30 June 2009

	2009 \$'000	2008 \$'000
Note 43 Capital expenditure		
Capital expenditure areas:		
Roads, lanes, footpaths, kerb and channel and bridges	9,900	11,850
Drains	663	62
Buildings	8,056	8,824
Land improvements	6,129	8,474
Plant and equipment	747	1,230
Furniture and fittings	945	2,928
Heritage assets and works of art	28	21
Total capital works	26,468	33,389
Represented by:		
Renewal	13,272	10,819
Upgrade	6,766	12,814
Expansion	-	-
New assets	6,430	9,756
Total capital works	26,468	33,389
The movement between the previous year and the current year in property, infrastructure, plant and equipment as shown in the Balance Sheet links to the net of the following items:		
Total capital works	26,468	33,389
Asset revaluation movement (see Note 27(a))	(106,603)	273,522
Depreciation (see Note 14)	(15,852)	(14,310)
Written down value of assets disposed (see Note 9)	(2,470)	(44,093)
Contributed assets (see Note 7)	1,960	22,494
WIP write off to operating expenses (see Note 22)	(1,015)	(3,158)
Joint venture assets consolidated	643	38
Assets held for sale (see Note 21)	-	-
Net movement in property, infrastructure, plant & equipment	(96,869)	267,882

(a) Renewal

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

(b) Upgrade

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

(c) Expansion

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

(d) New assets

Expenditure on new assets that have not been previously recognised in Council's financial report and are recognised for the first time.

Certification of the Financial Report

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

**DAVID FILMALTER MBL CA
PRINCIPAL ACCOUNTING OFFICER**

Date: / /2009
St Kilda

In our opinion, the accompanying financial report presents fairly the financial transactions of the City of Port Phillip for the year ended 30 June 2009 and the financial position of the Council as at that date.

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

We were authorised by the Council on 31 August 2009 to certify the financial report in its final form on behalf of the Council.

**FRANK O'CONNOR
MAYOR & COUNCILLOR**

Date: / /2009
St Kilda

**JUDITH KLEPNER
DEPUTY MAYOR & COUNCILLOR**

Date: / /2009
St Kilda

**KAY RUNDLE
CHIEF EXECUTIVE OFFICER**

Date: / /2009
St Kilda