

11

Annual Financial Report

For the year ended 30 June 2016





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Comprehensive Income Statement

For the year ended 30 June 2016

	Note	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Income			
Rates and charges	3	120,654	110,740
Statutory fees and fines	4	5,932	5,659
User fees	5	8,394	6,926
Grants – operating	6	25,293	37,541
Grants – capital	6	5,049	2,441
Contributions – monetary	7	3,833	3,128
Contributions – non-monetary	7	38,261	36,617
Fair value adjustments for investment property	22	358	–
Other income	9	13,493	13,606
Total income		221,267	216,658
Expenses			
Employee costs	10	(72,850)	(70,264)
Materials and services	11	(58,114)	(52,880)
Bad and doubtful debts	12	(690)	(1,095)
Depreciation and amortisation	13	(27,521)	(28,947)
Borrowing costs	14	(4,034)	(4,139)
Net loss on disposal of property, infrastructure, plant and equipment	8	(193)	(3,009)
Other expenses	15	(9,447)	(7,668)
Total expenses		(172,849)	(168,002)
Surplus for the year		48,418	48,656
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment	28(a)	192,430	74,406
Total comprehensive result		240,848	123,062

The above Comprehensive Income Statement should be read in conjunction with the accompanying notes.

Balance Sheet

As at 30 June 2016

	Note	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Assets			
Current assets			
Cash and cash equivalents	16	88,664	79,127
Trade and other receivables	17	16,650	13,943
Non-current assets classified as held for sale	19	11,490	–
Other assets	20	2,337	3,071
Total current assets		119,141	96,141
Non-current assets			
Trade and other receivables	17	331	326
Other financial assets	18	230	230
Property, infrastructure, plant and equipment	21	1,904,088	1,677,386
Investment property	22	10,320	9,874
Non-current assets classified as held for sale	19	–	490
Total non-current assets		1,914,969	1,688,306
Total assets		2,034,110	1,784,447
Liabilities			
Current liabilities			
Trade and other payables	23	16,304	15,746
Trust funds and deposits	24	29,595	19,418
Provisions	25	16,463	15,178
Interest-bearing loans and borrowings	26	3,120	4,359
Other interest-bearing liabilities	27	1,184	1,117
Total current liabilities		66,666	55,818
Non-current liabilities			
Trust funds and deposits	24	1,017	1,039
Provisions	25	675	1,217
Interest-bearing loans and borrowings	26	54,912	58,059
Other interest-bearing liabilities	27	1,255	2,439
Total non-current liabilities		57,859	62,754
Total liabilities		124,525	118,572
Net assets		1,909,585	1,665,875
Equity			
Accumulated surplus		773,238	727,248
Reserves	28	1,136,347	938,627
Total equity		1,909,585	1,665,875

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

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For the year ended 30 June 2016

Statement of Changes in Equity

For the year ended 30 June 2016

		Consolidated			
2016	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
Balance at beginning of the financial year		1,665,875	727,248	911,395	27,232
Adjustment directly to equity	38	2,831	2,831	-	-
Adjusted balance at beginning of the financial year		1,668,706	730,079	911,395	27,232
Surplus for the year		48,418	48,418	-	-
Net asset revaluation increment	28(a)	192,430	-	192,430	-
Revaluation reversal – disposed assets	28(a)	-	(35)	35	-
Impairment loss reversal	28(a)	31	-	31	-
Transfers to other reserves	28(b)	-	(13,028)	-	13,028
Transfers from other reserves	28(b)	-	7,804	-	(7,804)
Balance at end of the financial year		1,909,585	773,238	1,103,891	32,456

		Consolidated			
2015		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
Balance at beginning of the financial year		1,539,852	679,030	836,989	23,833
Adjustment directly to equity	38	2,961	2,961	-	-
Adjusted balance at beginning of the financial year		1,542,813	681,991	836,989	23,833
Surplus for the year		48,656	48,656	-	-
Net asset revaluation increment	28(a)	74,406	-	74,406	-
Transfers to other reserves	28(b)	-	(7,914)	-	7,914
Transfers from other reserves	28(b)	-	4,515	-	(4,515)
Balance at end of the financial year		1,665,875	727,248	911,395	27,232

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 30 June 2016

	Note	Consolidated 2016 Inflows/ (Outflows) \$'000	Consolidated 2015 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rates and charges		120,241	109,984
Statutory fees and fines		4,880	4,513
User fees		9,222	7,278
Grants – operating		27,052	38,399
Grants – capital		4,824	2,334
Contributions – monetary		3,907	3,066
Interest received		2,794	2,669
Trust funds and deposits taken		37,428	34,645
Other receipts		10,834	11,822
Net GST refund		8,370	7,407
Employee costs		(71,595)	(70,945)
Materials and services		(66,428)	(59,565)
Trust funds and deposits repaid		(29,820)	(25,807)
Other payments		(10,379)	(8,432)
Net cash provided by operating activities	29	51,330	57,368
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment		(34,567)	(37,291)
Proceeds from sale of property held for resale		1,327	–
Proceeds from sale of property, infrastructure, plant and equipment		1,016	534
Net cash used in investing activities		(32,224)	(36,757)
Cash flows from financing activities			
Finance costs		(4,066)	(4,137)
Proceeds from borrowings (includes refinancing)		–	4,900
Repayment of borrowings (includes refinancing)		(4,386)	(9,230)
Repayment of other interest- bearing liabilities		(1,117)	–
Net cash used in financing activities		(9,569)	(8,467)
Net increase in cash and cash equivalents		9,537	12,144
Cash and cash equivalents at the beginning of the financial year		79,127	66,983
Cash and cash equivalents at the end of the financial year	16	88,664	79,127
Financing arrangements	30		
Restrictions on cash assets	16		

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

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For the year ended 30 June 2016

Statement of Capital Works

For the year ended 30 June 2016

	Note	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Property			
Land		–	5,825
Total land		–	5,825
Buildings			
Buildings		12,934	14,152
Leasehold improvements		–	84
Total buildings		12,934	14,236
Total property		12,934	20,061
Plant and equipment			
Plant, machinery and equipment		2,766	2,030
Fixtures, fittings and furniture		6	123
Computers and telecommunications		299	268
Library books		1,054	998
Total plant and equipment		4,125	3,419
Infrastructure			
Roads		10,130	6,202
Bridges		165	48
Footpaths and cycleways		1,368	1,756
Drainage		1,189	1,272
Recreational, leisure and community facilities		1,049	2,591
Parks, open space and streetscapes		4,838	3,335
Off street car parks		637	87
Total infrastructure		19,376	15,291
Total capital works expenditure		36,435	38,771
Represented by:			
New asset expenditure		8,506	15,684
Asset renewal expenditure		20,093	18,119
Asset upgrade expenditure		7,690	4,732
Asset expansion expenditure		146	236
Total capital works expenditure		36,435	38,771

The above Statement of Capital Works should be read in conjunction with the accompanying notes.

Notes to the Financial Report

Introduction

The City of Greater Dandenong was established in December 1994 with the amalgamation of the former City of Springvale and former City of Dandenong, and is a body corporate. The Council's main office is located at 225 Lonsdale Street, Dandenong, 3175.

Statement of compliance

These financial statements are a general purpose financial report that consists of a Comprehensive Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, Statement of Capital Works and notes accompanying these financial statements. The general purpose financial report complies with Australian Accounting Standards (AAS), other authoritative pronouncements of the Australian Accounting Standards Board, the *Local Government Act 1989*, and the *Local Government (Planning and Reporting) Regulations 2014*.

Note 1 Significant accounting policies

(a) Basis of accounting

The accrual basis of accounting has been used in the preparation of these financial statements, whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated judgements are based on professional judgement derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AAS's that have significant effects on the financial statements and

estimates relate to:

- the fair value of land, buildings and infrastructure (refer to note 1 (k)).
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to note 1 (l)).
- the determination of employee provisions (refer to note 1 (r)).

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

(b) Change in accounting policies

There has been no change in accounting policies from the previous period.

(c) Principles of consolidation

The consolidated financial statements of Council incorporates all entities controlled by Council as at 30 June 2016, and their income and expenses for that part of the reporting period in which control existed.

Subsidiaries are all entities over which Council has control. Council controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Council. They are deconsolidated from the date that control ceases.

Where dissimilar accounting policies are adopted by entities and their effect is considered material, adjustments are made to ensure consistent policies are adopted in these financial statements.

In the process of preparing consolidated financial statements all material transactions and balances between consolidated entities are eliminated.

Entities consolidated into Council include:

- Dandenong Market Pty Ltd

Refer note 39 for a reconciliation between Council, Dandenong Market Pty Ltd and consolidated for the 2015-16 financial year.

(d) Committees of management

All entities controlled by Council that have material revenues, expenses, assets or liabilities, such as committees of management, have been included in this financial report. Any transactions between these entities and Council have been eliminated in full.

At balance date there were no committees of management that was controlled by the Council.

(e) Revenue recognition

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.

Rates and charges

Annual rates and charges are recognised as revenues when Council issues annual rates notices. Supplementary rates are recognised when a valuation and reassessment is completed and a supplementary rates notice issued.

Statutory fees and fines

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

User fees

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

Grants

Grant income is recognised when Council obtains control of the contribution. This 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.

Where grants are recognised as revenues during the financial year, were obtained on the 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 is disclosed in note 6.

Annual Financial Report

For the year ended 30 June 2016

Note 1 Significant accounting policies (continued)

The note also discloses the amount of unused grants from prior years that were expended on Council's operations during the current year.

Contributions

Monetary and non-monetary contributions are recognised as revenue when Council obtains control over the contributed asset.

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

Interest is recognised as it is earned.

Other income

Other income is measured at the fair value of the consideration received or receivable and is recognised when Council gains control over the right to receive the income.

(f) Fair value measurement

Council measures certain assets and liabilities at fair value where required or permitted by Australian Accounting Standards. AASB 13 'Fair value measurement', aims to improve consistency and reduce complexity by providing a definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards.

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within a fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, Council has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, Council determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with original maturities of 90 days or less, net of outstanding bank overdrafts.

(h) Trade and other receivables

Receivables are carried at amortised cost using the effective interest rate method. A provision for doubtful debts is recognised when there is objective evidence that an impairment has occurred.

(i) Other financial assets

Other financial assets are valued at fair value, being market value, at balance date. Term deposits are measured at amortised cost. Any unrealised gains and losses on holdings at balance date are recognised as either a revenue or expense. Details in relation to other financial assets are included in note 18.

(j) Non-current assets classified as held for sale

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

(k) Recognition and measurement of property, infrastructure, plant and equipment

Acquisition

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

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

In accordance with Council's policy, the threshold limits detailed in note 1(l) have been applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year.

Revaluation

Subsequent to the initial recognition of assets, non-current physical assets, other than land under roads, leasehold improvements, recreational, leisure and community facilities, parks, open space and streetscapes and plant and equipment are measured at their fair value, being the amount for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction. Subsequent to the initial recognition of assets, non-current physical assets (other than the

**Note 1 Significant accounting policies
(continued)**

asset classes detailed directly above) are measured at their fair value, being the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. At balance date, Council reviewed the carrying value of the individual classes of assets measured at fair value to ensure that each asset class materially approximated its fair value. Where the carrying value materially differed from the fair value at balance date, the class of asset was revalued.

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use on an asset result in changes to the permissible or practical highest and best use of the asset. Further details regarding the fair value hierarchy are disclosed at note 21 'Property, infrastructure, plant and equipment'.

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

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

Land

The revaluation of land at 1 January 2016 resulted in an increase in the fair value of land of \$174.62 million (22.85%) consistent with property market movements of the various suburbs in the municipality.

Land under roads

In accordance with options available under Australian Accounting Standards, Council has opted to recognise all land under roads acquired after 30 June 2008 using the cost basis. Council does not recognise land under roads that it controlled prior to that period in its financial report.

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

All asset classes except land, land under roads and art works, 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 are made on a regular basis with major asset classes reassessed annually. Depreciation rates and methods are reviewed annually.

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

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

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For the year ended 30 June 2016

Note 1 Significant accounting policies (continued)

(l) Depreciation and amortisation of property, infrastructure, plant and equipment (continued)

Depreciation periods used are listed below and are consistent with the prior year unless otherwise stated.

	Depreciation period (years)	Threshold limit \$'000
<i>Property</i>		
<i>Land</i>		
Land	N/A	–
Land under roads	N/A	–
<i>Buildings</i>		
Buildings	50–100	10
Leasehold improvements	Lease term	–
<i>Plant and equipment</i>		
Plant and equipment	5	2
Fixtures, fittings and furniture	6–15	2
Computers and telecommunications	3–5	2
Library books	5	–
<i>Infrastructure</i>		
<i>Roads</i>		
Seal	12–20	20
Substructure	100	20
Kerb and channel	15–80	5
Local area traffic management (LATM) devices	5–30	5
Bridges	20–100	5
Footpaths and cycleways	10–50	1
<i>Drainage</i>		
New pipes and pits	100	–
Existing pipes and pits	100	5
Gross pollutant traps	50	5
<i>Recreational, leisure and community facilities</i>		
Recreational equipment and facilities, electronic screens and scoreboards and playgrounds.	10–20	2
Sportsgrounds, grass (turf), courts, hardstand, other ground surfaces.	10–20	10
Outdoor pools	50	10
Minor structures (sporting, shade structures and retaining walls), irrigation, sportsfield drainage, controllers, sensors, water tanks/pumps.	10–20	5
<i>Parks, open space and streetscapes</i>		
Open space furniture, fencing, bollards, gates, wetlands, retarding/detention basins, water sensitive urban devices (WSUDs) and swales.	10–20	5
Public art	N/A	2
Signs, parking meters, ticket machines and equipment.	10–20	2
Lighting, passive grass/surface, horticultural plantings and gardens, natural bush and vegetation.	10–20	10
Off street car parks	20–100	5

Note 1 Significant accounting policies (continued)

(m) 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.

(n) Investment property

Investment property, comprising retail complexes, are held to generate long-term rental yields. Investment property is measured initially at cost, including transaction costs. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefit in excess of the originally assessed performance of the asset will flow to the Council. Subsequent to initial recognition at cost, investment property is carried at fair value, determined annually by independent valuers. Changes to fair value are recorded in the comprehensive income statement in the period that they arise. Investment property are not subject to depreciation. Rental income from the leasing of investment properties is recognised in the Comprehensive Income Statement on a straight line basis over the lease term.

(o) Impairment of assets

At each reporting date, the Council reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Comprehensive Income Statement, unless the asset is carried at the revalued amount in which case, the impairment loss is recognised directly against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

(p) Trust funds and deposits

Amounts received as deposits and retention amounts controlled by Council are recognised as trust funds until they are returned, transferred in accordance with the purpose of the receipt, or forfeited (refer to note 24). Amounts received from developers relating to the Development Contribution Plans (DCP) are held as deposits and are a surety for the construction of DCP infrastructure. Upon completion of the infrastructure, Council will refund the developer the deposit. Due to the uncertainty of when the developer may submit a claim for refund, the monies held are treated as a current liability.

(q) Borrowings

Borrowings are initially measured at fair value, being the cost of the interest bearing liabilities, net of transaction costs. The measurement basis subsequent to initial recognition depends on whether the Council has categorised its interest-bearing liabilities as either financial liabilities designated at fair value through the profit and loss, or financial liabilities at amortised cost. Any difference between the initial recognised amount and the redemption value is recognised in the net result over the period of the borrowing using the effective interest method.

The classification depends on the nature and purpose of the interest-bearing liabilities. The Council determines the classification of its interest bearing liabilities at initial recognition.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except where they are capitalised as part of a qualifying asset constructed by Council. Except where specific borrowings are obtained for the purpose of specific asset acquisition, the weighted average interest rate applicable to borrowings at balance date, excluding borrowings associated with superannuation, is used to determine the borrowing costs to be capitalised.

Borrowing costs include interest on bank overdrafts, interest on borrowings, and finance lease charges.

During 2015–16 Council restructured one of the loan facilities with National Australia Bank to take up the benefits of a reduced payback period, interest rate and loan cost over the term of the loan. As a result the loan term reduced from 25 years to 24 years and the interest rate reduced from 6.35% to 6.15%.

(r) Employee costs and benefits

The calculation of employee costs and benefits includes all relevant on-costs and are calculated as follows at reporting date.

Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employee services up to the reporting date, classified as current liabilities and measured at their nominal values.

Liabilities that are not expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits as current liabilities, measured at present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits.

Current liability – unconditional LSL is disclosed as a current liability even when the Council does not expect to settle the liability within 12 months because it will not have the unconditional right to defer settlement of the entitlement should an employee take leave within 12 months.

The components of this current liability are measured at:

- present value – component that is not expected to be wholly settled within 12 months.
- nominal value – component that is expected to be wholly settled within 12 months.

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For the year ended 30 June 2016

Note 1 Significant accounting policies (continued)

(r) Employee costs and benefits (continued)

Non-current liability – conditional LSL that has been accrued, where an employee is yet to reach a qualifying term of employment, is disclosed as a non-current liability. There is an unconditional right to defer settlement of the entitlement until the employee has completed the requisite years of service.

This non-current LSL liability is measured at present value.

(s) Leases

Operating leases

Lease payments for operating leases are required by the accounting standard to be recognised on a straight line basis, rather than expensed in the years in which they are incurred.

Leasehold improvements

Leasehold improvements are recognised at cost and are amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter.

(t) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian 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. Receivables and payables in the balance sheet are shown inclusive of GST.

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

(u) Financial guarantees

Financial guarantee contracts are not recognised as a liability in the Balance Sheet unless the lender has exercised their right to call on the guarantee or Council has other reasons to believe that it is probable that right will be exercised. Details of guarantees that Council has provided, that are not recognised in the balance sheet are disclosed in note 34 'Contingent liabilities and contingent assets'.

(v) Contingent assets, contingent liabilities and commitments

Contingent assets and contingent liabilities are not recognised in the Balance Sheet, but are disclosed by way of a note and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively (refer note 34).

Commitments are not recognised in the Balance Sheet. Commitments are disclosed at their nominal value by way of note and presented inclusive of the GST payable.

Note 1 Significant accounting policies (continued)

(w) Pending Accounting Standards

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

Pronouncement	AASB 15 Revenue from Contracts with Customers
What's new?	This standard is to establish the principles that an entity shall apply to report useful information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.
Impact/action	The impact of this standard will need to be assessed in line with the final deliberations by the AASB on the application of this standard.
Effective date	Periods beginning on or after 1 January 2018.

Pronouncement	AASB 16 Leases
What's new?	This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the Balance Sheet, Comprehensive Income Statement and cash flows of an entity.
Impact/action	The impact of this standard will need to be assessed in line with the final deliberations by the AASB on the application of this standard.
Effective date	Periods beginning on or after 1 January 2019.

Pronouncement	AASB 124 Related Party Disclosures (AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities)
What's new?	This standard has been extended to include the Related Party Disclosures for Not-for-Profit Public Sector Entities. The objective of this Standard is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments, with such parties.
Impact/action	Impacts on the level and nature of the disclosures will be assessed based on the eventual implications arising from the amendments to AASB 124.
Effective date	Periods beginning on or after 1 July 2016.

(x) Rounding

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

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Note 2 Budget comparison

The budget comparison notes compare Council's financial plan, expressed through its annual budget, with actual performance. *The Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variances. Council has adopted a materiality threshold of greater than 10 per cent and greater than \$1 million or where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures detailed below are those adopted by Council on 22 June 2015. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for income and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

These notes are prepared to meet the requirements of the *Local Government Act 1989 and the Local Government (Planning and Reporting) Regulations 2014*.

a) Income and expenditure

	Consolidated Actual 2016 \$'000	Council Actual 2016 \$'000 <i>(note 39)</i>	Council Budget 2016 \$'000	Council Variance 2016 \$'000 <i>Fav (Unfav)</i>	Ref
Income					
Rates and charges	120,654	120,750	119,237	1,513	
Statutory fees and fines	5,932	5,932	7,311	(1,379)	(a)
User fees	8,394	8,394	11,738	(3,344)	(b)
Grants – operating	25,293	25,233	30,185	(4,952)	(c)
Grants – capital	5,049	5,049	4,378	671	
Contributions – monetary	3,833	3,833	1,625	2,208	(d)
Contributions – non-monetary	38,261	38,261	18,000	20,261	(e)
Net gain on disposal of property, infrastructure, plant and equipment	–	–	1,361	(1,361)	(f)
Fair value adjustments for investment property	358	358	–	358	
Other income	13,493	9,348	5,054	4,294	(g)
Total income	221,267	217,158	198,889	18,269	
Expenses					
Employee costs	(72,850)	(72,107)	(73,348)	1,241	
Materials and services	(58,114)	(54,947)	(53,042)	(1,905)	
Bad and doubtful debts	(690)	(637)	(829)	192	
Depreciation and amortisation	(27,521)	(27,512)	(30,559)	3,047	(h)
Borrowing costs	(4,034)	(4,034)	(4,057)	23	
Net loss on disposal of property, infrastructure, plant and equipment	(193)	(193)	–	(193)	(f)
Other expenses	(9,447)	(9,425)	(7,154)	(2,271)	(i)
Total expenses	(172,849)	(168,855)	(168,989)	134	
Surplus for the year	48,418	48,303	29,900	18,403	

Note 2 Budget comparison (continued)

a) Income and expenditure

Explanation of material variations

Ref	Item	Explanation
(a)	Statutory fees and fines	Statutory fees and fines are \$1.38 million lower than the Original Budget mainly due to a reclassification of items included in three categories – statutory fees and fines, user fees and other income, between the Original Budget and the 2015–16 actuals. The reclassification occurred at the end of 2014–15 to comply with the new Local Government Model Financial Report after the adoption of the 2015–16 Original Budget. Excluding the reclassification, the unfavourable variance in statutory fees and fines is \$333,000 (5.32%) which is due to lower than expected parking fine income due to an amnesty period to allow customers to adapt to new ticket machines.
(b)	User fees	User fees are \$3.34 million lower than the Original Budget due mainly to the reclassifications outlined in item (a) above. Excluding the reclassification, user fees were \$1.06 million lower than the Original Budget due primarily to changes in the scheduling of new/replacement ticket machine installations, vandalism of new ticket machines and theft of cash boxes from older ticket machines.
(c)	Grants – operating	Operating grant income was \$4.95 million lower than expected in the Original Budget due to \$5.37 million (50%) of the 2015–16 Victoria Grants Commission funding allocation being distributed to Council early in June 2015.
(d)	Contributions – monetary	As a result of a higher than anticipated level of economic activity, Council received higher than budgeted open space contributions from developers of \$2.26 million during 2015–16. These contributions are restricted in their use and are transferred to reserves at the end of the financial year and are set aside for open space projects. The timing of receipt and amount of open space contributions are difficult to predict.
(e)	Contributions – non-monetary	These contributions represent assets that are transferred to Council's ownership from developers upon completion of subdivisions. A greater number of subdivisions were completed and finalised during 2015–16 than expected in the Original Budget. The timing of these asset transfers is outside of Council's control and difficult to predict. This item is a non-cash accounting entry.
(f)	Net gain/(loss) on disposal of property, infrastructure, plant and equipment	The disposal of property, infrastructure, plant and equipment resulted in a loss in 2015–16 instead of a gain as expected in the Original Budget due to: <ul style="list-style-type: none"> – two property sales that were delayed and did not occur in 2015–16. – an extension to the settlement date on the last lot of Metro 3175 (now December 2016). – write off of fixed assets of \$848,000 caused by the replacement of infrastructure assets, mainly drainage and footpaths and a number of building demolitions in Dandenong Park.
(g)	Other income	Other income is \$4.29 million higher than budget due mainly to the income reclassifications detailed in item (a) above. Excluding these reclassifications, there is a favourable variance of \$997,000 in other income from the Original Budget caused by: <ul style="list-style-type: none"> – interest on investments \$514,000. – interest on rate arrears \$172,000. – recycling and sorting income of \$211,000 due to a higher rate per tonne received in relation to the contract arrangement of Council's waste collection and receipt of recyclables.
(h)	Depreciation and amortisation	Depreciation expense was lower than the Original Budget due mainly to the effect of the revaluation of infrastructure asset classes valued at fair value at 30 June 2015, which occurred after the adoption of the Original Budget, combined with a review of expiry dates in building assets as part of the independent revaluation conducted at 1 January 2016.
(i)	Other expenses	Other expenses were higher than expected in the Original Budget due mainly to the replacement of street light globes with energy efficient luminaires that occurred on non– Council owned assets and could not be capitalised to the fixed asset register. These costs were included as part of the capital budget.

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Note 2 Budget comparison (continued)

b) Capital works

	Consolidated Actual 2016 \$'000	Council Actual 2016 \$'000	Council Budget 2016 \$'000	Council Variance 2016 \$'000 <i>Fav (Unfav)</i>	Ref
Property					
Land	-	-	3,000	3,000	(j)
Total land	-	-	3,000	3,000	
Buildings	12,934	12,934	12,790	(144)	
Total buildings	12,934	12,934	12,790	(144)	
Total property	12,934	12,934	15,790	2,856	
Plant and equipment					
Plant, machinery and equipment	2,766	2,766	2,796	30	
Fixtures, fittings and furniture	6	6	5	(1)	
Computers and telecommunications	299	299	313	14	
Library books	1,054	1,054	1,174	120	
Total plant and equipment	4,125	4,125	4,288	163	
Infrastructure					
Roads	10,130	10,130	4,775	(5,355)	(k)
Bridges	165	165	-	(165)	
Footpaths and cycleways	1,368	1,368	1,865	497	
Drainage	1,189	1,189	1,745	556	
Recreational, leisure and community facilities	1,049	1,049	995	(54)	
Parks, open space and streetscapes	4,838	4,838	6,030	1,192	(l)
Off street car parks	637	637	1,890	1,253	(m)
Total infrastructure	19,376	19,376	17,300	(2,076)	
Total capital works expenditure	36,435	36,435	37,378	943	
Represented by:					
New asset expenditure	8,506	8,506	13,302	4,796	(n)
Asset renewal expenditure	20,093	20,093	18,604	(1,489)	(o)
Asset upgrade expenditure	7,690	7,690	5,472	(2,218)	(p)
Asset expansion expenditure	146	146	-	(146)	
Total capital works expenditure	36,435	36,435	37,378	943	

Note 2 Budget comparison (continued)

b) Capital works (continued)

Explanation of material variations

Ref	Item	Explanation
(j)	Land	The \$3.00 million favourable variance is due to a delay in the acquisition of land for the Keysborough South Community Hub development. The delay has been caused by investigations into and negotiations with the Department of Education and Training about co-locating the hub on a particular site.
(k)	Roads	The actual expenditure on roads was higher than the Original Budget due mainly to expenditure relating to the Abbots Road bridge duplication project (\$4.52 million) which was carried over from 2014–15 (not included in the Original Budget) and additional funding received for Roads to Recovery which resulted in higher matched expenditure (\$563,000).
(l)	Parks, open space and streetscapes	Capital expenditure was lower than the Original Budget due mainly to a street lighting project (\$1.01 million) where the costs were recorded as operating expenditure (budgeted as capital expenditure) because the works occurred on non-Council owned assets.
(m)	Off street car parks	Actual expenditure was lower than the Original Budget due mainly to a delay in the design phase for the VicTrack/Metro 3175 car park project (\$1.06 million). Finalisation of the design was delayed due to a high pressure gas line on the site requiring approval and service scanning to check the existing drainage system. This project is expected to be completed in 2016–17 and the remaining budget will be carried over.
(n)	New	Capital new expenditure was \$4.80 million lower than the Original Budget due to the delay in the land acquisition for the Keysborough South Community Hub (\$3.00 million), a change in the timing of expenditure for Tatterson Park Community Pavilion to match approved grant funding instalments – not known at the time of adopting the 2015–16 Original Budget (\$1.62 million) and a delay in the VicTrack/Metro 3175 car park project (\$1.06 million).
(o)	Renewal	Renewal expenditure was \$1.49 million higher than the Original Budget due to library books being classified as new in the Original Budget and renewal for the 2015-16 Actuals (\$1.05 million), expenditure transferred from operating due to its capital nature relating mainly to roads and buildings (\$1.04 million) which was not included in the Original Budget for capital renewal offset partly by a favourable variance of \$509,000 in the annual building renewal program.
(p)	Upgrade	Upgrade expenditure was \$2.22 million higher than the Original Budget due mainly to the Abbots Road bridge duplication project (\$4.52 million) which was carried over from the prior year, offset partly by the street lighting project (\$1.01 million) which was budgeted in capital but transferred to operating in the 2015–16 actuals as it related to non-Council owned lighting assets and a delay in the Princes Highway and Robinson Street intersection project (\$500,000).

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Note 3 Rates and charges

Council uses the Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The CIV of a property is the value of the land and all improvements on it, and is determined by independent valuers and certified by the Valuer General Victoria. The valuation base used to calculate general rates for 2015–16 was \$31.17 billion (\$30.41 billion in 2014–15).

	Note	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Residential		47,937	44,942
Commercial		11,626	10,429
Industrial		41,995	38,051
Farm		472	461
Cultural and recreational		411	325
Waste management charge – residential		14,734	13,418
Supplementary rates and rates adjustment		2,336	2,176
Maintenance levy		1,143	938
Total rates and charges		120,654	110,740

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2016 and the valuation first applied to the rating period commencing 1 July 2016.

Note 4 Statutory fees and fines

Infringements and costs		3,204	3,110
Court recoveries		825	715
Building and town planning fees		1,591	1,412
Land information certificates		107	92
Permits		205	330
Total statutory fees and fines		5,932	5,659

Note 5 User fees

Aged and health services		1,027	1,149
Child care/children's programs		822	360
Parking		3,542	2,708
Registration and other permits		1,196	1,136
Asset protection fees		465	323
Sub-division fees		746	581
Other fees and charges		596	669
Total user fees		8,394	6,926

	Note	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Note 6 Grants			
Grants were received in respect of the following:			
Summary of grants			
Commonwealth funded grants		13,752	23,622
State funded grants		16,590	16,360
Total grants		30,342	39,982
Operating grants			
<i>Recurrent – Commonwealth Government</i>			
Victoria Grants Commission*		5,321	16,150
Family day care		3,337	4,063
General home care		2,084	2,130
<i>Recurrent – State Government</i>			
Aged care		8,888	8,621
Maternal and child health		1,875	1,926
Community health		–	1,156
School crossing supervisors		222	186
Libraries		901	873
Family and children services		1,260	761
Community education		57	54
Emergency management		73	13
Community wellbeing		110	82
Community development		119	203
Right @ Home		223	266
Other		192	188
Total recurrent operating grants		24,662	36,672
<i>*50% or \$5.37 million of Victoria Grants Commission funding for 2015–16 was distributed early to Council in June 2015.</i>			
<i>Non-recurrent – Commonwealth Government</i>			
Other		13	17
<i>Non-recurrent – State Government</i>			
Community wellbeing		119	183
Community development		5	126
Family and children		314	208
Emergency management		–	40
Waste management		5	8
Economic development		–	58
Sports and recreation		8	19
Libraries		90	65
Other		77	145
Total non-recurrent operating grants		631	869
Total operating grants		25,293	37,541

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	Note	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Note 6 Grants (continued)			
Capital grants			
<i>Recurrent – Commonwealth Government</i>			
Roads to recovery		1,926	674
<i>Recurrent – State Government</i>			
Cultural facilities		46	45
Other		80	52
Total recurrent capital grants		2,052	771
<i>Non-recurrent – Commonwealth Government</i>			
Community Energy Efficiency Program		423	538
Community safety		–	50
Other		648	–
<i>Non-recurrent – State Government</i>			
Education and early childhood development		192	–
Cultural activity centre		–	18
Community safety		166	250
Sports and recreation		804	426
Roads		764	341
Other		–	47
Total non-recurrent capital grants		2,997	1,670
Total capital grants		5,049	2,441
Unspent grants received on condition that they be spent in a specific manner			
Balance at start of the year		8,311	5,082
Received during the financial year and remained unspent at balance date		2,223	8,244
Received in prior years and spent during the financial year		(7,863)	(5,015)
Balance at end of the year		2,671	8,311
Note 7 Contributions			
Monetary		3,833	3,128
Non-monetary		38,261	36,617
Total contributions		42,094	39,745
<i>Contributions of non-monetary assets were received in relation to the following asset classes:</i>			
Land		24,330	25,668
Buildings		235	287
Infrastructure			
– Roads		5,386	4,693
– Footpaths and cycleways		942	1,229
– Drainage		7,368	4,740
Total contributions – non-monetary		38,261	36,617

	Note	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Note 8 Net gain (loss) on disposal of property, infrastructure, plant and equipment			
<i>Net gain on sale of inventory property*</i>			
Proceeds of sale (Council share of 25.47%)		–	1,327
Less carrying amount of assets sold		–	(368)
		–	959
<i>Net gain on sale of property, infrastructure, plant and equipment</i>			
Proceeds of sale		1,016	534
Less carrying amount of assets sold		(361)	(132)
		655	402
<i>Net loss on write off / replacement of property, infrastructure, plant and equipment</i>			
Property		(219)	(2,350)
Infrastructure		(617)	(2,016)
Plant and equipment		(12)	(4)
		(848)	(4,370)
		(193)	(3,009)
Net loss on disposal of property, infrastructure, plant and equipment			
*Council has an agreement with Places Victoria for a residential development of the former Dandenong sale yards. Places Victoria is responsible for the development of the land under this agreement, and is entitled to 74.53% of the proceeds of this developed land with Council's share being 25.47%.			
Note 9 Other income			
Interest on investments		2,280	2,100
Interest on rates		562	617
Interest – other		–	8
Dandenong Market rental		5,381	4,895
Property rental		983	974
Other rent		1,450	1,255
Other		2,837	3,757
Total other income		13,493	13,606

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	Note	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Note 10 a) Employee costs			
Wages and salaries		56,375	54,254
WorkCover		1,664	1,361
Casual staff		1,409	1,583
Superannuation		5,356	5,182
Long service leave oncost		1,764	1,822
Fringe benefits tax		655	648
Other		5,627	5,414
Total employee costs		72,850	70,264
b) Superannuation			
Council made contributions to the following funds:			
Defined benefit plan			
Employer contribution to Local Authorities Superannuation Fund (Vision Super)		474	541
		474	541
Employer contributions payable at reporting date.		-	-
Accumulation funds			
Employer contribution to Local Authorities Superannuation Fund (Vision Super)		3,382	3,448
Employer contribution - other funds		1,465	1,358
		4,847	4,806
Employer contributions payable at reporting date (Dandenong Market Pty Ltd)		2	9
Refer note 33 for further information relating to Council's superannuation obligation.			
Note 11 Materials and services			
Contract payments		32,089	29,583
Building maintenance		1,119	1,069
General maintenance		4,687	3,547
Works in progress (unable to be capitalised)		3,468	1,454
Utilities		3,788	3,828
Office administration		6,139	6,607
Information technology		2,134	1,854
Insurance		887	938
Consultants and professional services		3,803	4,000
Total materials and services		58,114	52,880
Note 12 Bad and doubtful debts			
Parking fine debtors		516	806
Other debtors		174	289
Total bad and doubtful debts		690	1,095

	Note	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Note 13 Depreciation and amortisation			
Property		5,090	5,888
Plant and equipment		4,286	4,045
Infrastructure		18,145	19,014
Total depreciation and amortisation		27,521	28,947
<i>Refer to note 21 for a more detailed breakdown of depreciation and amortisation charges.</i>			
Note 14 Borrowing costs			
Interest – borrowings		3,822	4,133
Interest – other		212	6
Total borrowing costs		4,034	4,139
Note 15 Other expenses			
Auditors' remuneration – VAGO – audit of the financial statements, performance statement and grant acquittals		87	78
Auditors' remuneration – internal		115	160
Audit – other		1	2
Councillors' allowances		412	406
Operating lease / rentals		888	922
Other expenses		1,365	909
Community grants and contributions		6,579	5,191
Total other expenses		9,447	7,668

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	Note	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Note 16 Cash and cash equivalents			
Cash on hand		5,047	8,266
Cash at bank		7,430	6,755
Term deposits		76,187	64,106
Total cash and cash equivalents		88,664	79,127
Council's cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:			
- Trust funds and deposits	24	30,612	20,457
Total restricted funds		30,612	20,457
Total unrestricted cash and cash equivalents		58,052	58,670
Intended allocations*			
Although not externally restricted the following amounts have been allocated for specific future purposes by Council:			
Employee provisions	25	17,138	16,395
Statutory and other reserves	28(b)	32,456	27,232
Cash held to fund carried forward operational projects		1,713	7,851
Cash held to fund carried forward capital works		7,728	6,639
Total funds subject to intended allocations		59,035	58,117

*Users of the financial report should refer to note 28(b) for details of funds held in reserve and note 31 for details of existing Council commitments.

	Note	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Note 17 Trade and other receivables			
Current			
Rates debtors	1(e)	6,439	6,033
Infringement debtors		4,904	4,565
Provision for doubtful debts – infringements		(1,448)	(1,351)
Net GST receivable		1,442	1,588
Other debtors		5,521	3,444
Provision for doubtful debts – other debtors		(208)	(336)
Total current trade and other receivables		16,650	13,943
Non-current			
Narre Warren landfill – financial contribution		258	253
Other debtors – refundable deposit		73	73
Total non-current trade and other receivables		331	326
Total trade and other receivables		16,981	14,269

a) Ageing of receivables

At balance date other debtors representing financial assets with balances outstanding beyond Council's terms of trade 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 and other receivables (current and non-current) excluding statutory receivables and provisions for doubtful debts were:

Current (not yet due)	863	529
Past due by up to 30 days	223	812
Past due between 31 and 180 days	269	647
Past due between 181 and 365 days	335	340
Past due by more than 1 year	719	765
Total trade and other receivables	2,409	3,093

Note: The above ageing of debtors excludes rate debtors, parking infringement debtors, town planning debtors and GST receivable.

2014–15 comparatives for the above ageing of debtors have been amended to exclude town planning debtors.

b) Movement in provisions for doubtful debts

Balance at the beginning of the year	1,687	2,131
New provisions recognised during the year	690	1,095
Amounts already provided for and written off as uncollectible	(712)	(1,536)
Amounts provided for but recovered during the year	(9)	(3)
Balance at end of year	1,656	1,687

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	Note	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Note 18 Other financial assets			
<i>Non-current</i>			
Financial assets held for sale			
Unlisted shares – Regional Kitchen Pty Ltd – at cost		230	230
Total non-current other financial assets		230	230
Total other financial assets		230	230
Note 19 Non-current assets classified as held for sale			
Non-current assets classified as held for sale – current		11,490	–
Non-current assets classified as held for sale – non-current		–	490
Total non-current assets classified as held for sale		11,490	490
Non-current assets classified as held for sale comprises \$11 million for the sale of land at View Road, Springvale (former Springvale Depot) which is expected to settle in September 2016 and \$490,000 for sale of the final lot of Metro 3175 which is due to settle in December 2016.			
Note 20 Other assets			
Prepayments		851	473
Accrued income		1,486	2,598
Total other assets		2,337	3,071

Note 21 Property, infrastructure, plant and equipment

SUMMARY OF PROPERTY, INFRASTRUCTURE, PLANT AND EQUIPMENT

Consolidated

	At 30 June 2016			At 30 June 2015*		
	At cost / fair value \$'000	Accum. depreciation \$'000	Written down value \$'000	At cost / fair value \$'000	Accum. depreciation \$'000	Written down value \$'000
Land	979,896	–	979,896	791,237	–	791,237
Buildings	364,943	(136,165)	228,778	324,080	(121,805)	202,275
Plant and equipment	35,402	(22,274)	13,128	48,479	(35,244)	13,235
Infrastructure	1,056,746	(398,938)	657,808	1,028,573	(381,204)	647,369
Work in progress	24,478	–	24,478	23,270	–	23,270
Total	2,461,465	(557,377)	1,904,088	2,215,639	(538,253)	1,677,386

SUMMARY OF WORK IN PROGRESS

	Opening WIP \$'000	Additions \$'000	Transfers \$'000	Write Offs \$'000	Closing WIP \$'000
Buildings	13,064	9,098	(11,793)	(940)	9,429
Plant and equipment	75	76	(74)	–	77
Infrastructure	10,131	12,827	(5,457)	(2,529)	14,972
Total	23,270	22,001	(17,324)	(3,469)	24,478

*The balances of land and buildings at 30 June 2015 have been restated to exclude 'Investment property' which is now separately classified (refer note 22).

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Note 21 Property, infrastructure, plant and equipment (continued)

PROPERTY	Consolidated								
	Land – specialised* \$'000	Land – non-specialised* \$'000	Total land \$'000	Buildings – specialised* \$'000	Buildings – non-specialised* \$'000	Leasehold improvements \$'000	Total buildings \$'000	Work in progress \$'000	TOTAL PROPERTY \$'000
Opening balance at 1 July 2015									
At cost	35,332	–	35,332	–	–	1,416	1,416	13,064	49,812
At fair value*	612,377	144,300	756,677	322,704	–	–	322,704	–	1,079,381
Accumulated depreciation†	–	–	–	(121,015)	–	(791)	(121,806)	–	(121,806)
	647,709	144,300	792,009	201,689	–	625	202,314	13,064	1,007,387
Movements in fair value/cost									
Acquisition of assets at cost	5,029	–	5,029	–	–	17	17	9,098	14,144
Acquisition of assets at fair value	19,301	–	19,301	3,708	–	–	3,708	–	23,009
Revaluation increments (decrements)	141,777	32,840	174,617	28,310	–	–	28,310	–	202,927
Fair value/cost of assets disposed	(60)	–	(60)	(1,387)	–	–	(1,387)	(940)	(2,387)
Transfers in (out)	6,270	(17,270)	(11,000)	10,167	–	8	10,175	(11,793)	(12,618)
	172,317	15,570	187,887	40,798	–	25	40,823	(3,635)	225,075
Movements in accumulated depreciation									
Depreciation and amortisation	–	–	–	(4,988)	–	(102)	(5,090)	–	(5,090)
Accumulated depreciation of disposals	–	–	–	1,228	–	–	1,228	–	1,228
Revaluation increments (decrements)	–	–	–	(10,497)	–	–	(10,497)	–	(10,497)
	–	–	–	(14,257)	–	(102)	(14,359)	–	(14,359)
Closing balance at 30 June 2016									
At cost	40,361	–	40,361	–	–	1,441	1,441	9,429	51,231
At fair value	779,665	159,870	939,535	363,502	–	–	363,502	–	1,303,037
Accumulated depreciation	–	–	–	(135,272)	–	(893)	(136,165)	–	(136,165)
	820,026	159,870	979,896	228,230	–	548	228,778	9,429	1,218,103

*The opening at fair value and accumulated depreciation balances include equity adjustments relating to 2014–15 of \$810,000 (fair value) and \$7,000 (accumulated depreciation) and 2015–16 of \$812,000 (fair value) and \$8,000 (accumulated depreciation) – refer note 38 for further details

†The opening balance at 1 July 2015 of specialised and non-specialised land and buildings at fair value have been restated to correctly classify land values adjusted by an unobservable input (discount factor) as specialised land. There is no change in the fair value of land and buildings, just the split between specialised and non-specialised.

PLANT AND EQUIPMENT		Consolidated				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	Plant, machinery and equipment	Fixtures, fittings and furniture	Computers and telecomm's	Library books	Work in progress	TOTAL PLANT AND EQUIPMENT
Opening balance at 1 July 2015						
At cost	15,373	8,530	6,232	18,344	75	48,554
Accumulated depreciation	(9,458)	(5,810)	(4,647)	(15,329)	-	(35,244)
	5,915	2,720	1,585	3,015	75	13,310
Movements in cost						
Acquisition of assets at cost	2,643	98	453	1,053	76	4,323
Cost of assets disposed	(3,465)	(776)	-	(13,388)	-	(17,629)
Transfers in (out)	-	168	137	-	(74)	231
	(822)	(510)	590	(12,335)	2	(13,075)
Movements in accumulated depreciation						
Depreciation and amortisation	(2,032)	(706)	(557)	(991)	-	(4,286)
Accumulated depreciation of disposals	3,093	775	-	13,388	-	17,256
	1,061	69	(557)	12,397	-	12,970
Closing balance at 30 June 2016						
At cost	14,551	8,020	6,822	6,009	77	35,479
Accumulated depreciation	(8,397)	(5,741)	(5,204)	(2,932)	-	(22,274)
	6,154	2,279	1,618	3,077	77	13,205

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Note 21 Property, infrastructure, plant and equipment (continued)

	INFRASTRUCTURE										Consolidated	
	Roads	Bridges	Footpaths and cycleways	Drainage	Recreational, leisure and community facilities	Parks, open space and streetscapes	Off street car parks	Work in progress	TOTAL INFRASTRUCTURE	GRAND TOTAL PROPERTY, & EQUIP, INFRAST.	\$'000	\$'000
Opening balance at 1 July 2015												
At cost	-	-	-	-	30,811	41,931	-	10,131	82,873	181,239		
At fair value*	441,177	54,653	71,256	372,170	-	-	18,615	-	957,871	2,037,252		
Accumulated depreciation*	(175,601)	(14,284)	(16,004)	(129,466)	(13,802)	(26,203)	(5,864)	-	(381,224)	(538,274)		
	265,576	40,369	55,252	242,704	17,009	15,728	12,751	10,131	659,520	1,680,217		
Movements in fair value/cost												
Acquisition of assets at cost	-	-	-	-	173	687	-	-	860	19,327		
Acquisition of assets at fair value	9,081	166	2,430	7,515	-	-	345	12,827	32,364	55,373		
Fair value/cost of assets disposed	(152)	(98)	(253)	(386)	(79)	(18)	(34)	(2,529)	(3,549)	(23,565)		
Transfers in (out)	4,400	-	1,021	1,122	2,302	1,839	(3,928)	(5,457)	1,299	(11,088)		
	13,329	68	3,198	8,251	2,396	2,508	(3,617)	4,841	30,974	40,047		
Movements in accumulated depreciation												
Depreciation and amortisation	(8,366)	(653)	(1,712)	(3,739)	(1,431)	(1,983)	(261)	-	(18,145)	(27,521)		
Accumulated depreciation of acquisitions	-	-	-	(3)	-	-	-	-	(3)	(3)		
Accumulated depreciation of disposals	62	50	52	138	77	19	5	-	403	18,887		
Impairment loss reversal (reval. reserve)	-	31	-	-	-	-	-	-	31	31		
Transfers (in) out	(1,250)	-	-	-	-	-	1,250	-	-	-		
	(9,554)	(572)	(1,660)	(3,604)	(1,354)	(1,964)	994	-	(17,714)	(8,606)		
Closing balance at 30 June 2016												
At cost	-	-	-	-	33,207	44,439	-	14,972	92,618	179,328		
At fair value	454,506	54,721	74,454	380,421	-	-	14,998	-	979,100	2,282,137		
Accumulated depreciation	(185,155)	(14,856)	(17,664)	(133,070)	(15,156)	(28,167)	(4,870)	-	(398,938)	(557,377)		
	269,351	39,865	56,790	247,351	18,051	16,272	10,128	14,972	672,780	1,904,088		

*The opening at fair value and accumulated depreciation balances include equity adjustments relating to 2014-15 of \$2.61 million (fair value) and \$448,000 (accumulated depreciation) and 2015-16 of \$2.04 million (fair value) and \$20,000 (accumulated depreciation) – refer note 38 for further details.

Note 21 Property, infrastructure, plant and equipment (continued)

Valuation of land and buildings

A valuation of land and buildings at 1 January 2016 was undertaken by qualified independent valuers, Proval (Vic) Pty Ltd. The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the Comprehensive Income Statement.

Specialised land is valued at fair value using site values adjusted for englobo (undeveloped and/or unserviced) characteristics, access rights and private interests of other parties and entitlements of infrastructure assets and services. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the Comprehensive Income Statement.

Any significant movements in the unobservable inputs for land will have a significant impact on the fair value of these assets.

The revaluation of land at 1 January 2016 resulted in an increase in the fair value of land of \$174.62 million (22.85%) consistent with property market movements of the various suburbs in the municipality.

Land under roads is valued at cost based on Council valuation for acquisitions after 30 June 2008. Deemed cost valuations have been undertaken using site values adjusted for englobo (undeveloped and/or unserviced) characteristics, access rights and private interests of other parties and entitlements of infrastructure assets and services. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the Comprehensive Income Statement. The acquisitions for the year include new assets from subdivision activity.

Details of the written down value of Council's land and buildings and information about the fair value hierarchy as at 30 June 2016 are as follows:

	Level 1	Level 2	Level 3
Land*	–	159,870	779,665
Buildings	–	–	228,230
Total written down value	–	159,870	1,007,895

*Land at fair value excludes land under roads which are valued at cost.

Valuation of infrastructure

Valuation of infrastructure assets at fair value (except Parks, open space and streetscapes and Recreational, leisure and community facilities which are valued at cost, and bridges which are independently valued) has been determined in accordance with a Council valuation. The fair value of infrastructure is valued using the depreciated replacement cost method. This cost represents the replacement cost of the asset after applying depreciation rates on a useful life basis.

The valuation of bridges at 30 June 2013 was undertaken by qualified independent valuers, Pitt and Sherry.

Details of the written down value of Council's infrastructure and information about the fair value hierarchy as at 30 June 2016 are as follows:

	Level 1	Level 2	Level 3
Roads	–	–	269,351
Bridges	–	–	39,865
Footpaths and cycleways	–	–	56,790
Drainage	–	–	247,351
Off street car parks	–	–	10,128
Total written down value	–	–	623,485

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Note 21 Property, infrastructure, plant and equipment (continued)

Asset class (infrastructure)	Revaluation date	Valued by
Roads	30 June 2015	Council valuation
Bridges	30 June 2013	Independent valuation
Footpaths and cycleways	30 June 2015	Council valuation
Drainage	30 June 2015	Council valuation
Off street car parks	30 June 2015	Council valuation

Description of significant unobservable inputs into level 3 valuations

Specialised land is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restrictions of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 20% and 90%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently, land values range between \$12 and \$3,100 per square metre.

Specialised buildings are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs are calculated on a square metre basis and range from \$300 to \$50,000 per square metre. The remaining useful lives of specialised buildings are determined on the basis of the current condition of buildings and vary from 2 years to 99 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

Infrastructure assets are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 1 year to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

Reconciliation of specialised land at fair value *

	2016 \$'000	2015 \$'000
Parks and reserves	533,360	413,890
Floodway	8,430	7,258
Public use	17,810	15,140
Industrial	27,439	22,664
Other	192,626	153,425
Total specialised land	779,665	612,377

*Excludes land under roads which represents specialised land valued at cost.

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Note 22 Investment property		
Balance at beginning of financial year	9,874	9,874
Additions	88	–
Fair value adjustments	358	–
Balance at end of financial year	10,320	9,874
<i>Valuation of investment property</i>		
Valuation of investment property has been determined in accordance with an independent valuation by Proval (Vic) Pty Ltd who have recent experience in the location and category of the property being valued. The valuation is at fair value, based on the current market value for the property.		
The prior year comparatives have been amended to reclassify Investment property from the land and building asset classes disclosed in note 21 – Property, infrastructure, plant and equipment.		
Note 23 Trade and other payables		
Trade payables	12,213	12,651
Net GST payable	18	3
Accrued expenses	4,073	3,092
Total trade and other payables	16,304	15,746
Note 24 Trust funds and deposits		
<i>Current</i>		
Fire services levy [*]	961	1,436
Road deposits	544	1,269
Landscape deposits	1,792	1,044
Open space contributions	3,401	586
Development contribution plans (DCP)	22,191	14,164
Other refundable deposits [*]	706	919
Total current trust funds and deposits	29,595	19,418
<i>Non-current</i>		
Other refundable deposits [*]	1,017	1,039
Total non-current trust funds and deposits	1,017	1,039
Total trust funds and deposits	30,612	20,457

**Purpose and nature of items*

Refundable deposits – Deposits are taken by Council as a form of surety in a number of circumstances, including in relation to building works, tender deposits, contract deposits and the use of civic facilities.

Fire Services Property Levy – Council is the collection agent for fire services levy on behalf of the State Government. Council remits amounts received on a quarterly basis. Amounts disclosed here will be remitted to the State Government in line with that process.

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Note 25 Provisions

	Annual leave \$'000	Long service leave \$'000	Other \$'000	Total \$'000
2016				
Balance at beginning of the financial year	5,868	10,062	465	16,395
Additional provisions	5,270	1,769	134	7,173
Amounts used	(5,172)	(1,286)	(152)	(6,610)
Increase in the discounted amount arising because of time and the effect of any change in the discount rate	–	180	–	180
Balance at the end of the financial year	5,966	10,725	447	17,138
2015				
Balance at beginning of the financial year	5,811	9,252	468	15,531
Additional provisions	5,039	1,820	68	6,927
Amounts used	(4,984)	(1,240)	(71)	(6,295)
Increase in the discounted amount arising because of time and the effect of any change in the discount rate	2	230	–	232
Balance at the end of the financial year	5,868	10,062	465	16,395

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Employee provisions		
<i>Current provisions expected to be wholly settled within 12 months</i>		
Annual leave	5,788	5,683
Long service leave	854	729
Other	448	465
	7,090	6,877
<i>Current provisions expected to be wholly settled after 12 months</i>		
Annual leave	177	185
Long service leave	9,196	8,116
	9,373	8,301
Total current provisions	16,463	15,178
Non-current		
Long service leave	675	1,217
Total non-current provisions	675	1,217
<i>Aggregate carrying amount of employee provisions:</i>		
Current	16,463	15,178
Non-current	675	1,217
Total aggregate carrying amount of employee provisions	17,138	16,395

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Note 26 Interest-bearing loans and borrowings		
Current		
Borrowings – secured	3,120	4,359
	3,120	4,359
Non-current		
Borrowings – secured	54,912	58,059
	54,912	58,059
Total interest-bearing loans and borrowings	58,032	62,418
Borrowings are secured over the general rates of Council as per section 141 of the Local Government Act 1989.		
a) The maturity profile for Council's borrowings is:		
Not later than one year	3,120	4,359
Later than one year and not later than five years	15,469	17,088
Later than five years	39,443	40,971
	58,032	62,418
Note 27 Other interest-bearing liabilities		
Current		
Land purchase – interest-bearing	1,184	1,117
	1,184	1,117
Non-current		
Land purchase – interest-bearing	1,255	2,439
	1,255	2,439
Total other interest-bearing liabilities	2,439	3,556

In 2014–15, Council entered into an agreement with VicTrack and Places Victoria to purchase land parcels in the Dandenong Railway Precinct. The purchase price was established by the Valuer General Victoria, Council paid a 10% deposit in 2014–15 and the first instalment in June 2016 with the final instalment due in June 2018. The property is security in respect to the unpaid price.

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Note 28 Reserves

	Balance at beginning of reporting period \$'000	Increment (decrement) \$'000	Reversal of previous valuations for assets disposed \$'000	Impairment loss (credited against previous increments)/ reversed \$'000	Balance at end of reporting period \$'000
(a) Asset revaluation reserves					
2016					
Property					
Land	507,839	174,617	-	-	682,456
Buildings	9,515	17,813	35	-	27,363
	517,354	192,430	35	-	709,819
Infrastructure					
Roads	188,977	-	-	-	188,977
Bridges	16,568	-	-	31	16,599
Footpaths and cycleways	15,101	-	-	-	15,101
Drainage	170,324	-	-	-	170,324
Off street car parks	3,071	-	-	-	3,071
	394,041	-	-	31	394,072
Total asset revaluation reserves	911,395	192,430	35	31	1,103,891
2015					
Property					
Land	507,839	-	-	-	507,839
Buildings	9,515	-	-	-	9,515
	517,354	-	-	-	517,354
Infrastructure					
Roads	192,948	(3,971)	-	-	188,977
Bridges	16,568	-	-	-	16,568
Footpaths and cycleways	36,169	(21,068)	-	-	15,101
Drainage	70,329	99,995	-	-	170,324
Off street car parks	3,621	(550)	-	-	3,071
	319,635	74,406	-	-	394,041
Total asset revaluation reserves	836,989	74,406	-	-	911,395

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

Note 28 Reserves (continued)

	Balance at beginning of reporting period	Transfer to accumulated surplus	Transfer from accumulated surplus	Balance at end of reporting period
	\$'000	\$'000	\$'000	\$'000
(b) Other reserves				
2016				
Insurance reserve	423	-	-	423
Re-vegetation reserves	576	(13)	-	563
Public open space reserve	7,296	(1,305)	3,763	9,754
Keysborough South maintenance levy	945	(1,063)	1,143	1,025
Major projects reserve	5,512	(1,281)	2,448	6,679
Council funded development contribution reserve	11,306	(4,142)	1,800	8,964
Spring Valley landfill rehabilitation	761	-	-	761
Springvale Activity Precinct – parking and development	190	-	-	190
Local Government Funding Vehicle	223	-	3,874	4,097
Total other reserves	27,232	(7,804)	13,028	32,456
2015				
Insurance reserve	423	-	-	423
Re-vegetation reserves	514	-	62	576
Public open space reserve	5,494	(934)	2,736	7,296
Keysborough South maintenance levy	785	(777)	937	945
Major projects reserve	6,752	(2,665)	1,425	5,512
Council funded development contribution reserve	9,645	(139)	1,800	11,306
Spring Valley landfill rehabilitation	220	-	541	761
Springvale Activity Precinct – parking and development	-	-	190	190
Local Government Funding Vehicle	-	-	223	223
Total other reserves	23,833	(4,515)	7,914	27,232

Nature and purpose of other reserves:

Insurance reserve

The insurance reserve has been created to meet large and unexpected policy excesses on multiple insurance claims.

Re-vegetation reserves

The purpose of this reserve fund is to meet native re-vegetation requirements on Council's reserves.

Public open space reserve

Funds set aside in this reserve will be utilised exclusively for allocation towards enhancing the City's open space.

Keysborough South maintenance levy

This reserve has been established to ensure full accountability of the levies received for the Keysborough and Summerfield Estates reflecting costs of maintaining an additional 15% open space beyond that of traditional estates.

Major projects reserve

The major projects reserve will hold funds realised from the sale of Council's property assets and will be utilised for investing in other properties.

Council funded development contributions reserve

The reserve for Council funded development contribution plans holds funds in respect of Council's contribution to the two major developments in Dandenong South (C87) and Keysborough (C36).

Spring Valley landfill rehabilitation reserve

The purpose of this reserve is to rehabilitate the Spring Valley landfill site at Clarke Road, Springvale South.

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Note 28 Reserves (continued)

Springvale Activity Precinct parking and development reserve

The purpose of the reserve is to fund development in the Springvale Activity Centre.

Local Government Funding Vehicle

The purpose of this reserve is to partly provide for the \$4.90 million principal repayment required on maturity of the interest-only Local Government Funding Vehicle (LGFV) in 2019–20 and to provide future borrowing capacity for major infrastructure projects.

	Note	Consolidated 2016 \$'000	Consolidated 2015 \$'000
(c) Total reserves			
Asset revaluation reserve	28(a)	1,103,891	911,395
Other reserves	28(b)	32,456	27,232
Total reserves		1,136,347	938,627

Note 29 Reconciliation of cash flows from operating activities to surplus

Surplus for the year		48,418	48,656
Depreciation and amortisation		27,521	28,947
Loss on disposal of property, infrastructure, plant and equipment		193	3,009
Fair value adjustments		(358)	-
Contributions of non-monetary assets		(38,261)	(36,617)
Works in progress unable to be capitalised (expensed)		3,468	1,454
Borrowing costs		4,034	4,139
Change in assets and liabilities			
Increase in trade and other receivables		(375)	(1,082)
Increase in trust funds and deposits		7,608	8,838
Increase in prepayments		(383)	(98)
(Decrease) Increase in trade and other payables		(1,790)	853
Increase (Decrease) in employee provisions		1,255	(731)
Net cash provided by operating activities		51,330	57,368

Note 30 Financing arrangements

Interest-bearing loans and borrowings – secured	26	58,032	62,418
Interest-bearing liabilities – other (land purchase)	27	2,439	3,556
Credit card facilities		200	200
Bank overdraft		2,500	2,500
Total facilities		63,171	68,674
Used facilities		60,474	66,001
Unused facilities		2,697	2,673

Note 31 Commitments

	Not later than 1 year \$'000	Later than 1 year and not later than 2 years \$'000	Later than 2 years and not later than 5 years \$'000	Later than 5 years \$'000	Total \$'000
The Council has entered into the following commitments:					
2016					
Works and services contracts					
Building maintenance services	3,880	3,322	-	-	7,202
Parking management	555	71	-	-	626
Animal management	124	63	-	-	187
Recycling	1,845	1,909	6,138	548	10,440
Garbage collection	4,743	4,909	15,783	1,408	26,843
Works (roads and drains) services	350	350	322	-	1,022
Landfill maintenance services	2,572	-	-	-	2,572
Open space management	3,213	1,895	105	-	5,213
Leisure centres management services	1,036	-	-	-	1,036
Consultancies	261	-	-	-	261
Cleaning services	920	573	-	-	1,493
Meals for delivery	605	605	1,160	-	2,370
Other contracts	1,750	400	1,200	1,800	5,150
Dandenong Market Pty Ltd commitments	1,524	1,277	3,898	338	7,037
Total	23,378	15,374	28,606	4,094	71,452
Capital					
Buildings	10,784	984	36	-	11,804
Works (roads and drains)	1,276	-	-	-	1,276
Total	12,060	984	36	-	13,080

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Note 31 Commitments (continued)

	Not later than 1 year \$'000	Later than 1 year and not later than 2 years \$'000	Later than 2 years and not later than 5 years \$'000	Later than 5 years \$'000	Total \$'000
2015					
Works and services contracts					
Building maintenance services	4,193	3,682	3,324	–	11,199
Parking management	198	34	–	–	232
Animal management	121	41	–	–	162
Recycling	1,637	1,718	5,688	2,637	11,680
Garbage collection	4,160	4,368	14,460	6,704	29,692
Works (roads and drains) services	1,088	413	133	–	1,634
Landfill maintenance services	3,443	–	–	–	3,443
Open space management	2,756	343	54	–	3,153
Leisure centres management services	1,131	1,036	–	–	2,167
Consultancies	432	63	–	–	495
Cleaning services	1,980	–	–	–	1,980
Meals for delivery*	597	605	1,765	–	2,967
Other maintenance	225	7	2	–	234
Other contracts	2,843	582	1,249	2,239	6,913
Dandenong Market Pty Ltd commitments	434	347	50	–	831
Total	25,238	13,239	26,725	11,580	76,782
Capital					
Buildings	534	–	–	–	534
Works (roads and drains)	500	200	133	–	833
Street furniture	112	55	18	–	185
Total	1,146	255	151	–	1,552

*Comparative figures for 2014-15 has been adjusted to reflect the inclusion of meal deliveries in the commitment note.

Note 32 Operating leases

(a) Operating lease commitments

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Not later than one year	276	241
Later than one year and not later than five years	343	273
	619	514

Lease payments are in respect of the revolving operating lease facility for Council's computer equipment with the Commonwealth Bank of Australia (CBA).

(b) Operating lease receivables

Future minimum rentals receivable under non-cancellable operating leases are as follows:

Not later than one year	1,379	1,290
Later than one year and not later than five years	3,997	4,338
Later than five years	704	1,308
	6,080	6,936

The Council has entered into commercial property leases on selected properties. These properties are held under operating leases and have remaining non-cancellable lease terms of between 1 and 50 years.

Note 33 Superannuation

The Council makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. Obligations for contributions to the Fund are recognised as an expense in the Comprehensive Income Statement when they are made or due.

Accumulation

The Fund's accumulation categories, Vision My Super/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 (for the year ended 30 June 2016, this was 9.5% required under Superannuation Guarantee legislation (for 2014-15, this was 9.5%)).

Defined Benefit

The Council does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a pooled multi-employer sponsored plan.

There is no proportional split of the defined benefit liabilities, assets or costs between the

participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of the Council in the Fund cannot be measured as a percentage compared with other participating employers. Therefore, the Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

Funding arrangements

The Council makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund's Actuary.

As at 30 June 2015, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 105.8%. To determine the VBI, the Fund Actuary used the following long-term assumptions:

Net investment returns	7.0% pa
Salary information	4.25% pa
Price inflation (CPI)	2.5% pa

Vision Super has advised that the estimated VBI at quarter ended 30 June 2016 was 102.0%.

The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 2015 interim actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

Employer contributions

Regular contributions

On the basis of the results of the 2015 interim actuarial investigation conducted by the Fund's Actuary, the Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2016, this rate was 9.5% of members' salaries (9.5% in 2014-15). This rate will increase in line with any increase to the Superannuation Guarantee (SG) contribution rate. In addition, Council reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

Annual Financial Report

For the year ended 30 June 2016

Note 33 Superannuation (continued)

Funding calls

If the Defined Benefit category is in an unsatisfactory financial position at actuarial investigation or the Defined Benefit category's VBI is below its shortfall limit at any time other than the date of the actuarial investigation, the Defined Benefit category has a shortfall for the purposes of SPS 160 and the Fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%.

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including the Council) are required to make an employer contribution to cover the shortfall.

Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's Defined Benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up.

If there is a surplus in the Fund, the surplus cannot be returned to the participating employers.

In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

2015 interim actuarial investigation surplus amounts

The Fund's interim actuarial investigation as at 30 June 2015 identified the following in the defined benefit category of which the Council is a contributing employer:

A VBI surplus of \$130.8 million; and

A total service liability surplus of \$239 million.

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2015.

The total service liability surplus means that the current value of the assets in the Fund's defined benefit category plus expected future contributions exceeds the value of expected future benefits and expenses.

The Council was notified of the 30 June 2015 VBI during August 2015.

Future superannuation contributions

The expected contributions to be paid to the defined benefit category of Vision Super for the year ending 30 June 2017 is estimated to be \$486,356.

Note 34 Contingent liabilities and contingent assets

Contingent liabilities

Defined benefit superannuation scheme

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 (refer note 33). As a result of the volatility in financial markets the likelihood of making such contributions in future periods exists. At this point in time it is not known if additional contributions will be required, their timing or potential amount.

Guarantees for loans to other entities

The Council has agreed to guarantee a bank loan taken out by the Dandenong Basketball Association (DBA). The original loan (and maximum extent of possible Council exposure) was \$2 million. At balance date the amount outstanding balance is \$205,000 (\$280,000 as at 30 June 2015).

The Commonwealth Bank of Australia (Council's banker) at the request of the Council, issued guarantees in favour of Urban Renewal Authority of Victoria for \$1.24 million in respect of development works of the Dandenong Municipal Building project. At balance date the outstanding liability is \$nil (\$744,000 as at 30 June 2015). A guarantee to the value of \$744,000 was cancelled on 5 January 2016.

The Council is a guarantor on a bank loan taken out by the Noble Park Football Social Club Ltd. The original loan (and maximum extent of possible Council exposure) was \$650,000. At balance date the amount outstanding balance is \$115,830 (\$195,011 as at 30 June 2015).

The Council is also a guarantor on a bank loan taken out by the Keysborough Bowls Club Inc. The original loan (and maximum extent of possible Council exposure) was \$150,000. At balance date the amount outstanding balance is \$144,772 (\$69,579 as at 30 June 2015).

Legal actions

Council is presently involved in a number of confidential legal matters, which are being conducted through Council's solicitors. The estimated potential financial effect of these matters may be up to \$630,000 (\$287,000 as at 30 June 2015).

Development Contribution Plans (DCP)

Council has three sites that are subject to formal development contribution plans, two are in Keysborough and one in Lyndhurst. All three sites are covered by a DCP.

A DCP provides the framework for the provision and funding of infrastructure to facilitate the set development area and the purpose of a DCP is to provide a "fair distribution of costs for works and services, including roads, traffic management and community facilities to all the proper servicing in the area".

New development in each of the areas is required to meet its share of the total cost of delivering the required infrastructure works – as measured by its projected share of usage – through development contributions collected under the DCP's. The balance of works not covered by development contributions has been agreed to be funded by Council. The total value of these works is estimated to be around \$13.6 million.

Contingent assets

Development Contribution Plans (DCP)

Under the two DCPs noted previously, developers construct infrastructure assets which are vested with Council when Council issues a Statement of Compliance. These assets are brought to account as revenue

(Contributions – Non Monetary Assets) and capitalised. At reporting date, developers had commenced construction of assets that will eventually be transferred to the Council subject to Council issuing a Statement of Compliance. Council cannot reliably measure the value of the assets involved prior to completion and the timing of recognition.

Note 35 Financial instruments

(a) Objectives and policies

The Council's principal financial instruments comprise cash assets, term deposits, receivables (excluding statutory receivables), payables (excluding statutory payables) and bank borrowings. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument is disclosed in Note 1 of the financial statements. Risk management is carried out by senior management under policies approved by the Council. These policies include identification and analysis of the risk exposure to Council and appropriate procedures, controls and risk minimisation.

(b) Market risk

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

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 borrowings are sourced from major Australian banks. We manage interest rate risk on our 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 net debt portfolio by appropriate budgeting strategies and obtaining approval for borrowings from the relevant state government department 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:

- diversification of investment product
- monitoring of return on investment
- benchmarking of returns and comparison with budget

There has been no significant change in the Council's exposure, or its objectives, policies and processes for managing interest rate risk or the methods used to measure this risk from the previous reporting period.

Interest rate movements have not been sufficiently significant during the year to have an impact on the Council's year end result.

(c) 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 the 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.

Receivables consist of a large number of customers, spread across the ratepayer, business and government sectors. Credit risk associated with the Council's financial assets is minimal because the main debtor is secured by a charge over the rateable property.

There are no material financial assets which are individually determined to be impaired.

Council may also be subject to credit risk for transactions which are not included in the balance sheet, such as when Council provides a guarantee for another party. Details of Council's contingent liabilities are disclosed in note 34.

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. Council does not hold any collateral (in respect to non-rate debtors).

(d) Liquidity risk

Liquidity risk includes the risk that, as a result of our operational liquidity requirements or we will not have sufficient funds to settle a transaction when required, we will be forced to sell a financial asset at below value or may be unable to settle or recover a financial asset.

To help reduce these risks Council:

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

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For the year ended 30 June 2016

Note 35 Financial instruments (continued)

(d) Liquidity risk (continued)

The Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the Balance Sheet and the amounts related to financial guarantees disclosed in note 34, and is deemed insignificant based on prior periods' data and current assessment of risk.

There has been no significant change in Council's exposure, or its objectives, policies and processes for managing liquidity risk or the methods used to measure this risk from the previous reporting period.

With the exception of borrowings, all financial liabilities are expected to be settled within normal terms of trade. Details of the maturity profile for borrowings are disclosed at note 26.

(e) Fair value

Unless otherwise stated, the carrying amount of financial instruments reflect their fair value.

Fair value hierarchy

Council's financial assets and liabilities are not valued in accordance with the fair value hierarchy, Council's financial assets and liabilities are measured at amortised cost.

(f) Sensitivity disclosure analysis

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

- A parallel shift of +1% and -1% in market interest rates (AUD) from year-end rates of 1.75%.

These movements will not have a material impact on the valuation of Council's financial assets and liabilities, nor will they have a material impact on the results of Council's operations.

Note 36 Related party transactions

(i) Responsible Persons

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

Councillors

Councillor Roz Blades AM
Councillor Peter Brown
Councillor Youhorn Chea
Councillor John Kelly
Councillor Matthew Kirwan
Councillor Angela Long
Councillor Jim Memeti
Councillor Sean O'Reilly –
(Mayor 6/11/2014 to 5/11/2015)
Councillor Maria Sampey
Councillor Heang Tak –
(Mayor 5/11/2015 – current)
Councillor Loi Truong

Chief Executive Officer

John Bennie PSM

Dandenong Market Board Members

Ms Julie Busch
Mr Christopher Smith
Mr Franz Madlener
Mr Tom Mollenkopf
Mr Tim Cockayne

Note 36 Related party transactions (continued)

(ii) Remuneration of Responsible Persons

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

	2016 No.	2015 No.
\$1 – \$9,999	–	2
\$10,000 – \$19,999	–	3
\$20,000 – \$29,999	4	1
\$30,000 – \$39,999	10	9
\$60,000 – \$69,999	1	1
\$70,000 – \$79,999	–	1
\$350,000 – \$359,999	1	–
\$370,000 – \$379,999	–	1
\$380,000 – \$389,999	1	–
Total	17	18
Total remuneration for the reporting year, for Responsible Persons included above, amounted to:		
	\$'000	\$'000
Council	818	831
Dandenong Market Pty Ltd	126	103
	944	934

(iii) Senior Officers remuneration

A Senior Officer other than a Responsible Person, is an officer of Council who:

- a) has management responsibilities and reports directly to the Chief Executive; or
- b) whose total annual remuneration exceeds \$139,000.

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

	2016 No.	2015 No.
Income range:		
< \$138,999	–	6
\$139,000 – \$139,999	1	–
\$140,000 – \$149,999	9	4
\$150,000 – \$159,999	1	5
\$160,000 – \$169,999	8	3
\$170,000 – \$179,999	5	6
\$180,000 – \$189,999	2	1
\$190,000 – \$199,999	1	–
\$220,000 – \$229,999	–	1
\$230,000 – \$239,999	–	2
\$240,000 – \$249,999	3	3
\$250,000 – \$259,999	2	–
	32	31
Total remuneration for the reporting year for Senior Officers included above, amounted to:		
	\$'000	\$'000
	5,256	5,123

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For the year ended 30 June 2016

Note 36 Related party transactions (continued)

(iv) Responsible persons retirement benefits

No retirement benefits were made by the Council to a Responsible Person during 2015–16 (2014–15 \$nil).

(v) Loans to Responsible Persons

No loans were made, guaranteed or secured by the Council to a Responsible Person during 2015–16 (2014–15 \$nil).

(vi) Transactions with Responsible Persons

No transactions were entered into by the Council with Responsible Persons outside the normal course of Council business, other than remuneration and reimbursement of expenses during 2015–16 (2014–15 \$nil).

Councillor Memeti has a financial interest in a stall at Dandenong Market. The financial arrangements are at arms length based on commercial terms. A number of Responsible Persons have minority shareholdings in public companies, which have dealings with the Council from time to time.

Responsible persons include five individuals who held the position of Director in Dandenong Market Pty Ltd (DMPL) during the 2015–16 year.

Note 37 Events occurring after balance date

No matters have occurred after balance date that require disclosure in the financial report.

Note 38 Adjustments directly to equity

In the 2015–16 financial year, it was identified that Council had received ownership and control of assets (found and gifted assets) prior to the current financial year. The majority of the assets (\$2.71 million in 2015–16 and \$1.64 million in 2014–15) related to gifted infrastructure assets by developers of new subdivisions. These adjustments to equity are detailed below by net written down value and occurred in the 2015–16 financial year, but were adjusted against opening equity and assets of the following years:

Note 38 Adjustments directly to equity (continued)

	2016 \$'000	2015 \$'000
Property		
Land	581	728
Land under roads	192	–
Buildings	38	75
Infrastructure		
Bridges	262	55
Drains	1,723	2,095
Footpaths and cycleways	11	–
Recreational, leisure and community facilities	24	8
	2,831	2,961

Note 39 Reconciliation of Council, The Dandenong Market Pty Ltd (DMPL) and consolidated accounts

Dandenong Market Pty Ltd is a wholly owned subsidiary of Greater Dandenong City Council. Dandenong Market Pty Ltd manages the Dandenong Market on the terms set out in a management service agreement dated 30 November 2012 between Dandenong Market Pty Ltd and Greater Dandenong City Council. The management service agreement runs concurrently with the Lease Agreement (50 years) and provides for annual agreement extensions at Council's discretion. An extension has been exercised by Council up to 30 June 2017. The following Comprehensive Income Statement, Balance Sheet and Statement of Cash Flows has been provided to show the individual financial positions of the Council and The Dandenong Market Pty Ltd and consolidated accounts for the 2015–16 financial year. These financial statements should be read in conjunction with the accompanying notes in the financial report.

Comprehensive Income Statement

For the year ended 30 June 2016

	Council 2016 \$'000	DMPL 2016 \$'000	Consolidation Adjustment 2016 \$'000	Consolidated Accounts 2016 \$'000
Income				
Rates and charges	120,750	–	(96)	120,654
Statutory fees and fines	5,932	–	–	5,932
User fees	8,394	–	–	8,394
Grants – operating	25,233	60	–	25,293
Grants – capital	5,049	–	–	5,049
Contributions – monetary	3,833	–	–	3,833
Contributions – non-monetary	38,261	–	–	38,261
Fair value adjustments for investment property	358	–	–	358
Other income	9,348	5,738	(1,593)	13,493
Total income	217,158	5,798	(1,689)	221,267
Expenses				
Employee costs	(72,107)	(780)	37	(72,850)
Materials and services	(54,947)	(3,447)	280	(58,114)
Bad and doubtful debts	(637)	(53)	–	(690)
Depreciation and amortisation	(27,512)	(9)	–	(27,521)
Borrowing costs	(4,034)	–	–	(4,034)
Net loss on disposal of property, infrastructure, plant and equipment	(193)	–	–	(193)
Other expenses	(9,425)	(1,394)	1,372	(9,447)
Total expenses	(168,855)	(5,683)	1,689	(172,849)
Net surplus for the year	48,303	115	–	48,418
Other comprehensive income				
Items that will not be reclassified to surplus or deficit in future periods				
Net asset revaluation increment	192,430	–	–	192,430
Total comprehensive result	240,733	115	–	240,848

Annual Financial Report

For the year ended 30 June 2016

Note 39 Reconciliation of Council, The Dandenong Market Pty Ltd (DMPL) and consolidated accounts (continued)

Balance Sheet

As at 30 June 2016

	Council 2016 \$'000	DMPL 2016 \$'000	Consolidation Adjustment 2016 \$'000	Consolidated Accounts 2016 \$'000
Assets				
Current assets				
Cash and cash equivalents	88,075	589	-	88,664
Trade and other receivables	16,550	100	-	16,650
Non-current assets classified as held for sale	11,490	-	-	11,490
Other assets	2,328	21	(12)	2,337
Total current assets	118,443	710	(12)	119,141
Non-current assets				
Trade and other receivables	331	-	-	331
Other financial assets	230	-	-	230
Property, infrastructure, plant and equipment	1,904,077	11	-	1,904,088
Investment property	10,320	-	-	10,320
Total non-current assets	1,914,958	11	-	1,914,969
Total assets	2,033,401	721	(12)	2,034,110
Liabilities				
Current liabilities				
Trade and other payables	15,853	463	(12)	16,304
Trust funds and deposits	29,595	-	-	29,595
Provisions	16,429	34	-	16,463
Interest-bearing loans and borrowings	3,120	-	-	3,120
Other interest-bearing liabilities	1,184	-	-	1,184
Total current liabilities	66,181	497	(12)	66,666
Non-current liabilities				
Trust funds and deposits	997	20	-	1,017
Provisions	664	11	-	675
Interest-bearing loans and borrowings	54,912	-	-	54,912
Other interest-bearing liabilities	1,255	-	-	1,255
Total non-current liabilities	57,828	31	-	57,859
Total liabilities	124,009	528	(12)	124,525
Net assets	1,909,392	193	-	1,909,585
Equity				
Accumulated surplus	773,045	193	-	773,238
Reserves	1,136,347	-	-	1,136,347
Total equity	1,909,392	193	-	1,909,585

Note 39 Reconciliation of Council, The Dandenong Market Pty Ltd (DMPL) and consolidated accounts (continued)

Statement of Cash Flows

For the year ended 30 June 2016

	Council	DMPL	Consolidation	Consolidated
	2016	2016	Adjustment	Accounts
	\$'000	\$'000	2016	2016
			\$'000	\$'000
Cash flows from operating activities				
Rates and charges	120,337	–	(96)	120,241
Statutory fees and fines	4,880	–	–	4,880
User fees	9,222	–	–	9,222
Grants – operating	26,992	60	–	27,052
Grants – capital	4,824	–	–	4,824
Contributions – monetary	3,907	–	–	3,907
Interest received	2,780	14	–	2,794
Trust funds and deposits taken	37,419	9	–	37,428
Other receipts	6,402	5,870	(1,438)	10,834
Net GST refund	8,519	(43)	(106)	8,370
Employee costs	(70,860)	(783)	48	(71,595)
Materials and services	(63,227)	(4,815)	1,614	(66,428)
Trust funds and deposits repaid	(29,816)	(4)	–	(29,820)
Other payments	(10,357)	–	(22)	(10,379)
Net cash provided by operating activities	51,022	308	–	51,330
Cash flows from investing activities				
Payments for property, infrastructure, plant and equipment	(34,567)	–	–	(34,567)
Proceeds from sale of property held for resale	1,327	–	–	1,327
Proceeds from sale of property, infrastructure, plant and equipment	1,016	–	–	1,016
Net cash used in investing activities	(32,224)	–	–	(32,224)
Cash flows from financing activities				
Finance costs	(4,066)	–	–	(4,066)
Repayment of other interest bearing liabilities	(1,117)	–	–	(1,117)
Repayment of borrowings	(4,386)	–	–	(4,386)
Net cash used in financing activities	(9,569)	–	–	(9,569)
Net increase in cash and cash equivalents	9,229	308	–	9,537
Cash and cash equivalents at the beginning of the financial year	78,846	281	–	79,127
Cash and cash equivalents at the end of the financial year	88,075	589	–	88,664

Annual Financial Report

For the year ended 30 June 2016

Certification of the Financial Statements

In my opinion the accompanying Financial Statements have been prepared in accordance with the *Local Government Act 1989*, the *Local Government (Planning and Reporting) Regulations 2014*, *Australian Accounting Standards* and other mandatory professional reporting requirements.

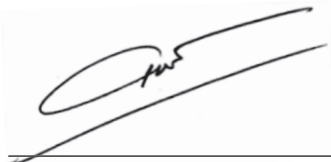


Michelle Hansen CPA
Principal Accounting Officer
Date: 12 September 2016

In our opinion the accompanying Financial Statements present fairly the financial transactions of the City of Greater Dandenong for the year ended 30 June 2016 and the financial position of the Council as at that date.

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

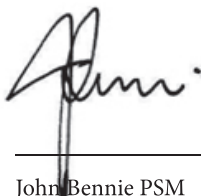
We have been authorised by the Council and by the *Local Government (Planning and Reporting) Regulation 2014* on 12 September 2016 to certify the Financial Statements in their final form.



Heang Tak
Mayor
Date: 12 September 2016



Matthew Kirwan
Councillor
Date: 12 September 2016



John Bennie PSM
Chief Executive Officer
Date: 12 September 2016

VAGO

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INDEPENDENT AUDITOR'S REPORT

To the Councillors, City of Greater Dandenong

The Financial Report

I have audited the accompanying financial report for the year ended 30 June 2016 of the City of Greater Dandenong which comprises the comprehensive income statement, balance sheet, statement of changes in equity, statement of cash flows, statement of capital works, notes comprising a summary of the significant accounting policies and other explanatory information, and the certification of the financial statements.

The Councillors' Responsibility for the Financial Report

The Councillors of the City of Greater Dandenong are responsible for the preparation and the fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Local Government Act 1989*.

The Councillors are responsible for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the *Audit Act 1994* and the *Local Government Act 1989*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

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

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Councillors, as well as evaluating the overall presentation of the financial report.

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

Annual Financial Report

For the year ended 30 June 2016

Independent Auditor's Report (continued)

Independence

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

Opinion

In my opinion the financial report presents fairly, in all material respects, the financial position of the City of Greater Dandenong as at 30 June 2016 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Local Government Act 1989*.

MELBOURNE
13 September 2016


Dr Peter Frost
Acting Auditor-General

