

Annual Financial Report
For The Year Ended 30 June 2013

10



Annual Financial Report

Table of Contents

Financial Statements

Comprehensive Income Statement	124
Balance Sheet	125
Statement of Changes in Equity	126
Cash Flow Statement	127

Notes to Financial Statements

Introduction	128
Note 1 Significant accounting policies	128
Note 2 Underlying operational result	136
Note 3 Rates and charges	137
Note 4 Grants – recurrent and non-recurrent	137
Note 5 Contributions	139
Note 6 Statutory fees and fines	139
Note 7 User fees	140
Note 8 Net gain on disposal of assets	140
Note 9 Other income	140
Note 10 Employee costs	141
Note 11 Contract payments, materials and services	141
Note 12 Depreciation and amortisation	142
Note 13 Grants, sponsorships and contributions	142
Note 14 Professional services	142
Note 15 Administration costs	142
Note 16 Finance costs	142
Note 17 Other expenses	143
Note 18 Cash and cash equivalents	144
Note 19 Trade and other receivables	144
Note 20 Inventory-property	144
Note 21 Property, plant and equipment, infrastructure	150
Note 22 Trade and other payables	150
Note 23 Employee provisions	151
Note 24 Trust funds and deposits	152
Note 25 Interest-bearing loans and borrowings	152
Note 26 Reserves	154
Note 27 Commitments	156
Note 28 Financial instruments	162
Note 29 Superannuation	162
Note 30 Contingent liabilities and contingent assets	163
Note 31 Related party transactions	164
Note 32 Reconciliation of cash flows from operating activities to surplus	165
Note 33 Reconciliation of cash and cash equivalents	165
Note 34 Financial ratios	166
Note 35 Capital expenditure	168
Note 36 Adjustments directly to equity	169
Certification of the Financial Report	170
Auditor-General's Office – Independent Auditor's Report	171

Annual Financial Report

Comprehensive Income Statement

For the year ended 30 June 2013

	Note	2013 \$'000	2012 \$'000
Income			
Rates and charges	3	96,343	89,608
Grants – operating (recurrent)	4	28,501	32,315
Grants – operating (non-recurrent)	4	2,420	659
Statutory fees and fines	6	5,774	5,484
User fees	7	12,555	12,009
Other income	9	5,366	5,245
Total income		150,959	145,320
Expenses			
Employee costs	10	(58,522)	(56,030)
Employee costs – additional call defined benefits fund	10	–	(10,569)
Contract payments, materials and services	11	(35,714)	(31,673)
Depreciation and amortisation	12	(25,327)	(23,508)
Grants, sponsorships and contributions	13	(5,792)	(5,751)
Professional services	14	(5,394)	(5,323)
Administration costs	15	(11,804)	(11,353)
Finance costs	16	(2,836)	(1,654)
Other expenses	17	(618)	(625)
Total expenses		(146,007)	(146,486)
Net surplus (deficit) result prior to capital income and asset items	2	4,952	(1,166)
Net gain on disposal of assets	8	458	3,076
Grants – capital (recurrent)	4	743	741
Grants – capital (non recurrent)	4	6,641	5,078
Capital contributions	5(a)	5,189	2,155
Contributions – non-monetary assets	5(b)	22,954	13,413
Assets written off	21	(4,345)	(847)
Net surplus for the year		36,592	22,450
Other comprehensive income			
Net asset revaluation increment	26(a)	16,199	17,142
Total comprehensive result		52,791	39,592

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

Balance Sheet

As at 30 June 2013

	Note	2013 \$'000	2012 \$'000
Assets			
Current assets			
Cash and cash equivalents	18(a)	52,363	69,278
Other financial assets	18(b)	39,546	–
Trade and other receivables	19(a)	14,792	14,446
Prepayments	19(b)	453	487
Inventory property	20	377	251
Total current assets		107,531	84,462
Non-current assets			
Property, plant and equipment	21(a)	813,317	805,682
Infrastructure assets - realisable	21(b)	6,589	3,530
Infrastructure assets - non-realisable	21(c)	559,526	513,715
Inventory property	20	3,698	3,824
Trade and other receivables	19(a)	246	–
Total non-current assets		1,383,376	1,326,751
Total assets		1,490,907	1,411,213
Liabilities			
Current liabilities			
Trade and other payables	22	17,812	13,715
Employee provisions	23	13,947	12,769
Trust funds and deposits	24	10,471	13,016
Superannuation liability	29	4,847	–
Interest-bearing loans and borrowings	25	4,039	3,254
Total current liabilities		51,116	42,754
Non-current liabilities			
Employee provisions	23	643	593
Superannuation liability	29	–	10,569
Interest-bearing loans and borrowings	25	61,848	32,788
Total non-current liabilities		62,491	43,950
Total liabilities		113,607	86,704
Net assets		1,377,300	1,324,509
Equity			
Accumulated surplus		601,762	565,079
Asset revaluation reserve	26(a)	753,593	737,394
Other reserve	26(b)	21,945	22,036
Total equity		1,377,300	1,324,509

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

Annual Financial Report

Statement of Changes in Equity

For the year ended 30 June 2013

		Total 2013 \$'000	Accumulated Surplus 2013 \$'000	Asset Revaluation Reserve 2013 \$'000	Other Reserves 2013 \$'000
2013	Note				
Balance at beginning of the financial year		1,324,509	565,079	737,394	22,036
Surplus for the year		36,592	36,592	-	-
Transfers to other reserves	26(b)	-	(17,989)	-	17,989
Transfers from other reserves	26(b)	-	18,080	-	(18,080)
Net asset revaluation increment	26(a)	16,199	-	16,199	-
Balance at end of the financial year		1,377,300	601,762	753,593	21,945

		Total 2012 \$'000	Accumulated Surplus 2012 \$'000	Asset Revaluation Reserve 2012 \$'000	Other Reserves 2012 \$'000
2012					
Balance at beginning of the financial year		1,268,509	532,131	720,252	16,126
Adjustment directly to equity	36	16,408	16,408	-	-
Adjusted balance beginning of the financial year		1,284,917	548,539	720,252	16,126
Surplus for the year		22,450	22,450	-	-
Transfers to other reserves	26(b)	-	(15,997)	-	15,997
Transfers from other reserves	26(b)	-	10,087	-	(10,087)
Net asset revaluation increment	26(a)	17,142	-	17,142	-
Balance at end of the financial year		1,324,509	565,079	737,394	22,036

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

Cash Flow Statement

For the year ended 30 June 2013

	Note	2013 Inflows/ (Outflows) \$'000	2012 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rates and charges		96,007	88,133
Fees, charges, fines and other (inclusive of GST)		19,675	20,241
Contributions (inclusive of GST)		4,943	2,245
Grants – (inclusive of GST)		39,893	40,411
Interest received		2,893	3,070
Payments to suppliers (inclusive of GST)		(68,255)	(60,670)
Payments to employees		(57,355)	(54,344)
Payments to superannuation liability		(5,500)	–
Net GST refund		7,963	6,782
Net cash provided by operating activities	32	40,264	45,868
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment		(45,331)	(43,803)
Proceeds from sale of property, infrastructure, plant and equipment		2,763	3,024
Payments for other financial assets		(39,546)	–
Trust funds and deposits		(2,545)	(1,514)
Net cash used in investing activities		(84,659)	(42,293)
Cash flows from financing activities			
Finance costs		(2,365)	(1,672)
Proceeds from interest-bearing loans and borrowings		33,100	15,200
Repayment of interest-bearing loans and borrowings		(3,255)	(2,806)
Net cash provided by financing activities		27,480	10,722
Net increase in cash and cash equivalents		(16,915)	14,297
Cash and cash equivalents at the beginning of the financial year		69,278	54,981
Cash and cash equivalents at the end of the financial year	18 & 33	52,363	69,278
Financing arrangements	18		
Restrictions on cash assets	18		

The above cash flow statement 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 offices are located at 397–405 Springvale Road, Springvale 3171.

The purpose of the Council is to:

- Provide for the peace, order and good government of the city;
- To promote our cultural diversity, and economic, social and environmental viability;
- To build partnerships with its citizens;
- To promote business and employment opportunities;
- To ensure transparency and accountability in Council decision making;
- To improve the overall quality of life of its citizens;
- To enable all citizens to take pride in Greater Dandenong as a great place to live, work, play or visit.

The Council's external audit is conducted by the Victorian Auditor-General's Office, and its internal auditor is Crowe Horwath. The main banker for the Council is the Commonwealth Bank of Australia. The Council draws from a pool of solicitors, depending on the nature of the requirement.

The Council's website address is www.greaterdandenong.com

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

Note 1 Significant accounting policies

(a) Basis of accounting

The financial report is prepared on the accrual and going concern basis under the historical cost convention, except for certain assets as disclosed in notes 1(d), (i) and (p).

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) Basis of consolidation

Dandenong Market Pty Ltd is a wholly owned subsidiary, incorporated within Australia on the 24 September 2012, of the City of Greater Dandenong. From 1 July 2013, Dandenong Market Pty Ltd will manage the retail activities of the Dandenong Market for the City of Greater Dandenong on terms set out in a management services agreement between both parties, dated 30 November 2012.

The consolidated financial statements comprise the financial statements of Council and those entities over which Council has the power to govern the financial and operating policies so as to obtain benefits from their activities. The financial statements of Council's controlled entities are prepared for the same period as Council, using consistent accounting policies. The assets, liabilities, incomes and expenses of all controlled entities of Council have been included at the values shown in their unaudited financial reports. In preparing the consolidated financial statements all inter-entity balances and transactions, income and expenses and profit and losses from intra-group transactions have been eliminated in full. At balance date, there are no material differences between the Council and consolidated figures in the notes to the financial statements, and therefore the consolidated figures are not displayed.

(c) Revenue recognition

Rates

Rates and service charges are recognised as revenue at the declaration of the rate, levy or service charge, at commencement of the rating year as it is an enforceable debt linked to the rateable property. The Council uses Capital Improved Value (CIV) as the basis of valuation of all properties for rating purposes. CIV includes the value of land and buildings and improvements made to them. A rate in the dollar for different types of properties is applied to the CIV to arrive at the declared rates (refer note 3).

Grants, donations and other contributions

Grants, donations and other cash contributions are recognised as revenue upon receipt or upon prior confirmation that they have been secured.

Where grants or contributions recognised as revenue during the financial year were for a specific purpose and remained unspent at balance date, the unspent amount of the grant or contribution is disclosed in notes 4 and 5. Any amount of a grant that was received in prior years and was spent during the current year is disclosed in note 4.

User fees, charges and fines

User fees and charges are recognised as revenue upon such fees and charges being raised for services provided or payment received, whichever occurs first. Fines are recognised as revenue upon issuance of infringement notices.

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

Sale of property, plant and equipment

Revenue arising from the sale of assets is recognised when control of the asset has unconditionally passed to the buyer.

Interest and rents

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

Assets from new developments

Council acquires infrastructure assets such as land, roads, drains and footpaths from developers through new subdivision activity. These assets are initially recognised as non-monetary contributions at their current valuations.

(d) Recognition and measurement of non-current assets

The Council has adopted the following in relation to the acquisition and depreciation of non-current assets. During the 2012–13 financial year, Council performed a review of the classification of capital expenditure in terms of asset class in line with Council's Fixed Asset Accounting Policy. As a result, there was a movement of some assets between asset classes and this has been reflected in the comparative financials for the 2011–12 financial year. The asset classes affected were buildings, leasehold improvements (previously included in the buildings category), land improvements and recreational equipment. The changes have been reflected in Note 12 Depreciation and Amortisation, Note 21 Property, infrastructure, plant and other (2011–12).

The change in Asset Accounting Policy also resulted in the derecognition of items previously included in trees (Infrastructure assets – non-realizable). These items have been expensed during the 2012–13 financial year and are shown under the category "assets written off" in the Comprehensive Income Statement.

Note 36 "Adjustments to equity" discloses amendments resulting from the discovery of found and gifted assets relating to and prior to the 2011–12 financial year.

Acquisition

Assets are initially recorded at cost, being the fair value of the assets provided as consideration at the date of acquisition. Costs incidental to their acquisition, such as architects' fees and engineering design fees, that are incurred in preparing the asset for use are also capitalised. 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 of construction includes all direct materials and labour, and an appropriate amount of directly attributable variable and fixed overheads.

Assets acquired from developers through subdivision activity are initially recognised at their current valuation (refer Note 1 (c)).

Thresholds for asset recognition

The following classes of assets have been recognised in note 21 with threshold limits as shown below and have not changed from the prior year except for land improvements (where the threshold has increased from \$1,000 in 2011–12 to \$5,000 in 2012–13), buildings (where the threshold has increased from nil in 2011–12 to \$10,000 in 2012–13), recreational equipment (where the threshold has increased from \$1,000 in 2011–12 to \$2,000 in 2012–13) and street furniture (where the threshold has decreased from \$10,000 in 2011–12 to \$5,000 in 2012–13).

Class of assets	Threshold
<i>Land and buildings</i>	
Land	Nil
Land under roads	Nil
Land improvements (including irrigation and sprinkler systems and fencing)	5,000
Buildings	10,000
Leasehold improvements	10,000
<i>Plant and equipment</i>	
Plant and equipment	2,000
Minor plant, furniture and equipment	2,000
<i>Infrastructure assets (non-realizable)</i>	
Roads	20,000
Kerb and channel	5,000
Footpaths/bike paths	1,000
Bridges	5,000
Drains	5,000
<i>Infrastructure assets (realizable)</i>	
Recreational equipment (playgrounds)	2,000
Street furniture	5,000

Depreciation and amortisation of non-current assets

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

Where infrastructure assets have separate identifiable components with distinct useful lives, a separate depreciation rate is determined for each component.

The following table shows the major categories of assets and associated useful lives which has not changed from the prior year with the exception of land improvements which has been amended to 10–20 years (2011–12, 10 years), leasehold improvements which has been included for the life of the lease and roads – pavements and seal which has been amended to 12–30 years (2011–12, 12–20 years).

<i>Property</i>	
Land	
– Land, land under roads, parks, reserves, ovals	N/A
Land improvements	10–20 years
Buildings	10–100 years
Leasehold improvements	life of lease
Plant and equipment	
<i>Plant and equipment</i>	
Plant and equipment	5 years
Minor plant, furniture and equipment	
– Fine art and heritage assets	N/A
– Furniture and equipment	6–15 years
– IT devices and software	3–5 years
– Street signs/traffic control and parking meters	10–20 years
– Library books and resources	5–20 years
<i>Infrastructure</i>	
Roads	
– Pavement and seal	12–30 years
– Substructure	100 years
– Kerb and channel	80 years
Earthworks	N/A
Footpaths/bike paths	10–50 years
Bridges	20–100 years
Drains	10–100 years
Off street car parks	15–20 years
Recreational equipment (playgrounds)	10–20 years
Street furniture	10–20 years

Revaluation of non-current assets

Subsequent to initial recognition, all non-current assets other than plant, equipment, realisable infrastructure assets and land under roads are measured at fair value. Fair value for most asset categories is represented by their current replacement cost less accumulated depreciation.

Valuation assessments are carried out by the Council each year to ensure that each asset category is represented at fair value at the reporting date. Formal revaluations are generally carried out at rolling four yearly intervals to confirm these assessments, except for land and buildings which are formally valued every two years. Council uses index movements to establish fair value in the years between formal valuations. The Council's internal experts or independent valuers carry out these formal valuations. Where the carrying value materially differs from the fair value, that class of asset is revalued.

Where assets are revalued, the revaluation increment is credited to the asset revaluation reserve, except where such increment reverses a previous valuation decrement of the same class of asset. In that event, the increment is recognised as revenue

in the Comprehensive Income Statement to the extent of the previous revaluation expense.

A valuation decrement is recognised as an expense in the Comprehensive Income Statement, except where such a decrement is a reversal of a previous increment of the same class of asset. In such cases, the decrement is charged against the asset revaluation reserve to the extent of the previous increments.

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.

In July 2011, the Department of Planning and Community Development (DPCD) issued a Guidance Circular (15/11) regarding the recognition and measurement of land under roads. The DPCD recommended that Councils should recognise all land under roads (both pre and post 1 July 2008) and that these assets should be accounted for at fair value. A transitional period has been proposed and DPCD expects Councils to be compliant by the 2014–15 financial year.

Realisable and non-realisable infrastructure assets

Infrastructure assets comprising street furniture and recreational equipment are considered by their nature to be realisable assets. All other infrastructure assets are considered to be non-realisable. Non-realisable assets are excluded from the calculations of financial ratios (refer note 34).

Existing assets not previously recognised

Non-current assets not previously recognised are classified as though they had always been recognised by an adjustment through equity and a restatement of the previous year's Comprehensive Income Statement if applicable.

(e) Trust monies

Amounts received as tender deposits, bonds and retention monies are recognised as Trust monies until they are refunded or forfeited (refer 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.

(f) Employee costs

Salary and wages

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

Annual leave

Annual leave entitlements are determined up to balance date as amounts expected to be paid when the obligation is settled, inclusive of leave loading and associated oncosts. Annual

leave expected to be paid within twelve months is measured at nominal value based on the amount, including appropriate oncosts. Annual leave entitlements expected to be settled after twelve months are measured at the present value of the estimated future cash outflows. Commonwealth bond rates are used for discounting future cash flows.

Long service leave

Long service leave entitlements are assessed at each balance date having regard to length of service, estimated future movements in rates of pay, oncosts and other factors including experience of employee departures and their periods of service. Long service leave expected to be paid within twelve months is measured at nominal value based on the amount expected to be paid when settled. Long service leave entitlements expected to be settled after twelve months are measured at the present value of the estimated future cash outflows. Commonwealth bond rates are used for discounting future cash flows.

Classification of employee costs

An employee benefit liability is classified as a current liability if the Council does not have an unconditional right to defer settlement of the liability for at least twelve months. All annual leave and unconditional long service leave entitlements after seven years of continuous service have been classed as current.

Superannuation

The superannuation expense for the reporting year is the amount of the statutory contribution the Council makes to the superannuation plan which provides benefits to its employees. In addition Council may, periodically be required to contribute to the defined benefits schemes for current and former employees. Details of these arrangements are recorded in note 29.

(g) Recognition of payables

Liabilities are recognised for amounts to be paid in the future for goods and services received as at balance date, whether or not invoices have been received (refer notes 22 and 27).

(h) Leases

Operating leases

Operating lease payments are expensed in the year in which the payments are made as they reflect the pattern of benefits derived by the Council.

Operating lease receivables are recognised in the year in which they are invoiced or when Council becomes entitled to the income from the lease, whichever is earlier.

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. At balance date, leasehold improvements are amortised over the life of the lease.

(i) Inventory property

Properties that are earmarked for future development and sale are shown at the lower of cost and net realisable value.

Properties that are likely to be sold within twelve months of balance date are shown as current assets. This classification between current and non-current is reviewed each year in line with future sales program (see also note 1 (o)).

(j) Recognition of receivables

Receivables are recognised for amounts owed to the Council for goods and services provided at balance date, whether or not invoices have been issued. Provision is made for doubtful debts after considering collectability. No provision is made in respect of rates debtors (refer notes 19 and 28).

(k) Cash and cash equivalent assets

For the purpose of the statement of cash flows, cash and cash equivalent assets include cash on hand, deposits at call and other highly liquid investments with short periods to maturity (less than three months). They are subject to insignificant risk of changes in value and include cash available for day to day cash management activities and those restricted for specific purposes either under regulations or Council's obligations for delivery of services or capital works (refer notes 18 and 33).

(l) Managed funds

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

(m) Maintenance and repairs

Maintenance, repair costs and minor renewals are recognised as expenses. Where the repair relates to the replacement of a component of an asset and the cost exceeds the recognised threshold and results in an extension of the life of the asset, that cost is capitalised to that asset. The carrying value of the replaced asset is expensed.

(n) Interest-bearing liabilities

Interest-bearing liabilities represent overdrafts, short term loans, long term loans and other liabilities which accrue interest on the balance outstanding. The carrying amounts of these liabilities represent the amounts payable in future years (refer notes 25 and 28).

Interest accrued on these liabilities is treated as finance costs (refer note 28).

(o) Allocation between current and non-current

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

(p) Impairment of assets

At each reporting date, the Council reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication

exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the Comprehensive Income Statement.

(q) Finance costs

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

(r) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian 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 cash flow statement on a gross basis.

(s) 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.

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

(t) Financial assets

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

(u) Rounding

The figures in the financial report are rounded to the nearest thousand dollars.

(v) Pending Accounting Standards

The following Australian Accounting Standards have been issued or amended and are assessed as to their applicability to Council as stated below, but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

PRONOUNCEMENT	WHAT'S NEW?	IMPACT/ACTION	TRANSITION	EFFECTIVE DATE
AASB 9 Financial Instruments	AASB 9 standard is one of a series of amendments that are expected to eventually completely replace AASB 139. During 2010-11, the standard was expanded to include new rules on measurement of financial liabilities and hedge accounting. Currently the existing provisions of AASB 139 will continue to apply in these areas. AASB 9 simplifies the classifications of financial assets into those to be carried at amortised cost and those to be carried at fair value – the 'available for sale' and 'held-to-maturity' categories no longer exists. AASB 9 also simplifies requirements for embedded derivatives and removes the tainting rules associated with held-to-maturity assets. The new categories of financial assets are:	The impact is not likely to be extensive in the local government sector. Although it will vary considerably between entities. While the rules are less complex than those of AASB 139, the option to show equity instruments at cost has been largely removed, which is likely to lead to greater volatility within the income statement. However it may also lead to an improved financial position for some entities. This will also create a requirement to measure some instruments annually that has not previously existed.	Transitional arrangements are extensive – in general retrospective restatement is required, but there are exceptions. Early-adoption of the standard before 1 January 2014 removes the requirement for restatement of comparatives	Periods beginning on or after 1 January 2015. The standard was amended in 2012 to delay the effective date by two years (previously 1 January 2013).

PRONOUNCEMENT	WHAT'S NEW?	IMPACT/ACTION	TRANSITION	EFFECTIVE DATE
	<ul style="list-style-type: none"> • Amortised cost – those assets with 'basic' loan features'. • Fair value through other comprehensive income – this treatment is optional for equity instruments not held for trading (this choice is made at initial recognition and is irrevocable). <p>The following changes also apply:</p> <ul style="list-style-type: none"> • Investments in unquoted equity instruments must be measured at fair value. However, cost may be the appropriate measure of fair value where there is insufficient more recent information available to determine a fair value. • There is no longer any requirement to consider whether 'significant or prolonged' decline in the value of financial assets has occurred. The only impairment testing will be on those assets held at amortised cost, and all impairments will be eligible for reversal. • Similarly, all movements in the fair value of a financial asset now go to the income statement, or, for equity instruments not held for trading, other comprehensive income. There is no longer any requirement to book decrements through the income statement, and increments through equity. 			

Annual Financial Report

PRONOUNCEMENT	WHAT'S NEW?	IMPACT/ACTION	TRANSITION	EFFECTIVE DATE
AASB 10 Consolidated Financial Statements	<p>The standard introduces a single model of control, which is used to determine whether an investee must be consolidated. The existence of control is determined based on:</p> <ul style="list-style-type: none"> • Power to direct the activities of an investee (irrespective of whether such power is exercised). • Exposure, or rights, to variable returns from its involvement with the investee. • The ability to use its power over the investee to affect the amount of the investor's returns 	<p>The definition of 'control' is based on various factors, and is wider than just those entities in which an investee holds greater than 50% of the voting rights. While the effects of this standard are not expected to be significant in the local government sector, there may be some increase in the number of entities required to be consolidated as subsidiaries.</p>	<p>Early adoption is permitted, but AASB 10, AASB 11, AASB 12, AASB 127 (revised) and AASB 128 (revised) must all be adopted simultaneously.</p>	<p>Periods beginning on or after 1 January 2013</p>
AASB 13 Fair Value Measurement	<p>AASB 13 replaces the existing IFRS guidance on fair value measurement and disclosure. It applies whenever another standard permits or requires the use of fair value measurements. It sets out a fair value hierarchy for such measurements:</p> <ul style="list-style-type: none"> • Level 1 – quoted prices in active markets for identical assets and liabilities, which can be accessed at the measurement date. • Level 2 – inputs other than quoted market prices included within Level 1, which are observable for the asset or liability, either directly or indirectly. • Level 3 – unobservable inputs for the asset or liability. <p>There are also extensive disclosure requirements relating to each of the three levels within the hierarchy.</p>	<p>The standard determines 'how to' rather than 'when' in respect of fair value measurements, and summarises the existing IFRS guidance in one place. This standards may assist those councils that have equity investments that are no longer able to be held at cost.</p>	<p>Early adoption is permitted.</p>	<p>Periods beginning on or after 1 January 2013</p>

PRONOUNCEMENT	WHAT'S NEW?	IMPACT/ACTION	TRANSITION	EFFECTIVE DATE
AASB 127 Separate Financial Statements	AASB 127 has been amended to ensure consistency with the new requirements of AASB 10 Consolidated Financial Statements (see above). It now deals only with the preparation of separate company financial statements.	Where separate financial statements are prepared, investments in subsidiaries, associates, and joint ventures must be accounted for either at cost, or in accordance with AASB 9 Financial Instruments. These changes are not expected to impact significantly on Councils.	Early adoption is permitted, but AASB 10, AASB 11, AASB 12, AASB 127 (revised) and AASB 128 (revised) must all be adopted simultaneously.	Periods beginning on or after 1 January 2013
AASB 119 Employee Benefits	AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements	The standards require the recognition of all re-measurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called "corridor" method), the immediate recognition of all past service cost in profit or loss and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset	1 January 2013/ 1 July 2013	Where adequate information is available, the entity will apply the new standard from 1 July 2013 when the new standard applies to Council.
AASB 12 Disclosure of Involvement with Other Entities	AASB 12 requires the disclosure of information to enable users to evaluate the nature of, and risks associated with, its interests in other entities and the effect of those interests on its financial position, financial performance, and cash flows. AASB 12 applies to all entities that have subsidiaries, joint arrangements, associates, or unconsolidated structured entities, and requires disclosures grouped into four categories: <ul style="list-style-type: none"> Significant judgments and assumptions, including how control, joint control, or significant influence has been determined. 	The disclosures required will be both qualitative and quantitative. In particular, management should document and be able to justify its key judgments concerning control and significant influence. In the local government context this is likely to require increased disclosures around the operations of Library Corporations as well as other activities that Council have an interest in.	Early adoption is permitted, but AASB 10, AASB 11, AASB 12, AASB 127 (revised) and AASB 128 (revised) must all be adopted simultaneously.	Periods beginning on or after 1 January 2013

Annual Financial Report

PRONOUNCEMENT	WHAT'S NEW?	IMPACT/ACTION	TRANSITION	EFFECTIVE DATE
	<ul style="list-style-type: none"> Interests in subsidiaries, including details of the composition of the group, the interests held by any non-controlling interest, any changes in control, and the nature of any associated risks. Interests in joint arrangements and associates, including their nature and extent, the effects on the group, and any associated risks. Interests in unconsolidated structured entities, including their nature and extent, any changes during the year, and the associated risks. 			

Note 2 Underlying operational result for the year

		2013 \$'000	2012 \$'000
Net surplus for the year	Note	36,592	22,450
<i>Less non-operating income</i>			
Net gain on disposal of assets	8	458	3,076
Capital grants (recurrent and non-recurrent)	4	7,384	5,819
Capital contributions	5(a)	5,189	2,155
Contributions – non-monetary assets	5(b)	22,954	13,413
<i>Add non-operating expenses</i>			
Assets written off	21	4,345	847
Underlying operational result*		4,952	(1,166)

Greater Dandenong City Council measures its underlying operational result* to assist in the determination of whether it is operating in a sustainable fashion or not. The underlying result is an important indicator of Council's long-term financial sustainability, together with other indicators as shown in note 34 Financial Ratios (Performance Indicators). Whilst an underlying deficit in one financial year is not significant, the continued recording of deficits over a sustained period from Council's operations gradually erodes the net assets of Council.

The underlying result from operations excludes a number of transactions which are either 'non-recurring' or not operational in nature. These items are frequently unpredictable and typically can change from one year to the next. The best examples of these items are assets (roads, footpaths etc) that are given to Council by developers once a new subdivision is completed. There are also other accounting adjustments for 'found assets' (when assets that have not been previously recognised by Council are identified), 'lost assets' (when existing assets are written off) or when existing ones are re-valued.

The aim of an underlying result is to determine whether Council's operational costs/income result is in a surplus or deficit outcome. In this way, Council can, in long-term financial planning, aim for an outcome where pure operational outcomes assist Council in achieving a sustainable organisation.

Greater Dandenong City Council's underlying operating result significantly improved by \$6.12 million to a surplus result of \$4.95 million in 2012–13. This improvement was due to the 2011–12 result including the recognition of the defined benefits superannuation liability in its entirety (\$10.57 million).

* The concept and measurement methodology of an underlying operational result is not defined by Australian Accounting Standards.

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 2012-13 was \$28.871 billion (\$25.996 billion in 2011-12).

	2013 \$'000	2012 \$'000
Residential	39,254	36,856
Commercial	9,314	7,963
Industrial	32,521	30,356
Farm	422	514
Supplementary rates and adjustments	918	1,342
Maintenance levy	716	582
Residential waste	13,198	11,995
	96,343	89,608

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2012 and the valuation first applied to the rating period commencing 1 July 2012.

Note 4 Grants – recurrent and non-recurrent

Grants were received in respect of the following:

Operational grants

Recurrent

Victoria Grants Commission – general purpose*	8,863	11,660
Victoria Grants Commission – local roads*	1,244	1,572
Community Care	9,488	8,988
Community Wellbeing	6,308	7,746
Community Engagement	1,314	798
Cultural Facilities	722	811
Regulatory Services	451	407
Community Development	99	104
Asset Management Services	12	43
Business Networking	–	72
Revitalisation of Central Dandenong	–	66
Sport and recreation	–	43
Infrastructure Planning	–	3
Building	–	2
Total recurrent	28,501	32,315

* The movement in Victoria Grants Commission funding is due to the timing of early payments made by the Commission between past and current financial years. The 2012-13 financial year represents a full year allocation of funding whilst the 2011-12 financial year includes 50% or \$5.43 million early receipt of the 2012-13 allocation and 75% of the 2011-12 allocation (25% of 2011-12 or \$2.696 million was received in 2010-11).

Annual Financial Report

Note 4 Grants – recurrent and non-recurrent (cont)

	2013 \$'000	2012 \$'000
Non-recurrent		
Community Wellbeing	973	–
National Disaster Relief funding	684	329
Community Engagement	504	280
Cultural Facilities	83	50
Infrastructure Planning	71	–
Business Networking	50	–
Asset Management Services	42	–
Worksafe	13	–
Total non-recurrent	2,420	659
Total operational grants	30,921	32,974
Capital grants		
Recurrent		
Commonwealth Government – Roads to Recovery	651	653
Community Care	50	50
Cultural Facilities	42	38
Total recurrent	743	741
Non-recurrent		
Capital grants	6,641	5,078
Total non-recurrent	6,641	5,078
Total capital grants	7,384	5,819
Total operational and capital grants received	38,305	38,793
Conditions on grants		
Grants recognised as revenue during the year that were obtained on condition that they be expended in a specified manner that had not occurred at balance date were:		
Operational grants		
Victoria Grants Commission	5,401	5,433
Community Engagement	1,204	994
Community Wellbeing	681	624
Public Health and Wellbeing	35	89
Community Care	211	506
Planning and design	17	–
Asset Management Services	14	–
Community Development	–	–
Property, Leisure and Environment	–	10
Capital grants	1,674	105
Total unexpended grants	9,237	7,761

Note: Comparatives for various grant categories in the 2011–12 financial year have been amended. They mainly relate to grants in the Community Engagement and Cultural Facilities areas which have been reclassified.

Note 5 Capital contributions

	2013	2012
	\$'000	\$'000
(a) Cash contributions – capital		
Development Contribution Plan - works completed	3,213	–
Public open space	1,444	1,737
Infrastructure	396	237
Re-vegetation	136	181
Total cash contributions	5,189	2,155
(b) Non-monetary		
Bridges	17,374	–
Land under roads (refer note 21)	2,148	6,607
Roads	1,660	2,723
Land	1,133	3,833
Bike paths / footpaths	334	131
Car parks	134	–
Buildings	117	119
Playgrounds	54	–
Total non-monetary contributions	22,954	13,413
Unexpended contributions (note)		
Public open space	1,444	1,737
Re-vegetation reserve	–	181
Other	–	50
Total unexpended contributions	1,444	1,968

Note: \$1.00 million of the unexpended contributions from previous years have been expended before the end of the 2012–13 financial year.

Note 6 Statutory fees and fines

Parking fines	2,075	1,819
Building and town planning	1,204	1,187
Infringements and costs	1,683	1,695
Infringement (Perin) court recoveries	735	706
Land information certificates	77	77
	5,774	5,484

Note 7 User fees

Market stall rental	5,320	4,877
Other fees and charges	1,286	1,481
Parking fees	1,816	1,754
Hire of facilities	1,723	1,740
Aged care services	1,732	1,606
Multideck car parking	678	541
Recreation and leisure	–	10
	12,555	12,009

Annual Financial Report

Note 8 Net gain on disposal of assets

	2013 \$'000	2012 \$'000
<i>Land and buildings</i>		
Proceeds from sale of assets	418	5,476
Less Places Victoria share of Metro 3175 sales to trust*	–	(1,114)
<i>Less carrying amount of assets sold</i>		
Land	–	(1,410)
Infrastructure assets	(60)	–
Selling costs of assets sold	(7)	(74)
Net gain on disposal of land and buildings	351	2,878
<i>Plant and fleet sales</i>		
Proceeds from sale of assets	426	662
Less: Carrying amount of assets sold	(319)	(464)
Net gain on disposal of plant and fleet	107	198
Total net gain on disposal of assets	458	3,076

* Council has entered into 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. The amount transferred to trust represents Places Victoria's share of the sales proceeds. No sale settlements occurred during the 2012–13 financial year.

Note 9 Other income

Interest received on investments	3,003	2,778
Recoveries – other	701	726
Sundry income	699	516
Interest received on rates	442	382
Town Hall income	380	366
Recoveries – State Revenue Office (supply of valuation data)	141	477
	5,366	5,245

Note 10 Employee costs

Salaries and wages	45,808	43,748
Annual leave and long service leave	6,181	5,923
Superannuation	4,329	4,066
Casual staff	1,444	1,435
Workcover	760	858
	58,522	56,030
Defined benefits superannuation contribution*	–	10,569
	58,522	66,599

* During the prior period (2011–12) Council was required to make an additional contribution to Vision Super to meet our obligations to members of the defined benefit plan.

Note 11 Contract payments, materials and services

	2013	2012
	\$'000	\$'000
Maintenance and repairs	1,276	491
Contract payments		
Waste collection	10,140	9,246
Parks Services	4,171	3,561
Dandenong Market	3,333	3,154
Building maintenance	3,218	2,813
Roads and drains	2,248	1,391
Street lighting	1,756	1,563
Other contract payments	1,101	1,232
Cleansing	817	718
Plant / fleet management	758	791
Capital works	584	523
Property valuation contract	261	319
Community Aged Care Program	7	8
Aquatic and Leisure Centres	321	264
Materials and services		
Other materials and services	2,025	2,359
Community Aged Care program	1,918	1,571
Parks Services	781	610
Roads and drains	406	413
Cultural Facilities	290	313
Building maintenance	228	194
Cleansing	75	139
	35,714	31,673

Note 12 Depreciation and amortisation

Land improvements	2,088	1,704
Leasehold improvements	126	137
Buildings	4,896	4,637
Car parks	290	271
<i>Plant and Equipment</i>		
Plant and equipment	1,787	1,887
Minor plant, furniture and equipment	1,935	2,045
IT software	473	487
<i>Infrastructure</i>		
Bike paths/footpaths	1,862	1,777
Bridges	296	144
Roads	9,067	8,144
Drains	1,918	1,837
Street furniture	168	154
Playgrounds	421	284
	25,327	23,508

Annual Financial Report

Note 13 Grants, sponsorships and contributions

	2013 \$'000	2012 \$'000
Sponsorships – Family Day Care	3,238	3,121
Community grants	1,295	1,349
Sponsorships – other	1,099	897
Contributions	160	384
	5,792	5,751

Note 14 Professional services

Consultants	3,697	3,888
Legal costs	1,030	619
Statutory fees	421	408
Internal audit fees – Crowe Horwath	145	123
Audit fee to conduct external audit – Victorian Auditor-General	66	63
Strategic Asset Management Project	4	66
Other	31	156
	5,394	5,323

Note 15 Administration costs

Occupancy costs	2,680	2,358
Printing, publications and promotion	2,047	1,989
Information management costs	1,904	2,037
Motor vehicle maintenance	1,310	1,242
Insurance	1,223	1,643
Bad and doubtful debts	808	912
Council election	567	–
Postage	499	506
Other administration costs	412	316
Councillors allowances	354	350
	11,804	11,353

Note 16 Finance costs

Interest on borrowings	2,836	1,654
	2,836	1,654

Note 17 Other expenses

Bank charges	170	143
Sundry expenses	448	482
	618	625

Note 18 (a) Cash and cash equivalents

		2013 \$'000	2012 \$'000
Term deposits		41,306	54,458
Money market at call account		7,520	4,840
Cash at bank and on hand		1,684	7,012
Managed funds		1,653	2,768
Shares		200	200
	33	52,363	69,278
(b) Other financial assets			
Term deposits greater than three months	1(t)	39,546	-
		39,546	-
		91,909	69,278
Represented by:			
Operating cash*		44,903	20,864
Restricted cash**			
Employee provisions		14,590	13,362
Trust funds and deposits		10,471	13,016
Council funded development contribution plan reserve		8,559	2,692
Public open space reserve		4,950	4,548
Major Projects reserve		3,020	9,414
Municipal Building Project reserve		2,925	3,450
Insurance reserve		1,016	972
Re-vegetation reserve		624	678
Keysborough South maintenance levy		496	282
Spring Valley landfill rehabilitation		220	-
Dandenong Market		135	-
		91,909	69,278
* As at 30 June 2013, Council has set aside a total of \$39.41 million of the operating cash amount to fund the completion of capital works in progress (\$31.22 million) and unexpended grant funds (\$8.19 million).			
** Restricted cash represents funds that are set aside for specific purposes and users of the financial report should refer to note 26(b) for details of funds held in reserve and note 27 for details of existing Council commitments.			
Financing arrangements			
Overdraft facility		2,500	2,500
Used amount		-	-
Unused overdraft facilities at reporting date		2,500	2,500
Used borrowing facilities at reporting date		65,887	36,042
Unused borrowing facilities at reporting date		-	-

Annual Financial Report

Note 19 (a) Trade and other receivables

		2013	2012
		\$'000	\$'000
Current			
Rates debtors	1(c)	4,965	4,652
Parking infringement debtors		5,074	4,695
Provision for doubtful debts – parking infringements		(1,907)	(1,662)
General debtors		7,297	7,459
Provision for doubtful debts – general debtors		(637)	(698)
		14,792	14,446
Non-current			
Development contribution plan – works completed		246	–
		246	–
		15,038	14,446
(b) Prepayments			
Prepayments		453	487
		453	487

Note 20 Inventory – property*

Properties held for sale – current	377	251
Properties held for sale – non-current	3,698	3,824
	4,075	4,075

* Property held for sale represents the value of properties held for development and resale, and essentially includes the Metro 3175 properties.

Note 21 Property, plant and equipment, infrastructure

(a) PROPERTY, PLANT AND EQUIPMENT

PLANT AND EQUIPMENT

Plant and equipment

At cost	13,308	11,617
Less accumulated depreciation	(7,996)	(6,931)
	5,312	4,686

Minor plant, furniture and equipment

At cost	34,774	32,461
Less accumulated depreciation	(26,440)	(24,505)
	8,334	7,956

IT software

At cost	2,879	2,811
Less accumulated depreciation	(2,720)	(2,247)
	159	564

Total plant and equipment

At cost	50,961	46,889
Less accumulated depreciation	(37,156)	(33,683)
Total	13,805	13,206

Note 21 Property, plant and equipment, infrastructure (cont.)

	2013	2012
	\$'000	\$'000
PROPERTY		
Land		
At cost	4,772	2,888
At fair value as at 1 January 2012 (i)	607,593	607,593
	612,365	610,481
Car parks		
At cost	1,483	615
At Council valuation as at 30 June 2011 (i)	14,013	14,013
Less accumulated depreciation	(4,430)	(4,140)
	11,066	10,488
Land improvements		
At cost	36,607	28,792
Less accumulated depreciation	(19,765)	(17,687)
	16,842	11,105
Leasehold improvements		
At cost	1,235	1,231
Less accumulated amortisation	(486)	(360)
	749	871
Buildings		
At cost	23,175	20,648
At fair value as at 1 January 2012 (i)	249,850	249,850
Less accumulated depreciation	(114,535)	(110,967)
	158,490	159,531
Total Property		
At cost	67,272	54,174
At Council valuation/at fair value	870,970	871,456
Less accumulated depreciation	(138,730)	(133,154)
Total	799,512	792,476
Total property, plant and equipment		
At cost	118,233	101,063
At Council valuation/at fair value	870,970	871,456
Less accumulated depreciation	(175,886)	(166,837)
Total	813,317	805,682
(b) INFRASTRUCTURE ASSETS – REALISABLE		
Street furniture		
At cost	7,640	7,489
Less accumulated depreciation	(6,679)	(6,510)
	961	979
Recreational equipment (playgrounds)		
At cost	10,869	7,523
Less accumulated depreciation	(5,241)	(4,972)
	5,628	2,551

Annual Financial Report

Note 21 Property, plant and equipment, infrastructure (cont.)

	2013 \$'000	2012 \$'000
Total infrastructure assets – realisable		
At cost	18,509	15,012
Less accumulated depreciation	(11,920)	(11,482)
Total	6,589	3,530
(c) INFRASTRUCTURE ASSETS – NON-REALISABLE		
Trees		
At cost	–	1,064
	–	1,064
Bike paths		
At cost	283	35
At Council valuation as at 30 June 2011 (iii)	4,382	4,382
Less accumulated depreciation	(1,284)	(1,116)
	3,381	3,301
Footpaths		
At cost	4,088	3,535
At Council valuation as at 30 June 2011 (iii)	78,935	78,935
Less accumulated depreciation	(14,387)	(12,809)
	68,636	69,661
Bridges		
At cost	–	271
At independent valuation as at 30 June 2013	54,148	–
At Council valuation as at 30 June 2006 (iv)	–	12,162
Less accumulated depreciation	(12,935)	(4,518)
	41,213	7,915
Land under roads		
At cost (ii)	20,441	18,293
	20,441	18,293
Roads		
Sub-structure		
At cost	5,419	5,281
At Council valuation as at 30 April 2011 (v)	238,855	238,855
Less accumulated depreciation	(90,263)	(88,015)
	154,011	156,121
Seal		
At cost	9,754	6,055
At Council valuation as at 30 April 2011 (v)	79,387	79,387
Less accumulated depreciation	(40,604)	(35,349)
	48,537	50,093
Kerb and channel		
At cost	5,218	3,230
At Council valuation as at 30 April 2011 (v)	82,090	82,090
Less accumulated depreciation	(27,656)	(26,462)
	59,652	58,858

Note 21 Property, plant and equipment, infrastructure (cont.)

	2013	2012
	\$'000	\$'000
Total roads		
At cost	20,391	14,566
At Council valuation	400,332	400,332
Less accumulated depreciation	(158,523)	(149,826)
	262,200	265,072
Drains		
At cost	5,182	5,003
At Council valuation as at 30 June 2011 (v)	190,869	190,869
Less accumulated depreciation	(70,286)	(68,383)
	125,765	127,489
Works in progress at cost	37,890	20,920
	37,890	20,920
Total infrastructure assets – non-realisable		
At cost	88,275	63,687
At Council valuation	728,666	686,680
Less accumulated depreciation	(257,415)	(236,652)
Total	559,526	513,715
Total non-current assets		
At cost	225,017	179,762
At Council valuation/at fair value	1,599,636	1,558,136
Accumulated depreciation and amortisation	(445,221)	(414,971)
Total non-current assets	1,379,432	1,322,927

Note (i) Property

The basis of valuation is site value for land and written down replacement value for buildings as at 1 January 2012. The valuation for land and buildings was based on information provided by ProVal (Vic) Pty Ltd certified practising valuers.

The basis of valuation for car parks is written down replacement cost as at 30 June 2011. The valuation was undertaken by Council's qualified engineers.

Note (ii) Land under roads

Land under roads is valued at cost based on Council valuation for acquisitions after 30 June 2008. Valuations have been undertaken by using site values, adjusted for englobo (undeveloped/un serviced) characteristics, access rights and private interests of other parties and entitlements of infrastructure assets and services. The acquisitions for the year include new assets from subdivision activity.

Note (iii) Bike paths/footpaths

The basis of valuation is written down replacement value as at 30 June 2011. The valuation was undertaken by Council's qualified engineers.

Note (iv) Bridges

The basis of valuation is written down replacement value as at 30 June 2013 and represents the most recent independent valuation.

Note (v) Roads and drains

The basis of valuation is written down replacement value. The valuation was undertaken by Council's qualified engineers as at 30 April 2011 for roads (sub structure, seal, kerb and channel) and as at 30 June 2011 for drains.

Annual Financial Report

Note 21 Property, plant and equipment, infrastructure

2013	Balance at beginning of financial year	Acquisition of assets including gifted assets	Assets written off*	Transfers to/from non current assets	Written down value of disposals	Depreciation/ amortisation (note 12)	Revaluation increments (decrements) (note 26(a))	Transfers & WIP mvmt	Balance at end of financial year
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Plant and equipment									
Plant and equipment	4,686	2,232	-	-	(319)	(1,787)	-	500	5,312
IT software	563	-	-	-	-	(473)	-	69	159
Minor plant, furniture and equipment	7,958	1,220	-	-	-	(1,935)	-	1,091	8,334
Total plant & equipment	13,207	3,452	-	-	(319)	(4,195)	-	1,660	13,805
Property									
Land	610,481	1,884	-	-	-	-	-	-	612,365
Car parks	10,488	370	-	-	-	(290)	-	498	11,066
Land improvements	11,105	2,357	(1)	-	-	(2,088)	-	5,469	16,842
Leasehold improvements	871	4	-	-	-	(126)	-	-	749
Buildings	159,531	1,965	(795)	-	-	(4,896)	-	2,685	158,490
Total property	792,476	6,580	(796)	-	-	(7,400)	-	8,652	799,512
Infrastructure									
Realisable									
Street furniture	978	124	-	-	-	(168)	-	27	961
Recreational equipment	2,551	611	-	-	-	(421)	-	2,887	5,628
Non-realisable									
Bike paths	3,301	62	(2)	-	-	(168)	-	188	3,381
Footpaths	69,661	1,060	(512)	-	(17)	(1,694)	-	138	68,636
Bridges	7,915	17,381	-	-	-	(296)	16,199	14	41,213
Road sub-structure	156,121	928	(572)	-	(26)	(2,440)	-	-	154,011
Road seal	50,093	3,828	(90)	-	(8)	(5,367)	-	81	48,537
Roads kerbs and channel	58,858	1,925	(158)	-	(9)	(1,260)	-	296	59,652
Land under roads	18,293	2,148	-	-	-	-	-	-	20,441
Drains	127,489	-	(39)	-	-	(1,918)	-	233	125,765
Trees	1,064	-	(1,064)	-	-	-	-	-	-
Total infrastructure	496,324	28,067	(2,437)	-	(60)	(13,732)	16,199	3,864	528,225
Work in progress									
Total works in progress	20,920	32,258	(1,112)	-	-	-	-	(14,176)	37,890
Total plant & equipment, property and infrastructure	1,322,927	70,357	(4,345)	-	(379)	(25,327)	16,199	-	1,379,432

*Assets written off totalling \$4.35 million were expensed to the Comprehensive Income Statement of which \$1.06 million relates to tree assets due a change in Council's Fixed Asset Accounting Policy during the 2012-13 financial year. This policy change resulted in the derecognition of items previously included in trees (Infrastructure assets - non-realisable) category.

Note 21 Property, plant and equipment, infrastructure

2012	Balance at beginning of financial year	Acquisition of assets including gifted assets	Assets written off*	Transfers to/from non current assets	Written down value of disposals	Depreciation/ amortisation (note 12)	Revaluation increments (decrements) (note 26(a))	Changes due to transfers	Balance at end of financial year
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Plant and equipment									
Plant and equipment	5,177	1,845	-	-	(464)	(1,887)	-	15	4,686
IT software	974	29	-	-	-	(487)	-	47	563
Minor plant, furniture and equipment	8,980	1,376	(6)	-	-	(2,045)	-	(347)	7,958
Total plant & equipment	15,131	3,250	(6)	-	(464)	(4,419)	-	(285)	13,207
Property									
Land	582,802	6,661	(88)	-	(598)	-	21,704	-	610,481
Car parks	10,605	107	(40)	-	-	(271)	-	87	10,488
Land improvements	4,888	1,212	-	-	-	(1,704)	-	6,709	11,105
Leasehold improvements	-	-	-	-	-	(137)	-	1,008	871
Buildings	150,067	519	(309)	200	-	(4,637)	(4,532)	18,223	159,531
Total property	748,362	8,499	(437)	200	(598)	(6,749)	17,172	26,027	792,476
Infrastructure									
Realisable									
Street furniture	963	145	-	-	-	(154)	-	24	978
Recreational equipment	9,676	10	-	-	-	(284)	-	(6,851)	2,551
Non-realisable									
Bike paths	3,424	36	-	-	-	(159)	-	-	3,301
Footpaths	70,329	876	(96)	-	-	(1,618)	-	170	69,661
Bridges	7,787	218	-	-	-	(144)	-	54	7,915
Road sub-structure	156,919	1,640	(32)	-	-	(2,390)	-	(16)	156,121
Road seal	49,946	4,725	(22)	-	-	(4,576)	-	20	50,093
Roads kerbs and channel	58,365	1,636	(30)	-	-	(1,178)	-	65	58,858
Earthworks	56	-	(56)	-	-	-	-	-	-
Land under roads	11,685	6,608	-	-	-	-	-	-	18,293
Drains	128,715	619	(82)	-	-	(1,837)	-	74	127,489
Trees	812	104	-	-	-	-	-	148	1,064
Total infrastructure	498,677	16,617	(318)	-	-	(12,340)	-	(6,312)	496,324
Work in progress									
Total works in progress	13,562	27,911	(116)	(1,007)	-	-	-	(19,430)	20,920
Total plant & equipment, property and infrastructure	1,275,732	56,277	(877)	(808)	(1,062)	(23,508)	17,172	-	1,322,927

*Assets written off totalling \$0.88 million includes \$0.85 million expensed to the Comprehensive Income Statement and a \$0.03 million reversal to the asset revaluation reserve relating to land.

During the 2012–13 financial year, Council performed a review of the classification of capital expenditure in terms of asset class in line with Council's Fixed Asset Accounting Policy. As a result, there was a movement of some assets between asset classes and this has been reflected in the comparative financials for the 2011–12 financial year. The asset classes affected were buildings, leasehold improvements (previously included in the buildings category), land improvements and recreational equipment.

Annual Financial Report

Note 22 Trade and other payables

	2013 \$'000	2012 \$'000
Current		
Trade creditors	11,051	10,757
Other creditors	–	267
Prepaid income	121	103
Accrued expenses	6,640	2,588
	17,812	13,715

Note 23 Employee provisions

	Annual leave \$'000	Long service leave	Other \$'000	Total \$'000
2013				
Balance at beginning of the financial year	5,240	7,579	543	13,362
Additional provisions	4,637	1,544	–	6,181
Amounts used	(4,214)	(579)	(84)	(4,877)
Increase in the discounted amount arising because of time and the effect of any change in the discount rate	–	(76)	–	(76)
Balance at the end of the financial year	5,663	8,468	459	14,590
2012				
Balance at beginning of the financial year	5,246	6,850	–	12,096
Additional provisions	4,455	1,467	543	6,465
Amounts used	(4,461)	(1,228)	–	(5,689)
Decrease in the discounted amount arising because of time and the effect of any change in the discount rate	–	490	–	490
Balance at the end of the financial year	5,240	7,579	543	13,362

Note: Additional provisions and amounts used for the comparative year 2011–12 have been amended. The amendment reflects the grand total of amounts provided for and used in the financial year for long service leave and annual leave.

	2013 \$'000	2012 \$'000
(a) Employee provisions		
Current (i)		
Annual leave	5,663	5,240
Long service leave	7,825	6,986
Other	459	543
	13,947	12,769
Non-current (ii)		
Long service leave	643	593
	643	593

Note 23 Employee provisions (cont.)

	2013 \$'000	2012 \$'000
(i) Current		
All annual leave and long service leave entitlements representing seven or more years of service include:		
– Short-term employee benefits, that fall due within 12 months after the end of the period measured at nominal value.	6,122	5,783
– Other long-term employee benefits that do not fall within 12 months after the end of the period measured at present value.	7,825	6,986
	13,947	12,769
The following assumptions were adopted in measuring the present value of employee benefits:		
Average increase in employee costs	3.50%	3.25%
Average discount rates between	2.47%-3.85%	2.40%-3.13%
Average settlement period (years)	7	7
(ii) Non-current		
Long service leave representing less than 7 years of continuous service measured at present value.	643	593
(b) Other		
Provision for rostered days off		
Current	459	543
	459	543
Aggregate carrying amount of employee benefits:		
Current	13,947	12,769
Non-current	643	593
	14,590	13,362

Note 24 Trust funds and deposits

Road deposits	743	1,394
Tree deposits	1,813	1,805
Open space contributions	569	677
Development contribution plans (DCP)	6,727	8,223
Other deposits *	619	917
	10,471	13,016

*includes contractors' deposits, subdivision deposits and monies held on behalf of South Eastern Healthy Community Partnership.

Annual Financial Report

Note 25 Interest-bearing loans and borrowings

	2013 \$'000	2012 \$'000
Current		
Borrowings – secured	4,039	3,254
	4,039	3,254
Non-current		
Borrowings – secured	61,848	32,788
	61,848	32,788
Total interest-bearing loans and borrowings (refer note 28 (a))	65,887	36,042
Borrowings are secured over the General Rates of Council as per section 141 of the Local Government Act 1989.		
The maturity profile for Council's borrowings is:		
Not later than one year	4,039	3,254
Later than one year and not later than five years	14,818	13,366
Later than five years	47,030	19,422
	65,887	36,042

Note 26 Reserves

	Balance at beginning of reporting period \$'000	Reversal of previous revaluations for assets disposed \$'000	Increment (decrement) \$'000	Balance at end of reporting period \$'000
(a) Asset revaluation reserves				
2013				
Property				
Land	421,235	–	–	421,235
Buildings	12,692	–	–	12,692
Car parks	3,621	–	–	3,621
	437,548	–	–	437,548
Infrastructure non-realizable				
Bike paths	2,425	–	–	2,425
Footpaths	33,744	–	–	33,744
Bridges	400	–	16,199	16,599
Roads	192,948	–	–	192,948
Drains	70,329	–	–	70,329
	299,846	–	16,199	316,045
Total asset revaluation reserves	737,394	–	16,199	753,593
2012				
Property				
Land	399,561	(30)	21,704	421,235
Buildings	17,224	–	(4,532)	12,692
Car parks	3,621	–	–	3,621
	420,406	(30)	17,172	437,548

Note 26 Reserves (cont.)

	Balance at beginning of reporting period \$'000	Reversal of previous revaluations for assets disposed \$'000	Increment (decrement) \$'000	Balance at end of reporting period \$'000
Infrastructure non-realizable				
Bike paths	2,425	-	-	2,425
Footpaths	33,744	-	-	33,744
Bridges	400	-	-	400
Roads	192,948	-	-	192,948
Drains	70,329	-	-	70,329
	299,846	-	-	299,846
Total asset revaluation reserves	720,252	(30)	17,172	737,394

Nature and purpose of reserve**Asset revaluation reserve:**

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(d).

	Balance at beginning of reporting period \$'000	Transfer to accumulated surplus \$'000	Transfer from accumulated surplus \$'000	Balance at end of reporting period \$'000
(b) Other reserves				
2013				
Insurance reserve	972	(621)	665	1,016
Re-vegetation reserve	678	(190)	136	624
Public open space reserve	4,548	(1,040)	1,442	4,950
Keysborough South maintenance levy	282	(502)	716	496
Major projects reserve	9,414	(6,812)	418	3,020
Municipal Buildings Project reserve	3,450	(8,650)	8,125	2,925
Council funded development contribution reserve	2,692	-	5,867	8,559
Dandenong Market	-	(265)	400	135
Spring Valley landfill rehabilitation	-	-	220	220
Total other reserves	22,036	(18,080)	17,989	21,945
2012				
Insurance reserve	1,016	(294)	250	972
Re-vegetation reserve	516	(215)	377	678
Unexpended grants reserve	6,677	(6,677)	-	-
Public open space reserve	3,021	(542)	2,069	4,548
Keysborough South maintenance levy	-	(300)	582	282
Major projects reserve	2,240	(2,045)	9,219	9,414
Municipal Buildings Project reserve	1,750	-	1,700	3,450
Council funded development contribution reserve	906	(14)	1,800	2,692
Total other reserves	16,126	(10,087)	15,997	22,036

Annual Financial Report

Note 26 Reserves (cont.)

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 reserve

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 fund 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.

Municipal Building Project reserve

This reserve is to set aside future resources for the construction of the new Municipal Building and Community Complex.

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).

Dandenong Market

This reserve will set aside market surplus returns at a percentage to be established by Council for future capital works. In 2012–13, outflows comprised of the establishment costs of the Dandenong Market Pty Ltd Board and marketing costs.

Spring Valley rehabilitation reserve

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

Note 27 Commitments

	2013 \$'000	2012 \$'000
(a) Operating lease commitments		
Not later than one year	274	280
Later than one year and not later than five years	399	376
	673	656
Lease payments are in respect of the revolving operating lease facility for Council's computer equipment from 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	887	921
Later than one year and not later than five years	2,917	3,153
Later than five years	2,517	3,164
	6,321	7,238

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

Note 27 Commitments (cont.)

	Not later than 1 year	Later than 1 year and not later than 5 years	Later than 5 years	Total
	\$'000	\$'000	\$'000	\$'000
(c) Contracted commitments				
2013				
Works and services contracts				
Building maintenance services	3,819	11,779	–	15,598
Parking management	155	20	–	175
Animal management	96	33	–	129
Waste services	3,611	14,223	20,155	37,989
Works (roads and drains) services	1,470	–	–	1,470
Fleet services	1,078	–	–	1,078
Landfill maintenance services	3,816	3,950	–	7,766
Open space management	4,117	1,762	–	5,879
Leisure centres management services	459	–	–	459
Other maintenance	1,247	1,326	–	2,573
	19,868	33,093	20,155	73,116
Capital				
Construction works – Municipal Building Project	38,086	–	–	38,086
Construction works – other buildings	1,666	–	–	1,666
Design and consultancy – DCP works	133	–	–	133
	39,885	–	–	39,885
2012				
Works and services contracts				
Building maintenance services	457	363	–	820
Parking management	175	97	–	272
Animal management	46	–	–	46
Waste services	5,880	1,183	–	7,063
Works (roads and drains) services	2,328	553	–	2,881
Fleet services	1,303	548	–	1,851
Landfill maintenance services	4,068	7,845	–	11,913
Open space management	4,778	3,554	–	8,332
Leisure centres management services	350	414	–	764
Other maintenance	575	718	–	1,293
	19,960	15,275	–	35,235
Capital				
Construction works – Municipal Building Project	587	29	–	616
Construction works – other buildings	413	–	–	413
Roads resurfacing works	5,700	–	–	5,700
	6,700	29	–	6,729

Annual Financial Report

Note 28 Financial Instruments

(a) Accounting policy, terms and conditions

RECOGNISED FINANCIAL INSTRUMENTS	NOTE	ACCOUNTING POLICY	TERMS AND CONDITIONS
Financial assets			
Cash and cash equivalents	18	Cash on hand and at bank and money market call account are valued at face value. Interest is recognised as it accrues. Managed funds are measured at market value.	Funds on call returned floating interest rates between 2.65% and 3.40% (3.40% and 4.65% in 2011–12). Withdrawals are either immediate or within 24 hours. Managed funds provided a return between 2.18% and 4.40% net of fees (4.87% and 5.01% in 2011–12) excluding unrealised gains or losses.
Trade and other receivables, other debtors	19	Receivables are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection in full is no longer probable. Collectability of overdue accounts is assessed on an ongoing basis.	General debtors are unsecured and arrears do not attract interest. Credit terms are based on 60 days.
Financial liabilities			
Trade and other payables	22	Liabilities are recognised for amounts to be paid in the future for goods and services provided to Council as at balance date whether or not invoices have been received.	General creditors are unsecured, not subject to interest charges and are normally settled within 30 days of invoice receipt.
Interest-bearing loans and borrowings	25	Loans are carried at their principal amounts, which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and recognised as part of payables.	Borrowings are secured by way of mortgages over the general rates of the Council. The weighted average interest rate on borrowings is 6.60% (6.76% in 2011–12).

(b) Interest rate risk

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

Fixed interest maturing in:						
2013	Floating interest rate	1 year or less	Over 1 to 5 years	More than 5 years	Non-interest bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets						
Cash and cash equivalents	10,848	41,306	–	–	209	52,363
Trade and other receivables	–	–	–	–	5,928	5,928
Other financial assets	–	39,546	–	–	–	39,546
Total financial assets	10,848	80,852	–	–	6,137	97,837
Range of effective interest rate	2.25% to 2.65%	3.77% to 4.50%	N/A	N/A	N/A	
Financial liabilities						
Trade and other payables	–	–	–	–	17,812	17,812
Trust funds and deposits	1,412	–	–	–	8,485	9,897
Superannuation liability	–	–	–	–	4,847	4,847
Interest-bearing loans and borrowings	–	4,039	14,818	47,030	–	65,887
Total financial liabilities	1,412	4,039	14,818	47,030	31,144	98,443
Range of effective interest rate	2.65%	6.50% to 6.86%			N/A	
Net financial assets (liabilities)	9,436	76,813	(14,818)	(47,030)	(25,007)	(606)

Fixed interest maturing in:						
2012	Floating interest rate	1 year or less	Over 1 to 5 years	More than 5 years	Non-interest bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets						
Cash and cash equivalents	14,608	54,458	–	–	212	69,278
Trade and other receivables	–	–	–	–	6,585	6,585
Total financial assets	14,608	54,458	–	–	6,797	75,863
Range of effective interest rate	3.00% to 5.01%	3.65% to 5.30%	N/A	N/A	N/A	
Financial liabilities						
Trade and other payables	–	–	–	–	13,715	13,715
Trust funds and deposits	–	–	–	–	12,335	12,335
Superannuation liability	–	–	–	–	10,569	10,569
Interest-bearing loans and borrowings	–	3,254	13,366	19,422	–	36,042
Total financial liabilities	–	3,254	13,366	19,422	36,619	72,661
Range of effective interest rate	N/A	6.12% to 7.83%			N/A	
Net financial assets (liabilities)	14,608	51,204	(13,366)	(19,422)	(29,822)	3,202

*In prior periods it was identified that there were some assets and liabilities that were statutory in nature and included in trade & other receivables and trade & other payables however are not classified as financial instruments. These items have been excluded and notes 28 (b) and (c) for 2011–12 have been amended to reflect this correction.

Annual Financial Report

Note 28 Financial Instruments (cont.)

(c) Net fair values

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

Financial instruments	Total carrying amount as per Balance Sheet		Aggregate net fair value	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
<i>Financial assets</i>				
Cash and cash equivalents	52,363	69,278	52,363	69,278
Trade and other receivables	5,928	6,585	5,928	6,585
Other financial assets	39,546	–	39,546	–
Total financial assets	97,837	75,863	97,837	75,863
<i>Financial liabilities</i>				
Trade and other payables	17,812	13,715	17,812	13,715
Trust funds and deposits	9,897	12,335	9,897	12,335
Superannuation liability	4,847	10,569	4,847	10,569
Interest-bearing loans and borrowings	65,887	36,042	65,887	36,042
Total financial liabilities	98,443	72,661	98,443	72,661

(d) Credit risk

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

(e) Risks and mitigation

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

Market risk

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

Interest rate risk

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

Our 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 Department of Planning and Community Development each year.

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

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

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

(e) Risks and mitigation**Credit risk**

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

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

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

We may also be subject to credit risk for transactions which are not included in the balance sheet, such as when we provide a guarantee for another party. Details of our contingent liabilities are disclosed in note 30.

Movement in provisions for doubtful debts

	2013 \$'000	2012 \$'000
Balance at the beginning of the year	698	499
New provisions recognised during the year	55	299
Amounts already provided for and written off as uncollectible	(116)	(100)
Amounts provided for but recovered during the year	–	–
Balance at end of year	637	698

Ageing of trade and other 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 excluding provisions for doubtful debts was:

	2013 \$'000	2012 \$'000
Current (not yet due)*	3,279	4,634
Past due by up to 30 days	442	779
Past due between 31 and 180 days	536	353
Past due between 181 and 365 days	838	82
Past due by more than 1 year*	833	737
Total trade and other receivables	5,928	6,585

*The prior period (2012) for "current (not yet due)" has been amended to include accrued income which is classified as a financial instrument. "Past due by more than 1 year" has been amended to exclude provision for doubtful debts which is not classified as a financial instrument.

Liquidity risk

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

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

To help reduce these risks we:

- have readily accessible standby facilities and other funding arrangements in place;
- monitor budget to actual performance on a regular basis;
- preparing cash flow projections to estimate future cash requirements; and
- set limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue

Annual Financial Report

Liquidity risk (cont.)

The Councils exposure to liquidity risk is deemed insignificant based on prior periods' data, the nature of investments, monitoring of investments and current assessment of risk.

The table below lists the contractual maturities for financial liabilities.

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

2013	6 months or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	>5 years \$'000	Contracted Cash Flow \$'000	Carrying Amount \$'000
Trade and other payables	17,812	-	-	-	-	17,812	17,812
Trust funds and deposits	6,534	3,363	-	-	-	9,897	9,897
Superannuation liability	4,847	-	-	-	-	4,847	4,847
Loans and borrowings	1,972	2,067	4,330	10,487	47,031	65,887	65,887
Total financial liabilities	31,165	5,430	4,330	10,487	47,031	98,443	98,443
2012	6 months or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	>5 years \$'000	Contracted Cash Flow \$'000	Carrying Amount \$'000
Trade and other payables	13,450	265	-	-	-	13,715	13,715
Trust funds and deposits	8,905	3,430	-	-	-	12,335	12,335
Superannuation liability	-	-	10,569	-	-	10,569	10,569
Loans and borrowings	1,592	1,662	3,496	9,870	19,422	36,042	36,042
Total financial liabilities	23,947	5,357	14,065	9,870	19,422	72,661	72,661

(f) Sensitivity disclosure analysis

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

– A parallel shift of +1% and -2% in market interest rates (AUD) from year-end rates of 2.75%.

Market risk exposure	Carrying amount subject to interest	Interest rate risk			
		1% 100 basis points		-2% -200 basis points	
		Profit	Equity	Profit	Equity
2013	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets:					
Cash and cash equivalents	52,363	524	524	(1,047)	(1,047)
Trade and other receivables*	N/A	N/A	N/A	N/A	N/A
Financial liabilities					
Superannuation liability**	N/A	N/A	N/A	N/A	N/A
Interest-bearing loans and borrowings***	N/A	N/A	N/A	N/A	N/A

Market risk exposure	Carrying amount subject to interest	Interest rate risk			
		1% 100 basis points		-2% -200 basis points	
		Profit	Equity	Profit	Equity
2012	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets:					
Cash and cash equivalents	69,278	693	693	(1,386)	(1,386)
Trade and other receivables*	N/A	N/A	N/A	N/A	N/A
Financial liabilities					
Interest-bearing loans and borrowings***	N/A	N/A	N/A	N/A	N/A

*Trade and other receivables are not subject to interest.

**Interest on the superannuation liability does not accrue until 1 July 2013 (in arrears). The outstanding balance was paid in full in July 2013.

***All current interest-bearing loans and borrowings have fixed interest rates and are not subject to interest rate movements.

Note 29 Superannuation

Council makes its majority of 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. The defined benefit section provides lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from the council and the council's legal or constructive obligation is limited to these contributions.

Obligations for contributions to the Fund are recognised as an expense in Comprehensive Income Statement when they are due.

Accumulation funds

The Fund's accumulation category, Vision Super Saver, receives both employer and employee contributions on a progressive basis. Council contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2013, this was 9% required under Superannuation Guarantee Legislation). No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Effective from 1 July 2013, the Superannuation Guarantee contribution rate will increase to 9.25%, and will progressively increase to 12% by 2019.

Defined Benefit Plan

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

Council makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund's Actuary. On the basis of the results of the most recent full actuarial investigation conducted by the Fund's actuary as at 31 December 2011, Council makes contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. This rate is currently 9.25% of members' salaries (9.25% in 2011–12).

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 (the fund resignation or retirement benefit is calculated as the vested benefits index (VBI) multiplied by the benefit).

Council is also required to make additional contributions to cover the contribution tax payable on the contributions referred to above.

Employees are also required to make member contributions to the Fund. As such, assets accumulate in the Fund to meet member benefits, as defined in the Trust Deed, as they accrue.

Shortfall amounts

The Local Authorities Superannuation Fund's latest actuarial investigation as at 31 December 2011 identified an unfunded liability of \$406 million (excluding contributions tax) in the defined benefit category of which Council is a contributing employer. Council was made aware of the expected shortfall during the 2011–12 year and was informed of its share of the shortfall on 2 August 2012. Council has not been advised of any further adjustments.

The value of Council's contribution to the shortfall at 30 June 2012 (including contributions tax) amounted to \$10.569 million which was accounted for in the 2011–12 Comprehensive Income Statement within employee costs (see note 10) and in the Balance Sheet in non-current liabilities – Superannuation liability.

In December 2012, Council made an early payment of \$5.50 million and received an early payment discount of \$222,329. This has been accounted for in the 2012–13 Comprehensive Income Statement within other income (see note 9) and in the Balance Sheet in current liabilities – superannuation liability (see note 29).

The Fund surplus or deficit (ie the difference between fund assets and liabilities) is calculated differently for funding purposes (ie calculating required contributions) and for the calculation of accrued benefits as required in AAS 25 to provide the values needed for the AASB 119 disclosure in the council's financial statements. AAS 25 requires that the present value of the defined benefit liability be calculated based on benefits that have accrued in respect of membership of the plan up to the measurement date, with no allowance for future benefits that may accrue.

The amount of the unpaid shortfall at 30 June 2013 is \$4.847 million (\$10.569 million for 2011–12). This unpaid amount is included in the Balance Sheet in current liabilities – superannuation liability. This amount was subsequently paid in full in July 2013.

Note 29 Superannuation (cont.)

	2013 \$'000	2012 \$'000
Superannuation liability (current)	4,847	–

Retrenchment increments

During 2012–13, Council was not required to make payments to the Fund in respect of retrenchment increments.

Superannuation contributions

Contributions by Council (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2013 are detailed below:

Scheme	Type of Scheme	Rate	2013 \$'000	2012 \$'000
Vision Super	Defined Benefit	9.25%	547	576
			547	576
Vision Super	Accumulation Fund	9.00%	2,930	2,760
Other Funds	Accumulation Fund	9.00%	831	666
			3,761	3,426

There were no contributions outstanding to the above schemes at 30 June 2013.

Note 30 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 29). 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.

Bank Guarantees

The Council has agreed to guarantee bank loans taken out by the Dandenong Basketball Association (DBA). The original loan (and extent of possible Council exposure) was \$2 million. At balance date the amount outstanding balance is \$0.46 million (\$0.57 million as at 30 June 2012).

Commonwealth Bank of Australia, Council's banker, has, 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 Council is contingently liable for \$1.24 million (\$1.24 million as at 30 June 2012).

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 \$0.48 million (\$0.18 million as at 30 June 2012).

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 Development Contribution Plan that is published on the Department of Planning and Community Developments (DPCD) website.

A Development Contribution Plan (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 have been agreed to be funded by Council. The total value of these works is estimated to be around \$17.80 million.

Annual Financial Report

Note 30 Contingent liabilities and contingent assets (cont.)

Contingent assets

Development Contribution Plans (DCP)

Under the two Development Contribution Plans 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.

Note 31 Related party transactions

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

Councillors

Councillor Roz Blades
Councillor Peter Brown
Councillor Youhorn Chea – (Mayor 05/12/11 – 27/10/12)
Councillor Paul Donovan – (01/07/12 – 27/10/12)
Councillor Yvonne Herring – (01/07/12 – 27/10/12)
Councillor John Kelly
Councillor Matthew Kirwan – (07/11/12 – current)
Councillor Angela Long – (Mayor 07/11/12 – current)
Councillor Jim Memeti
Councillor Sean O'Reilly – (07/11/12 – current)
Councillor Maria Sampey
Councillor Heang Tak – (07/11/12 – current)
Councillor Loi Truong
Councillor Pinar Yesil – (01/07/12 – 28/08/12)

Chief Executive Officer

John Bennie

Remuneration of responsible persons in bands of \$10,000

	2013	2012
	No	No
Less than \$10,000	3	–
\$10,001 – \$20,000	3	–
\$20,001 – \$30,000	6	9
\$40,001 – \$50,000	1	–
\$50,001 – \$60,000	–	1
\$60,001 – \$70,000	1	1
\$350,001 – \$360,000	1	1
Total	15	12
	\$'000	\$'000
Total remuneration for the reporting year, for responsible persons included above, amounted to:	711	721

No retirement benefits were made by the Council to a responsible person during the reporting year (Nil in 2011–12).

No loans were made, guaranteed or secured by the Council to a responsible person during the reporting year (Nil in 2011–12).

No transactions were entered into by the Council with responsible persons, other than remuneration and reimbursement of expenses during the reporting year (Nil in 2011–12).

Note 31 Related party transactions (cont.)

A number of responsible persons have minority shareholdings in public companies, which have dealings with the Council from time to time. These and other transactions with responsible persons who also hold the office of councillor are required to be declared under section 81 of the Local Government Act 1989 (as amended) and are held in a register in accordance with that Act. The register is available for public inspection.

Senior officers remuneration

A Senior Officer other than a Responsible Person, is an officer of Council who has management responsibilities and reports directly to the Chief Executive Officer or whose total annual remuneration exceeds \$130,000 (2011–12 \$127,000).

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

	2013	2012
Income range:	No	No
Less than \$130,000	3	2
\$130,000 – \$139,999	4	6
\$140,000 – \$149,999	9	5
\$150,000 – \$159,999	2	6
\$160,000 – \$169,999	4	1
\$190,000 – \$199,999	–	1
\$200,000 – \$209,999	1	–
\$210,000 – \$219,999	1	5
\$220,000 – \$229,999	3	–
\$230,000 – \$239,999	1	–
	28	26
	\$'000	\$'000
Total remuneration for the reporting year for Senior Officers included above, amounted to:	4,164	3,735

Note 32 Reconciliation of cash flows from operating activities to surplus

	Note	2013	2012
		\$'000	\$'000
Net result as per Comprehensive Income Statement		36,592	22,450
Depreciation	12	25,327	23,508
Contributions of non-monetary assets	5(b)	(22,954)	(13,413)
Assets written off and works in progress unable to capitalised (expensed)		4,345	847
Finance costs		2,836	1,654
Gain on disposal of property, infrastructure, plant and equipment	8	(458)	(3,076)
Change in assets and liabilities			
Increase in trade and other receivables	19	(2,519)	(1,071)
Decrease in prepayments		34	–
Increase in trade and other payables	22	1,555	3,134
Decrease in superannuation liability		(5,722)	–
Increase in employee provisions	23	1,228	11,835
Net cash provided by operating activities		40,264	45,868

Note 33 Reconciliation of cash and cash equivalents

Cash and cash equivalents (see note 18)	52,363	69,278
	52,363	69,278

Annual Financial Report

Note 34 Financial ratios

	2013 \$'000	2013 (%)	2012 \$'000	2012 (%)	2011 \$'000	2011 (%)
(a) Underlying result (surplus ratio)						
Underlying surplus (deficit)	4,952	= 3.28%	(1,166)	= -0.80%	3,157	= 2.33%
Underlying revenue	150,959		145,320		135,557	

This is a measure of Council's underlying surplus (or deficit) as a percentage of its underlying revenue. In arriving at the surplus and revenue, capital grants, contributions, non-cash revenue (such as roads and drains from developers) gain on sale of assets and other one-off items of revenue and expenditure are excluded.

A key contributor to the 2011–12 result of -0.80% is the recognition of \$10.57 million as an expense relating to Council's requirement to contribute to the defined benefits superannuation shortfall and \$5.43 million or 50% early receipt of the 2012–13 Victoria Grants Commission allocation (2010–11, 25% or \$2.70 million)". After adjusting for these items, the ratio would result in a favourable 2.56% (2010–11, 1.98%).

(b) Indebtedness

Non-current liabilities	62,491	= 41.40%	43,950	= 30.24%	21,310	= 15.72%
Total revenue	150,959		145,320		135,557	

(less capital grants, contributions and non-cash revenue)

This is a longer term measure that compares non-current liabilities (which mainly comprises borrowings and employee benefit provisions) to revenue excluding capital grants, contributions and non cash revenue that cannot be used to retire debt.

(c) Self financing

Net cash from operating activities	40,264	= 26.67%	45,868	= 31.56%	34,719	= 25.61%
Total revenue	150,959		145,320		135,557	

(less capital grants, contributions and non cash revenue)

This is a measure of local governments' ability to fund the replacement of assets from cash generated by their operations.

Note: The lower result in 2012–13 is mainly due to an early payment of \$5.5 million which occurred during the financial year towards Council's superannuation liability.

(d) Investment gap ratio

Capital expenditure	47,403	= 187.16%	42,864	= 182.34%	33,881	= 151.89%
Depreciation	25,327		23,508		22,307	

This is a measure of whether Council is spending on infrastructure at a greater rate than the infrastructure is depreciating.

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

Debt servicing costs	2,836	= 1.88%	1,654	= 1.14%	1,753	= 1.29%
Total revenue	150,959		145,320		135,557	

Debt servicing costs refer to the payment of interest on loan borrowings, finance lease, and bank overdraft. The ratio expresses the amount of interest paid as a percentage of Council's total revenue.

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

Debt servicing and redemption costs	6,091	= 6.32%	4,460	= 4.98%	4,382	= 5.33%
Rate revenue	96,343		89,608		82,218	

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

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

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

Rate revenue	96,343	= 61.08%	89,608	= 56.60%	82,218	= 56.97%
Total revenue	157,735		158,318		144,317	

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

Note 34 Financial ratios (cont.)

	2013 \$'000	2013 (%)	2012 \$'000	2012 (%)	2011 \$'000	2011 (%)
(h) Working capital ratio						
(to assess Council's ability to meet current commitments)						
Current assets	<u>107,531</u>	= 210.37%	<u>84,462</u>	= 197.55%	<u>67,981</u>	= 164.02%
Current liabilities	51,116		42,754		41,446	

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

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

Total liabilities	<u>88,546</u>	= 10.80%	<u>60,326</u>	= 7.46%	<u>35,187</u>	= 4.55%
Total realisable assets	819,906		809,212		773,669	

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

Any liability represented by a restricted asset (note 18) is excluded from total indebtedness.

The following assets are excluded from total assets when calculating Council's realisable assets: land and buildings on Crown land; restricted assets; heritage assets; total infrastructure assets;

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

Annual Financial Report

Note 35 Capital expenditure

	Note	2013 \$'000	2012 \$'000
Capital works areas			
Roads, bridges and street furniture		5,989	7,305
Land and buildings		31,040	25,340
Drains		923	969
Land improvements and playgrounds		4,055	4,700
Information services and minor plant		2,211	1,546
Fleet plant and equipment		2,233	1,846
Footpaths and bike paths		952	1,158
Total capital works		47,403	42,864
Represented by:			
Expansion	(a)	915	2,307
Renewal	(b)	16,602	18,244
Upgrade	(c)	3,258	3,938
New	(d)	26,628	18,375
Total capital works		47,403	42,864
Property, plant & equipment and infrastructure movement			
The movement between the previous year and the current year in property, plant & equipment and infrastructure as shown in the Balance Sheet links to the net of the following items:			
Total capital works		47,403	42,864
Depreciation and amortisation		(25,327)	(23,508)
Capital works expenditure unable to be capitalised and scrapped		(4,345)	(2,034)
Written down value of assets sold (excluding selling costs)		(379)	(1,062)
Contributions – non-monetary assets		22,954	13,413
Asset revaluation movement		16,199	17,172
Non-cash debtor transferred to asset register		–	380
Asset written down to revaluation reserve		–	(30)
Net movement in property, plant & equipment and infrastructure		56,505	47,195

(a) Expansion

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

(b) Renewal

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

(c) Upgrade

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

(d) New

Expenditure on the creation of a new asset to provide future economic benefits and meet demand for services.

Note 36 Adjustments directly to equity

In the 2012–13 financial year, it was identified that Council had received ownership and control of assets (found and gifted assets) prior to and during the 2011–12 financial year. The majority of the assets (\$13.7 million) related to gifted infrastructure assets by developers of new subdivisions, with the remainder being assets gifted by Places Victoria, an amount of land and land under roads and a small number of drainage assets owned by and Council not previously recognised. This adjustment to equity occurred in the 2012–13 financial year, but was adjusted against opening equity and assets of the prior year (2011–12).

	2013	2012
	\$'000	\$'000
Land	60	–
Car parks	403	–
Footpaths	2,560	–
Road substructure	5,119	–
Road seal	1,805	–
Road kerbs and channel	1,969	–
Drains	4,082	–
Land under roads	410	–
	16,408	–



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 (Finance and Reporting) Regulations 2004, Australian Accounting Standards and other mandatory professional reporting requirements.

Michelle Hansen CPA
Principal Accounting Officer
Date: 9 September 2013

In our opinion the accompanying financial statements present fairly the financial transactions of the City of Greater Dandenong for the year ended 30 June 2013 and the financial position of the Council as at that date.

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

We have been authorised by the Council on 9 September 2013 to certify the financial statements in their final form.

Cr Angela Long
Mayor
Date: 9 September 2013

Cr Youhorn Chea
Councillor
Date: 9 September 2013

John Bennie
Chief Executive Officer
Date: 9 September 2013

VAGO

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INDEPENDENT AUDITOR'S REPORT

To the Councillors, City of Greater Dandenong

The Financial Report and Standard Statements

The accompanying financial report for the year ended 30 June 2013 of the City of Greater Dandenong which comprises the comprehensive income statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of the significant accounting policies and other explanatory information, and the certification of the financial statements have been audited.

The accompanying standard statements for the year ended 30 June 2013 of the Council which comprises standard income statement, standard balance sheet, standard cash flow statement, standard statement of capital works, the related notes and the certification of the standard statements have been audited.

The Councillors' Responsibility for the Financial Report and Standard Statements

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 standard statements in accordance with the basis of preparation as described in Note 1 to the statements and the 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 and standard statements that are 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 and standard statements 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 and standard statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and standard statements. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report and standard statements, whether due to fraud or error. 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 and standard statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

Auditing in the Public Interest

Independent Auditor's Report (continued)

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

Independence

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

Opinion

In my opinion:

- (a) the financial report presents fairly, in all material respects, the financial position of the City of Greater Dandenong as at 30 June 2013 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*
- (b) the standard statements present fairly, in all material respects, in accordance with the basis of preparation as described in Note 1 to the statements and the requirements of the *Local Government Act 1989*.


Basis of Accounting for Standard Statements

Without modifying my opinion, I draw attention to Note 1 to the standard statements, which describes the basis of accounting. The standard statements are prepared to meet the requirements of the *Local Government Act 1989*. As a result, the standard statements may not be suitable for another purpose.

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

This auditor's report relates to the financial report and standard statements of the City of Greater Dandenong for the year ended 30 June 2013 included both in the City of Greater Dandenong's annual report and on the website. The Councillors of the City of Greater Dandenong are responsible for the integrity of the City of Greater Dandenong's website. I have not been engaged to report on the integrity of the City of Greater Dandenong's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report and standard statements are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report and standard statements to confirm the information contained in the website version of the financial report and standard statements.

MELBOURNE
11 September 2013


John Doyle
Auditor-General

2

Auditing in the Public Interest

Standard Statements
For The Year Ended 30 June 2013

11

Dandenong Market is one
of Victoria's oldest markets
having begun trading in 1866



Standard Statements

Table of Contents

Standard Statements

Standard Income Statement	176
Standard Balance Sheet	177
Standard Cash Flow Statement	178
Standard Statement of Capital Works	179

Notes to the Standard Statements

Note 1 Basis of preparation of Standard Statements	180
Note 2 Explanation of material variances	180
(a) Standard Income Statement	180
(b) Standard Balance Sheet	180
(c) Standard Cash Flow Statement	181
(d) Standard Statement of Capital Works	183
Certification of the Standard Statements	185

Standard Statements

Standard Income Statement

For the Year Ended 30 June 2013

	Note	Actual \$'000	Budget \$'000	Variance \$'000	%
Income					
Rates and charges		96,343	96,121	222	0.2
Grants – recurrent		30,921	29,664	1,257	4.2
Statutory fees and fines		2,931	2,482	449	18.1
User fees		14,661	15,378	(717)	(4.7)
Interest received	1(a)	3,445	1,669	1,776	106.4
Other income		2,658	2,712	(54)	(2.0)
Total income		150,959	148,026	2,933	2.0
Expenditure					
Employee benefits		58,522	59,532	1,010	1.7
Employee benefits – additional call defined benefits	1(b)	–	3,000	3,000	100.0
Contract payments, materials		35,714	33,015	(2,699)	(8.2)
Depreciation		25,327	24,720	(607)	(2.5)
Grants and sponsorships		5,792	5,597	(195)	(3.5)
Professional services	1(c)	5,394	4,367	(1,027)	(23.5)
Administration costs		11,804	12,263	459	3.7
Finance costs		2,836	3,121	285	9.1
Other		618	657	39	5.9
Total expenditure		146,007	146,272	265	0.2
Underlying operating result		4,952	1,754	3,198	182.3
Non-operating income and expenditure					
Net gain on disposal of assets		458	808	(350)	(43.3)
Capital grants	1(d)	7,384	3,732	3,652	97.9
Capital contributions	1(e)	5,189	18,355	(13,166)	(71.7)
Contributions – non-monetary assets		22,954	24,085	(1,131)	(4.7)
Assets written off	1(f)	(4,345)	–	(4,345)	100.0
Surplus result for the year		36,592	48,734	(12,142)	(24.9)

The above statement should be read with the accompanying notes

Standard Balance Sheet

For the Year Ended 30 June 2013

	Note	Actual \$'000	Budget \$'000	Variance \$'000	%
ASSETS					
Current assets					
Cash and cash equivalents	2(a)	52,363	41,263	11,100	26.9
Trade and other receivables	2(b)	15,245	10,989	4,256	38.7
Other financial assets	2(c)	39,546	–	39,546	100.0
Inventory-property		377	758	(381)	(50.3)
Total current assets		107,531	53,010	54,521	102.9
Non-current assets					
Property, plant & equipment and infrastructure		1,379,432	1,415,742	(36,310)	(2.6)
Inventory-property		3,698	3,360	338	10.1
Non current debtor		246	–	246	100.0
Total non-current assets		1,383,376	1,419,102	(35,726)	(2.5)
Total assets		1,490,907	1,472,112	18,795	1.3
LIABILITIES					
Current liabilities					
Trade and other payables	2(d)	17,812	12,480	5,332	42.7
Employee benefits		13,947	13,168	779	5.9
Superannuation liability	2(e)	4,847	3,000	1,847	61.6
Trust funds and deposits	2(f)	10,471	3,800	6,671	175.6
Interest-bearing liabilities		4,039	3,927	112	2.9
Total current liabilities		51,116	36,375	14,741	40.5
Non-current liabilities					
Employee benefits		643	517	126	24.4
Interest-bearing liabilities		61,848	61,941	(93)	(0.2)
Total non-current liabilities		62,491	62,458	33	0.1
Total liabilities		113,607	98,833	14,774	14.9
Net assets		1,377,300	1,373,279	4,021	0.3
Equity					
Accumulated surplus		601,762	633,497	(31,735)	(5.0)
Asset revaluation reserve		753,593	720,254	33,339	4.6
Reserves	2(g)	21,945	19,528	2,417	12.4
Total equity		1,377,300	1,373,279	4,021	0.3

The above statement should be read with the accompanying notes

Standard Statements

Standard Cash Flow Statement

For the Year Ended 30 June 2013

	Note	Actual \$'000	Budget \$'000	Variance \$'000	%
Cash flows from operating activities					
Receipts from ratepayers		95,407	95,851	(444)	(0.5)
Fees, charges, fines and other	3(a)	18,856	21,029	(2,173)	(10.3)
Contributions	3(b)	4,943	18,355	(13,412)	(73.1)
Government grants	3(c)	38,249	33,396	4,853	14.5
Interest received	3(d)	2,893	1,669	1,224	73.3
Payments to employees		(62,855)	(58,948)	(3,907)	6.6
Payments to suppliers		(57,229)	(55,420)	(1,809)	3.3
Net cash provided by operating activities		40,264	55,932	(15,668)	(28.0)
Cash flows from investing activities					
Payments for property and other non-current assets	3(e)	(45,331)	(84,592)	39,261	(46.4)
Proceeds from sale of property, plant & equipment	3(f)	2,763	1,608	1,155	71.8
Payments for other financial assets	3(g)	(39,546)	–	(39,546)	100.0
Repayment of trust monies and deposits	3(h)	(2,545)	–	(2,545)	100.0
Net cash used in investing activities		(84,659)	(82,984)	(1,675)	2.0
Cash flows from financing activities					
Finance costs		(2,365)	(3,121)	756	(24.2)
Proceeds from borrowings		33,100	33,100	–	–
Repayment of borrowings		(3,255)	(3,221)	(34)	1.1
Net cash provided by financing activities		27,480	26,758	722	2.7
Net increase in cash and cash equivalents		(16,915)	(294)	(16,621)	5,653.4
Cash and cash equivalents at the beginning of year		69,278	41,557	27,721	66.7
Cash and cash equivalents at the end of the financial year	2(a)	52,363	41,263	11,100	26.9

The above statement should be read with the accompanying notes

Standard Statement of Capital Works

For the Year Ended 30 June 2013

	Note	Actual \$'000	Budget \$'000	Variance \$'000	%
Ongoing asset renewal programs					
Facilities group		2,558	2,536	22	0.9
Open space group		1,308	1,140	168	14.7
Plant, fleet and equipment		3,563	3,146	417	13.3
Roads group		6,509	7,346	(837)	(11.4)
Stormwater group		409	494	(85)	(17.2)
Total ongoing asset renewal		14,347	14,662	(315)	(2.1)
Major Projects					
Municipal Building Project	4(a)	23,157	38,300	(15,143)	(39.5)
Springvale Civic Project		1,143	1,000	143	14.3
Pavillion upgrade program	4(b)	244	1,702	(1,458)	(85.7)
Tattersson Park Northern Precinct		1,254	605	649	107.3
Coomoora Reserve		168	222	(54)	(24.3)
Other major projects	4(c)	890	1,953	(1,063)	(54.4)
Total Major Projects		26,856	43,782	(16,926)	(38.7)
Developer Contribution Plan (DCP)					
DCP funded works	4(d)	–	15,489	(15,489)	(100.0)
DCP Council funded works	4(e)	124	1,800	(1,676)	(93.1)
Total DCP works		124	17,289	(17,165)	(99.3)
Other capital discretionary		8,705	8,859	(154)	(1.7)
Total capital works		50,032	84,592	(34,560)	(40.9)
Asset expenditure classification					
Renewal		16,602	15,739	863	5.5
Upgrade/expansion	4(f)	4,173	7,903	(3,730)	(47.2)
New	4(g)	26,628	60,950	(34,322)	(56.3)
Operational/maintenance	4(h)	2,629	–	2,629	100.0
Total capital works		50,032	84,592	(34,560)	(40.9)

Please note that the total Capital Works expenditure of \$50.03 million includes the total expenditure on Capital Works projects. This total includes \$2.63 million of expenditure that were either operating in nature or could not be capitalised because they were below the capitalisation threshold for the relevant asset classes.

The above statement should be read with the accompanying notes

Standard Statements

Notes to the Standard Statements

1. Basis of preparation of Standard Statements

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

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

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

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

The Standard Statements compare Council's financial plan, expressed through its budget, with actual performance. The Local Government Act 1989 requires explanation of any material variances. The statements have been prepared on the basis of a materiality threshold of greater than \$1,000,000 and greater than 10 per cent. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures included in the Standard Statements are those adopted by Council on 25 June 2012. The budget was based on assumptions that were relevant at the time of adoption of the budget. The Council set guidelines and parameters for revenue and expense targets in this budget in order to meet Council's business plan and financial performance targets for both the short and long term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

Detailed information on the actual financial results are contained in the General Purpose Financial Report located in the previous section of the Annual Report. The detailed budget can be obtained by contacting Council or through the Council's website (www.greaterdandenong.com). The Standard Statements must be read with reference to these documents.

2. Explanation of material variances

(a) Standard Income Statement

The Standard Income Statement for the Annual Report shows what has happened during the year in terms of revenue, expenses and other adjustments from all activities. The Standard Income Statement is presented in the same format as that which was presented in Council's original budget.

The Standard Income Statement separately discloses revenue items where the item is of such a size, nature or incidence that its disclosure is relevant in explaining the performance of the Council.

The Standard Income Statement for the Annual Report also shows the movement in equity, so that a separate Statement of Changes in Equity is not necessary.

Note	Item	Explanation
1(a)	Interest received	Interest received is higher than anticipated at 30 June 2013 resulting from higher cash holdings during the year due to expenditure delays for major capital projects in 2012–13 and part due to the drawdown of borrowings (\$33.10 million) in early April 2013.
1(b)	Employee benefits – additional call defined benefits	Employee benefits – additional call defined benefits less the budget due to the final shortfall of the Local Authority defined benefits superannuation scheme being bought to account as an expense in its entirety at 30 June 2012 (\$10.57 million). This was not known until late July 2013 (adoption of the 2012–13 Budget was in June 2013). Council also directed an early payment of \$5.50 million in December 2012 receiving an early payment discount. The outstanding balance of \$4.85 million was paid in full in July 2013.
1(c)	Professional services	Professional services were \$1.03 million higher than budget primarily due to the allocation of consultancy costs contained in the capital works budget that either did not meet the asset capitalisation criteria or were operating in nature and were expensed through the Standard Income Statement. The majority of these costs relate to remediation works at the site of the former depot at Springvale (environmental and electrical works) combined with professional services costs associated with carry forward expenditure from 2011–12 on externally tied grant funded programs in the Community Services directorate.

Note	Item	Explanation
1(d)	Capital grants	Capital grants were \$3.65 million higher than the original budget due to the successful receipt of \$2.93 million in State and Federal Government grant funding for the new Municipal Building Project including Living Libraries Infrastructure program \$0.68 million, Community Support grants program \$0.45 million and Department of Regional Australia (RDAF) funding \$1.80 million. Additionally, \$1.71 million in unbudgeted grants were received for works to upgrade various early learning centres throughout the municipality including Heritage Pre School, Heather Hill, Dandenong North and West kindergartens.
1(e)	Capital contributions	Capital contributions were \$13.17 million lower than the original budget mainly due to the change in accounting treatment of contributions associated with Council's Development Contribution Plans (DCP) which occurred after the 2012–13 budget was adopted. Previously, the contributions made by developers towards the construction of DCP infrastructure were recognised as income however are now recognised as a liability (deposits).
1(f)	Assets written off	The increase in the write off of capital expenditure during the year occurred due to either asset purchases under the capitalisation threshold or non capital purchases (\$2.63 million). Non capital purchases include minor repairs and maintenance, safety audits and inspections and are considered operating in nature. A further \$1.06 million relates to the decommissioning of tree assets due to a change in accounting policy that occurred during the 2012–13 financial year combined with \$1.11 million in works in progress expenditure that was unable to be capitalised due to the reasons mentioned previously.

(b) The Standard Balance Sheet

The Standard Balance Sheet for the Annual Report shows a snap shot of the financial situation as at the end of the year. It shows the total of what is owned (assets) less what is owed (liabilities). The bottom line of this statement is net assets, which is the net worth of Council. The Standard Balance Sheet is presented in the same format as that which was presented in Council's original budget.

The change in net assets between two year's Standard Balance Sheets shows how the financial position has changed over that period which is described in more detail in the Standard Income Statement.

The assets and liabilities are separated into current and non-current. Current means those assets or liabilities which will fall due in the next twelve months.

Note	Item	Explanation
2(a)	Cash and cash equivalents	Cash holdings were higher than anticipated at 30 June 2013 as a result of a recent draw down of new borrowings in April 2013 combined with timing variances in the payment of progress claims for the Municipal Building Project and other major capital projects during the 2012–13 financial year. As at 30 June 2013, Council has set aside a total of \$39.41 million of operating cash to fund the completion of capital works in progress (\$31.23 million) and unexpended grant funds (\$8.19 million). The closing cash balance also includes restricted cash that are set aside for specific purposes and users of the financial report should refer to the Financial Report note 26 (b) for details of funds held in reserve and note 27 for details of existing Council commitments.
2(b)	Trade and other receivables	The balance of trade and other receivables at the end of the financial year is higher than the original budget by \$4.26 million due to the following main reasons; outstanding pensioner rebate claim from the Department of Human Services \$0.60 million, recognition of a Development Contribution Plan debtor for works completed of \$0.71 million which was not outstanding at 30 June 2012 and a total of \$0.30 million relating invoices for grants which were outstanding at 30 June 2013. The remaining balance relates to an increase in outstanding sundry, parking infringements and rates debtors. Additionally, budget assumptions were lower than the actual outstanding balances at 30 June 2013.

Standard Statements

Note	Item	Explanation
2(c)	Other financial assets	Payments for financial assets represent term deposits invested for greater than three months. The \$39.55 million variance is due to higher cash holdings resulting from the draw down on borrowings (\$33.1 million) in April 2013 combined with major project expenditure delays leading up to the end of the financial year. Please also refer to explanation provided at 2(a).
2(d)	Trade and other payables	Trade and other payables is higher than the original budget due to a \$3.24 million progress claim relating to the Municipal Building Project for works completed up to 30 June 2013. This amount was recognised but not yet paid at 30 June 2013.
2(e)	Superannuation liability	Superannuation liability (current) was \$1.85 million higher than budget as the final shortfall of the Local Authorities Defined Benefits Superannuation Scheme was not known at the time of the adoption of the 2012–13 budget. Council's \$3 million budget was an estimate however, Council's actual share of the shortfall was \$10.57 million. During the financial year Council also directed an early payment of \$5.50 million and received an early payment discount of \$222,329. The remaining balance of \$4.85 million is classified as a current liability at 30 June 2013 and was subsequently paid in full in July 2013.
2(f)	Trust funds and deposits	The increase in trust funds and deposits relate to the change in accounting treatment of contributions for the provision of infrastructure associated with Council's Development Contribution Plans (DCP). This change occurred after the adoption of 2012–13 budget. Contributions made by developers towards the construction of DCP infrastructure are now recognised as deposits (previously income). The movement represents reimbursements to developers during the financial year for works completed.
2(g)	Reserves	The increase in reserves is the net result of a number of inflows and outflows that occurred during the 2012–13 financial year. The most significant inflow relates to funds received for works completed by Council associated with Development Contribution Plans. Outflows mainly comprise of funds for capital works. Please refer to note 26(a) of the Financial Report for further details on reserve balances at 30 June 2013.

(c) Standard Cash Flow Statement

A Standard Cash Flow Statement for the Annual Report shows what has happened during the year in terms of cash. It explains what cash movements have resulted in the difference in the cash balance at the beginning and the end of the year.

The net cash flows from operating activities, shows how much cash remains, after paying for providing services to the community, which may be invested in things such as capital works. The Standard Cash Flow Statement is presented in the same format as that which was presented in Council's original budget.

The information in the Standard Cash Flow Statement assists users in the assessment of the ability to generate cash flows, meet financial commitments as they fall due including the servicing of borrowings, fund changes in the scope or nature of activities and obtain external finance.

Note	Item	Explanation
3(a)	Fees, charges, fines and other	Fees, charges, fines and other cash inflows are lower than budget by \$2.17 million primarily due to a higher balance of outstanding trade receivables compared to budget assumptions at 30 June 2013. Refer to explanation provided at note 2(b) earlier.
3(b)	Contributions	Contributions are \$13.41 million lower than budget due to the change in accounting treatment of Development Contribution Plans which occurred after the adoption of the 2012–13 budget (refer to note 1(e)).

Note	Item	Explanation
3(c)	Government grants	Government grants received are \$4.85 million higher than budget due to the receipt of additional operational funding for home and community care \$0.43 million and National Disaster Relief funding for the remediation of the Hammond Road bridge \$0.68 million. Council was also successful in the receipt of additional capital grant funding that were not provided for in the adopted budget including funding for the new Municipal Building and Community Complex totalling \$2.93 million. Please refer to explanation provided earlier at note 1(d).
3(d)	Interest received	Refer to explanation provided earlier at 1(a).
3(e)	Payments for property and other non-current assets	The payments for property, infrastructure, plant and equipment was \$39.26 million lower than the budget due mainly to timing variances in the payment of progress claims for major capital projects and a change in accounting treatment of Development Contribution Plans. Refer to explanation provided at 4 (a–e).
3(f)	Proceeds from sale of property, plant & equipment	Proceeds from sale of property, plant and equipment were \$1.16 million higher than budget due to the sale of 51–53 Buckley Street, Noble Park. The sale was recognised in the 2011–12 financial year however the cash settlement occurred on the 19 July 2012 (2012–13 financial year). Additionally budget assumptions provided for sale settlements relating to Metro 3175 however no sale settlements occurred during the financial year.
3(g)	Payments for financial assets	Refer to explanation provided earlier at 2(c).
3(h)	Repayments of trust funds and deposits	Refer to explanation provided earlier at 2(f).

(d) Standard Capital Works Statement

The Standard Capital Works Statement for the Annual Report sets out all the actual capital expenditure in relation to non-current assets for the year. It also shows the amount of capital works expenditure which is expected to be renewing, upgrading, expanding or creating new assets. This is important because each of these categories has a different impact on Council's future costs.

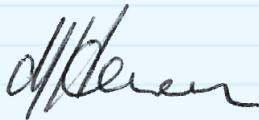
- Capital expansion expenditure extends an existing asset to a new group of users. It is discretionary expenditure which increases future operating and maintenance costs, because it increases Council's asset base, but may be associated with additional revenue from the new user group.
- Capital renewal expenditure reinstates existing assets, it has no impact on revenue, but may reduce future operating and maintenance expenditure if completed at the optimum time.
- Capital upgrade expenditure enhances an existing asset to provide a higher level of service or expenditure that will increase the life of the asset beyond that which it had originally. Upgrade expenditure is discretionary and often does not result in additional revenue unless direct user charges apply. It will increase operating and maintenance expenditure in the future because of the increase in the Council's asset base.
- New capital expenditure does not have any element of renewal, expansion or upgrade of existing assets. New capital expenditure may or may not result in additional revenue for Council and will result in an additional burden for future operation, maintenance and capital renewal.

Standard Statements

Note	Item	Explanation
4(a)	Municipal Building Project	Capital expenditure relating to the new Municipal Building and Community Complex was \$15.14 million lower than original budget expectations due to timing of expenditure outflows. The project is set to be completed mid 2014.
4(b)	Pavilion upgrade program	The pavilion upgrade program mainly comprises of three major projects, namely the Alan Carter, George Andrews and Norman Luth pavilions. Commencement of these projects were part delayed due to the timing of the grant funding approval process with additional delays relating to seasonal usage of the sporting facilities. These projects are expected to be completed in the 2013–14 financial year.
4(c)	Other major projects	The \$1.06 million favourable variance is mainly due to a delay in redevelopment works at Shepley Oval and the street light replacement program which was delayed due to the approval process of external grant funding.
4(d)	DCP funded works	Capital expenditure associated with DCP funded works relates to the construction of DCP infrastructure expected to be undertaken by various developers. During the 2011–12 financial year, a change in accounting treatment of DCP's occurred. This was not known at the time of adoption of the 2012–13 budget. The construction of DCP infrastructure undertaken by developers will be refunded to developers from amounts held by Council as deposits. Please read in conjunction with explanatory notes 1(e) and 2(f) provided earlier.
4(e)	DCP Council funded works	Relates to the timing of expenditure associated with Council's contribution to the two major Development Contribution Plans. Unspent funds have been transferred to reserves at 30 June 2013 and will fund future scheduled works in the DCP.
4(f)	Upgrade/expansion	The majority of the variance relates to delayed works at a number of pavilions previously noted in 4(b) the most significant being Norman Luth Reserve pavilion due to the timing of the grant funding approval process \$0.60 million and Thomas Street Precinct (Afghan Bazaar) street enhancements \$0.40 million which was delayed due to the sourcing of construction materials. The upgrading of Council's street lighting to energy efficient luminaires was also delayed due to the approval process of external funding. Works are expected to be completed in 2013–14.
4(g)	New	The majority of the variance relates to the new Municipal Building and Community Complex in Dandenong (see above note 4(a)).
4(h)	Operational/maintenance	The \$2.63 million variance relates to expenditure that was budgeted for in the Capital Works program however have been expensed through the Standard Income Statement as they were either operating in nature or could not be capitalised because they were below the capitalisation threshold for the relevant asset classes.

Certification of Standard Statements

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

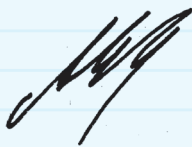


Michelle Hansen CPA
Principal Accounting Officer
Date: 9 September 2013

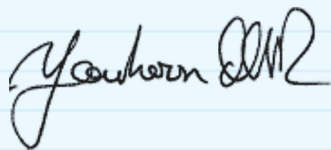
In our opinion the accompanying standard statements have been prepared on accounting bases consistent with the financial statements and in accordance with the Local Government Act 1989 and the Local Government (Finance and Reporting) Regulations 2004.

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

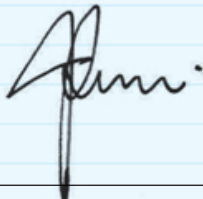
We have been authorised by the Council on 9 September 2013, to certify the standard statements in their final form on behalf of the Council.



Cr Angela Long
Mayor
Date: 9 September 2013



Cr Youhorn Chea
Councillor
Date: 9 September 2013



John Bennie
Chief Executive Officer
Date: 9 September 2013

