



Annual Financial Report



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## Certification of the Financial Statements

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



Michelle Hansen CPA  
Principal Accounting Officer

Date : 9 September 2019

In our opinion the accompanying Financial Statements present fairly the financial transactions of the City of Greater Dandenong for the year ended 30 June 2019 and the financial position of the Council as at that date.

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

We have been authorised by the Council and by the Local Government (Planning and Reporting) Regulation 2014 on 9 September 2019 to certify the Financial Statements in their final form.



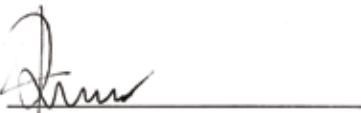
Youhorn Chea  
Councillor

Date : 9 September 2019



Matthew Kirwan  
Councillor

Date : 9 September 2019



John Bennie PSM  
Chief Executive Officer

Date : 9 September 2019



## Independent Auditor's Report

### To the Councillors of the City of Greater Dandenong

<b>Opinion</b>	<p>I have audited the consolidated financial report of the City of Greater Dandenong (the council) and its controlled entities (together, the consolidated entity), which comprises the:</p> <ul style="list-style-type: none"> <li>• consolidated entity balance sheet as at 30 June 2019</li> <li>• consolidated entity comprehensive income statement for the year then ended</li> <li>• consolidated entity statement of changes in equity for the year then ended</li> <li>• consolidated entity statement of cash flows for the year then ended</li> <li>• consolidated entity statement of capital works for the year then ended</li> <li>• notes to the financial statements, including significant accounting policies</li> <li>• certification of the financial statements.</li> </ul> <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the consolidated entity as at 30 June 2019 and its financial performance and cash flows for the year then ended, in accordance with the financial reporting requirements of Part 6 of the <i>Local Government Act 1989</i> and applicable Australian Accounting Standards.</p>
<b>Basis for Opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the consolidated entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's <i>APES 110 Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<b>Councillors' responsibilities for the financial report</b>	<p>The Councillors of the council are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Local Government Act 1989</i>, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Councillors are responsible for assessing the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

# Annual Financial Report

## FOR THE YEAR ENDED 30 JUNE 2019

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**Auditor's responsibilities for the audit of the financial report**

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.


As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 consolidated entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Councillors
- conclude on the appropriateness of the Councillors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the financial report. I remain responsible for the direction, supervision and performance of the audit the consolidated entity. I remain solely responsible for my audit opinion.

I communicate with the Councillors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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MELBOURNE  
23 September 2019

  
Jonathan Kyvelidis  
as delegate for the Auditor-General of Victoria

## Comprehensive Income Statement

For the year ended 30 June 2019

	Note	Consolidated 2019 \$'000	Consolidated 2018 \$'000
<b>Income</b>			
Rates and charges	3.1	140,943	132,808
Statutory fees and fines	3.2	9,471	9,359
User fees	3.3	8,199	8,026
Grants – operating	3.4	34,309	33,029
Grants – capital	3.4	4,068	4,281
Contributions – monetary	3.5	5,269	3,375
Contributions – non-monetary	3.5	7,735	19,169
Net gain on disposal of property, infrastructure, plant and equipment	3.6	457	141
Fair value adjustments for investment property	6.4	–	1,025
Other income	3.7	15,683	15,481
<b>Total income</b>		<b>226,134</b>	<b>226,694</b>
<b>Expenses</b>			
Employee costs	4.1	(75,756)	(72,378)
Materials and services	4.2	(70,130)	(65,557)
Depreciation and amortisation	4.3	(29,064)	(28,202)
Bad and doubtful debts	4.4	26	(1,649)
Borrowing costs	4.5	(3,131)	(3,419)
Fair value adjustments for investment property	6.4	(907)	–
Other expenses	4.6	(15,893)	(8,555)
<b>Total expenses</b>		<b>(194,855)</b>	<b>(179,760)</b>
<b>Surplus for the year</b>		<b>31,279</b>	<b>46,934</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to surplus or deficit in future periods</b>			
Net asset revaluation decrement	9.1 (a)	(48,728)	(17,132)
Impairment (loss) reversal	9.1 (a)	–	47
<b>Total comprehensive result</b>		<b>(17,449)</b>	<b>29,849</b>

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

# Annual Financial Report

## FOR THE YEAR ENDED 30 JUNE 2019

### Balance Sheet

As at 30 June 2019

	Note	Consolidated 2019 \$'000	Consolidated 2018 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5.1(a)	163,607	154,591
Trade and other receivables	5.1(c)	22,929	19,454
Other assets	5.2	4,473	3,742
<b>Total current assets</b>		<b>191,009</b>	<b>177,787</b>
<b>Non-current assets</b>			
Trade and other receivables	5.1(c)	325	325
Other financial assets	5.1(b)	230	230
Property, infrastructure, plant and equipment	6.2	2,136,629	2,160,766
Investment property	6.4	12,827	11,330
<b>Total non-current assets</b>		<b>2,150,011</b>	<b>2,172,651</b>
<b>Total assets</b>		<b>2,341,020</b>	<b>2,350,438</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	5.3(a)	26,740	21,301
Trust funds and deposits	5.3(b)	35,311	40,218
Provisions	5.5(c)	17,351	16,412
Interest-bearing loans and borrowings	5.4	8,634	3,301
<b>Total current liabilities</b>		<b>88,036</b>	<b>81,232</b>
<b>Non-current liabilities</b>			
Trust funds and deposits	5.3(b)	900	1,287
Provisions	5.5(c)	1,599	1,351
Interest-bearing loans and borrowings	5.4	49,891	48,525
<b>Total non-current liabilities</b>		<b>52,390</b>	<b>51,163</b>
<b>Total liabilities</b>		<b>140,426</b>	<b>132,395</b>
<b>Net assets</b>		<b>2,200,594</b>	<b>2,218,043</b>
<b>Equity</b>			
Accumulated surplus		876,273	857,413
Reserves	9.1(c)	1,324,321	1,360,630
<b>Total equity</b>		<b>2,200,594</b>	<b>2,218,043</b>

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



## Statement of Changes in Equity

For the year ended 30 June 2019

	Note	Consolidated			Other Reserves \$'000
		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	
<b>2019</b>					
Balance at beginning of the financial year		2,218,043	857,413	1,290,865	69,765
Surplus for the year		31,279	31,279	–	–
Net asset revaluation decrement	9.1(a)	(48,728)	–	(48,728)	–
Revaluation reversal – disposed assets	9.1(a)	–	330	(330)	–
Transfers to other reserves	9.1(b)	–	(21,942)	–	21,942
Transfers from other reserves	9.1(b)	–	9,193	–	(9,193)
<b>Balance at end of the financial year</b>		<b>2,200,594</b>	<b>876,273</b>	<b>1,241,807</b>	<b>82,514</b>
<b>2018</b>					
Balance at beginning of the financial year		2,188,194	823,671	1,308,037	56,486
Surplus for the year		46,934	46,934	–	–
Net asset revaluation decrement	9.1(a)	(17,132)	–	(17,132)	–
Revaluation reversal – disposed assets	9.1(a)	–	87	(87)	–
Impairment (loss)/reversal in revaluation reserve	9.1(a)	47	–	47	–
Transfers to other reserves	9.1(b)	–	(15,849)	–	15,849
Transfers from other reserves	9.1(b)	–	2,570	–	(2,570)
<b>Balance at end of the financial year</b>		<b>2,218,043</b>	<b>857,413</b>	<b>1,290,865</b>	<b>69,765</b>

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

# Annual Financial Report

## FOR THE YEAR ENDED 30 JUNE 2019

### Statement of Cash Flows

For the year ended 30 June 2019

	Note	Consolidated 2019 Inflows/ (Outflows) \$'000	Consolidated 2018 Inflows/ (Outflows) \$'000
<b>Cash flows from operating activities</b>			
Rates and charges		140,317	132,752
Statutory fees and fines		6,739	7,259
User fees		8,409	9,247
Grants – operating		34,394	33,085
Grants – capital		3,941	6,449
Contributions – monetary		5,025	3,353
Interest received		3,714	2,916
Trust funds and deposits taken		31,955	39,180
Other receipts		13,468	12,566
Net GST refund		10,376	8,156
Employee costs		(74,515)	(74,073)
Materials and services		(82,796)	(69,014)
Trust funds and deposits repaid		(36,439)	(32,540)
Other payments		(8,446)	(5,420)
<b>Net cash provided by operating activities</b>	9.2	56,142	73,916
<b>Cash flows from investing activities</b>			
Payments for property, infrastructure, plant and equipment		(51,528)	(38,231)
Proceeds from sale of property, infrastructure, plant and equipment		857	648
<b>Net cash used in investing activities</b>		(50,671)	(37,583)
<b>Cash flows from financing activities</b>			
Finance costs		(3,154)	(3,445)
Proceeds from borrowings		10,000	–
Repayment of borrowings		(3,301)	(3,086)
Repayment of other interest-bearing liabilities		–	(1,255)
<b>Net cash provided by (used in) financing activities</b>		3,545	(7,786)
Net increase in cash and cash equivalents		9,016	28,547
Cash and cash equivalents at the beginning of the financial year		154,591	126,044
<b>Cash and cash equivalents at the end of the financial year</b>	5.1(a)	<b>163,607</b>	<b>154,591</b>
Financing arrangements	5.6		
Restrictions on cash assets	5.1		

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

## Statement of Capital Works

For the year ended 30 June 2019

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
<b>Property</b>		
Land	1,118	–
<b>Total land</b>	1,118	–
Buildings	22,453	13,780
Leasehold improvements	41	33
<b>Total buildings</b>	22,494	13,813
Investment property	2,337	–
<b>Total investment property</b>	2,337	–
<b>Total property</b>	25,949	13,813
<b>Plant and equipment</b>		
Plant, machinery and equipment	2,942	1,692
Fixtures, fittings and furniture	179	28
Computers and telecommunications	178	139
Library books	842	980
<b>Total plant and equipment</b>	4,141	2,839
<b>Infrastructure</b>		
Roads	6,873	9,742
Bridges	60	191
Footpaths and cycleways	1,999	1,143
Drainage	3,095	1,123
Recreational, leisure and community facilities	1,860	2,861
Parks, open space and streetscapes	7,220	4,173
Off street car parks	2,377	1,256
<b>Total infrastructure</b>	23,484	20,489
<b>Total capital works expenditure</b>	<b>53,574</b>	<b>37,141</b>
<b>Represented by:</b>		
New asset expenditure	22,771	12,052
Asset renewal expenditure	21,025	18,614
Asset upgrade expenditure	9,778	6,475
<b>Total capital works expenditure</b>	<b>53,574</b>	<b>37,141</b>

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

# Annual Financial Report

## FOR THE YEAR ENDED 30 JUNE 2019

### Notes to the Financial Report

#### Overview

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

#### Statement of compliance

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

#### Significant accounting policies

##### (a) Basis of accounting

These consolidated financial statements for the year ended 30 June 2019 comprise the results of operations for both Council and its wholly owned subsidiary, namely the Dandenong Market Pty Ltd.

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

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

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

- the fair value of land, buildings and infrastructure (refer to note 6.2 and 8.4).
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to note 6.2).
- the determination of employee provisions (refer to note 5.5 (a)).

– the determination of landfill provisions (refer to note 5.5 (b)).

– other area requiring judgements.

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

##### (b) Change in accounting policies and restatement of items in the financial statement due to reclassification.

The following financial statements and accompanying notes have been amended to reflect reclassification.

- Comprehensive income statement and notes 3.2, 3.3, 3.4 and 4.2
- Statement of Cash Flows
- Commitments – note 5.7(b)
- People and relationships – note 7

Provision for doubtful debts - change in methodology from an aged basis to an expected credit loss model in compliance with changes in Australian Accounting Standard AASB 9 Financial Instruments which results a change in accounting policy (note 4.4).

#### Note 1 Performance against budget

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

The budget figures detailed below are those adopted by Council on 12 June 2018. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for income and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

## 1.1 Income and expenditure

	<b>Consolidated Actual 2019 \$'000</b>	<b>Council Actual 2019 \$'000 <i>(note 6.3)</i></b>	<b>Council Budget 2019 \$'000</b>	<b>Council Variance 2019 \$'000 <i>Fav (Unfav)</i></b>	<b>Ref</b>
<b>Income</b>					
Rates and charges	140,943	141,036	139,575	1,461	
Statutory fees and fines	9,471	9,471	7,950	1,521	1.1.1
User fees	8,199	8,199	9,628	(1,429)	1.1.2
Grants – operating	34,309	34,309	28,148	6,161	1.1.3
Grants – capital	4,068	4,068	1,256	2,812	1.1.4
Contributions – monetary	5,269	5,269	2,398	2,871	1.1.5
Contributions – non-monetary	7,735	7,735	15,000	(7,265)	1.1.6
Net gain on disposal of property, infrastructure, plant and equipment	457	457	661	(204)	1.1.7
Other income	15,683	11,368	10,350	1,018	1.1.8
<b>Total income</b>	<b>226,134</b>	<b>221,912</b>	<b>214,966</b>	<b>6,946</b>	
<b>Expenses</b>					
Employee costs	(75,756)	(74,820)	(76,894)	2,074	1.1.9
Materials and services	(70,130)	(66,957)	(63,726)	(3,231)	1.1.10
Bad and doubtful debts	26	72	(1,097)	1,169	1.1.11
Depreciation and amortisation	(29,064)	(29,054)	(29,945)	891	1.1.12
Borrowing costs	(3,131)	(3,131)	(3,171)	40	
Fair value adjustments for investment property	(907)	(907)	–	(907)	1.1.13
Other expenses	(15,893)	(15,732)	(4,767)	(10,965)	1.1.14
<b>Total expenses</b>	<b>(194,855)</b>	<b>(190,529)</b>	<b>(179,600)</b>	<b>(10,929)</b>	
<b>Surplus for the year</b>	<b>31,279</b>	<b>31,383</b>	<b>35,366</b>	<b>(3,983)</b>	



# Annual Financial Report

## FOR THE YEAR ENDED 30 JUNE 2019

### 1.1 Income and expenditure (continued)

#### Explanation of material variations

Ref	Item	Explanation
1.1.1	Statutory fees and fines	<p>Statutory fees and fines are \$1.52 million higher than the Original Budget due mainly to:</p> <ul style="list-style-type: none"> <li>– higher than anticipated parking fine income and Infringement Court cost recoveries (\$1.26 million).</li> <li>– reclassification of subdivision, plan checking and stormwater fees from User Fees to Statutory Fees to reflect the statutory nature of these fees (\$333,000).</li> </ul> <p>Partly offset by lower planning application fee income as a result of lower development activity (\$264,000).</p>
1.1.2	User fees	<p>User fee income was \$1.43 million lower than the Original Budget due to:</p> <ul style="list-style-type: none"> <li>– reclassification of subdivision, plan checking and stormwater fees from User Fees to Statutory Fees to reflect the statutory nature of these fees (\$333,000).</li> <li>– lower Commercial Home and Community Care fee income due to a reduction in the number of clients following the transition of the former Home Care Package clients to Mecwacare, the effect of which was not known at the time of adopting the Original Budget, but it was adjusted through the Mid Year Budget Review (\$384,000).</li> <li>– lower parking ticket machine income caused by a reduction in the number of parking bays requiring payment and lower rates charged within localities across Dandenong Central Activity District (\$426,000).</li> </ul>
1.1.3	Grants – operating	<p>Operating grant income was \$6.16 million higher than the Original Budget due to:</p> <ul style="list-style-type: none"> <li>– higher Community Services program grant funding than expected in the Original Budget for Family Day Care, New Directions – Mothers and Babies, Child First, Playgroups Initiative, Child First, Right@Home, Enhanced Maternal and Child Health, Refugee Immunisation, Drug Strategy and Market Street Occasional Care Centre Community and Sustainability Support. This was due to a number of factors – grant funding relating to 2019–20 programs being received early, growth funding received or grant funding not known at the time of adopting the 2018–19 Original Budget (\$2.47 million).</li> <li>– higher than anticipated Community Care grant income due to the recognition of all grant funding received, however, the Original Budget was based on the grant funding expected to be recognised from estimated target achievement levels (\$1.86 million).</li> <li>– the early distribution of 50% of the 2018–19 and 2019–20 Financial Assistance Grant funding allocation in June of the preceding financial years. The 2018–19 actuals reflect 50% of the 2018–19 allocation and 50% of the 2019–20 allocation. Whilst 100% has effectively been received in 2018–19, both of the allocations were higher than expected in the Original Budget representing a favourable variance of \$791,000.</li> </ul>
1.1.4	Grants – capital	<p>Capital grant income was \$2.81 million higher than the Original Budget due to:</p> <ul style="list-style-type: none"> <li>– grant funding not known at the time of adopting the Original Budget for capital projects including Ross Reserve Upgrade (\$1.22 million), two Black Spot projects (\$416,000) and Safe System Road Infrastructure Program (\$443,000).</li> <li>– grant funding carried over from 2017–18 for Yarraman Oaks Primary New Early Years Learning Facility (\$617,500).</li> </ul>

## 1.1 Income and expenditure (continued)

### Explanation of material variations

Ref	Item	Explanation
1.1.5	Contributions – monetary	<p>The \$2.87 million favourable variance in monetary contributions is due to:</p> <ul style="list-style-type: none"> <li>– the requirement to recognise Community Infrastructure Levies as income (\$1.54 million). These levies were previously accounted for in the Balance Sheet. The \$1.54 million income recognised in 2018-19 has been transferred to reserves.</li> <li>– a greater level of economic activity than anticipated, resulting in Council receiving higher than budgeted open space contributions from developers (\$793,000). These contributions are restricted in their use and are transferred to reserves at the end of the financial year which are set aside for open space projects. The timing of receipt and amount of open space contributions are difficult to predict.</li> <li>– Developer Contribution Plan (DCP) funding of \$343,000 in relation to the Keysborough South Industrial Buffer capital project which carried over from 2017–18, so was not included in the Original Budget.</li> </ul>
1.1.6	Contributions – non-monetary	<p>These contributions represent assets that are transferred to Council's ownership from developers upon completion of subdivisions. Refer to note 3.5 and 6.2 for further details about contributed assets. In 2018–19, they related mainly to land under roads, bridges and footpaths. The number of subdivisions that are completed vary from year to year and the timing of these asset transfers is outside of Council's control and difficult to predict. This item is a non-cash accounting entry.</p>
1.1.7	Net gain on disposal of property, infrastructure, plant and equipment	<p>The disposal of property, infrastructure, plant and equipment was \$204,000 unfavourable to the Original Budget mainly due to higher than expected cost of fleet sold (\$214,000). This is a non-cash accounting entry.</p>
1.1.8	Other income	<p>The favourable variance of \$1.02 million in other income is mainly attributable to a higher than anticipated income for:</p> <ul style="list-style-type: none"> <li>– interest return on investments (\$1.86 million).</li> <li>– unbudgeted contributions from developers for Council to undertake corrective works at open space sites which did not meet the required standard at the time of hand-over to Council (\$277,000).</li> <li>– recoveries for the Team 11 project driven by higher project costs (\$208,000).</li> <li>– asset protection reinstatement recoveries (\$193,000).</li> </ul> <p>The above favourable income variances are mostly offset by lower recoveries from member councils in relation to a delay in Spring Valley landfill works (\$2.06 million).</p>
1.1.9	Employee costs	<p>Employee costs were favourable to the 2018–19 Original Budget by \$2.08 million due mainly to lower than anticipated salaries, overtime and associated oncosts as a result of vacant positions, a delay in recruitment and a number of grant funded programs that have been carried over to the 2019–20 financial year. In addition, Fringe Benefits Tax was lower than anticipated. These favourable variances were mostly offset by higher temporary agency staff costs (\$3.13 million).</p>

# Annual Financial Report

## FOR THE YEAR ENDED 30 JUNE 2019

### 1.1 Income and expenditure (continued)

#### Explanation of material variations

Ref	Item	Explanation
1.1.10	Materials and services	<p>The \$3.23 million unfavourable variance is due to a number of factors:</p> <ul style="list-style-type: none"> <li>– \$5.16 million in expenditure in the capital program that was not able to be capitalised to the asset register because it was not capital in nature, it did not meet the capitalisation threshold or it related to non-Council owned assets (\$1.68 million relating to prior year and \$3.48 million relating to the current year).</li> <li>– higher payments to educators in the Family Day Care program due to unbudgeted growth funding not known at the time of adopting the Original Budget (\$985,000),</li> <li>– partly offset by lower costs relating to a delay in Spring Valley landfill works (\$2.57 million).</li> </ul>
1.1.11	Bad and doubtful debts	<p>The favourable variance of \$1.17 million in bad and doubtful debts is due to a change in the provision for doubtful debts methodology from an aged basis to an expected credit loss model in compliance with changes in Australian Accounting Standard AASB 9 <i>Financial Instruments</i>.</p>
1.1.12	Depreciation and amortisation	<p>Depreciation expense was lower than the Original Budget due mainly to finalisation of the 2017–18 year end fixed asset balances which occurred after the adoption of the Original Budget. Depreciation expense was revised down during the Mid Year Budget Review to \$29.16 million which is in line with the actual result of \$29.06 million.</p>
1.1.13	Fair value adjustments for investment property	<p>The fair value valuation of investment property is determined annually by independent valuers. Changes to fair value are recorded in the Income Statement each year. Council's investment properties decreased by \$907,000 in 2018–19, which is mainly due to the impact of a commercial shop damaged by fire in 2019. This item is difficult to predict and is not included in the Original Budget. It is a non-cash accounting entry.</p>
1.1.13	Other expenses	<p>The unfavourable variance of \$10.97 million to the 2018–19 Original Budget is due to:</p> <ul style="list-style-type: none"> <li>– \$4.85 million for Home and Community Care funding received in 2017–18 and 2018–19 where Council is unable to achieve the required target level. Council received advice in January 2019 from the Australian Department of Health that \$3.04 million relating to the funding period 1 July 2017 – 30 June 2018 is required to be returned (to be funded from reserves). It is expected that further amounts will also be required to be returned in relation to the current 2018–19 financial year (\$1.81 million).</li> <li>– \$3.01 million in asset write offs which are not budgeted for as they are difficult to predict and represent a non-cash accounting entry. The asset write offs mainly relate to the renewal and replacement of roads, buildings and footpaths.</li> <li>– \$1.64 million in capital program expenditure relating to non-Council owned assets mainly for undergrounding of power lines in the Bangholme Road and Afghan Precinct projects (represents contribution expenditure).</li> <li>– \$1.27 million relating to a developer reimbursement for expenditure in excess of the mandated amounts on public open space improvements in the Keysborough South Stages 2 and 3 areas. This amount is not covered by the Development Contribution Plan (DCP).</li> </ul>

## 1.2 Capital works

	Consolidated Actual 2019 \$'000	Council Actual 2019 \$'000	Council Budget 2019 \$'000	Council Variance 2019 \$'000 <i>Fav (Unfav)</i>	Ref
<b>Property</b>					
Land	1,118	1,118	3,000	1,882	1.2.1
<b>Total land</b>	<b>1,118</b>	<b>1,118</b>	<b>3,000</b>	<b>1,882</b>	
Buildings	22,453	22,453	27,446	4,993	1.2.2
Leasehold improvements	41	41	100	59	
<b>Total buildings</b>	<b>22,494</b>	<b>22,494</b>	<b>27,546</b>	<b>5,052</b>	
Investment property	2,337	2,337	–	(2,337)	1.2.3
<b>Total investment property</b>	<b>2,337</b>	<b>2,337</b>	<b>–</b>	<b>(2,337)</b>	
<b>Total property</b>	<b>25,949</b>	<b>25,949</b>	<b>30,546</b>	<b>4,597</b>	
<b>Plant and equipment</b>					
Plant, machinery and equipment	2,942	2,942	2,378	(564)	1.2.4
Fixtures, fittings and furniture	179	179	152	(27)	
Computers and telecommunications	178	178	130	(48)	
Library books	842	842	1,161	319	
<b>Total plant and equipment</b>	<b>4,141</b>	<b>4,141</b>	<b>3,821</b>	<b>(320)</b>	
<b>Infrastructure</b>					
Roads	6,873	6,873	7,793	920	1.2.5
Bridges	60	60	687	627	1.2.6
Footpaths and cycleways	1,999	1,999	1,795	(204)	
Drainage	3,095	3,095	3,245	150	
Recreational, leisure and community facilities	1,860	1,860	2,226	366	
Parks, open space and streetscapes	7,220	7,220	8,712	1,492	1.2.7
Off street car parks	2,377	2,377	1,087	(1,290)	1.2.8
<b>Total infrastructure</b>	<b>23,484</b>	<b>23,484</b>	<b>25,545</b>	<b>2,061</b>	
<b>Total capital works expenditure</b>	<b>53,574</b>	<b>53,574</b>	<b>59,912</b>	<b>6,338</b>	
<b>Represented by:</b>					
New asset expenditure	22,771	22,771	27,811	5,040	1.2.9
Asset renewal expenditure	21,025	21,025	21,301	276	
Asset upgrade expenditure	9,778	9,778	10,800	1,022	1.2.10
<b>Total capital works expenditure</b>	<b>53,574</b>	<b>53,574</b>	<b>59,912</b>	<b>6,338</b>	

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## FOR THE YEAR ENDED 30 JUNE 2019

### 1.2 Capital works (continued)

#### Explanation of material variations

Ref	Item	Explanation
1.2.1	Land	Acquisitions of land were lower than the 2018–19 Original Budget by \$1.88 million due to a delay in the purchase of a land site for the Keysborough South Community Hub (\$3 million) partly offset by an unbudgeted strategic land acquisition in Lonsdale Street, Dandenong (\$1.12 million).
1.2.2	Buildings	Capital expenditure on buildings was lower than the 2018–19 Original Budget by \$4.99 million due to: <ul style="list-style-type: none"> <li>– Springvale Community Precinct project (\$5.26 million, caused by a delay in the multi-year project).</li> <li>– Thomas Carroll Pavilion project (\$1.95 million, due to redesign).</li> <li>– Keysborough South Community Hub Building Design project (\$1.00 million, due to the delay in acquiring a land site).</li> </ul> Partly offset by Alex Nelson Reserve Pavilion project (\$1.38 million, which was carried over from the prior financial year).
1.2.3	Investment property	The unfavourable variance of \$2.34 million to the 2018–19 Original Budget is due to an strategic property acquisition in Lonsdale Street, Dandenong which was included in the 2019–20 Mid Year Budget Review.
1.2.4	Plant, machinery and equipment	Plant, machinery and equipment experienced an unfavourable variance of \$564,000 to the 2018–19 Original Budget due mainly to the purchase of a specialised jet truck for Council's drainage network (\$590,000) which was carried over from the prior financial year, so wasn't included in the 2018–19 Original Budget.
1.2.5	Roads	Capital expenditure on roads was lower than the 2018–19 Original Budget by \$920,000 due to: <ul style="list-style-type: none"> <li>– a total favourable variance of \$1.52 million in the Local Road Surface/Rehabilitation Program and Bangholme Road multi-year project due to \$1.80 million that was transferred to operating expenditure as it could not be capitalised to the asset register, mainly caused by the undergrounding of power lines and lighting (works on non-Council assets).</li> <li>– a combination of savings and a delay in the reserve funded Development Contribution Plan (DCP) Perry Road South Upgrade Design project (\$620,000) with \$244,000 to be carried over to the 2019–20 financial year.</li> </ul> These favourable variances were partly offset by the Safe System Road Infrastructure Program project which was grant funded and included in the 2018–19 Mid Year Budget Review (\$420,000) and \$842,000 of major road works transferred from operating expenditure as it was considered capital in nature.
1.2.6	Bridges	The favourable variance of \$627,000 to the Original Budget is due to a delay in the DCP Lyndhurst Bridge and Bridge Rectification projects (\$468,000 – both projects to be carried over to the 2019–20 financial year) and lower than anticipated expenditure in relation to the municipal-wide bridges renewal program (\$159,000 program savings).



## 1.2 Capital works (continued)

### Explanation of material variations

Ref	Item	Explanation
1.2.7	Parks, open space and streetscapes	<p>Capital expenditure on parks, open space and streetscapes was \$1.49 million lower than the 2018–19 Original Budget due mainly to delays in the following projects (to be carried over to the 2019–20 financial year):</p> <ul style="list-style-type: none"> <li>– Springvale Road Boulevard (\$2.09 million)</li> <li>– Douglas Street, Noble Park – Streetscape Upgrade (\$300,000)</li> <li>– Robert Booth Reserve – Baseball Lighting (\$177,000)</li> </ul> <p>The favourable variance also relates to Thomas Street Precinct Afghan Enhancement project (\$219,000), where \$295,000 was transferred to operating expenditure because it could not be capitalised to the asset register.</p> <p>These favourable variances are partly offset by \$1.17 million for Dandenong Park Master Plan Implementation project and Walker Street, Dandenong – Streetscape project (\$525,000) which were carried over from the prior financial year, so were not included in the 2018–19 Original Budget.</p>
1.2.8	Off street car parks	<p>Off street car parks experienced an unfavourable variance of \$1.29 million to the 2018–19 Original Budget due mainly to the Tatterson Park Car Park and Access Road (\$1.01 million) and Metro 3175 (\$232,000) projects which were carried over from the 2017–18 financial year.</p>
1.2.9	New asset expenditure	<p>Lower than anticipated capital expenditure on new assets of \$7.38 million relates to a delay in two substantial projects which are expected to be carried over to 2019–20 (Springvale Community Precinct \$5.26 million and Keysborough South Community Hub (land acquisition and building design \$4.00 million), partly offset by the Yarraman Oaks Early Learning Facility project not included in the 2018–19 Original Budget as it was carried over from the 2017–18 financial year (\$833,000) and the unbudgeted strategic land acquisition at 275 Lonsdale Street, Dandenong (\$1.12 million).</p>
1.2.10	Asset upgrade expenditure	<p>Asset upgrade expenditure was \$1.02 million lower than anticipated due to:</p> <ul style="list-style-type: none"> <li>– Bangholme Road (\$906,000) where a significant amount was transferred to operating expenditure because it could not be capitalised to the asset register.</li> <li>– a delay in a number of projects which are expected to be carried over to 2019–20 (Springvale Road Boulevard \$644,000, Thomas Carroll Pavilion \$400,000, DCP Lyndhurst B1 Bridge \$398,000).</li> <li>– a combination of savings and a delay in the reserve funded Development Contribution Plan (DCP) Perry Road South Upgrade Design project (\$620,000) with \$244,000 to be carried over to the 2019-20 financial year.</li> </ul> <p>These favourable variances are partly offset by projects not included in the 2018–19 Original Budget as they were carried over from the 2017–18 financial year (Alex Nelson Reserve \$1.37 million and Robert Booth Reserve Pavilion \$705,000).</p>

# Annual Financial Report

## FOR THE YEAR ENDED 30 JUNE 2019

### Note 2.1 Analysis of Council results by program

Council delivers its functions and activities through the following programs.

#### 2.1a Chief Executive Office

The Office of the Chief Executive has overall responsibility for the operations of the organisation, and carriage of the Strategic Risk Register. Each member of the executive management team reports to the CEO.

#### Corporate Services

The Corporate Services directorate is responsible for a broad range of organisational functions including financial planning, marketing and communications, governance, information and telecommunications, organisational development and corporate planning. The departments which make up this directorate include Financial Services, Information Technology, Governance, Customer Service and Civic Facilities, Media and Communications, and People and Procurement.

#### Greater Dandenong Business

Greater Dandenong Business is responsible for Council's major activity centres, economic development, investment attraction and future growth. Attracting investment and showcasing business are key roles in establishing Greater Dandenong as a regional capital. The departments which make up Greater Dandenong Business include Economic Development, Activity Centres Revitalisation, and South East Business Networks (SEBN).

#### City Planning Design and Amenity

The City Planning, Design and Amenity directorate is focused on the development of our built and natural environments and ensuring that Council's activities match the community's future needs for facilities, housing, and sustainability. It oversees the functions of Building Services, Planning and Design, and Regulatory Services.

#### Engineering Services

Engineering Services is primarily focused on roads and footpaths, transport, parks and gardens, waste services, recreational and sporting facilities and Council's capital works program. It includes the departments of City Projects and Asset Improvement, Infrastructure Services and Planning, and Transport and Civil Development.

#### Community Services

Community Services provides direct services to the community across a wide range of programs such as sport and recreation, libraries, youth and families, children's services, festivals and events, support for older people and community advocacy. This directorate manages Community Care, Community Arts, Culture and Libraries, Community Wellbeing and Community Development, Sport and Recreation.

#### Non-attributable

The items that cannot be reliably attributable to a directorate. For example furniture, fixtures and fittings that cannot be identified by a location or work in progress that cannot be easily allocated across directorate.

## Note 2.1 Analysis of Council results by program

### 2.1(b) Summary of revenues, expenses, assets and capital expenses by program

	Income \$'000	Expenses \$'000	Surplus/ (Deficit) \$'000	Grants included in income \$'000	Total assets \$'000
<b>2019</b>					
CEO Services	–	(679)	(679)	–	12
City Planning, Design and Amenity	19,348	(16,861)	2,487	441	78,437
Community Services	24,741	(55,982)	(31,241)	20,991	614,662
Corporate Services	141,591	(27,565)	114,026	12,246	306,167
Engineering Services	35,544	(83,545)	(48,001)	4,434	1,339,849
Greater Dandenong Business	688	(3,932)	(3,244)	265	125
Non-attributable*	–	(1,965)	(1,965)	–	617
<b>Total for Council</b>	<b>221,912</b>	<b>(190,529)</b>	<b>31,383</b>	<b>38,377</b>	<b>2,339,869</b>
Dandenong Market Pty Ltd**	4,222	(4,326)	(104)	–	1,151
<b>Consolidated Total</b>	<b>226,134</b>	<b>(194,855)</b>	<b>31,279</b>	<b>38,377</b>	<b>2,341,020</b>
<b>2018</b>					
CEO Services	1	(613)	(612)	–	12
City Planning, Design and Amenity	17,199	(16,349)	850	404	74,921
Community Services	23,359	(47,402)	(24,043)	19,333	647,548
Corporate Services	136,863	(26,228)	110,635	11,981	289,632
Engineering Services	43,341	(77,978)	(34,637)	4,619	1,335,282
Greater Dandenong Business	1,675	(3,676)	(2,001)	973	192
Non-attributable*	–	(3,290)	(3,290)	–	1,665
<b>Total for Council</b>	<b>222,438</b>	<b>(175,536)</b>	<b>46,902</b>	<b>37,310</b>	<b>2,349,252</b>
Dandenong Market Pty Ltd**	4,256	(4,224)	32	–	1,186
<b>Consolidated Total</b>	<b>226,694</b>	<b>(179,760)</b>	<b>46,934</b>	<b>37,310</b>	<b>2,350,438</b>

\*Non-attributable represents income, expense, grant or asset items that are not specifically attributable to one of the directorates.

\*\*Dandenong Market Pty Ltd (DMPL) income, expense, grant and asset items are adjusted for consolidation adjustment between Council and DMPL – refer note 6.3

# Annual Financial Report

## FOR THE YEAR ENDED 30 JUNE 2019

### Note 3 Funding for the delivery of our services

#### 3.1 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 2018–19 was \$48.37 billion (\$38.96 billion in 2017–18).

	<b>Consolidated 2019 \$'000</b>	<b>Consolidated 2018 \$'000</b>
Residential	54,657	52,762
Commercial	12,428	12,241
Industrial	49,219	47,103
Farm	434	337
Cultural and recreational	505	438
Waste management charge – residential	19,234	16,342
Supplementary rates and rates adjustment	2,291	1,547
Maintenance levy	1,497	1,381
Interest on rates and charges	678	657
<b>Total rates and charges</b>	<b>140,943</b>	<b>132,808</b>

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2018 and the valuation is first applied to the rating period commencing 1 July 2018.

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

#### 3.2 Statutory fees and fines

Infringements and costs	4,730	4,270
Court recoveries	1,916	1,734
Building and town planning fees*	2,162	2,405
Subdivision*	144	430
Land information certificates	89	111
Election fines	13	140
Permits	417	269
<b>Total statutory fees and fines</b>	<b>9,471</b>	<b>9,359</b>

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

\*Prior year comparative figures have been amended to reflect the reclassification of subdivision, plan checking and storm water fees from user fees to statutory fees to reflect the statutory nature of these fees.

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
<b>3.3 User fees</b>		
Aged and health services	1,073	1,331
Child care/children's programs	999	950
Parking	3,360	3,250
Registration and other permits	1,789	1,458
Asset protection fees	364	348
Other fees and charges	614	689
<b>Total user fees</b>	<b>8,199</b>	<b>8,026</b>
<p>User fees are recognised as revenue when the service has been provided or Council has otherwise earned the income.</p> <p>Prior year comparative figures have been amended to reflect the reclassification of subdivision, plan checking and storm water fees from user fees to statutory fees to reflect the statutory nature of these fees.</p>		
<b>3.4 Funding from other levels of government</b>		
Grants were received in respect of the following:		
<b>Summary of grants</b>		
Commonwealth funded grants	25,102	26,342
State funded grants	13,275	10,968
<b>Total grants received</b>	<b>38,377</b>	<b>37,310</b>
<b>a) Operating grants</b>		
<b>Recurrent – Commonwealth Government</b>		
Financial Assistance Grants (via Victoria Grants Commission)*	12,206	11,941
Family day care	4,193	3,152
Family and children services	330	325
General home care	7,287	6,951
Libraries	152	110
Maternal and child health*	62	82
Volunteer	–	16
<b>Recurrent – State Government</b>		
Aged care	2,633	2,763
Maternal and child health*	2,573	2,206
Family and children services	1,698	1,763
Libraries	1,032	1,008
Community development	107	206
School crossing supervisors	417	306
Other	22	19
Right @ Home	225	427
Community wellbeing*	213	198
Community education	57	57
Emergency management	40	40
<b>Total recurrent operating grants</b>	<b>33,247</b>	<b>31,570</b>
<b>Non-recurrent – Commonwealth Government</b>		
Community development	15	20
Community wellbeing	120	–



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## FOR THE YEAR ENDED 30 JUNE 2019

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
<b>Non-recurrent – State Government</b>		
Environmental planning	234	295
Family and children services	61	–
Maternal and child health	71	–
Community development	430	993
Sports and recreation	–	27
Waste management	131	124
<b>Total non-recurrent operating grants</b>	<b>1,062</b>	<b>1,459</b>
<b>Total operating grants</b>	<b>34,309</b>	<b>33,029</b>
*Payments for Financial Assistance Grants received via the Victorian Grants Commission can vary year on year. Whilst 2017–18 and 2018–19 financial years reflect 100% of funding received – 50% of the fundings for both year relates to early distribution of the funding in June for the following year.		
*Comparative figure for 2017–18 have been amended to reflect the correct classification of funding source from State to Federal for community wellbeing and maternal and child health.		
<b>b) Capital grants</b>		
<b>Recurrent – Commonwealth Government</b>		
Roads to recovery	–	1,348
<b>Recurrent – State Government</b>		
Sports and recreation	47	–
<b>Total recurrent capital grants</b>	<b>47</b>	<b>1,348</b>
<b>Non-recurrent – Commonwealth Government</b>		
Sports and recreation – Tatterson Park	311	1,703
Community safety	9	167
Roads	417	527
<b>Non-recurrent – State Government</b>		
Roads	397	36
Libraries – Springvale Community Precinct	257	205
Sports and recreation	2,630	185
Community education	–	97
Community safety	–	13
<b>Total non-recurrent capital grants</b>	<b>4,021</b>	<b>2,933</b>
<b>Total capital grants</b>	<b>4,068</b>	<b>4,281</b>
<b>Unspent grants received on condition that they be spent in a specific manner</b>		
Balance at start of the year	10,689	8,947
Received during the financial year and remained unspent at balance date	11,006	9,636
Received in prior years and spent during the financial year	(9,921)	(7,894)
<b>Balance at end of the year*</b>	<b>11,774</b>	<b>10,689</b>

Grant income is recognised when Council obtains control of the contribution. Control is normally obtained upon receipt (or acquittal) or upon earlier notification that a grant has been secured.

\*The increase in unspent grants at the end of the year in 2019 and 2018 relates to the early distribution by the Victoria Grants Commission of approximately 50% of the Financial Assistance Grants funding for the following financial year (2018–19: \$6.25 million, 2017–18: \$5.92 million).

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
<b>3.5 Contributions</b>		
<b>Monetary</b>		
Community contributions (for capital works)	140	23
Other contributions	313	20
<b>Total non-developer contributions</b>	<b>453</b>	<b>43</b>
Open space contributions (for future capital works)*	2,793	2,922
Development infrastructure levies (for capital works completed)	483	410
Community infrastructure levies**	1,540	–
<b>Total developer contributions</b>	<b>4,816</b>	<b>3,332</b>
<b>Total monetary contributions</b>	<b>5,269</b>	<b>3,375</b>
Non-monetary	7,735	19,169
<b>Total contributions</b>	<b>13,004</b>	<b>22,544</b>
*Public open space contributions received during the financial year are transferred to the Open Space Reserve. Refer note 9.1(b).		
**During the 2018–19 financial year there was a change in the interpretation assessment for Community Infrastructure Levies which were previously recognised in the Balance Sheet.		
Contributions of non-monetary assets were received in relation to the following asset classes:		
Land	4,506	9,179
Buildings	–	225
Infrastructure	3,229	9,765
<b>Total non-monetary contributions</b>	<b>7,735</b>	<b>19,169</b>
Monetary and non-monetary contributions are recognised as revenue when Council obtains control over the contributed asset.		
<b>3.6 Net gain on disposal of property, infrastructure, plant and equipment</b>		
<i>Net gain on sale of property, infrastructure, plant and equipment</i>		
Proceeds of sale	857	648
Less carrying amount of assets sold	(400)	(507)
	457	141
<b>Total net gain on disposal of property, infrastructure, plant and equipment</b>	<b>457</b>	<b>141</b>
The profit or loss on sale of an asset is determined when control of the asset has passed to the buyer.		
<b>3.7 Other income</b>		
Interest on investments	3,661	2,922
Interest – other	3	2
Dandenong Market revenue from operations	5,755	5,738
Property rental	1,844	1,665
Other rent	1,102	1,060
Recoveries	2,044	2,960
Other	1,274	1,134
<b>Total other income</b>	<b>15,683</b>	<b>15,481</b>

Interest is recognised as it is earned.

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

# Annual Financial Report

## FOR THE YEAR ENDED 30 JUNE 2019

**Consolidated  
2019  
\$'000**      **Consolidated  
2018  
\$'000**

### Note 4 The cost of delivering services

#### 4.1 a) Employee costs

Wages and salaries	59,230	57,195
WorkCover	1,547	1,694
Casual staff	788	940
Superannuation	5,650	5,416
Long service leave oncost	2,184	1,343
Fringe benefits tax	359	435
Other	5,998	5,355
<b>Total employee costs</b>	<b>75,756</b>	<b>72,378</b>

#### b) Superannuation

Council made contributions to the following funds:

##### Defined benefit fund

Employer contribution to Local Authorities Superannuation Fund (Vision Super)	397	473
	397	473
Employer contributions payable at reporting date.	-	-

##### Accumulation funds

Employer contribution to Local Authorities Superannuation Fund (Vision Super)	3,412	3,353
Employer contribution – other funds	1,852	1,631
	5,264	4,984
Employer contributions payable at reporting date (Dandenong Market Pty Ltd)	1	4

Refer note 9.3 for further information relating to Council's superannuation obligation.

#### 4.2 Materials and services

Waste management services	14,831	13,702
Cleaning services	3,010	2,923
Park maintenance services	5,104	3,848
Educator services	4,226	3,170
Leisure centre maintenance	1,707	1,426
Building maintenance services	3,503	4,107
Security services	1,246	1,037
Meals for delivery	496	571
Library resources	498	305
Property valuation services	194	371
Other contract payments	10,865	10,310
General maintenance	2,895	2,008
Works in progress (unable to be capitalised)	1,683	3,006
Utilities	4,450	4,017
Office administration	5,775	5,585
Information technology	2,433	2,425
Insurance	1,144	850
Consultants and professional services	6,070	5,896
<b>Total materials and services</b>	<b>70,130</b>	<b>65,557</b>

In order to comply with the Local Government Model Financial Report (LGMFR) prior year comparatives have been amended to further breakdown contract payments by major services.

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
<b>4.3 Depreciation and amortisation</b>		
<b>Depreciation</b>		
Property	5,957	5,516
Plant and equipment	3,858	3,886
Infrastructure	19,249	18,800
<b>Total depreciation and amortisation</b>	<b>29,064</b>	<b>28,202</b>
Refer to 6.2 for a more detailed breakdown of depreciation and amortisation charges.		
<b>4.4 Bad and doubtful debts</b>		
Parking fine debtors	(14)	786
Other debtors	(12)	863
<b>Total bad and doubtful debts</b>	<b>(26)</b>	<b>1,649</b>
<b>Movement in provisions for doubtful debts</b>		
Balance at the beginning of the year	2,643	1,768
Reversal of previously recognised provisions AASB 9 adjustment*	(1,114)	–
New provisions recognised during the year	1,042	1,652
Amounts already provided for and written off as uncollectible	(888)	(777)
Amounts provided for but recovered during the year	–	–
<b>Balance at end of year</b>	<b>1,683</b>	<b>2,643</b>
*In accordance with changes to the Australian Accounting Standard AASB 9 Financial Instruments, provision for doubtful debts is recognised on an expected credit loss model. This model considers both historic and forward looking information in determining the level of impairment.		
<b>4.5 Borrowing costs</b>		
Interest – borrowings	3,131	3,345
Interest – other	–	74
<b>Total borrowing costs</b>	<b>3,131</b>	<b>3,419</b>

Borrowing costs are recognised as an expense in the period in which they are incurred, except where they are capitalised as part of a qualifying asset constructed by Council. Borrowing costs include interest on bank overdrafts and interest on borrowings.

# Annual Financial Report

## FOR THE YEAR ENDED 30 JUNE 2019

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
<b>4.6 Other expenses</b>		
Auditors' remuneration – VAGO – audit of the financial statements, performance statement and grant acquittals	88	86
Auditors' remuneration – internal	147	100
Audit – other	1	1
Councillors' allowances	443	434
Council election	35	–
Operating lease / rentals	1,047	1,042
Assets written-off	3,167	2,828
Landfill provisions	16	895
Impairment loss (reversal)	–	(238)
Commonwealth Home Care Support Program – return of unexpended grant funds	4,853	–
Developer reimbursement	1,269	–
Other expenses	783	876
Community grants and contributions	2,404	2,246
Contributions – non Council assets	1,640	285
<b>Total other expenses</b>	<b>15,893</b>	<b>8,555</b>
<b>Note 5 Our financial position</b>		
<b>5.1 Financial assets</b>		
<b>(a) Cash and cash equivalents</b>		
Cash on hand	3,492	4,189
Cash at bank	8,818	16,885
Term deposits	151,297	133,517
<b>Total cash and cash equivalents</b>	<b>163,607</b>	<b>154,591</b>
<b>(b) Other financial assets</b>		
<b>Non-current</b>		
<i>Financial assets held for sale</i>		
Unlisted shares – Regional Kitchen Pty Ltd – at fair value	230	230
<b>Total non-current other financial assets</b>	<b>230</b>	<b>230</b>
<b>Total other financial assets</b>	<b>230</b>	<b>230</b>
<i>Council's cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:</i>		
– Trust funds and deposits (note 5.3(b))	36,211	41,505
<b>Total restricted funds</b>	<b>36,211</b>	<b>41,505</b>
<b>Total unrestricted cash and cash equivalents</b>	<b>127,396</b>	<b>113,086</b>
<b>Intended allocations*</b>		
Although not externally restricted the following amounts have been allocated for specific future purposes by Council:		
Employee provisions (note 5.5 (a))	18,039	16,868
Statutory and other reserves (note 9.1(b))	82,514	69,765
Cash held to fund carried forward operational projects	10,286	9,597
Cash held to fund carried forward capital works (net)	16,190	16,659
<b>Total funds subject to intended allocations</b>	<b>127,029</b>	<b>112,889</b>

\*Users of the financial report should refer to note 9.1(b) for details of funds held in reserve and note 5.7 for details of existing Council commitments.

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

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

### (c) Trade and other receivables

#### Current

##### Statutory receivables

Rates debtors	7,753	7,132
Infringement debtors	8,798	7,119
Provision for doubtful debts – infringements	(968)	(1,897)
Other statutory debtors	2,673	2,738
Provision for doubtful debts – other statutory debtors	(99)	(149)
Net GST receivable	2,296	1,998

##### Non statutory receivables

Other debtors	3,092	3,110
Provision for doubtful debts – other debtors	(616)	(597)
<b>Total current trade and other receivables</b>	<b>22,929</b>	<b>19,454</b>

#### Non-current

##### Non statutory receivables

Narre Warren landfill – financial contribution	252	252
Other debtors – refundable deposit	73	73
<b>Total non-current trade and other receivables</b>	<b>325</b>	<b>325</b>
<b>Total trade and other receivables</b>	<b>23,254</b>	<b>19,779</b>

Short term receivables are carried at invoice amount. A provision for doubtful debts is recognised on an expected credit loss model per AASB 9 Financial Instruments. This model considers both historic and forward looking information in determining the level of impairment. Long term receivables are carried at amortised cost using the effective interest rate method.

#### i) Ageing of receivables

The ageing of the Council's trade and other receivables (excluding statutory receivables) that are not impaired was:

Current (not yet due)	669	1,247
Past due by up to 30 days	524	302
Past due between 31 and 180 days	534	512
Past due between 181 and 365 days	157	85
Past due by more than 1 year*	917	692
<b>Total trade and other receivables (excluding statutory receivables)</b>	<b>2,801</b>	<b>2,838</b>

\*Prior year comparative figures have been amended to reflect the exclusion of the value of debt that was impaired for Dandenong Market Pty Ltd.

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## FOR THE YEAR ENDED 30 JUNE 2019

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
<b>(ii) Ageing of individually impaired receivables</b>		
At balance date, trade and other receivables (excluding statutory receivables) representing financial assets with a nominal value of \$549,000 (2018 \$556,000) were impaired. The amount of the provision raised against these debtors was \$549,000 (2018 \$556,000). They have been individually impaired as a result of their doubtful collection. Many of the long outstanding past due amounts have been lodged with Council's debt collectors or are on payment arrangements.		
<b>Ageing of all impaired trade and other receivables (excluding statutory receivables)</b>		
Current (not yet due)	16	–
Past due by up to 30 days	20	4
Past due between 31 and 180 days	21	342
Past due between 181 and 365 days	4	211
Past due by more than 1 year	555	40
<b>Total trade and other receivables (excluding statutory receivables)</b>	<b>616</b>	<b>597</b>
<b>5.2 Other assets</b>		
Prepayments	3,060	2,768
Accrued income	1,257	754
Other	156	220
<b>Total other assets</b>	<b>4,473</b>	<b>3,742</b>
<b>5.3 Payables</b>		
<b>(a) Trade and other payables</b>		
Trade payables	15,973	16,095
Accrued expenses	10,767	5,206
<b>Total trade and other payables</b>	<b>26,740</b>	<b>21,301</b>
<b>(b) Trust funds and deposits</b>		
<b>Current</b>		
Fire services property levy	738	1,194
Road deposits	2,609	402
Landscape deposits	836	1,042
Open space contributions	1,873	2,683
Development contribution plans (DCP)	26,635	32,510
Other refundable deposits	2,620	2,387
<b>Total current trust funds and deposits</b>	<b>35,311</b>	<b>40,218</b>
<b>Non-current</b>		
Other refundable deposits	900	1,287
<b>Total non-current trust funds and deposits</b>	<b>900</b>	<b>1,287</b>
<b>Total trust funds and deposits</b>	<b>36,211</b>	<b>41,505</b>



### **Purpose and nature of items**

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

**Roads and landscape deposits** – are taken by Council as a form of surety during the maintenance period of a development or held due to outstanding works identified after the maintenance period which have not been addressed by the contracted builder or developer.

**Development contribution plans (DCP)** – amounts received from developers relating to the 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.

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

	<b>Consolidated 2019 \$'000</b>	<b>Consolidated 2018 \$'000</b>
<b>5.4 Interest-bearing loans and borrowings</b>		
<b>Current</b>		
Borrowings – secured	8,634	3,301
	<b>8,634</b>	<b>3,301</b>
<b>Non-current</b>		
Borrowings – secured	49,891	48,525
	<b>49,891</b>	<b>48,525</b>
<b>Total interest-bearing loans and borrowings</b>	<b>58,525</b>	<b>51,826</b>
Borrowings are secured over the general rates of Council as per section 141 of the <i>Local Government Act 1989</i> .		
a) The maturity profile for Council's borrowings is:		
Not later than one year	8,634	3,301
Later than one year and not later than five years	16,725	13,643
Later than five years	33,166	34,882
	<b>58,525</b>	<b>51,826</b>

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

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

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## FOR THE YEAR ENDED 30 JUNE 2019

	Consolidated		Total \$ '000
	Employee \$ '000	Landfill restoration \$ '000	
<b>5.5 Provisions</b>			
<b>2019</b>			
Balance at beginning of the financial year	16,868	895	17,763
Additional provisions	8,002	16	8,018
Amounts used	(7,214)	–	(7,214)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	383	–	383
Balance at the end of the financial year	18,039	911	18,950
<b>2018</b>			
Balance at beginning of the financial year	17,081	–	17,081
Additional provisions	6,970	895	7,865
Amounts used	(7,137)	–	(7,137)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(46)	–	(46)
Balance at the end of the financial year	16,868	895	17,763
		<b>Consolidated 2019 \$'000</b>	<b>Consolidated 2018 \$'000</b>
<b>(a) Employee provisions</b>			
<i>Current provisions expected to be wholly settled within 12 months</i>			
Annual leave		5,935	5,715
Long service leave		869	881
Other		473	407
		7,277	7,003
<i>Current provisions expected to be wholly settled after 12 months</i>			
Annual leave		117	109
Long service leave		9,365	9,204
		9,482	9,313
<b>Total current employee provisions</b>		16,759	16,316
<b>Non-current</b>			
Long service leave		1,280	552
<b>Total non-current employee provisions</b>		1,280	552
<i>Aggregate carrying amount of employee provisions:</i>			
Current		16,759	16,316
Non-current		1,280	552
<b>Total aggregate carrying amount of employee provisions</b>		18,039	16,868

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

### Wages, salaries and annual leave

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

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

### Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits. LSL is measured at present value. Unconditional LSL is disclosed as a current liability. Conditional LSL that has been accrued, where an employee is yet to reach a qualifying term of employment, is disclosed as a non-current liability.

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Key assumptions:		
– discount rate	1.13%	2.33%
– index rate	3.00%	2.50%
– settlement rate long service leave (years)		
long service leave (years)	7	7
annual leave (days)	260	260
<b>(b) Landfill restoration</b>	<b>\$'000</b>	<b>\$'000</b>
Current	592	96
Non-current	319	799
	911	895

The former Springvalley landfill has been closed to the receipt of refuse since December 1998. The former landfill is located between Clarke Road and Springvale Road and the premises was used as a landfill for disposal of waste from 1993 to 1999 under a licence issued by the Environmental Protection Authority (EPA). The landfill is owned by the City of Greater Dandenong and is used as recreational open space. Under the terms of a licence agreement with the Environment Protection Authority (EPA) and Pollution Abatement notices, Council is required to monitor, progressively rehabilitate and conduct rectification works.

The provision for landfill rehabilitation has been calculated based on the present value of the expected cost of works to be undertaken including site aftercare and monitoring costs. The expected cost of works has been estimated based on current understanding of work required to progressively rehabilitate the sites to a suitable standard. Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs.

The City of Greater Dandenong shares the commitment for rehabilitation and aftercare management of the landfill with other stakeholder Councils. Council's interest or share of the costs is 19.88%. In the financial report for 30 June 2019, Council has an amount of \$911,000 (30 June 2018 \$895,000) as a provision for the restoration of the Springvalley Road landfill site which includes aftercare costs to meet EPA obligations.

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Key assumptions:		
– discount rate	1.23%	2.44%
– index rate	2.50%	2.00%
– settlement rate	15 years	15 years
<b>(c) Total provisions summary</b>		
Current	17,351	16,412
Non-current	1,599	1,351
<b>Total provisions</b>	<b>18,950</b>	<b>17,763</b>

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## FOR THE YEAR ENDED 30 JUNE 2019

	<b>Consolidated 2019 \$'000</b>	<b>Consolidated 2018 \$'000</b>
<b>5.6 Financing arrangements</b>		
Interest-bearing loans and borrowings – secured	58,525	51,826
Credit card facilities	200	200
Bank overdraft	2,500	2,500
<b>Total facilities</b>	<b>61,225</b>	<b>54,526</b>
Used facilities	58,571	51,828
<b>Unused facilities</b>	<b>2,654</b>	<b>2,698</b>

### 5.7 (a) Commitments

Commitments are not recognised in the Balance Sheet. Commitments are disclosed at their nominal value by way of note and presented inclusive of the GST payable. All contract commitments are disclosed excluding schedule of rate contracts which vary from year to year depending on the volume of services required.

	Consolidated				Total \$'000
	Not later than 1 year \$'000	Later than 1 year and not later than 2 years \$'000	Later than 2 years and not later than 5 years \$'000	Later than 5 years \$'000	
<b>2019</b>					
<b>Operating</b>					
Building maintenance services	2,950	2,730	8,522	2,955	17,157
Cleaning services	2,138	1,732	185	–	4,055
Consultancies	123	38	–	–	161
Garbage collection	7,367	7,634	1,954	–	16,955
Hard waste collection	1,691	1,738	4,589	–	8,018
Leisure centres management services	2,913	2,983	–	–	5,896
Meals for delivery	550	–	–	–	550
Open space management	1,701	276	–	–	1,977
Other contracts	4,789	726	664	–	6,179
Parking management	231	145	–	–	376
Recycling	3,773	3,878	1,006	–	8,657
Works (roads and drains) services	553	32	–	–	585
Dandenong Market Pty Ltd commitments	1,711	1,752	249	–	3,712
<b>Total 2019 Operating</b>	<b>30,490</b>	<b>23,664</b>	<b>17,169</b>	<b>2,955</b>	<b>74,278</b>
<b>Capital</b>					
Buildings	21,488	5,339	–	–	26,827
Roads	5,286	–	–	–	5,286
Drainage	404	–	–	–	404
Parks, open space and streetscapes	850	–	–	–	850
<b>Total 2019 Capital</b>	<b>28,028</b>	<b>5,339</b>	<b>–</b>	<b>–</b>	<b>33,367</b>
<b>2018</b>					
<b>Operating</b>					
Building maintenance services	3,421	2,730	8,355	2,897	17,403
Cleaning services	1,635	1,488	–	–	3,123
Consultancies	205	–	–	–	205
Garbage collection	6,539	6,735	8,724	–	21,998
Hard waste collection	463	–	–	–	463
Leisure centres management services	1,314	–	–	–	1,314
Meals for delivery	495	454	–	–	949
Open space management	1,536	1,015	110	–	2,661
Other contracts	4,868	823	1,411	360	7,462
Parking management	246	251	784	272	1,553
Recycling	4,016	4,097	5,244	–	13,357
Works (roads and drains) services	507	204	–	–	711
Dandenong Market Pty Ltd commitments	1,222	1,224	1,457	–	3,903
<b>Total 2018 Operating</b>	<b>26,467</b>	<b>19,021</b>	<b>26,085</b>	<b>3,529</b>	<b>75,102</b>
<b>Capital</b>					
Buildings	6,188	250	160	–	6,598
Roads	3,305	–	–	–	3,305
Drainage	4,113	–	–	–	4,113
Parks, open space and streetscapes	1,671	–	–	–	1,671
<b>Total 2018 Capital</b>	<b>15,277</b>	<b>250</b>	<b>160</b>	<b>–</b>	<b>15,687</b>

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## FOR THE YEAR ENDED 30 JUNE 2019

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
<b>5.7 (b) Operating lease commitments</b>		
At the reporting date, the Council had the following obligations under non-cancellable operating leases for the lease of equipment, fleet and properties for use within Council's activities. These obligations are not recognised as liabilities.		
Not later than one year	900	834
Later than one year and not later than five years	1,179	1,408
Later than five years	–	13
	<b>2,079</b>	<b>2,255</b>

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

Prior year comparative figures have been restated on a consistent basis with the current year commitments.

### Note 6 Assets we manage

#### Note content:

- 6.1 Non-current assets classified as held for sale
- 6.2 Property, infrastructure, plant and equipment
  - (a) Summary of Property, Infrastructure, Plant and Equipment
  - (b) Summary of Work in Progress (WIP)
  - (c) Details of Property Category
  - (d) Details of Plant and Equipment Category
  - (e) Details of Infrastructure Category
  - (f) Recognition
  - (g) Depreciation and Amortisation
  - (h) Revaluation
  - (i) Valuation of Property
  - (j) Valuation of Infrastructure
  - (k) Reconciliation of Specialised Land

#### 8.4\* Fair value measurement

*\*This note includes additional details about the fair value hierarchy and impairment of assets.*

### 6.1 Non-current assets classified as held for sale

Non-current assets classified as held for sale (including disposal groups) are measured at the lower of its carrying amount and fair value less costs of disposal, and are not subject to depreciation. Non-current assets, disposal groups and related liabilities and assets are treated as current and classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale (or disposal group sale) is expected to be completed within 12 months from the date of classification. At 30 June 2019, there were no non-current assets classified as held for sale.

Note 6.2 Property, infrastructure, plant and equipment

(a) SUMMARY OF PROPERTY, INFRASTRUCTURE, PLANT AND EQUIPMENT  
(net carrying amount)

Consolidated

	At fair value/cost 30 June 2018	Acquisitions *	Contributions	Revaluation	Depreciation & amortisation	Impairment (loss) / reversal	Disposals	Write Offs	Transfers	At fair value/cost 30 June 2019
		(Stmnt Cap Wrks)	(Note 3.5)	(Note 9.1(a))	(Note 4.3)	(Note 4.6 & 9.1(a))	(Note 3.6)	(Note 4.2 & 4.6)	(Note 6.2(b))	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	1,192,732	1,112	4,506	(70,452)	-	-	-	-	87	1,127,985
Buildings	249,137	7,224	-	-	(5,957)	-	-	(588)	5,423	255,239
Plant and equipment	11,637	4,433	-	-	(3,858)	-	(400)	(15)	197	11,994
Infrastructure	684,248	10,660	3,229	21,724	(19,249)	-	-	(2,564)	10,915	708,963
Work in progress (WIP)	23,012	27,741	-	-	-	-	-	(1,683)	(16,622)	32,448
	<b>2,160,766</b>	<b>51,170</b>	<b>7,735</b>	<b>(48,728)</b>	<b>(29,064)</b>	<b>-</b>	<b>(400)</b>	<b>(4,850)</b>	<b>-</b>	<b>2,136,629</b>

\*The acquisitions of property, infrastructure, plant and equipment above of \$51.17 million differs to the total capital expenditure of \$53.57 million in the Statement of Capital Works due to \$2.40 million acquisitions/capital expenditure relating to Investment Property assets which are (Note 6.4) not included in Note 6.2(a) above.

(b) SUMMARY OF WORK IN PROGRESS

	Opening WIP 30 June 2018	Additions	Transfers	Write Offs	Closing WIP 30 June 2019
	\$'000	\$'000	\$'000	\$'000	\$'000
Property	9,045	15,029	(5,483)	(611)	17,980
Plant and equipment	44	160	(26)	(18)	160
Infrastructure	13,923	12,552	(11,113)	(1,054)	14,308
<b>Total</b>	<b>23,012</b>	<b>27,741</b>	<b>(16,622)</b>	<b>(1,683)</b>	<b>32,448</b>



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## FOR THE YEAR ENDED 30 JUNE 2019

### (c) PROPERTY

	Land – specialised	Land – non-specialised	Total land	Buildings – specialised	Leasehold improvements	Total buildings	Work in progress	TOTAL PROPERTY
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Opening balance at 1 July 2018</b>								
At cost	44,031	–	44,031	–	2,001	2,001	9,045	55,077
At fair value	974,001	174,700	1,148,701	387,834	–	387,834	–	1,536,535
Accumulated depreciation	–	–	–	(139,544)	(1,154)	(140,698)	–	(140,698)
	<b>1,018,032</b>	<b>174,700</b>	<b>1,192,732</b>	<b>248,290</b>	<b>847</b>	<b>249,137</b>	<b>9,045</b>	<b>1,450,914</b>
<b>Movements in fair value/cost</b>								
Additions at cost	2	–	2	–	846	846	15,029	15,877
Additions at fair value	–	1,110	1,110	6,378	–	6,378	–	7,488
Contributed assets at cost	485	–	485	–	–	–	–	485
Contributed assets at fair value	1,384	2,637	4,021	–	–	–	–	4,021
Revaluation increments (decrements)	(66,169)	(4,283)	(70,452)	–	–	–	–	(70,452)
Fair value/cost of assets disposed	–	–	–	–	–	–	–	–
Fair value/cost of assets written off	–	–	–	(1,504)	–	(1,504)	(611)	(2,115)
Transfers in (out)	87	–	87	4,814	614	5,428	(5,483)	32
	<b>(64,211)</b>	<b>(536)</b>	<b>(64,747)</b>	<b>9,688</b>	<b>1,460</b>	<b>11,148</b>	<b>8,935</b>	<b>(44,664)</b>
<b>Movements in accumulated depreciation</b>								
Depreciation and amortisation	–	–	–	(5,802)	(155)	(5,957)	–	(5,957)
Accumulated depreciation of contributed assets	–	–	–	–	–	–	–	–
Accumulated depreciation of write offs	–	–	–	916	–	916	–	916
Impairment loss/(reversal) in revaluation reserve	–	–	–	–	–	–	–	–
Revaluation (increments) decrements	–	–	–	–	–	–	–	–
Transfers (in) out	–	–	–	(5)	–	(5)	–	(5)
	<b>–</b>	<b>–</b>	<b>–</b>	<b>(4,891)</b>	<b>(155)</b>	<b>(5,046)</b>	<b>–</b>	<b>(5,046)</b>
<b>Closing balance at 30 June 2019</b>								
At cost	44,605	–	44,605	–	3,461	3,461	17,980	66,046
At fair value	909,216	174,164	1,083,380	397,522	–	397,522	–	1,480,902
Accumulated depreciation	–	–	–	(144,435)	(1,309)	(145,744)	–	(145,744)
	<b>953,821</b>	<b>174,164</b>	<b>1,127,985</b>	<b>253,087</b>	<b>2,152</b>	<b>255,239</b>	<b>17,980</b>	<b>1,401,204</b>

\*Refer to note 6.2 (k) for a reconciliation of specialised land.

**(c) PLANT AND EQUIPMENT**

	Consolidated					
	Plant, machinery and equipment \$'000	Fixtures, fittings and furniture \$'000	Computers and telecomm's \$'000	Library books \$'000	Work in progress \$'000	TOTAL PLANT AND EQUIPMENT \$'000
<b>Opening balance at 1 July 2018</b>						
At cost	15,301	7,032	6,574	7,163	44	36,114
Accumulated depreciation	(8,953)	(5,831)	(5,576)	(4,073)	–	(24,433)
	<b>6,348</b>	<b>1,201</b>	<b>998</b>	<b>3,090</b>	<b>44</b>	<b>11,681</b>
<b>Movements in cost</b>						
Acquisition of assets at cost	2,839	198	557	839	160	4,593
Cost of assets disposed	(2,493)	–	–	–	–	(2,493)
Cost of assets written off	(2)	–	–	(67)	(18)	(87)
Transfers in (out)	–	37	121	–	(26)	132
	<b>344</b>	<b>235</b>	<b>678</b>	<b>772</b>	<b>116</b>	<b>2,145</b>
<b>Movements in accumulated depreciation</b>						
Depreciation and amortisation	(1,750)	(477)	(602)	(1,029)	–	(3,858)
Accumulated depreciation of disposals	2,093	–	–	–	–	2,093
Accumulated depreciation of write offs	2	–	–	52	–	54
Transfers (in) out	–	39	–	–	–	39
	<b>345</b>	<b>(438)</b>	<b>(602)</b>	<b>(977)</b>	<b>–</b>	<b>(1,672)</b>
<b>Closing balance at 30 June 2019</b>						
At cost	15,645	7,267	7,252	7,935	160	38,259
Accumulated depreciation	(8,608)	(6,269)	(6,178)	(5,050)	–	(26,105)
	<b>7,037</b>	<b>998</b>	<b>1,074</b>	<b>2,885</b>	<b>160</b>	<b>12,154</b>

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## FOR THE YEAR ENDED 30 JUNE 2019

	Consolidated									
	Roads \$'000	Bridges \$'000	Footpaths and cycleways \$'000	Drainage \$'000	Recreational, leisure and community facilities \$'000	Parks, open space and streetscapes \$'000	Off street car parks \$'000	Work in progress \$'000	TOTAL INFRA- STRUCTURE \$'000	GRAND TOTAL PROPERTY, PLANT & EQUIP, INFRAST. \$'000
<b>Opening balance at 1 July 2018</b>										
At cost	-	-	-	-	38,259	43,303	-	13,923	95,485	186,676
At fair value	473,159	64,272	79,256	400,377	-	-	16,276	-	1,033,340	2,569,875
Accumulated depreciation	(201,248)	(17,346)	(21,436)	(141,269)	(18,069)	(25,772)	(5,514)	-	(430,654)	(595,785)
	<b>271,911</b>	<b>46,926</b>	<b>57,820</b>	<b>259,108</b>	<b>20,190</b>	<b>17,531</b>	<b>10,762</b>	<b>13,923</b>	<b>698,171</b>	<b>2,160,766</b>
<b>Movements in fair value/cost</b>										
Acquisition of assets at cost	-	-	-	-	1,168	896	-	12,552	14,616	35,086
Acquisition of assets at fair value	5,209	-	1,992	320	-	-	1,075	-	8,596	16,084
Contributed assets at cost	-	-	-	-	-	-	-	-	-	485
Contributed assets at fair value	1,472	400	418	1,027	-	-	-	-	3,317	7,338
Revaluation increments (decrements)	19,305	-	5,301	20,859	-	-	311	-	45,776	(24,676)
Fair value/cost of assets disposed	-	-	-	-	-	-	-	-	-	(2,493)
Fair value/cost of assets written off	(4,065)	-	(840)	(353)	(129)	(140)	(263)	(1,054)	(6,844)	(9,046)
Transfers in (out)	6,628	96	690	1,128	819	1,437	151	(11,113)	(164)	-
	<b>28,549</b>	<b>496</b>	<b>7,561</b>	<b>22,981</b>	<b>1,858</b>	<b>2,193</b>	<b>1,274</b>	<b>385</b>	<b>65,297</b>	<b>22,778</b>
<b>Movements in accumulated depreciation</b>										
Depreciation and amortisation	(9,101)	(830)	(1,946)	(3,965)	(1,633)	(1,470)	(304)	-	(19,249)	(29,064)
Accumulated depreciation of contributed assets	(27)	(34)	(17)	(10)	-	-	-	-	(88)	(88)
Accumulated depreciation of disposals	-	-	-	-	-	-	-	-	-	2,093
Accumulated depreciation of write offs	2,512	-	280	108	116	119	91	-	3,226	4,196
Revaluation (increments) decrements	(11,623)	-	(5,114)	(7,737)	-	-	422	-	(24,052)	(24,052)
Impairment loss/(reversal) in revaluation reserve	-	-	-	-	-	-	-	-	-	-
Impairment loss/(reversal) in operating result	-	-	-	-	-	-	-	-	-	-
Transfers (in) out	-	-	-	-	(34)	-	-	-	(34)	-
	<b>(18,239)</b>	<b>(864)</b>	<b>(6,797)</b>	<b>(11,604)</b>	<b>(1,551)</b>	<b>(1,351)</b>	<b>209</b>	<b>-</b>	<b>(40,197)</b>	<b>(46,915)</b>
<b>Closing balance at 30 June 2019</b>										
At cost	-	-	-	-	40,117	45,496	-	14,308	99,921	204,226
At fair value	501,708	64,768	86,817	423,358	-	-	17,550	-	1,094,201	2,575,103
Accumulated depreciation	(219,487)	(18,210)	(28,233)	(152,873)	(19,620)	(27,123)	(5,305)	-	(470,851)	(642,700)
	<b>282,221</b>	<b>46,558</b>	<b>58,584</b>	<b>270,485</b>	<b>20,497</b>	<b>18,373</b>	<b>12,245</b>	<b>14,308</b>	<b>723,271</b>	<b>2,136,629</b>

**(f) Recognition***Acquisition*

The purchase method of accounting is used for all acquisitions of assets, being the fair value of assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition. Fair value is the price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date.

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

In accordance with Council's policy, the threshold limits detailed in note 6.2 have been applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year.

*Recognition thresholds*

Council has set a threshold limit for all classes of assets (refer section (g) of this note), which means that all assets with a value equal or greater than this threshold are recognised in these financial statements.

*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.

*Finance leases*

Council does not have any financial leases.

*Repairs and maintenance*

Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold, the cost is capitalised and depreciated. The carrying value of the replaced asset is expensed.

*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 a 5 to 21 year period.

**(g) Depreciation and amortisation**

All asset classes except land, land under roads and art works, having limited useful lives are systematically depreciated over their useful lives to the Council in a manner which reflects consumption of the service potential embodied in those assets. Estimates of remaining useful lives are made on a regular basis with major asset classes reassessed annually. Depreciation rates and methods are reviewed annually.

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

Road earthworks are depreciated on the basis that they are assessed as having a limited useful life.

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

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## FOR THE YEAR ENDED 30 JUNE 2019

### (g) Depreciation and amortisation (continued)

Depreciation periods used are listed below and are consistent with the prior year unless marked with an \*.

	Depreciation period (years)	Threshold limit \$'000
<i>Property</i>		
<i>Land</i>		
Land	N/A	–
Land under roads	N/A	–
<i>Buildings</i>		
Buildings	50–100	5
Leasehold improvements	Lease term	–
<i>Plant and equipment</i>		
<i>Plant and equipment</i>		
Heavy plant and equipment	7	2
Buses, quads and trailers	10	2
Light plant and equipment, passenger and light commercial vehicles	5	2
<i>Fixtures, fittings and furniture</i>		
Fixtures, fittings, furniture and equipment	6	2
Musical instruments	20	2
Art works	N/A	2
<i>Computers and telecommunications</i>		
Software, hand held devices / mobile phones	3	2
Hardware and equipment	5	2
Library books	5	–
<i>Infrastructure</i>		
<i>Roads</i>		
Seal	12–20	20
Substructure	100	20
Kerb and channel	15–80	5
Existing local area traffic management (LATM) devices	5–30	5
New local area traffic management (LATM) devices	5–30	–
On-street car parks	20–100	5
Bridges	20–100	5
Footpaths and cycleways	10–50	–
<i>Drainage</i>		
New pipes and pits	100	–
Existing pipes and pits	100	5
Gross pollutant traps	50	5
<i>Recreational, leisure and community facilities</i>		
Recreational equipment and facilities, electronic screens, scoreboards. Sportsgrounds, grass (turf), courts, hardstand, other ground surfaces. Minor structures (sporting, shade structures and retaining walls), irrigation, sportsfield drainage, controllers, sensors, water tanks/pumps.	10–20	2
Playgrounds	15	2
Outdoor pools	50	2
<i>Parks, open space and streetscapes</i>		
Open space furniture, fencing, bollards and gates.	10–50	2
Flood prevention – retarding/detention basins	20	2
Surface drainage – unformed open drains, water quality devices – wetlands, rain gardens and bioretention swales.	10	2

	Depreciation period (years)	Threshold limit \$'000
Surface drainage – formed open drains. Public art.	50	2
Signs, parking meters, ticket machines and equipment.	10–20	2
Lighting, passive grass/surface, horticultural plantings and gardens, natural bush and vegetation.	10–20	2
Off street car parks	20–100	5

#### (h) Revaluation

Subsequent to the initial recognition of assets, non-current physical assets, other than land under roads, leasehold improvements, recreational, leisure and community facilities, parks, open space and streetscapes and plant and equipment are measured at their fair value, being the amount for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction. Subsequent to the initial recognition of assets, non-current physical assets (other than the asset classes detailed directly above) are measured at their fair value, being the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. At reporting date each year, Council reviews the carrying value of the individual classes of assets to ensure that each asset class materially approximates its fair value. Where the carrying value materially differs from the fair value, the class of assets is revalued.

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use on an asset result in changes to the permissible or practical highest and best use of the asset. Further details of the fair value hierarchy are included in note 8.4 and are explained below for each asset class.

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

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

**Specialised land** is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restrictions of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 5% and 85%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently, land values range between \$14 and \$2,800 per square metre.

Consolidated 2019 \$'000	Consolidated 2018 \$'000
909,216	974,001

*Note – Specialised land valued at fair value disclosed here, excludes land under roads which are valued at cost.*

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	Consolidated 2019 \$'000	Consolidated 2018 \$'000
<b>(h) Revaluation (continued)</b>		
<b>Specialised buildings</b> are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs are calculated on a square metre basis and range from \$320 to \$52,000 per square metre. The remaining useful lives of specialised buildings are determined on the basis of the current condition of buildings and vary from 1 year to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.	253,087	248,290
<b>Infrastructure assets</b> are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 1 year to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.	670,093	646,527
<i>Note – Infrastructure assets at fair value disclosed here, excludes 'Recreational, leisure and community facilities', 'Parks, open space and streetscapes' and 'Work in progress' which are valued at cost.</i>		

### (i) Valuation of Property

#### Valuation of land and buildings

The last formal valuation of land and buildings at 1 January 2018 was undertaken by qualified independent valuers, Proval (Vic) Pty Ltd. The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the Comprehensive Income Statement.

Since the last formal revaluation of land at 1 January 2018, the residential sector of the property market has experienced an average 8% decrease, whilst commercial and industrial sectors have increased. The majority of Council's land is in the residential sector. An indexed revaluation of all land at fair value was performed at 1 January 2019 resulting in a decrement of \$70.45 million (8.12%).

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

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

Details of the written down value of Council's land and buildings and information about the fair value hierarchy\*\* as at 30 June 2019 are as follows:

	Level 1	Non-specialised Level 2	Specialised Level 3	Date of last valuation
Land*	–	174,164	909,216	1–Jan–19
Buildings*	–	–	253,087	1–Jan–18
Total written down value	–	174,164	1,162,303	

\*Land at fair value excludes land under roads which are valued at cost and buildings at fair value excludes leasehold improvements which are valued at cost.

\*\*Additional details about the fair value hierarchy can be found in note 8.4.



### Land under roads

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

### (j) Valuation of Infrastructure

Valuation of infrastructure assets at fair value (except 'Parks, open space and streetscapes' and 'Recreational, leisure and community facilities' which are valued at cost, and bridges which are independently valued) has been determined in accordance with a Council valuation. Four infrastructure asset classes were revalued at 30 June 2019 which included roads, footpaths and cycleways, drainage and off-street car parks resulting in a net increment of \$21.72 million in 2018-19. The fair value of infrastructure is valued using the depreciated replacement cost method. This cost represents the replacement cost of the asset after applying depreciation rates on a useful life basis. Where condition data was available for assets, remaining useful life was revised based on condition. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 1 year to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

The valuation of bridges at 31 March 2017 was undertaken by qualified independent valuers, Sterling Group and WT Partnership. The methodology used depreciated replacement costs to quantify fair value and remaining useful life was revised based on condition.

Details of the written down value of Council's infrastructure and information about the fair value hierarchy as at 30 June 2019 are as follows:

	<u>Level 1</u>	<i>Non-specialised</i> <u>Level 2</u>	<i>Specialised</i> <u>Level 3</u>	<u>Date of last valuation</u>
Roads	–	–	282,221	Jun-19
Bridges	–	–	46,558	Mar-17
Footpaths and cycleways	–	–	58,584	Jun-19
Drainage	–	–	270,485	Jun-19
Off street car parks	–	–	12,245	Jun-19
<b>Total written down value</b>	–	–	670,093	

	<b>Consolidated 2019 \$'000</b>	<b>Consolidated 2018 \$'000</b>
<b>(k) Reconciliation of specialised land at fair value*</b>		
Parks and reserves	604,882	652,460
Floodway	9,528	9,410
Public use	21,637	23,320
Industrial	46,813	39,964
Other	226,356	248,847
<b>Total specialised land</b>	<b>909,216</b>	<b>974,001</b>

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

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## FOR THE YEAR ENDED 30 JUNE 2019

### **Note 6.3 Investments in associates, joint arrangements and subsidiaries**

#### **Committees of management**

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

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

#### **Principles of consolidation**

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

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

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

Entities consolidated into Council include:

- Dandenong Market Pty Ltd

### **Reconciliation of Council, The Dandenong Market Pty Ltd (DMPL) and consolidated accounts**

Dandenong Market Pty Ltd manages the Dandenong Market on the terms set out in a management service agreement dated 30 November 2012 between Dandenong Market Pty Ltd and City of Greater Dandenong. The management service agreement runs concurrently with the Lease Agreement (50 years) and provides for annual agreement extensions at Council's discretion. An extension has been exercised by Council up to 30 June 2020. The following Comprehensive Income Statement, Balance Sheet and Statement of Cash Flows has been provided to show the individual financial positions of the Council and The Dandenong Market Pty Ltd and consolidated accounts for the 2018–19 financial year. These financial statements should be read in conjunction with the accompanying notes in the financial report.

## Comprehensive Income Statement

For the year ended 30 June 2019

Consolidated

	Council 2019 \$'000	DMPL 2019 \$'000	Consolidation Adjustment 2019 \$'000	Consolidated Accounts 2019 \$'000
<b>Income</b>				
Rates and charges	141,036	–	(93)	140,943
Statutory fees and fines	9,471	–	–	9,471
User fees	8,199	–	–	8,199
Grants – operating	34,309	–	–	34,309
Grants – capital	4,068	–	–	4,068
Contributions – monetary	5,269	–	–	5,269
Contributions – non-monetary	7,735	–	–	7,735
Net gain on disposal of property, infrastructure, plant and equipment	457	–	–	457
Fair value adjustments for investment property	–	–	–	–
Other income	11,368	5,905	(1,590)	15,683
<b>Total income</b>	<b>221,912</b>	<b>5,905</b>	<b>(1,683)</b>	<b>226,134</b>
<b>Expenses</b>				
Employee costs	(74,820)	(984)	48	(75,756)
Materials and services	(66,957)	(3,361)	188	(70,130)
Bad and doubtful debts	72	(46)	–	26
Depreciation and amortisation	(29,054)	(10)	–	(29,064)
Borrowing costs	(3,131)	–	–	(3,131)
Fair value adjustments for investment property	(907)	–	–	(907)
Other expenses	(15,732)	(1,608)	1,447	(15,893)
<b>Total expenses</b>	<b>(190,529)</b>	<b>(6,009)</b>	<b>1,683</b>	<b>(194,855)</b>
<b>Net surplus for the year</b>	<b>31,383</b>	<b>(104)</b>	<b>–</b>	<b>31,279</b>
<b>Other comprehensive income</b>				
<b>Items that will not be reclassified to surplus or deficit in future periods</b>				
Net asset revaluation decrement	(48,728)	–	–	(48,728)
<b>Total comprehensive result</b>	<b>(17,345)</b>	<b>(104)</b>	<b>–</b>	<b>(17,449)</b>

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## FOR THE YEAR ENDED 30 JUNE 2019

### Balance Sheet

As at 30 June 2019

Consolidated

	Council 2019 \$'000	DMPL 2019 \$'000	Consolidation Adjustment 2019 \$'000	Consolidated Accounts 2019 \$'000
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	162,637	970	–	163,607
Trade and other receivables	22,791	138	–	22,929
Other assets	4,444	40	(11)	4,473
<b>Total current assets</b>	<b>189,872</b>	<b>1,148</b>	<b>(11)</b>	<b>191,009</b>
<b>Non-current assets</b>				
Trade and other receivables	325	–	–	325
Other financial assets	230	–	–	230
Property, infrastructure, plant and equipment	2,136,615	14	–	2,136,629
Investment property	12,827	–	–	12,827
<b>Total non-current assets</b>	<b>2,149,997</b>	<b>14</b>	<b>–</b>	<b>2,150,011</b>
<b>Total assets</b>	<b>2,339,869</b>	<b>1,162</b>	<b>(11)</b>	<b>2,341,020</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	26,299	452	(11)	26,740
Trust funds and deposits	35,069	242	–	35,311
Provisions	17,296	55	–	17,351
Interest-bearing loans and borrowings	8,634	–	–	8,634
<b>Total current liabilities</b>	<b>87,298</b>	<b>749</b>	<b>(11)</b>	<b>88,036</b>
<b>Non-current liabilities</b>				
Trust funds and deposits	900	–	–	900
Provisions	1,537	62	–	1,599
Interest-bearing loans and borrowings	49,891	–	–	49,891
<b>Total non-current liabilities</b>	<b>52,328</b>	<b>62</b>	<b>–</b>	<b>52,390</b>
<b>Total liabilities</b>	<b>139,626</b>	<b>811</b>	<b>(11)</b>	<b>140,426</b>
<b>Net assets</b>	<b>2,200,243</b>	<b>351</b>	<b>–</b>	<b>2,200,594</b>
<b>Equity</b>				
Accumulated surplus	875,922	351	–	876,273
Reserves	1,324,321	–	–	1,324,321
<b>Total equity</b>	<b>2,200,243</b>	<b>351</b>	<b>–</b>	<b>2,200,594</b>

## Statement of Cash Flows

For the year ended 30 June 2019

Consolidated

	Council 2019 \$'000	DMPL 2019 \$'000	Consolidation Adjustment 2019 \$'000	Consolidated Accounts 2019 \$'000
<b>Cash flows from operating activities</b>				
Rates and charges	140,410	–	(93)	140,317
Statutory fees and fines	6,739	–	–	6,739
User fees	8,409	–	–	8,409
Grants – operating	34,394	–	–	34,394
Grants – capital	3,941	–	–	3,941
Contributions – monetary	5,025	–	–	5,025
Interest received	3,707	7	–	3,714
Trust funds and deposits taken	31,902	53	–	31,955
Other receipts	8,826	6,526	(1,884)	13,468
Net GST refund/(payments)	10,506	(130)	–	10,376
Employee costs	(73,607)	(962)	54	(74,515)
Materials and services	(79,205)	(5,463)	1,872	(82,796)
Trust funds and deposits repaid	(36,423)	(16)	–	(36,439)
Other payments	(8,439)	(58)	51	(8,446)
<b>Net cash provided by operating activities</b>	<b>56,185</b>	<b>(43)</b>	<b>–</b>	<b>56,142</b>
<b>Cash flows from investing activities</b>				
Payments for property, infrastructure, plant and equipment	(51,528)	–	–	(51,528)
Proceeds from sale of property, infrastructure, plant and equipment	857	–	–	857
<b>Net cash used in investing activities</b>	<b>(50,671)</b>	<b>–</b>	<b>–</b>	<b>(50,671)</b>
<b>Cash flows from financing activities</b>				
Finance costs	(3,154)	–	–	(3,154)
Proceeds from borrowings	10,000	–	–	10,000
Repayment of borrowings	(3,301)	–	–	(3,301)
<b>Net cash provided by financing activities</b>	<b>3,545</b>	<b>–</b>	<b>–</b>	<b>3,545</b>
Net increase in cash and cash equivalents	9,059	(43)	–	9,016
Cash and cash equivalents at the beginning of the financial year	153,578	1,013	–	154,591
<b>Cash and cash equivalents at the end of the financial year</b>	<b>162,637</b>	<b>970</b>	<b>–</b>	<b>163,607</b>

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## FOR THE YEAR ENDED 30 JUNE 2019

	<b>Consolidated 2019 \$'000</b>	<b>Consolidated 2018 \$'000</b>
<b>6.4 Investment property</b>		
Balance at beginning of financial year	11,330	10,305
Additions	2,404	–
Fair value adjustments	(907)	1,025
Balance at end of financial year	12,827	11,330

### *Valuation of investment property*

Valuation of investment property has been determined in accordance with an independent valuation by Proval (Vic) Pty Ltd who have recent experience in the location and category of the property being valued. The valuation is at fair value, based on the current market value for the property.

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

At 30 June 2019, one investment property building was impaired by fire damage. This has been reflected in the fair value valuation at 30 June 2019 and an overall fair value decrement was recognised as an expense in the Comprehensive Income Statement in 2018–19.

## Note 7 People and relationships

### 7.1 Council and key management remuneration

#### (a) Related parties

##### Parent entity

City of Greater Dandenong

##### Subsidiaries

Dandenong Market Pty Ltd – detailed in note 6.3

#### (b) Key Management Personnels

Details of persons holding the position of Councillors or other members of key management personnel at any time during the year are:

	2019 No.	2018 No.
<b>Councillors</b>		
<b>From 9 January 2019 to Current</b>		
Councillor Sophie Tan		
<b>From 1 July 2018 to Current</b>		
Councillor Roz Blades AM (Mayor 16 November 2018 – Current)		
Councillor Youhorn Chea (Mayor 17 November 2017 – 15 November 2018)		
Councillor Jim Memeti		
Councillor Matthew Kirwan		
Councillor Angela Long		
Councillor Sean O'Reilly		
Councillor Maria Sampey		
Councillor Loi Truong		
Councillor Tim Dark		
Councillor Zaynoun Melhem		
<b>From 1 July 2018 to 24 November 2018</b>		
Councillor Heang Tak		
<b>Total number of Councillors</b>	<b>12</b>	<b>11</b>
<b>Other Key Management Personnel</b>		
Mick Jaensch – Director Corporate Services		
Jody Bosman – Director City Planning, Design and Amenity		
Martin Fidler – Director Community Services		
Julie Reid – Director Engineering Services		
Paul Kearsley – Group Manager Greater Dandenong Business		
	<b>5</b>	<b>5</b>
<b>Chief Executive Officer</b>		
John Bennie PSM	1	1
<b>Total key management personnel</b>	<b>18</b>	<b>17</b>
<b>Dandenong Market Board Members</b>		
Ms Julie Busch – Director		
Mr Franz Madlener – Director		
Mr Tom Mollenkopf – Director		
Mr Tim Cockayne – Director		
Ms Donna McMaster – Director		
General Manager		
<b>Total number of Dandenong Market Board Members</b>	<b>6</b>	<b>6</b>



# Annual Financial Report

## FOR THE YEAR ENDED 30 JUNE 2019

### (c) Remuneration of Key Management Personnel

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Total remuneration of key management personnel was as follows:		
Short-term benefits*	2,518	2,453
Long-term benefits	57	49
Post employment benefit	160	152
Termination benefits	–	–
	<b>2,735</b>	<b>2,654</b>
	<b>2019 No.</b>	<b>2018 No.</b>
The numbers of key management personnel, whose total remuneration from Council and any related entities fall within the following bands:		
\$10,000 – \$19,999	2	–
\$20,000 – \$29,999	4	4
\$30,000 – \$39,999	9	10
\$60,000 – \$69,999 <sup>1</sup>	1	1
\$80,000 – \$89,999 <sup>1</sup>	1	1
\$230,000 – \$239,999	1	1
\$270,000 – \$279,999*	–	2
\$280,000 – \$289,999*	3	2
\$290,000 – \$299,999*	1	1
\$310,000 – \$319,999	1	–
\$410,000 – \$419,999	–	1
\$430,000 – \$439,999	1	–
<b>Total</b>	<b>24</b>	<b>23</b>

“Total remuneration” comprises base salary, superannuation, annual leave entitlements, long service leave entitlements, allowances and fringe benefits tax paid by Council.

<sup>1</sup>2017–18 comparative figures have been amended to include the car benefit provided to Mayor during their mayoral term and this has resulted in a change in income band.

\*Comparative figures have been amended due to an allowance that was included twice in calculating the “Total remuneration” and to include the accrued annual leave entitlements for the year in calculating the “Total remuneration”. These amendments have resulted in net reduction of \$38,000 and also change in income bands for key management personnels.

**(d) Senior Officers remuneration****2019  
No.****2018  
No.**

A Senior Officer is an officer of Council, other than Key Management Personnel, who:

- a) has management responsibilities and reports directly to the Chief Executive; or
- b) whose total annual remuneration exceeds \$148,000.

The number of Senior Officers are shown below in their relevant income bands:

Income range:

< \$147,999	–	–
\$148,000 – \$149,999	4	5
\$150,000 – \$159,999	7	5
\$160,000 – \$169,999	11	9
\$170,000 – \$179,999	2	2
\$180,000 – \$189,999	2	4
\$190,000 – \$199,999	6	7
\$200,000 – \$209,999	2	–
\$210,000 – \$219,999	2	–
\$220,000 – \$229,999	1	1
	<b>37</b>	<b>33</b>
	<b>\$'000</b>	<b>\$'000</b>
Total remuneration for the reporting year for Senior Officers included above, amounted to:*	6,431	5,831

“*Total remuneration*” comprises base salary, superannuation, annual leave entitlements, long service leave entitlements, allowances and fringe benefits tax paid by Council.

\*Comparative figures have been amended due to an allowance that was duplicated in calculating the “*Total remuneration*”. This has resulted in a reduction of income by \$11,000 and a reduction in the number of senior officers by one.

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## FOR THE YEAR ENDED 30 JUNE 2019

### 7.2 Related party disclosure

#### (a) Transactions with related parties

(i) During 2018–19 Council entered into the following transactions with related party Dandenong Market Pty Ltd (DMPL).

	2019 Excl GST \$'000	2018 Excl GST \$'000
<b>Received from DMPL</b>		
Rent received	1,447	1,378
Refund of gift vouchers not redeemed by the Council	11	10
<b>Total received</b>	<b>1,458</b>	<b>1,388</b>
<b>Paid to DMPL</b>		
Contributions for festival/events	82	81
Payment for Gift vouchers	48	50
Payment for other items	13	–
<b>Total paid</b>	<b>143</b>	<b>131</b>

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

(ii) During the financial year ended 30 June 2019, John Bennie CEO was a non-executive board member of the following organisations to which Council has paid the following amounts;

MAV Insurance (which operates under the umbrella of Municipal Association of Victoria) a value of \$2.15 million (2017–18 \$1.42 million), the transaction was for the provision of Workcare self-insurance scheme.

Community Chef \$517,000 (2017–18 \$525,000) agreement for delivery of meals.

Chisholm institute \$26,000 (2017–18 \$13,000) for the provision of external training courses.

#### (b) Outstanding balances with related parties

The following transaction was outstanding at 30 June

Refund of gift vouchers not redeemed by the Council	11	10
	<b>11</b>	<b>10</b>

#### (c) Loans to/from related parties

No loans were made, guaranteed or secured by the Council to related parties during 2018–19 (2017–18 \$nil)

#### (d) Commitments to/from related parties

Under the Management Services Agreement with Dandenong Market Pty Ltd (DMPL) an extension has been exercised up to 30 June 2020.

A commitment for rent of the Market premises is as follows	1,447	1,447
	<b>1,447</b>	<b>1,447</b>

## Note 8 Managing uncertainties

### 8.1 Contingent assets and liabilities

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.

#### (a) Contingent assets

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
<b>Operating lease receivables</b>		
The Council has entered into commercial property leases on selected properties. These properties are held under operating leases and have remaining non-cancellable lease terms of between 1 and 50 years.		
Future minimum rentals receivable under non-cancellable operating leases are as follows:		
Not later than one year	1,724	1,783
Later than one year and not later than five years	2,702	3,094
Later than five years	274	354
	<b>4,700</b>	<b>5,231</b>

#### Developer contributions

Greater Dandenong acquires infrastructure assets, such as local roads, footpaths, kerb and channel and drains etc, from developers, as subdivisional contributions. The amount and value of assets acquired depends on the size of the development and the level of growth within the municipality. Developers construct infrastructure assets which are vested with Council when Council issues a Statement of Compliance. These assets are brought to account as revenue (Contributions – Non Monetary Assets) and capitalised. At reporting date, developers had commenced construction of assets that will eventually be transferred to the Council subject to Council issuing a Statement of Compliance. Council cannot reliably measure the value of the assets involved prior to completion and the timing of recognition.

#### (b) Contingent liabilities

##### Superannuation

Council has obligations under a defined benefit superannuation scheme that may result in the need to make additional contributions to the scheme, matters relating to this potential obligation are outlined below. 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.

##### *Future superannuation contributions*

In addition to the disclosed contributions, Council has paid unfunded liability payments to Vision Super totalling Nil during 2018–19 year (Nil for 2017–18). At 30 June 2019 the outstanding contribution of \$1,000 relates to Dandenong Market Pty Ltd and there were no loans issued from or to the above schemes.

The expected contributions to be paid to the defined benefit category of Vision Super for the year ending 30 June 2020 is estimated to be \$409,120.

##### Development Contribution Plans (DCP)

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

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

New development in each of the areas is required to meet its share of the total cost of delivering the required infrastructure works – as measured by its projected share of usage – through development contributions collected under the DCP's. The balance of works not covered by development contributions has been agreed to be funded by Council. The total value of these works is estimated to be around \$14.7 million.

# Annual Financial Report

## FOR THE YEAR ENDED 30 JUNE 2019

### Landfills

The City of Greater Dandenong may be liable for the consequences of disposing refuse at a number of legacy landfill sites. A legacy site refers to a landfill that has been decommissioned and is no longer receiving waste. At balance date Council is unable to assess whether there are any financial implications.

### (c) Guarantees for loans to other entities

Financial guarantee contracts are not recognised as a liability in the Balance Sheet unless the lender has exercised their right to call on the guarantee or Council has other reasons to believe that it is probable that right will be exercised. Details of guarantees that Council has provided, that are not recognised in the Balance Sheet are disclosed below.

The amount disclosed for financial guarantee in this note is the nominal amount of the underlying loan that is guaranteed by the Council, not the fair value of the financial guarantee.

As at 30 June 2019, Council's maximum potential exposure is as follows:

Entities	Amount outstanding 30 June 2019 \$'000	Amount outstanding 30 June 2018 \$'000	Year loan commenced
Dandenong Basketball Association	–	50	14 July 2004
Keysborough Bowls Club Inc.	110	123	18 May 2015
<b>Total Guarantees for loans to other entities</b>	<b>110</b>	<b>173</b>	

### (d) 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 \$1.56 million (\$856,000 as at 30 June 2018).

### Note 8.2 Change in accounting standards

The following new Australian Accounting Standards have been issued or amended and are not mandatory for the 30 June 2019 reporting period. Council has assessed these pending standards and has identified the following potential impacts will flow from the application of these standards in future reporting periods.

<b>Pronouncement</b>	<b>AASB 15 Revenue from Contracts with Customers</b>
<b>Background</b>	The standard shifts the focus from the transaction-level to a contract-based approach. Recognition is determined based on what the customer expects to be entitled to (rights and obligations), while measuring encompasses estimation by the entity of the amount expected to be entitled for performing under the contract.
<b>Impact/action</b>	The full impact of this standard is not known however it is most likely to impact where contracts extend over time, where there are rights and obligations that may vary the timing or amount of the consideration, or where there are multiple performance elements. This has the potential to impact on the recognition of certain grant income.
<b>Effective date</b>	Periods beginning on or after 1 January 2019.

<b>Pronouncement</b>	<b>AASB 16 Leases</b>
<b>Background</b>	This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The classification of leases as either finance leases or operating leases is eliminated for lessees. Leases will be recognised in the Balance Sheet by capturing the present value of the minimum lease payments and showing a 'right-of-use' asset, while future lease payments will be recognised as a financial liability. The nature of the expense recognised in the profit or loss will change. Rather than being shown as rent, or as leasing costs, it will be recognised as depreciation on the right-of-use asset, and an interest charge on the lease liability. The interest charge will be calculated using the effective interest method, which will result in a gradual reduction of interest expense over the lease term.
<b>Impact/action</b>	Council has elected to adopt the modified retrospective approach to the transition to the new lease standard. This will mean that only existing operating leases for non low value assets, with remaining terms greater than 12 months, will be recognised on transition (1 July 2019). Based on our current lease commitments and an assumption of a continuation of the current leasing arrangements. Council expects that the transition to the new standard will see the initial recognition of \$2.8 million lease related assets and an equivalent liability.
<b>Effective date</b>	Periods beginning on or after 1 January 2019.

<b>Pronouncement</b>	<b>AASB 1058 Income for Not-for-Profit Entities</b>
<b>Background</b>	This standard is expected to apply to certain transactions currently accounted for under AASB 1004 Contributions and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable a not-for-profit entity to further its objectives.
<b>Impact/action</b>	Impacts on the level and nature of the disclosures will be assessed based on the eventual implications arising from the application of this standard.
<b>Effective date</b>	Periods beginning on or after 1 January 2019.

### Rounding

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

# Annual Financial Report

## FOR THE YEAR ENDED 30 JUNE 2019

### 8.3 Financial instruments

#### (a) Objectives and policies

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

#### (b) Market risk

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

#### Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises primarily from long term loans and borrowings at fixed rates which exposes us to fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Council has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating rates.

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

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

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

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

#### (c) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause us to make a financial loss. We have exposure to credit risk on some financial assets included in the Balance

Sheet. Particularly significant area of credit risk exists in relation to outstanding fees and fines as well as loans and receivables from sporting clubs and associations. To help manage this risk:

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

Receivables consist of a large number of customers, spread across the ratepayer, business and government sectors. Credit risk associated with the Council's financial assets is minimal. Rates debtors are secured by a charge over the rateable property. Council has assessed that 11% of parking infringement debts owing to Council are unlikely to be collected and has raised a provision for doubtful debts over those debts based on an assessment of collectability. The collection of long overdue parking infringement debts is managed by Fines Victoria.

Refer note 5.1 for financial assets which are determined to be impaired.

Council may also be subject to credit risk for transactions which are not included in the Balance Sheet, such as when Council provides a guarantee for another party. Details of Council's contingent liabilities are disclosed in note 8.1.

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

#### (d) Liquidity risk

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

To help reduce these risks Council:

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

The Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the Balance Sheet and the amounts related to financial guarantees disclosed in note 8.1, and is deemed insignificant based on prior periods' data and current assessment of risk.

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

With the exception of borrowings, all financial liabilities are expected to be settled within normal terms of trade. Details of the maturity profile for borrowings are disclosed at note 5.4.

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

#### **(e) Sensitivity disclosure analysis**

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

- A parallel shift of +1% and -1% in market interest rates (AUD) from year-end rates of 1.15%.

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

#### **8.4 Fair value measurement**

##### *Fair value hierarchy*

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

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

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

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

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

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

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

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

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

##### *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 of disposal and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Comprehensive Income Statement, unless the asset is carried at the revalued amount in which case, the impairment loss is recognised directly against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

#### **8.5 Events occurring after balance date**

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

#### **8.6 Adjustments directly to equity**

There were no adjustments to opening equity balances in the 2018–19 financial year.



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## FOR THE YEAR ENDED 30 JUNE 2019

### Note 9 Other matters

#### 9.1 Reserves

	Balance at beginning of reporting period \$'000	Increment (decrement) \$'000	Reversal of previous revaluations for assets disposed \$'000	Impairment loss (credited against previous increments)/ reversal \$'000	Balance at end of reporting period \$'000
<b>(a) Asset revaluation reserves</b>					
<b>2019</b>					
<b>Property</b>					
Land	867,966	(70,452)	–	–	797,514
Buildings	25,102	–	(330)	–	24,772
	893,068	(70,452)	(330)	–	822,286
<b>Infrastructure</b>					
Roads	188,977	7,681	–	–	196,658
Bridges	20,324	–	–	–	20,324
Footpaths and cycleways	15,101	188	–	–	15,289
Drainage	170,324	13,122	–	–	183,446
Off street car parks	3,071	733	–	–	3,804
	397,797	21,724	–	–	419,521
<b>Total asset revaluation reserves</b>	<b>1,290,865</b>	<b>(48,728)</b>	<b>(330)</b>	<b>–</b>	<b>1,241,807</b>
<b>2018</b>					
<b>Property</b>					
Land	883,045	(15,027)	(52)	–	867,966
Buildings	27,195	(2,105)	(35)	47	25,102
	910,240	(17,132)	(87)	47	893,068
<b>Infrastructure</b>					
Roads	188,977	–	–	–	188,977
Bridges	20,324	–	–	–	20,324
Footpaths and cycleways	15,101	–	–	–	15,101
Drainage	170,324	–	–	–	170,324
Off street car parks	3,071	–	–	–	3,071
	397,797	–	–	–	397,797
<b>Total asset revaluation reserves</b>	<b>1,308,037</b>	<b>(17,132)</b>	<b>(87)</b>	<b>47</b>	<b>1,290,865</b>

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in accounting policy note 6.2.

	Balance at beginning of reporting period	Transfer to accumulated surplus	Transfer from accumulated surplus	Balance at end of reporting period
	\$'000	\$'000	\$'000	\$'000
<b>9.1 Reserves (continued)</b>				
<b>(b) Other reserves</b>				
<b>2019</b>				
Insurance reserve	876	(35)	146	987
Re-vegetation reserves	334	(62)	–	272
Open space – planning, development and improvements	9,220	(2,843)	2,793	9,170
Open space – acquisitions	6,000	(82)	–	5,918
Keysborough South maintenance levy	1,508	(1,392)	1,497	1,613
Major projects reserve	28,663	(200)	10,347	38,810
General reserve	3,880	(3,040)	–	840
Council funded development contributions reserve	12,702	(259)	3,260	15,703
Spring Valley landfill rehabilitation	1,064	(140)	–	924
Springvale Activity Precinct – parking and development	166	(70)	139	235
Dandenong Activity Precinct – parking and development	452	(1,070)	1,000	382
Local Government Funding Vehicle	4,900	–	–	4,900
Grants in advance reserve	–	–	1,220	1,220
Keysborough South Community Infrastructure Levies	–	–	1,540	1,540
<b>Total other reserves</b>	<b>69,765</b>	<b>(9,193)</b>	<b>21,942</b>	<b>82,514</b>
<b>2018</b>				
Insurance reserve	625	(54)	305	876
Re-vegetation reserves	371	(37)	–	334
Open space – planning, development and improvements	6,642	(343)	2,921	9,220
Open space – acquisitions	6,000	–	–	6,000
Keysborough South maintenance levy	1,178	(1,051)	1,381	1,508
Major projects reserve	21,952	(279)	6,990	28,663
General reserve	1,780	–	2,100	3,880
Council funded development contributions reserve	11,729	(27)	1,000	12,702
Spring Valley landfill rehabilitation	1,011	(29)	82	1,064
Springvale Activity Precinct – parking and development	298	(202)	70	166
Dandenong Activity Precinct – parking and development	–	(548)	1,000	452
Local Government Funding Vehicle	4,900	–	–	4,900
Grants in advance reserve	–	–	–	–
Keysborough South Community Infrastructure Levies	–	–	–	–
<b>Total other reserves</b>	<b>56,486</b>	<b>(2,570)</b>	<b>15,849</b>	<b>69,765</b>

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## FOR THE YEAR ENDED 30 JUNE 2019

### **Nature and purpose of other reserves:**

#### Insurance reserve

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

#### Re-vegetation reserves

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

#### Open space – planning, development and improvements

Funds set aside in this reserve will be utilised exclusively for allocation towards enhancing the City's open space via planning, development and improvements.

#### Open space – acquisitions

Funds set aside in this reserve will be utilised exclusively for open space land acquisitions.

#### Keysborough South maintenance levy

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

#### Major projects reserve

The major projects reserve holds proceeds from the sale of Council's property assets or surplus Council funds and will be utilised for investing in other properties or funding future major projects.

#### General reserve

This reserve relates to financial impacts of future aged care sector reforms.

#### Council funded development contributions reserve

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

#### Spring Valley landfill rehabilitation reserve

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

#### Springvale Activity Precinct parking and development reserve

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

#### Dandenong Activity Precinct parking and development reserve

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

#### Local Government Funding Vehicle

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

#### Grants in advance reserve

This reserve holds funds from capital grants received in advance of the project works.

#### Keysborough South Community Infrastructure Levies

These reserve funds relate to Community Infrastructure Levies received in relation to the Keysborough South Development Contributions Plan.

	Note	Consolidated 2019 \$'000	Consolidated 2018 \$'000
<b>(c) Total reserves summary</b>			
Asset revaluation reserve	9.1(a)	1,241,807	1,290,865
Other reserves	9.2(b)	82,514	69,765
<b>Total reserves</b>		<b>1,324,321</b>	<b>1,360,630</b>
<b>9.2 Reconciliation of cash flows from operating activities to surplus</b>			
<b>Surplus for the year</b>		<b>31,279</b>	<b>46,934</b>
Depreciation and amortisation		29,064	28,202
Impairment loss (reversal)		–	(238)
Gain on disposal of property, infrastructure, plant and equipment		(457)	(141)
Fair value adjustments		907	(1,025)
Contributions of non-monetary assets		(7,735)	(19,169)
Works in progress unable to be capitalised (expensed)		1,683	3,006
Assets written-off		3,167	2,828
Borrowing costs		3,131	3,419
<b>Change in assets and liabilities</b>			
Increase (decrease) in trade and other receivables		(3,475)	333
(Decrease) increase in trust funds and deposits		(5,294)	6,057
Increase in other assets		(731)	(1,113)
Increase in trade and other payables		3,416	4,141
Increase in provisions		1,187	682
<b>Net cash provided by operating activities</b>		<b>56,142</b>	<b>73,916</b>

# Annual Financial Report

## FOR THE YEAR ENDED 30 JUNE 2019

### 9.3 Superannuation

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

#### *Accumulation*

The Fund's accumulation categories receive both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2019, this was 9.5% required under Superannuation Guarantee legislation).

#### *Defined Benefit*

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

There is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of the Council in the Fund cannot be measured as a percentage compared with other participating employers. Therefore, the Fund Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

#### *Funding arrangements*

Council makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary.

As at 30 June 2018, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 106.0%.

The financial assumptions used to calculate the VBIs were:

Net investment returns	6.0% pa
Salary information	3.5% pa
Price inflation (CPI)	2.0% pa

Vision Super has advised that the estimated VBI at quarter ended 30 June 2019 was 107.1%.

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2018 interim actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

#### *Employer contributions*

##### *Regular contributions*

On the basis of the results of the 2018 interim actuarial investigation conducted by the Fund Actuary, the Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2019, this rate was 9.5% of members' salaries (9.5% in 2017–18). This rate will increase in line with any increases in the SG contribution rate.

In addition, Council reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

### The 2018 interim actuarial investigation surplus amounts

An actuarial investigation is conducted annually for the Defined Benefit category of which Council is a contributing employer. Generally, a full actuarial investigation conducted every three years and interim actuarial investigations are conducted for each intervening year. An interim investigation was conducted as at 30 June 2018 and a full actuarial investigation was conducted as at 30 June 2017.

The Fund's actuarial investigations identified the following for the Defined Benefit category of which Council is a contributing employer:

	2018 \$ million	2017 \$ million
A VBI surplus	131.9	69.8
A total service liability surplus	218.3	193.5
A discounted accrued benefits surplus	249.1	228.8

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2018.

The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses as at 30 June 2018.

The discounted accrued benefit surplus means that the current value of the assets in the Fund's Defined Benefit category exceeds the value of benefits payable in the future but accrued in respect of service to 30 June 2018.

The Council was notified of the 30 June 2018 VBI during August 2018 (2017: in August 2017).

### 2019 interim actuarial investigation

An interim actuarial investigation is being conducted for the Fund's position as at 30 June 2019 as the Fund provides lifetime pensions in the Defined Benefit category. It is anticipated that this actuarial investigation will be completed by October 2019.

#### Superannuation contributions

Scheme	Type of scheme	Rate	Consolidated	Consolidated
			2019 \$'000	2018 \$'000
Vision Super	Defined benefits	9.50%	397	473
Vision Super	Accumulation	9.50%	3,412	3,353
Other funds	Accumulation	9.50%	1,852	1,631

There were no payments made to Vision Super unfunded liability during 2018–19 (2017–18 – \$nil).

As at 30 June 2019 outstanding contribution payable of \$1,000 relates to Dandenong Market Pty Ltd and no loans issued from or to the above schemes.

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2020 is \$409,120.

## Customer Service Centre locations

### **Dandenong Civic Centre**

Level 2, 225 Lonsdale Street, Dandenong

Hours of operation: 8.30am–5pm Monday to Friday

### **Springvale**

397–405 Springvale Road, Springvale







Hours of operation: 8.30am–5pm Monday to Friday

### **Parkmore**

Shop A7, Parkmore Shopping Centre

Cheltenham Road, Keysborough

Hours of operation: 9am–5pm Monday to Friday, 9am–1pm Saturday

 Phone <b>8571 1000</b>	 TTY: 133 677 Speak and listen: 1300 555 727 Online: <a href="http://relayservice.gov.au">relayservice.gov.au</a>	Find us online 
 Fax <b>8571 5196</b>	 TIS: 13 14 50	<a href="http://greaterdandenong.com">greaterdandenong.com</a>
 <a href="mailto:council@cgd.vic.gov.au">council@cgd.vic.gov.au</a>		