

Annual Financial Report

For the year ended 30 June 2014



Table of Contents

Financial Statements

Comprehensive Income Statement	126
Balance Sheet	127
Statement of Changes in Equity	128
Cash Flow Statement	129

Notes to Financial Statements

Introduction	130
Note 1 Significant accounting policies	130-137
Note 2 Underlying operational result	138
Note 3 Rates and charges	139
Note 4 Grants – recurrent and non-recurrent	139-141
Note 5 Capital contributions	141
Note 6 Statutory fees and fines	142
Note 7 User fees	142
Note 8 Net gain (loss) on sale, write off and replacement of assets	142
Note 9 Other income	143
Note 10 Employee costs	143
Note 11 Contract payments, materials and services	144
Note 12 Depreciation and amortisation	145
Note 13 Grants, sponsorships and contributions	145
Note 14 Professional services	145
Note 15 Administration costs	146
Note 16 Finance costs	146
Note 17 Other expenses	146
Note 18 Cash and cash equivalents	147
Note 19 Trade and other receivables	148
Note 20 Inventory property	148
Note 21 Property, infrastructure, plant and equipment	148-157
Note 22 Trade and other payables	158
Note 23 Employee provisions	159
Note 24 Trust funds and deposits	159
Note 25 Interest-bearing loans and borrowings	160
Note 26 Reserves	161
Note 27 Commitments	163-164
Note 28 Financial instruments	165-170
Note 29 Superannuation	171-173
Note 30 Contingent liabilities and contingent assets	173
Note 31 Related party transactions	174-175
Note 32 Reconciliation of cash flows from operating activities to surplus (deficit)	176
Note 33 Reconciliation of cash and cash equivalents	176
Note 34 Financial ratios	177-178
Note 35 Capital expenditure	179
Note 36 Adjustments directly to equity	180
Note 37 Reconciliation – Council and consolidated accounts	181-186
Certification of the Financial Report	187
Auditor-General's Office – Independent Auditor's Report	188-189

Annual Financial Report

For the year ended 30 June 2014

Comprehensive Income Statement

For the year ended 30 June 2014

	Note	Consolidated 2014 \$'000	Consolidated 2013 \$'000
Income			
Rates and charges	3	102,686	96,343
Grants – operating (recurrent)	4	24,437	28,501
Grants – operating (non-recurrent)	4	1,324	2,420
Statutory fees and fines	6	6,453	5,774
User fees	7	12,667	12,085
Other income	9	5,458	5,366
Total income		153,025	150,489
Expenses			
Employee costs	10	(65,710)	(59,256)
Contract payments, materials and services	11	(33,517)	(34,858)
Depreciation and amortisation	12	(26,538)	(25,327)
Grants, sponsorships and contributions	13	(4,795)	(5,260)
Professional services	14	(5,204)	(5,407)
Administration costs	15	(13,834)	(11,909)
Finance costs	16	(4,236)	(2,836)
Other expenses	17	(1,890)	(618)
Total expenses		(155,724)	(145,471)
Net surplus (deficit) prior to capital income and asset items	2	(2,699)	5,018
Net gain on disposal of assets	8(a)	1,113	458
Grants – capital (recurrent)	4	701	743
Grants – capital (non-recurrent)	4	8,452	6,641
Capital contributions – cash	5(a)	2,054	5,189
Capital contributions – non-monetary	5(b)	51,182	22,954
Assets written off	8(b)	(6,260)	(4,345)
Net surplus for the year		54,543	36,658
Other comprehensive income			
Net asset revaluation increment	26(a)	83,396	16,199
Total comprehensive result		137,939	52,857

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

Balance Sheet

As at 30 June 2014

	Note	Consolidated 2014 \$'000	Consolidated 2013 \$'000
Assets			
Current assets			
Cash and cash equivalents	18 (a)	66,983	52,491
Financial assets	18 (b)	–	39,546
Trade and other receivables	19 (a)	16,331	14,794
Prepayments	19 (b)	382	453
Inventory property	20	243	377
Total current assets		83,939	107,661
Non-current assets			
Property, infrastructure, plant and equipment	21(a)	1,559,892	1,393,171
Inventory property	20	3,455	3,698
Financial assets – assets held for sale	18 (b)	230	–
Trade and other receivables	19 (a)	319	492
Total non-current assets		1,563,896	1,397,361
Total assets		1,647,835	1,505,022
Liabilities			
Current liabilities			
Trade and other payables	22	18,740	17,885
Employee provisions	23	14,817	13,947
Trust funds and deposits	24	13,041	10,471
Superannuation liability	29	–	4,847
Interest-bearing loans and borrowings	25	9,230	4,039
Total current liabilities		55,828	51,189
Non-current liabilities			
Employee provisions	23	714	643
Trust funds and deposits	24	599	28
Interest-bearing loans and borrowings	25	57,518	61,848
Total non-current liabilities		58,831	62,519
Total liabilities		114,659	113,708
Net assets		1,533,176	1,391,314
Equity			
Accumulated surplus		672,354	615,776
Asset revaluation reserve	26(a)	836,989	753,593
Other reserves	26(b)	23,833	21,945
Total equity		1,533,176	1,391,314

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

Annual Financial Report

For the year ended 30 June 2014

Statement of Changes in Equity

For the year ended 30 June 2014

	Note	Consolidated			
		Total 2014 \$'000	Accumulated Surplus 2014 \$'000	Asset Revaluation Reserve 2014 \$'000	Other Reserves 2014 \$'000
2014					
Balance at beginning of the financial year		1,391,314	615,776	753,593	21,945
Adjustment directly to equity	36	3,923	3,923	–	–
Adjusted balance at beginning of the financial year		1,395,237	619,699	753,593	21,945
Surplus for the year		54,543	54,543	–	–
Transfers to other reserves	26(b)	–	(7,753)	–	7,753
Transfers from other reserves	26(b)	–	5,865	–	(5,865)
Net asset revaluation increment	26(a)	83,396	–	83,396	–
Balance at end of the financial year		1,533,176	672,354	836,989	23,833

	Note	Consolidated			
		Total 2013 \$'000	Accumulated Surplus 2013 \$'000	Asset Revaluation Reserve 2013 \$'000	Other Reserves 2013 2013
2013					
Balance at beginning of the financial year		1,324,509	565,079	737,394	22,036
Adjustment directly to equity	36	13,948	13,948	–	–
Adjusted balance at beginning of the financial year		1,338,457	579,027	737,394	22,036
Surplus for the year		36,658	36,658	–	–
Transfers to other reserves	26(b)	–	(17,989)	–	17,989
Transfers from other reserves	26(b)	–	18,080	–	(18,080)
Net asset revaluation increment	26(a)	16,199	–	16,199	–
Balance at end of the financial year		1,391,314	615,776	753,593	21,945

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

Cash Flow Statement

For the year ended 30 June 2014

	Note	Consolidated 2014 Inflows/ (Outflows) \$'000	Consolidated 2013 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rates and charges		101,747	96,007
Fees, charges, fines and other (inclusive of GST)		22,416	19,206
Contributions (inclusive of GST)		2,062	4,943
Grants (inclusive of GST)		36,055	39,893
Interest received		3,444	2,893
Payments to suppliers (inclusive of GST)		(68,778)	(66,986)
Payments to employees		(64,814)	(58,006)
Payments to superannuation liability		(4,847)	(5,500)
Net GST refund		10,276	7,952
Net cash provided by operating activities	32	37,561	40,402
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment		(62,655)	(45,369)
Proceeds from sale of property held for resale	8(a)	1,419	-
Proceeds from sale of property, infrastructure, plant and equipment (net of selling costs)		393	2,763
Proceeds (payments) for other financial assets		39,546	(39,546)
Trust funds and deposits		1,621	(2,517)
Net cash used in investing activities		(19,676)	(84,669)
Cash flows from financing activities			
Finance costs		(4,254)	(2,365)
Proceeds from interest-bearing loans and borrowings		4,900	33,100
Repayment of interest-bearing loans and borrowings		(4,039)	(3,255)
Net cash used in financing activities		(3,393)	27,480
Net increase (decrease) in cash and cash equivalents		14,492	(16,787)
Cash and cash equivalents at the beginning of the financial year		52,491	69,278
Cash and cash equivalents at the end of the financial year	18 & 33	66,983	52,491
Financing arrangements	18		
Restrictions on cash assets	18		

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

Annual Financial Report

For the year ended 30 June 2014

Notes to the Financial Report

Introduction

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

The purpose of the Council is to:

- Provide for the peace, order and good government of the city.
- Promote our cultural diversity, and economic, social and environmental viability.
- Build partnerships with its citizens.
- Promote business and employment opportunities.
- Ensure transparency and accountability in Council decision making.
- Improve the overall quality of life of its citizens.

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

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

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

Note 1 Significant accounting policies

(a) Basis of accounting

The financial report is prepared on the accrual and going concern basis under the historical cost convention, except for certain assets as disclosed in notes 1(h), 1(j), 1(q), 1(u), 1(z) and 1(y).

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.

Basis of consolidation

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

The consolidated financial statements comprise the financial statements of Council and those entities over which Council has the power to govern the financial and operating policies so as to obtain benefits from their activities. The financial statements of Council's controlled entities are prepared for the same period as Council, using consistent accounting policies. The assets, liabilities, income and expenses of all controlled entities of Council have been included at the values shown in their financial reports. In preparing the consolidated financial statements all inter-entity balances and transactions, income and expenses and profit and losses from intra-group transactions have been eliminated in full. For the 2012-13 financial year, the Dandenong Market Pty Ltd was excluded from consolidation as there were no material differences between the Council and consolidated figures in the notes to the financial statements. For comparative purposes the 2012-13 financial year has been reinstated to reflect consolidated figures.

Refer note 37 for a reconciliation between Council, Dandenong Market Pty Ltd and consolidated for 2013-14 and the restated comparatives for 2012-13.

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

AASB 13 Fair Value Measurement

Council has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements. The fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other A-IFRS require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of AASB 2 Share-based Payment, leasing transactions that are within the scope of AASB 17 Leases, and measurements that have some similarities to fair value but not fair value (eg. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

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 in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements.

AASB 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, Council has not made any new disclosures required by AASB 13 for the 2013 comparative period (please see note 21(b) and (c) disclosures).

Other than the additional disclosures, the application of AASB 13 has not had any material impact on the amounts recognised in the financial statements.

All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the 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.

AASB 119 Employee benefits

In the current year, Council has applied AASB 119 Employee Benefits (as revised in 2011) and the related consequential amendments. AASB 119 changes the definition of short-term employee benefits. These were previously benefits that were due to be settled within twelve months after the end of the reporting period in which the employees render the related service, however, short-term employee benefits are now defined as benefits expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service. As a result, accrued annual leave balances which were previously classified by Council as short-term benefits no longer meet this definition and are now classified as long-term benefits.

This change in classification has not altered Council's measurement of the annual leave provision. The disclosure has been amended to incorporate the change.

Restatement of comparatives in the financial statements (Aged care reclassification)

During the 2013-14 financial year a review of the service delivery allocation across aged care programs for external agencies and Commonwealth funded programs (External Aged Care in the Home, Community Aged Care Packages and National Respite Care) identified an incorrect allocation of labour service delivery costs. As a result the 2012-13 comparatives have been restated retrospectively for comparative purposes. The overall impact on Council's net result is nil. The adjustments have been reflected in the Comprehensive Income Statement, Cash Flow Statement and the following disclosure notes:

Note 3 User fees – Aged care services reduction of \$486,000.

Note 10 Employee costs – Salaries and wages increase of \$651,000.

Note 11 Contract payments, materials & services – Community aged care program reduction of \$606,000.

Note 13 Grants, sponsorships and contributions – Sponsorships other reduction of \$532,000.

Restatement of comparatives in the financial statements (Fixed asset class reclassification)

During the 2013-14 financial year a number of changes have also been made to the categories that asset classes are disclosed in. Refer to note 21 Property, infrastructure, plant and equipment for further details.

(c) Revenue recognition

Rates

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

Grants, donations and other contributions

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

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

User fees, charges and fines

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

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

Sale of property, plant and equipment

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

Interest and rents

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

Assets from new developments

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

Annual Financial Report

For the year ended 30 June 2014

Note 1 Significant accounting policies (cont'd)

(d) Recognition of receivables

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

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

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

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.

Major depreciation periods used are listed below and are consistent with the prior year unless otherwise stated:

	2014 (years)
<i>Property</i>	
Land	N/A
Land under roads	N/A
Buildings	50-100
Land improvements	10-20
Leasehold improvements	life of lease
<i>Infrastructure</i>	
Bridges	20-100
Car parks	12-100
Drains	10-100
Footpaths	10-50
Playgrounds	10-20
Road sub-structure	100
Road seal	12-30
Road kerb and channel	80
Trees	N/A
Street furniture	10-20
<i>Plant and equipment</i>	
Plant and equipment	5
IT software	3-5
Minor plant, furniture and equipment	3-20

(f) Repairs and maintenance

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

(g) Finance costs

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

Finance costs include interest on bank overdrafts and interest on borrowings.

(h) Recognition and measurement of assets

Acquisition

The purchase method of accounting is used for all acquisitions of assets, being the fair value of assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition. Fair value is the 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 and an appropriate share of directly attributable variable and fixed overheads.

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

The following classes of assets have been recognised in note 21. In accordance with Council's policy, the threshold limits detailed below have been applied when recognising assets within an applicable asset class and otherwise stated are consistent with the prior year:

	Threshold Limit \$'000
<i>Property</i>	
Land	Nil
Land under roads	Nil
Buildings	10
Land improvements	5-10
Leasehold improvements	Nil
<i>Infrastructure assets</i>	
Bridges	5
Car parks	5
Drains (pits and new pipes) #	Nil
Drains (existing pipes)	5
Footpaths	1
Playgrounds	2
Road sub-structure	20
Road seal	20
Road kerb and channel	5
Street furniture	5

<i>Plant and equipment</i>	
Plant and equipment	2
IT software	2
Minor plant, furniture and equipment	2

Revised threshold limit in 2013-14, previously \$5,000 threshold limit for new drain pipes and pits.

Revaluation

Subsequent to the initial recognition of assets, non-current physical assets, other than land under roads, land improvements, leasehold improvements, playgrounds, street furniture and plant and equipment are measured at their fair value, being the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. At balance date, the Council reviewed the carrying value of the individual classes of assets measured at fair value to ensure that each asset materially approximated its fair value. Where the carrying value materially differed from the fair value at balance date, the class of asset was revalued.

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use on an asset result in changes to the permissible or practical highest and best use of the asset. More details about the valuation techniques and inputs used in determining the fair value of non-financial physical assets are discussed in note 21 Property, infrastructure, plant and equipment.

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

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

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

Land 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.

Realisable and non-realisable infrastructure assets

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

Existing assets not previously recognised

Non-current assets not previously recognised are classified as though they had always been recognised by an adjustment to opening equity balances. Refer to note 36 – Adjustments to equity for further details.

(i) Cash and cash equivalent assets

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

(j) Financial assets

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

(k) Managed funds

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

(l) Investments

Investments, other than investments in associates, are measured at cost.

(m) Recognition of payables

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

Annual Financial Report

For the year ended 30 June 2014

Note 1 Significant accounting policies (cont'd)

(n) Trust monies

Amounts received as tender deposits, bonds and retention monies are recognised as trust monies until they are refunded or forfeited (refer note 24). Amounts received from developers relating to the Development Contribution Plans (DCP) are held as deposits and are a surety for the construction of DCP infrastructure. Upon completion of the infrastructure, Council will refund the developer the deposit. Due to the uncertainty of when the developer may submit a claim for refund, the monies held are treated as a current liability.

(o) Employee costs

Salary and wages

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

Annual leave

Annual leave entitlements are determined up to balance date as amounts expected to be paid when the obligation is settled, inclusive of leave loading and associated oncosts. Annual leave expected to be paid within twelve months is measured at nominal value based on the amount, including appropriate oncosts. Annual leave entitlements expected to be settled after twelve months are measured at the present value of the estimated future cash outflows. Commonwealth bond rates are used for discounting future cash flows.

Long service leave

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

Classification of employee costs

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

Superannuation

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

(p) Leases

Operating leases

Operating lease payments are expensed in the year in which the payments are made as they reflect the pattern of benefits derived by the Council. Operating lease receivables are recognised in the year in which they are invoiced or when Council becomes entitled to the income from the lease, whichever is earlier.

Leasehold improvements

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

(q) Allocation between current and non-current

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

(r) Agreements equally proportionately unperformed

The Council does not recognise assets and liabilities arising from agreements that are equally proportionately unperformed in the Balance Sheet. Such agreements are recognised on an 'as incurred' basis.

(s) Website costs

Costs in relation to websites are charged as an expense in the period in which they are incurred.

(t) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the balance sheet are shown inclusive of GST. Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(u) Impairment of assets

At each reporting date, the Council reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the 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.

(v) Rounding

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

(w) Interest-bearing liabilities

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

(x) Contingent assets, contingent liabilities and commitments

Contingent assets and contingent liabilities are not recognised in the Balance Sheet, but are disclosed by way of a note and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively (refer note 30).

Commitments are not recognised in the Balance Sheet. Commitments are disclosed at their nominal value and inclusive of the GST payable (refer note 27).

(y) Inventory property

Properties that are earmarked for future development and sale are shown at the lower of cost and net realisable value. Properties that are likely to be sold within twelve months of balance date are shown as current assets. This classification between current and non-current is reviewed each year in line with the future sales program (see also note 1 (q)).

(z) Pending Accounting Standards

The following Australian Accounting Standards have been issued or amended and are applicable to the Council but are not yet effective.

They have not been adopted in preparation of the financial statements at reporting date.

PRONOUNCEMENT	WHAT'S NEW?	IMPACT/ACTION	EFFECTIVE DATE
AASB 9 Financial Instruments	<p>The AASB 9 standard is one of a series of amendments that are expected to eventually completely replace AASB 139. The standard will be expanded to include new rules on measurement of financial liabilities and hedge accounting. Currently the existing provisions of AASB 139 will continue to apply in these areas. AASB 9 simplifies the classifications of financial assets into those to be carried at amortised cost and those to be carried at fair value – the 'available for sale' and 'held-to-maturity' categories no longer exists. AASB 9 also simplifies requirements for embedded derivatives and removes the tainting rules associated with held-to-maturity assets. The new categories of financial assets are:</p> <ul style="list-style-type: none">• Amortised cost – those assets with 'basic' loan features'.• Fair value through other comprehensive income – this treatment is optional for equity instruments not held for trading (this choice is made at initial recognition and is irrevocable).• Fair value through profit and loss – everything that does not fall into the above two categories. <p>The following changes also apply:</p> <ul style="list-style-type: none">• Investments in unquoted equity instruments must be measured at fair value. However, cost may be the appropriate measure of fair value where there is insufficient more recent information available to determine a fair value.• There is no longer any requirement to consider whether 'significant or prolonged' decline in the value of financial assets has occurred. The only impairment testing will be on those assets held at amortised cost, and all impairments will be eligible for reversal.• Similarly, all movements in the fair value of a financial asset now go to the income statement, or, for equity instruments not held for trading, other comprehensive income. There is no longer any requirement to book decrements through the income statement, and increments through equity.	<p>The impact is not likely to be extensive in the local government sector. Although it will vary considerably between entities. While the rules are less complex than those of AASB 139, the option to show equity instruments at cost has been largely removed, which is likely to lead to greater volatility within the income statement. However it may also lead to an improved financial position for some entities. This will also create a requirement to measure some instruments annually that has not previously existed.</p>	<p>Periods beginning on or after 1 July 2015.</p>

Annual Financial Report

For the year ended 30 June 2014

(z) Pending Accounting Standards (cont'd)

PRONOUNCEMENT	WHAT'S NEW?	IMPACT/ACTION	EFFECTIVE DATE
AASB 10 Consolidated Financial Statements	<p>This standard forms the basis for determining which entities should be consolidated into an entity's financial statements. AASB 10 defines 'control' as requiring exposure or rights to variable returns and the ability to affect those returns through power over an investee, which may broaden the concept of control for public sector entities.</p> <p>The AASB has issued an exposure draft ED 238 Consolidated Financial Statements – Australian Implementation Guidance for Not-for-Profit Entities that explains and illustrates how the principles in the Standard apply from the perspective of not-for-profit entities in the private and public sectors.</p>	<p>The AASB have finalised deliberations on ED 238 and any modifications made to AASB 10 for not-for-profit entities, Council will need to re-assess the nature of its relationships with other entities, including those that are currently not consolidated. The impact of this standard will need to be assessed in line with the final deliberations by the AASB on the application of this standard to not-for-profit entities.</p>	<p>Periods beginning on or after 1 July 2014.</p>
AASB 11 Joint Arrangements	<p>This Standard deals with the concept of joint control, and sets out a new principles-based approach for determining the type of joint arrangement that exists and the corresponding accounting treatment. The new categories of joint arrangements under AASB 11 are more aligned to the actual rights and obligations of the parties to the arrangement.</p>	<p>The AASB have finalised deliberations and any modifications made to AASB 11 for not-for-profit entities, Council will need to assess the nature of arrangements with other entities in determining whether a joint arrangement exists in light of AASB 11.</p>	<p>Periods beginning on or after 1 July 2014.</p>
AASB 12 Disclosure of Interests in Other Entities	<p>This Standard requires disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the financial statements. This standard replaces the disclosure requirements in AASB 127 Separate Financial Statements and AASB 131 Interests in Joint Ventures.</p> <p>The exposure draft ED 238 proposes to add some implementation guidance to AASB 12, explaining and illustrating the definition of a 'structured entity' from a not-for-profit perspective.</p>	<p>Impacts on the level and nature of the disclosures will be assessed based on the eventual implications arising from AASB 10, AASB 11 and AASB 128 Investments in Associates and Joint Ventures.</p>	<p>Periods beginning on or after 1 July 2014.</p>

(z) Pending Accounting Standards (cont'd)

PRONOUNCEMENT	WHAT'S NEW?	IMPACT/ACTION	EFFECTIVE DATE
AASB 127 Separate Financial Statements	This revised Standard prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.	The impact of this standard will need to be assessed in line with the final deliberations by the AASB on the application of this standard to not-for-profit entities.	Periods beginning on or after 1 July 2014.
AASB 128 Investments in Associates and Joint Ventures	This revised Standard sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.	The impact of this standard will need to be assessed in line with the final deliberations by the AASB on the application of this standard to not-for-profit entities.	Periods beginning on or after 1 July 2014.
AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	These standards set out the tiers of financial reporting and the reduced disclosure framework.	The impact of this standard will need to be assessed in line with the final deliberations by the AASB on the application of this standard to not-for-profit entities.	Periods beginning on or after 1 July 2014.

Annual Financial Report

For the year ended 30 June 2014

	Note	Consolidated 2014 \$'000	Consolidated 2013 \$'000
Note 2 Underlying operational result for the year			
Net surplus for the year		54,543	36,658
<i>Less non-operating income</i>			
Net gain on disposal of assets	8(a)	1,113	458
Capital grants (recurrent and non-recurrent)	4	9,153	7,384
Capital contributions	5(a)	2,054	5,189
Contributions – non-monetary assets	5(b)	51,182	22,954
<i>Add non-operating expenses</i>			
Assets written off	8(b)	6,260	4,345
Underlying operational result*		(2,699)	5,018

Greater Dandenong City Council measures its underlying operational result* to assist in the determination of whether it is operating in a

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

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

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

Greater Dandenong City Council's underlying operating result decreased by \$7.72 million to a deficit result of \$2.70 million in 2014-15. The major contributor relates to Victoria Grants Commission funding of 50% (\$5.42 million) of the 2013-14 full year allocation received early in 2012-13. The Victoria Grants Commission made a decision to resume the regular payment schedule in May 2014. No early payments were received in 2013-14.

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

Note 3 Rates and charges

Council uses the Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The CIV of a property is the value of the land and all improvements on it, and is determined by independent valuers and certified by the Valuer General Victoria. The valuation base used to calculate general rates for 2013-14 was \$30.81 billion (\$28.87 billion in 2012-13).

	Note	Consolidated 2014 \$'000	Consolidated 2013 \$'000
Residential		42,170	39,254
Commercial		10,014	9,314
Industrial		35,110	32,521
Farm		400	422
Supplementary rates and adjustments		963	918
Maintenance levy		783	716
Residential waste		13,246	13,198
		102,686	96,343

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

Note 4 Grants – recurrent and non-recurrent

Grants were received in respect of the following:

Operational grants

Recurrent

Victoria Grants Commission – general purpose *	4,737	8,863
Victoria Grants Commission – local roads *	679	1,244
Community care	10,055	9,488
Community wellbeing	6,332	6,308
Community engagement	1,205	1,314
Cultural facilities	852	722
Regulatory services	415	451
Community development	149	99
Asset management services	13	12
Total recurrent grants	24,437	28,501

* 50% or \$5.40 million of Victoria Grants Commission funding for 2013-14 was distributed early to Council in June 2013.

Annual Financial Report

For the year ended 30 June 2014

	Note	Consolidated 2014 \$'000	Consolidated 2013 \$'000
Note 4 Grants – recurrent and non-recurrent (cont'd)			
Non-recurrent			
Community wellbeing		879	973
National disaster relief funding		–	684
Community engagement		181	504
Cultural facilities		83	83
Infrastructure planning		51	71
Business networking		30	50
Asset management services		85	42
Worksafe		5	13
Community development		10	–
Total non-recurrent grants		1,324	2,420
Total operational grants (recurrent and non-recurrent)		25,761	30,921
Capital grants			
Recurrent			
Commonwealth Government – roads to recovery		651	651
Community care		50	50
Cultural facilities		–	42
Total recurrent		701	743
Non-recurrent			
Capital grants		8,407	6,641
Community care		45	–
Total non-recurrent		8,452	6,641
Total capital grants (recurrent and non-recurrent)		9,153	7,384
Total operational and capital grants received		34,914	38,305
Conditions on grants			
Grants recognised as revenue during the year that were obtained on condition that they be expended in a specified manner that had not occurred at balance date were:			
Operational grants			
Victoria Grants Commission		–	5,401
Community engagement		1,043	1,204
Community wellbeing		674	681
Public health and wellbeing		22	35
Community care		–	211
Planning and design		–	17
Asset management services		26	14
Community development		16	–
Property, leisure and environment		3	–
Capital grants		2,100	1,674
Total grants unexpended		3,884	9,237

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

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

Operational grants

Note	Consolidated 2014 \$'000	Consolidated 2013 \$'000
Victoria Grants Commission	5,401	5,433
Community wellbeing	681	624
Community care	211	506
Community engagement	1,204	994
Public health and wellbeing support strategy	35	89
Asset management services	14	–
Property, leisure and environment	17	10
Capital grants	1,674	105
	9,237	7,761

Note 5 Capital contributions

(a) Capital contributions – cash

Development contribution plans – works completed	–	3,213
Public open space	1,878	1,444
Infrastructure	138	396
Re-vegetation	–	136
Other	38	–
Total capital contributions – cash	2,054	5,189

(b) Capital contributions – non-monetary

<i>Property</i>		
Land	30,269	1,133
Land under roads	8,902	2,148
Buildings	51	117
<i>Infrastructure</i>		
Bridges	–	17,374
Car parks	22	134
Drains	3,144	–
Footpaths	1,263	334
Playgrounds	–	54
Road sub-structure	4,133	928
Road seal	1,871	463
Road kerb and channel	1,527	269
Total capital contributions – non-monetary	51,182	22,954

Contributions which were recognised as revenue in prior years and were expended during the current year were:

Unexpended contributions

Public open space	1,878	1,444
Other	14	–
Total unexpended contributions	1,892	1,444

Annual Financial Report

For the year ended 30 June 2014

Note 6 Statutory fees and fines	Note	Consolidated 2014 \$'000	Consolidated 2013 \$'000
Parking fines		2,501	2,075
Building and town planning		1,528	1,204
Infringements and costs		1,488	1,683
Infringement (Perin) court recoveries		843	735
Land information certificates		93	77
		6,453	5,774

Note 7 User fees

Market stall rental	5,132	5,337
Other fees and charges	1,922	1,286
Parking fees	1,964	1,816
Hire of facilities	1,684	1,723
Aged care services	1,332	1,245
Multideck car parking	633	678
	12,667	12,085

Note 8 Net gain (loss) on sale, write off and replacement of assets

(a) Net gain on sale of assets

<i>Net gain on sale of inventory property</i>			
Proceeds from sale of assets	5,571	-	
Less Places Victoria share of Metro 3175 sales*	(4,152)	-	
	1,419	-	
Less carrying amount of assets sold	(377)	-	
	1,042	-	
<i>Net gain on sale of property, infrastructure, plant and equipment</i>			
Proceeds from sale of assets	401	844	
Less carrying amount of assets sold	(322)	(379)	
Less selling costs	(18)	(7)	
Plus selling costs recoveries	10	-	
	71	458	
Total proceeds	1,830	844	
Total carrying amount of assets sold (including selling costs)	(717)	(386)	
Total net gain on sale of assets	1,113	458	

* Council has entered into an agreement with Places Victoria for a residential development of the former Dandenong sale yards. Places Victoria is responsible for the development of the land under this agreement, and is entitled to 74.53% of the proceeds of this developed land. No sale settlements occurred during the 2012-13 financial year.

(b) Net (loss) on write off / replacement of property, infrastructure, plant and equipment

Property	(234)	(796)
Infrastructure	(3,494)	(2,437)
Plant and equipment	(76)	-
Work in progress	(2,456)	(1,112)
	(6,260)	(4,345)

Note 9 Other income	Note	Consolidated 2014 \$'000	Consolidated 2013 \$'000
Interest received on investments		2,369	3,003
Recoveries – other		528	701
Sundry income		946	699
Interest received on rates		500	442
Town Hall income		635	380
Recoveries – State Revenue Office (supply of valuation data)		480	141
		5,458	5,366

Note 10 Employee costs

Salaries and wages*		51,654	46,542
Annual leave and long service leave		6,339	6,181
Superannuation		4,764	4,329
Casual staff		1,706	1,444
Workcover		1,247	760
		65,710	59,256

* A change in the capitalisation of salary costs occurred in 2013-14 resulting in a higher amount of salaries expensed when compared to the 2012-13 financial year.

Annual Financial Report

For the year ended 30 June 2014

	Note	Consolidated 2014 \$'000	Consolidated 2013 \$'000
Note 11 Contract payments, materials and services			
Maintenance and repairs		973	1,276
Contract payments			
Waste collection		10,212	10,140
Parks services		4,378	4,171
Contract payments – Dandenong Market operations		1,704	3,083
Building maintenance		3,473	3,218
Roads and drains		2,196	2,248
Street lighting		1,865	1,756
Other contract payments		1,490	1,101
Cleaning		839	817
Plant / fleet management		813	758
Capital works		–	584
Property valuation contract		370	261
Community aged care program		3	7
Aquatic and leisure centres		736	321
Materials and services			
Other materials and services		1,378	2,025
Community aged care program		1,250	1,312
Parks services		752	781
Roads and drains		477	406
Cultural facilities		283	290
Building maintenance		249	228
Cleaning		76	75
		33,517	34,858

Note 12 Depreciation and amortisation	Note	Consolidated 2014 \$'000	Consolidated 2013 \$'000
<i>Property</i>			
Buildings		5,102	4,896
Land improvements		2,206	2,088
Leasehold improvements		97	126
		7,405	7,110
<i>Infrastructure</i>			
Bridges		679	296
Car parks		307	290
Drains		2,025	1,918
Footpaths		1,967	1,862
Playgrounds		476	421
Road sub-structure		2,461	2,440
Road seal		5,735	5,367
Road kerb and channel		1,364	1,260
Street furniture		167	168
		15,181	14,022
<i>Plant and equipment</i>			
Plant and equipment		1,770	1,787
IT software		159	473
Minor plant, furniture and equipment		2,023	1,935
		3,952	4,195
Total depreciation and amortisation		26,538	25,327

Note 13 Grants, sponsorships and contributions

Sponsorships – Family day care		2,981	3,238
Community grants		1,424	1,295
Sponsorships – other		315	567
Contributions		75	160
		4,795	5,260

Note 14 Professional services

Consultants		3,421	3,697
Legal costs		1,044	1,030
Statutory fees		481	421
Internal audit fees – Crowe Horwath		105	145
Audit fee to conduct external audit – Victorian Auditor-General		66	69
Strategic asset management project		6	4
Other		81	41
		5,204	5,407

Annual Financial Report

For the year ended 30 June 2014

	Note	Consolidated 2014 \$'000	Consolidated 2013 \$'000
Note 15 Administration costs			
Occupancy costs		3,097	2,680
Printing, publications and promotion		3,270	2,047
Information management costs		1,987	1,904
Motor vehicle maintenance		1,473	1,310
Insurance		1,063	1,223
Bad and doubtful debts		804	808
Council election		–	567
Councillors allowances		393	354
Postage		586	499
Other administration costs		793	517
Brokerage and professional fees		368	–
		13,834	11,909
Note 16 Finance costs			
Interest on borrowings		4,223	2,836
Interest other		13	–
		4,236	2,836
Note 17 Other expenses			
Bank charges		168	170
Sundry expenses*		1,722	448
		1,890	618

* Sundry expenses have increased in 2013-14 and relate mainly to unspent grant funding required to be returned to the funding body in relation to the following projects: Dandenong West Kindergarten, Transition to Adulthood and the Inclusion Support Program.

Note 18 (a) Cash and cash equivalents	Note	Consolidated 2014 \$'000	Consolidated 2013 \$'000
Term deposits		53,843	41,306
Money market at call account		5,694	7,520
Cash at bank and on hand		7,446	1,812
Managed funds		–	1,653
Shares		–	200
	33	66,983	52,491

Note 18 (b) Financial assets

Current

Term deposits greater than three months	1(j)	–	39,546
		–	39,546
		66,983	92,037

Represented by:

Operating cash *		13,979	45,031
Restricted cash **			
Employee provisions		15,531	14,590
Trust funds and deposits		13,640	10,471
Council funded development contribution plan reserve		9,645	8,559
Public open space reserve		5,494	4,950
Major projects reserve		6,752	3,020
Municipal building project reserve		–	2,925
Insurance reserve		423	1,016
Re-vegetation reserves		514	624
Keysborough South maintenance levy		785	496
Spring Valley landfill rehabilitation		220	220
Dandenong Market		–	135
		66,983	92,037

* The lower operating cash result in 2013-14 is due to the 2012-13 operating cash amount including \$39.41 million set aside to fund the completion of capital works in progress and unexpended grants in 2013-14.

** Restricted cash represents funds that are set aside for specific purposes and users of the financial report should refer to note 26(b) for details of funds held in reserve and note 27 for details of existing Council commitments.

Financing arrangements

Overdraft facility		2,500	2,500
Used amount		–	–
Unused overdraft facilities at reporting date		2,500	2,500
Used borrowing facilities at reporting date		66,748	65,887
Unused borrowing facilities at reporting date		–	–

Non-current

<i>Financial assets held for sale</i>			
Unlisted shares – Regional Kitchen Pty Ltd – at cost		230	–
		230	–

Annual Financial Report

For the year ended 30 June 2014

	Note	Consolidated 2014 \$'000	Consolidated 2013 \$'000
Note 19 (a) Trade and other receivables			
Current			
Rates debtors	1(d)	5,297	4,965
Parking infringement debtors		4,958	5,074
Provision for doubtful debts – parking infringements		(1,561)	(1,907)
General debtors		8,207	7,299
Provision for doubtful debts – general debtors		(570)	(637)
		16,331	14,794
Non-current			
Development contribution plan – works completed		–	246
Narre Warren landfill – financial contribution		246	246
Other debtors – refundable deposit		73	–
		319	492
		16,650	15,286

Note 19 (b) Prepayments

Prepayments	382	453
	382	453

Note 20 Inventory – property

Properties held for sale – current	243	377
Properties held for sale – non-current	3,455	3,698
	3,698	4,075

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

Note 21 Property, infrastructure, plant and equipment

(a) Property, infrastructure, plant and equipment balances at the end of the year

SUMMARY

At cost		245,944	210,928
At deemed cost	#	73,887	35,624
At fair value as at 1 January 2014	21(c)(i)	987,125	–
At fair value as at 30 June 2013	21(c)(ii)	54,148	54,148
At fair value as at 1 January 2012	21(c)(i)	–	857,444
At fair value as at 30 June 2011	21(c)(ii)	286,294	287,368
At fair value as at 30 April 2011	21(c)(ii)	390,361	394,528
Less accumulated depreciation		(477,836)	(446,869)
Less accumulated impairment		(31)	–
		1,559,892	1,393,171

Note 21 Property, infrastructure, plant and equipment (cont'd)

(a) Property, infrastructure, plant and equipment balances at the end of the year

PROPERTY

	Note	Consolidated 2014 \$'000	Consolidated 2013 \$'000
Land			
At cost		–	4,848
At deemed cost	#	22,780	–
At fair value as at 1 January 2014	21(c)(i)	706,432	–
At fair value as at 1 January 2012		–	607,593
		729,212	612,441
Land under roads			
At cost		30,331	21,159
		30,331	21,159
Buildings			
At cost		55,346	23,175
At deemed cost	#	22	22
At fair value as at 1 January 2014	21(c)(i)	280,693	–
At fair value as at 1 January 2012		–	249,851
Less accumulated depreciation		(126,919)	(114,555)
		209,142	158,493
Land improvements			
At cost		44,559	36,607
Less accumulated depreciation		(22,054)	(19,765)
		22,505	16,842
Leasehold improvements			
At cost		1,333	1,235
Less accumulated amortisation		(584)	(486)
		749	749
Total property		991,939	809,684

Annual Financial Report

For the year ended 30 June 2014

Note 21 Property, infrastructure, plant and equipment (cont'd)	Note	Consolidated 2014 \$'000	Consolidated 2013 \$'000
INFRASTRUCTURE			
Bridges			
At cost		37	–
At deemed cost	#	103	103
At fair value as at 30 June 2013	21(c)(ii)	54,148	54,148
Less accumulated depreciation		(13,633)	(12,954)
Less accumulated impairment		(31)	–
		40,624	41,297
Car parks			
At cost		2,070	905
At deemed cost	#	599	578
At fair value as at 30 June 2011	21(c)(ii)	13,837	14,013
Less accumulated depreciation		(4,678)	(4,430)
		11,828	11,066
Drains			
At cost		1,429	927
At deemed cost	#	16,934	11,284
At fair value as at 30 June 2011	21(c)(ii)	190,023	190,816
Less accumulated depreciation		(72,369)	(70,618)
		136,017	132,409
Footpaths			
At cost		3,271	1,985
At deemed cost	#	6,573	5,112
At fair value as at 30 June 2011	21(c)(ii)	82,434	82,539
Less accumulated depreciation		(17,787)	(15,853)
		74,491	73,783
Playgrounds			
At cost		11,230	10,869
Less accumulated depreciation		(5,718)	(5,241)
		5,512	5,628
Road sub-structure			
At cost		410	157
At deemed cost	#	14,656	10,083
At fair value as at 30 April 2011	21(c)(ii)	233,355	236,388
Less accumulated depreciation		(92,250)	(90,355)
		156,171	156,273

Note 21 Property, infrastructure, plant and equipment (cont'd)	Note	Consolidated 2014 \$'000	Consolidated 2013 \$'000
Road seal			
At cost		12,435	9,353
At deemed cost	#	6,064	3,969
At fair value as at 30 April 2011	21(c)(ii)	76,141	76,792
Less accumulated depreciation		(46,204)	(40,799)
		48,436	49,315
Road kerb and channel			
At cost		4,298	3,180
At deemed cost	#	6,156	4,473
At fair value as at 30 April 2011	21(c)(ii)	80,865	81,348
Less accumulated depreciation		(28,967)	(27,978)
		62,352	61,023
Street furniture			
At cost		7,868	7,640
Less accumulated depreciation		(6,846)	(6,679)
		1,022	961
Total infrastructure		536,453	531,755
PLANT AND EQUIPMENT			
Plant and equipment			
At cost		14,537	13,308
Less accumulated depreciation		(8,749)	(7,996)
		5,788	5,312
IT software			
At cost		3,030	2,892
Less accumulated depreciation		(2,878)	(2,720)
		152	172
Minor plant, furniture and equipment			
At cost		39,679	34,798
Less accumulated depreciation		(28,200)	(26,440)
		11,479	8,358
Total plant and equipment		17,419	13,842
WORKS IN PROGRESS			
Works in progress (WIP)			
At cost		14,081	37,890
Total works in progress		14,081	37,890
Grand total – property, infrastructure, plant and equipment		1,559,892	1,393,171

– 'At deemed cost' represents assets gifted or not previously recognised which are taken on at fair value or deemed cost since the last revaluation.

Annual Financial Report

For the year ended 30 June 2014

Note 21 Property, infrastructure, plant and equipment (cont'd)

(b) Fair value

Fair value assessment have been performed at 30 June 2014 for asset classes measured at fair value. This assessment demonstrated that fair value was materially similar to carrying value, and therefore a full revaluation was not required for infrastructure asset classes this year. The next scheduled full revaluation for this purpose will be conducted in 2014-15. Land and buildings were formally revalued at 1 January 2014. The next scheduled full revaluation for this purpose will be conducted in 2015-16.

Fair value hierarchy at 30 June 2014

Assets and liabilities measured at fair value are categorised into a hierarchy based on the level of inputs used in measurements.

- Level 1** Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3** Unobservable inputs for the asset or liability.

Details of the carrying value of Council's asset classes and information about the fair value hierarchy at 30 June 2014 are as follows:

	Note	Fair value		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
PROPERTY				
Land	(i)	–	175,790	530,642
Buildings	(i)	–	154,506	20,179
		–	330,296	550,821
INFRASTRUCTURE				
Bridges		–	–	40,519
Car parks		–	–	9,915
Drains		–	–	124,031
Footpaths		–	–	66,544
Road sub-structure		–	–	146,700
Road seal		–	–	38,968
Road kerb and channel		–	–	55,214
		–	–	481,891
GRAND TOTAL		–	330,296	1,032,712

Notes:

- (i) Specialised land and buildings are valued at Level 3, non-specialised land and buildings are valued at Level 2. Refer to note 21(c) for further details regarding the valuation basis of specialised and non-specialised land and building assets.
- (ii) There were no transfers between Levels 1 and 2 for recurring fair value measurements during the year. For transfers in and out of Level 3 measurements, see 21(c).
- (iii) The City of Greater Dandenong's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Note 21 Property, infrastructure, plant and equipment (cont'd)

(c) Valuation basis

(i) Property

Land and buildings (non-specialised – Level 2)

Non-specialised land and buildings are valued using the market based direct comparison method. Under this valuation method, the assets are compared to recent comparable sales or sales of comparable assets which are considered to have nominal or no added improvement value.

For non-specialised land and buildings, an independent valuation was performed by ProVal (Victoria) Pty Ltd to determine the fair value using the market based direct comparison method. Valuation of the assets was determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the asset being valued. From the sales analysed, an appropriate rate per square metre has been applied to the subject asset. The effective date of the valuation is 1 January 2014. To the extent that non-specialised land and buildings do not contain significant, unobservable adjustments, these assets are classified as Level 2 under the market based direct comparison method.

Land and buildings (specialised – Level 3)

The market based direct comparison method is also used for specialised land although is adjusted to reflect the specialised nature of the assets being valued. For Council specialised buildings, the depreciated replacement cost method is used, adjusting for the associated depreciations. Specialised assets contain significant, unobservable adjustments, therefore these assets are classified as Level 3 fair value measurements.

An adjustment is made to reflect a restriction on the sale or use of an asset by Council. The adjustment is an allowance made to reflect the difference in value between unrestricted assets and those held by the Council which are impacted by external restraints on their use.

An independent valuation of Council's specialised land and specialised buildings was performed by ProVal (Victoria) Pty Ltd. The valuation was performed using either the market based direct comparison method or depreciated replacement cost, adjusted for restrictions in use. The effective date of the valuation is 1 January 2014.

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 by 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.

(ii) Infrastructure

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. Replacement costs relate to costs to replace the property to an "as new" standard. Economic obsolescence has also been factored into the depreciated replacement cost calculation.

Where it has not been possible to examine hidden works such as structural frames and floors, the use of reasonable materials and methods of construction have been assumed bearing in mind the age and nature of the asset. The estimated cost of reconstruction including structure services and finishes, also factors in any heritage classifications as applicable. Infrastructure assets contain significant unobservable adjustments, therefore these assets are classified as Level 3.

Infrastructure asset classes are performed based on the depreciated replacement cost of the assets. Details about the most recent valuations of infrastructure asset classes are as follows:

Asset class	Revaluation date	Valued by
Bridges	30 June 2013	Independent valuation
Car parks	30 June 2011	Council valuation
Drains	30 June 2011	Council valuation
Footpaths	30 June 2011	Council valuation
Road sub-structure	30 April 2011	Council valuation
Road seal	30 April 2011	Council valuation
Road kerb and channel	30 April 2011	Council valuation

There were no changes in valuation techniques throughout the period to 30 June 2014. For all assets measured at fair value, the current use is considered the highest and best use.

Annual Financial Report

For the year ended 30 June 2014

Note 21 Property, infrastructure, plant and equipment (cont'd)

(iii) Reconciliation of Level 3 fair value

	Specialised land \$'000	Specialised buildings \$'000	Infrastructure \$'000	Total \$'000
2014				
Opening balance	462,190	20,094	491,197	973,481
Depreciation	–	(486)	(5,689)	(6,175)
Impairment loss	–	–	(31)	(31)
Revaluation	68,554	571	–	69,125
Disposals/write offs	(102)	–	(3,494)	(3,596)
Transfers	–	–	(92)	(92)
Closing balance	530,642	20,179	481,891	1,032,712

(iv) Description of significant unobservable inputs into Level 3 valuations

ASSET CLASS	NOTE	VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUTS	RANGE	SENSITIVITY
Specialised land	21(c)(i)	Market based direct comparison approach	Extent and impact of restriction of use Direct cost per square metre	70% to 80% \$10 to \$3,400	Increase or decrease in the extent of restriction would result in a significantly lower or higher fair value. Increase or decrease in the direct cost per square metre would result in a significantly lower or higher fair value.
Specialised buildings	21(c)(i)	Depreciated replacement cost	Useful life of specialised buildings Direct cost per square metre	50 to 100 years \$290 to \$48,000	Increase or decrease in the estimated useful life of the asset would result in a significantly lower or higher fair value. Increase or decrease in the direct cost per square metre would result in a significantly lower or higher fair value.
Infrastructure	21(c)(ii)	Depreciated replacement cost	Useful life of infrastructure	10 to 100 years	Increase or decrease in the estimated useful life would result in a significantly lower or higher fair value.
Bridges (deck bridges)	21(c)(ii)	Depreciated replacement cost	Direct cost per square metre	\$275 to \$1,450	Increase or decrease in the direct cost per square metre would result in a significantly lower or higher fair value.
Bridges (culverts)	21(c)(ii)	Depreciated replacement cost	Direct cost per metre	\$660 to \$2,300	Increase or decrease in the direct cost per metre would result in a significantly lower or higher fair value.

Note 21 Property, infrastructure, plant and equipment (cont'd)

ASSET CLASS	NOTE	VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUTS	RANGE	SENSITIVITY
Car parks	21(c)(ii)	Depreciated replacement cost	Direct cost per square metre	\$7 to \$78	Increase or decrease in the direct cost per square metre would result in a significantly lower or higher fair value.
Drains (pipes)	21(c)(ii)	Depreciated replacement cost	Direct cost per metre	\$57 to \$2,016	Increase or decrease in the direct cost per metre would result in a significantly lower or higher fair value.
Drains (pits)	21(c)(ii)	Depreciated replacement cost	Direct cost per unit	\$1,000 to \$2,800	Increase or decrease in the direct cost per unit would result in a significantly lower or higher fair value.
Footpaths	21(c)(ii)	Depreciated replacement cost	Direct cost per square metre	\$20 to \$85	Increase or decrease in the direct cost per square metre would result in a significantly lower or higher fair value.
Road sub-structure	21(c)(ii)	Depreciated replacement cost	Direct cost per square metre	\$39 to \$65	Increase or decrease in the direct cost per square metre would result in a significantly lower or higher fair value.
Road seal	21(c)(ii)	Depreciated replacement cost	Direct cost per square metre	\$7 to \$78	Increase or decrease in the direct cost per square metre would result in a significantly lower or higher fair value.
Road kerb and channel	21(c)(ii)	Depreciated replacement cost	Direct cost per square metre	\$20 to \$75	Increase or decrease in the direct cost per square metre would result in a significantly lower or higher fair value.

Note 21 Property, infrastructure, plant and equipment (cont'd)

(d) Annual movement reconciliation in written down value for the 2013-14 year (consolidated)

2014	Original balance at beginning of the financial year	Assets adjusted to opening equity	Adjusted balance at beginning of the financial year	Acquisition of assets	Asset capitalisations from WIP	Non-monetary contributions	Written down value of disposals	Assets written off	Depreciation	Revaluation increments (decrements)	Impairment losses (reversals)	Transfers	Balance at end of the financial year
	\$'000	Note 36	\$'000	Note 35	\$'000	Note 5(b)	Note 8(a)	Note 8(b)	Note 12	Note 26(a)	Note 26(a)	\$'000	\$'000
Property													
Land	612,441	-	612,441	-	-	30,269	(3)	(99)	-	86,604	-	-	729,212
Land under roads	21,159	270	21,429	-	-	8,902	-	-	-	-	-	-	30,331
Buildings	158,493	147	158,640	36,802	25,514	51	-	(121)	(5,102)	(3,177)	-	(3,465)	209,142
Land improvements	16,842	-	16,842	359	3,967	-	-	(14)	(2,206)	-	-	3,557	22,505
Leasehold improvements	749	-	749	97	-	-	-	-	(97)	-	-	-	749
Total property	809,684	417	810,101	37,258	29,481	39,222	(3)	(234)	(7,405)	83,427	-	92	991,939
Infrastructure													
Bridges	41,297	-	41,297	37	-	-	-	-	(679)	-	(31)	-	40,624
Car parks	11,066	-	11,066	539	626	22	-	(26)	(307)	-	-	(92)	11,828
Drains	132,409	2,494	134,903	20	481	3,144	-	(506)	(2,025)	-	-	-	136,017
Footpaths	73,783	197	73,980	780	506	1,263	-	(71)	(1,987)	-	-	-	74,491
Playgrounds	5,628	-	5,628	14	346	-	-	-	(476)	-	-	-	5,512
Road sub-structure	156,273	440	156,713	192	61	4,133	-	(2,467)	(2,461)	-	-	-	156,171
Road seal	49,315	220	49,535	2,980	101	1,871	-	(316)	(5,735)	-	-	-	48,436
Road kerb and channel	61,023	155	61,178	783	336	1,527	-	(108)	(1,364)	-	-	-	62,352
Street furniture	961	-	961	-	228	-	-	-	(167)	-	-	-	1,022
Total infrastructure	531,755	3,506	535,261	5,345	2,685	11,960	-	(3,494)	(15,181)	-	(31)	(92)	536,453
Plant and equipment													
Plant and equipment	5,312	-	5,312	2,615	-	-	(295)	(74)	(1,770)	-	-	-	5,788
IT software	172	-	172	47	92	-	-	-	(159)	-	-	-	152
Minor plant, furniture and equipment	8,358	-	8,358	3,033	1,537	-	(24)	(2)	(2,023)	-	-	-	11,479
Total plant and equipment	13,842	-	13,842	6,295	1,629	-	(319)	(76)	(3,952)	-	-	-	17,419
Work in progress													
Total works in progress	37,890	-	37,890	12,442	(33,795)	-	-	(2,456)	-	-	-	-	14,081
Grand total	1,393,171	3,923	1,397,094	61,340	-	51,182	(322)	(6,260)	(26,538)	83,427	(31)	-	1,559,892

Note 21 Property, infrastructure, plant and equipment (cont'd)
(d) Annual movement reconciliation in written down value for the 2012-13 year (consolidated)

2013	Original balance at beginning of the financial year	Assets adjusted to opening equity	Adjusted balance at beginning of the financial year	Acquisition of assets	Asset capitalisations from WIP	Non-monetary contributions	Written down value of disposals	Assets written off	Depreciation	Revaluation increments (decrements)	Impairment losses / (reversals)	Transfers	Balance at end of the financial year
	\$'000	Note 36	\$'000	Note 35	\$'000	Note 5(b)	Note 8(a)	Note 8(b)	Note 12	Note 26(a)	Note 26(a)	\$'000	\$'000
Property													
Land	610,481	76	610,557	751	-	1,133	-	-	-	-	-	-	612,441
Land under roads #	-	-	-	-	-	-	-	-	-	-	-	21,159	21,159
Buildings	159,531	3	159,534	1,848	2,685	117	-	(795)	(4,896)	-	-	-	158,493
Car parks *	10,488	-	10,488	236	498	134	-	-	(290)	-	-	(11,066)	-
Land improvements	11,105	-	11,105	2,357	5,469	-	-	(1)	(2,088)	-	-	-	16,842
Leasehold improvements	871	-	871	4	-	-	-	-	(126)	-	-	-	749
Total property	792,476	79	792,555	5,196	8,652	1,384	-	(796)	(7,400)	-	-	10,093	809,684
Infrastructure													
Bridges	7,915	84	7,999	7	14	17,374	-	-	(296)	16,199	-	-	41,297
Car parks *	-	-	-	-	-	-	-	-	-	-	-	11,066	11,066
Drains	127,489	6,644	134,133	-	233	-	-	(39)	(1,918)	-	-	-	132,409
Footpaths @	72,962	1,766	74,728	788	326	334	(17)	(514)	(1,862)	-	-	-	73,783
Playgrounds %	2,551	-	2,551	557	2,887	54	-	-	(421)	-	-	-	5,628
Road sub-structure	156,121	2,262	158,383	-	-	928	(26)	(572)	(2,440)	-	-	-	156,273
Road seal	50,093	778	50,871	3,365	81	463	(8)	(90)	(5,367)	-	-	-	49,315
Road kerb and channel	58,858	1,371	60,229	1,656	296	269	(9)	(158)	(1,260)	-	-	-	61,023
Land under roads #	18,293	718	19,011	-	-	2,148	-	-	-	-	-	(21,159)	-
Trees	1,064	-	1,064	-	-	-	-	(1,064)	-	-	-	-	-
Street furniture	978	-	978	124	27	-	-	-	(168)	-	-	-	961
Total infrastructure	496,324	13,623	509,947	6,497	3,864	21,570	(60)	(2,437)	(13,732)	16,199	-	(10,093)	531,755
Plant and equipment													
Plant and equipment	4,686	-	4,686	2,232	500	-	(319)	-	(1,787)	-	-	-	5,312
IT software	563	-	563	13	69	-	-	-	(473)	-	-	-	172
Minor plant, furniture and equipment	7,958	-	7,958	1,244	1,091	-	-	-	(1,935)	-	-	-	8,358
Total plant and equipment	13,207	-	13,207	3,489	1,660	-	(319)	-	(4,195)	-	-	-	13,842
Work in progress													
Total works in progress	20,920	-	20,920	32,258	(14,176)	-	-	(1,112)	-	-	-	-	37,890
Grand total	1,322,927	13,702	1,336,629	47,440	-	22,954	(379)	(4,345)	(25,327)	16,199	-	-	1,393,171

Annual Financial Report

For the year ended 30 June 2014

Note 21 Property, infrastructure, plant and equipment (cont'd)

(d) Annual movement reconciliation in written down value for the 2012-13 year

Please note that the comparatives for 2012-13 have been reinstated to reflect the consolidated figures for Council and Dandenong Market as well as the asset transfers between categories and classes detailed below.

Land under roads #	Transferred from 'Infrastructure' category to 'Property' category.
Car parks *	Transferred from 'Property' category to 'Infrastructure' category.
Footpaths @	Represents the combination of 'Footpaths' and 'Bike Paths' (previously separately disclosed).
Infrastructure ^	Previously this category was split into 'Realisable' and 'Non-Realisable' infrastructure asset classes. These sub-categories have now been removed.
Playgrounds %	Previously called 'Recreational Equipment'. Name changed to 'Playgrounds'.

	Consolidated 2014 \$'000	Consolidated 2013 \$'000
Trade creditors	13,434	11,067
Other creditors	178	-
Prepaid income	168	121
Accrued wages	1,878	2,126
Accrued expenses	3,082	4,571
	18,740	17,885

Note 22 Trade and other payables

Trade creditors	13,434	11,067
Other creditors	178	-
Prepaid income	168	121
Accrued wages	1,878	2,126
Accrued expenses	3,082	4,571
	18,740	17,885

	Annual leave \$'000	Long service leave \$'000	Other \$'000	Total \$'000
Note 23 Employee provisions				
2014				
Balance at beginning of the financial year	5,663	8,468	459	14,590
Additional provisions	4,885	1,478	176	6,539
Amounts used	(4,737)	(725)	(167)	(5,629)
Decrease in the discounted amount arising because of time and the effect of any change in the discount rate	-	31	-	31
Balance at the end of the financial year	5,811	9,252	468	15,531
2013				
Balance at beginning of the financial year	5,240	7,579	543	13,362
Additional provisions	4,637	1,544	-	6,181
Amounts used	(4,214)	(579)	(84)	(4,877)
Increase in the discounted amount arising because of time and the effect of any change in the discount rate	-	(76)	-	(76)
Balance at the end of the financial year	5,663	8,468	459	14,590

Note 23 Employee provisions (cont'd)

(a) Employee provisions

Current provisions expected to be paid within 12 months

	Consolidated 2014 \$'000	Consolidated 2013 \$'000
Annual leave	5,496	5,308
Long service leave	615	649
Other	468	459
	6,579	6,416

Current provisions expected to be settled after 12 months

Annual leave	315	355
Long service leave	7,923	7,176
	8,238	7,531
Total current provisions	14,817	13,947

Non-current

Long service leave	714	643
	714	643
Total non-current	714	643

Aggregate carrying amount of employee benefits:

Current	14,817	13,947
Non-current	714	643
	15,531	14,590

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

Weighted average increase in employee costs	3.50%	3.50%
Average discount rates	3.10%	3.19%
Average settlement period long service leave (years)	7	7
Average settlement period annual leave (days)	260	260

Note 24 Trust funds and deposits

Current

Road deposits	990	743
Landscape deposits	1,742	1,813
Open space contributions	2,539	569
Development contribution plans (DCP)	6,999	6,727
Other deposits *	771	619
	13,041	10,471

Non-current

Other deposits *	599	28
	599	28

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

Annual Financial Report

For the year ended 30 June 2014

	Consolidated 2014 \$'000	Consolidated 2013 \$'000
Note 25 Interest-bearing loans and borrowings		
Current		
Borrowings – secured	9,230	4,039
	9,230	4,039
Non-current		
Borrowings – secured	57,518	61,848
	57,518	61,848
Total interest-bearing loans and borrowings (refer note 28 (a))	66,748	65,887
Borrowings are secured over the General Rates of Council as per section 141 of the Local Government Act 1989.		
The maturity profile for Council's borrowings is:		
Not later than one year	9,230	4,039
Later than one year and not later than five years	13,747	14,818
Later than five years	43,771	47,030
	66,748	65,887

Note 26 Reserves

(a) Asset revaluation reserves

	Balance at beginning of reporting period \$'000	Impairment loss credited against previous increments \$'000	Increment (decrement) \$'000	Balance at end of reporting period \$'000
2014				
Property				
Land	421,235	–	86,604	507,839
Buildings	12,692	–	(3,177)	9,515
	433,927	–	83,427	517,354
Infrastructure				
Bridges	16,599	(31)	–	16,568
Car parks	3,621	–	–	3,621
Drains	70,329	–	–	70,329
Footpaths	36,169	–	–	36,169
Roads	192,948	–	–	192,948
	319,666	(31)	–	319,635
Total asset revaluation reserves	753,593	(31)	83,427	836,989
2013				
Property				
Land	421,235	–	–	421,235
Buildings	12,692	–	–	12,692
	433,927	–	–	433,927
Infrastructure				
Bridges	400	–	16,199	16,599
Car parks	3,621	–	–	3,621
Drains	70,329	–	–	70,329
Footpaths	36,169	–	–	36,169
Roads	192,948	–	–	192,948
	303,467	–	16,199	319,666
Total asset revaluation reserves	737,394	–	16,199	753,593

Nature and purpose of reserve

Asset revaluation reserve:

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

Annual Financial Report

For the year ended 30 June 2014

Note 26 Reserves (cont'd)

(b) Other reserves

	Balance at beginning of reporting period \$'000	Transfer to accumulated surplus \$'000	Transfer from accumulated surplus \$'000	Balance at end of reporting period \$'000
2014				
Insurance reserve	1,016	(657)	64	423
Re-vegetation reserves	624	(160)	50	514
Public open space reserve	4,950	(1,334)	1,878	5,494
Keysborough South maintenance levy	496	(494)	783	785
Major projects reserve	3,020	-	3,732	6,752
Municipal Buildings Project reserve	2,925	(2,925)	-	-
Council funded development contribution reserve	8,559	(160)	1,246	9,645
Dandenong Market	135	(135)	-	-
Spring Valley landfill rehabilitation	220	-	-	220
Total other reserves	21,945	(5,865)	7,753	23,833
2013				
Insurance reserve	972	(621)	665	1,016
Re-vegetation reserves	678	(190)	136	624
Public open space reserve	4,548	(1,040)	1,442	4,950
Keysborough South maintenance levy	282	(502)	716	496
Major projects reserve	9,414	(6,812)	418	3,020
Municipal Buildings Project reserve	3,450	(8,650)	8,125	2,925
Council funded development contribution reserve	2,692	-	5,867	8,559
Dandenong Market	-	(265)	400	135
Spring Valley landfill rehabilitation	-	-	220	220
Total other reserves	22,036	(18,080)	17,989	21,945

Nature and purpose of other reserves:

Insurance reserve

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

Re-vegetation reserves

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

Public open space reserve

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

Keysborough South maintenance levy

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

Major projects reserve

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

Municipal Building Project reserve

This reserve was set aside for the construction of the Municipal Building and Community Complex and was discontinued in 2013-14.

Note 26 Reserves (cont'd)

Council funded development contributions reserve

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

Dandenong Market

This reserve comprised outflows in 2012-13 for establishment costs of the Dandenong Market Pty Ltd Board and marketing costs. This reserve was discontinued in 2013-14.

Spring Valley rehabilitation reserve

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

Note 27 Commitments

(a) Operating lease commitments

	Consolidated 2014 \$'000	Consolidated 2013 \$'000
Not later than one year	301	274
Later than one year and not later than five years	397	399
	698	673

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

(b) Operating lease receivables

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

Not later than one year	1,026	887
Later than one year and not later than five years	2,904	2,917
Later than five years	1,839	2,517
	5,769	6,321

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

Annual Financial Report

For the year ended 30 June 2014

	Not later than 1 year	Consolidated		Total
		Later than 1 year and not later than 5 years	Later than 5 years	
Note 27 Commitments (cont'd)	\$'000	\$'000	\$'000	\$'000
(c) Contracted commitments				
2014				
Works and services contracts				
Building maintenance services	3,380	7,327	–	10,707
Parking management	119	20	–	139
Animal management	106	36	–	142
Waste services	5,751	24,736	6,655	37,142
Works (roads and drains) services	547	565	–	1,112
Landfill maintenance services	4,172	–	–	4,172
Open space management	3,675	476	–	4,151
Leisure centres management services	433	–	–	433
Other maintenance	1,049	799	–	1,848
Dandenong Market Pty Ltd	78	–	–	78
	19,310	33,959	6,655	59,924
Capital				
Construction works – other buildings	2,922	–	–	2,922
	2,922	–	–	2,922
2013				
Works and services contracts				
Building maintenance services	3,819	11,779	–	15,598
Parking management	155	20	–	175
Animal management	96	33	–	129
Waste services	3,611	14,223	20,155	37,989
Works (roads and drains) services	1,470	–	–	1,470
Fleet services	1,078	–	–	1,078
Landfill maintenance services	3,816	3,950	–	7,766
Open space management	4,117	1,762	–	5,879
Leisure centres management services	459	–	–	459
Other maintenance	1,247	1,326	–	2,573
	19,868	33,093	20,155	73,116
Capital				
Construction works - Municipal Building Project	38,086	–	–	38,086
Construction works - other buildings	1,666	–	–	1,666
Design and consultancy - DCP works	133	–	–	133
	39,885	–	–	39,885

Note 28 Financial Instruments

(a) Accounting policy, terms and conditions

RECOGNISED FINANCIAL INSTRUMENTS	NOTE	ACCOUNTING POLICY	TERMS AND CONDITIONS
Financial assets			
Cash and cash equivalents	18	Cash on hand and at bank and money market call account are valued at face value. Interest is recognised as it accrues. Managed funds are measured at market value.	Funds on call returned floating interest rates between 2.40% and 2.65% (2.65% and 3.40% in 2012-13). Withdrawals are either immediate or within 24 hours. Council invested in managed funds during the first quarter of 2013-14 and earning a return of 3.01% in 2013-14 (2.18% and 4.40% in 2012-13) excluding unrealised gains or losses.
Trade and other receivables	19	Receivables are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection in full is no longer probable. Collectability of overdue accounts is assessed on an ongoing basis.	General debtors are unsecured and arrears do not attract interest. Credit terms are based on 60 days.
Financial liabilities			
Trade and other payables	22	Liabilities are recognised for amounts to be paid in the future for goods and services provided to Council as at balance date whether or not invoices have been received.	General creditors are unsecured, not subject to interest charges and are normally settled within 30 days of invoice receipt.
Interest-bearing loans and borrowings	25	Loans are carried at their principal amounts, which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and recognised as part of payables.	Borrowings are secured by way of mortgages over the general rates of the Council. The weighted average interest rate on borrowings is 6.35% (6.60% in 2012-13).

Annual Financial Report

For the year ended 30 June 2014

Note 28 Financial Instruments (cont'd)

(b) Interest rate risk

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

Fixed interest maturing in:

2014	Floating interest rate \$'000	1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000	Non-interest bearing \$'000	Total \$'000
Financial assets						
Cash and cash equivalents	13,130	53,843	–	–	10	66,983
Trade and other receivables	–	–	–	–	5,900	5,900
Other financial assets	–	–	–	–	230	230
Total financial assets	13,130	53,843	–	–	6,140	73,113
Range of effective interest rate	2.25% to 2.65%	3.77% to 4.50%	N/A	N/A	N/A	
Financial liabilities						
Trade and other payables	–	–	–	–	18,740	18,740
Trust funds and deposits	891	–	–	–	10,204	11,095
Interest-bearing loans and borrowings	–	9,230	13,747	43,771	–	66,748
Total financial liabilities	891	9,230	13,747	43,771	28,944	96,583
Range of effective interest rate	N/A	6.46% to 6.94%			N/A	
Net financial assets (liabilities)	12,239	44,613	(13,747)	(43,771)	(22,804)	(23,470)

Fixed interest maturing in:

2013	Floating interest rate \$'000	1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000	Non-interest bearing \$'000	Total \$'000
Financial assets						
Cash and cash equivalents	10,848	41,306	–	–	337	52,491
Trade and other receivables	–	–	–	–	5,930	5,930
Other financial assets	–	39,546	–	–	–	39,546
Total financial assets	10,848	80,852	–	–	6,267	97,967
Range of effective interest rate	3.00% to 5.01%	3.65% to 5.30%	N/A	N/A	N/A	
Financial liabilities						
Trade and other payables	–	–	–	–	17,885	17,885
Trust funds and deposits	1,412	–	–	–	8,513	9,925
Superannuation liability	–	–	–	–	4,847	4,847
Interest-bearing loans and borrowings	–	4,039	14,818	47,030	–	65,887
Total financial liabilities	1,412	4,039	14,818	47,030	31,245	98,544
Range of effective interest rate	N/A	6.12% to 7.83%			N/A	
Net financial assets (liabilities)	9,436	76,813	(14,818)	(47,030)	(24,978)	(577)

Note 28 Financial Instruments (cont'd)

(c) Fair value measurements

The carrying amounts and aggregate net fair values of financial assets and financial liabilities at balance date are:

Financial instruments	Total carrying amount as per Balance Sheet		Consolidated Aggregate net fair value	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<i>Financial assets</i>				
Cash and cash equivalents	66,983	52,491	66,983	52,491
Trade and other receivables	5,900	5,930	5,900	5,930
Other financial assets	230	39,546	230	39,546
Total financial assets	73,113	97,967	73,113	97,967
<i>Financial liabilities</i>				
Trade and other payables	18,740	17,885	18,740	17,885
Trust funds and deposits	11,095	9,925	11,095	9,925
Superannuation liability	–	4,847	–	4,847
Interest-bearing loans and borrowings	66,748	65,887	66,748	65,887
Total financial liabilities	96,583	98,544	96,583	98,544

(d) Credit risk

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

(e) Risks and mitigation

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

Market risk

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

Interest rate risk

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

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

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

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

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

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

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

Annual Financial Report

For the year ended 30 June 2014

Note 28 Financial Instruments (cont'd)

(e) Risks and mitigation (cont'd)

Credit risk

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

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

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

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

Movement in provisions for doubtful debts

	Consolidated 2014 \$'000	Consolidated 2013 \$'000
Balance at the beginning of the year	637	698
New provisions recognised during the year	44	55
Amounts already provided for and written off as uncollectible	(111)	(116)
Amounts provided for but recovered during the year	–	–
Balance at end of year	570	637

Ageing of trade and other receivables

At balance date other debtors representing financial assets with balances outstanding beyond Council's terms of trade were past due but not impaired. These amounts relate to a number of independent customers for whom there is no recent history of default. The ageing of the Council's trade and other receivables excluding provisions for doubtful debts was:

	2014 \$'000	2013 \$'000
Current (not yet due)	3,040	3,281
Past due by up to 30 days	354	442
Past due between 31 and 180 days	777	536
Past due between 181 and 365 days	703	838
Past due by more than 1 year	1,026	833
Total trade and other receivables *	5,900	5,930

* Trade and other receivables are not subject to interest.

Note 28 Financial Instruments (cont'd)

(e) Risks and mitigation (cont'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 on the date;
- we will be forced to sell financial assets at a value which is less than what they are worth; or
- we may be unable to settle or recover a financial asset at all.

To help reduce these risks we:

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

The Council's exposure to liquidity risk is deemed insignificant based on prior periods' data, the nature of investments, monitoring of investments and current assessment of risk. The table below lists the contractual maturities for financial liabilities. These amounts represent undiscounted gross payments including both principal and interest amounts.

2014	6 months or less \$'000	6–12 months \$'000	1–2 years \$'000	2–5 years \$'000	>5 years \$'000	Contracted Cash Flow \$'000	Carrying Amount \$'000
Trade and other payables	18,740	–	–	–	–	18,740	18,740
Trust funds and deposits	6,996	3,500	19	580	–	11,095	11,095
Loans and borrowings	7,026	2,204	4,358	9,389	43,771	66,748	66,748
Total financial liabilities	32,762	5,704	4,377	9,969	43,771	96,583	96,583
2013	6 months or less \$'000	6–12 months \$'000	1–2 years \$'000	2–5 years \$'000	>5 years \$'000	Contracted Cash Flow \$'000	Carrying Amount \$'000
Trade and other payables	17,885	–	–	–	–	17,885	17,885
Trust funds and deposits	6,562	3,363	–	–	–	9,925	9,925
Superannuation liability **	4,847	–	–	–	–	4,847	4,847
Loans and borrowings	1,972	2,067	4,330	10,487	47,031	65,887	65,887
Total financial liabilities	31,266	5,430	4,330	10,487	47,031	98,544	98,544

Annual Financial Report

For the year ended 30 June 2014

Note 28 Financial Instruments (cont'd)

(f) Sensitivity disclosure analysis

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

– A parallel shift of +1% and -2% in market interest rates (AUD) from year-end rates of 2.50%.

Market risk exposure	Carrying amount subject to interest	Interest rate risk			
		1% 100 basis points		-2% -200 basis points	
		Profit	Equity	Profit	Equity
2014	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets:					
Cash and cash equivalents	66,983	670	670	(1,340)	(1,340)
Trade and other receivables*	N/A	N/A	N/A	N/A	N/A
Financial liabilities					
Interest-bearing loans and borrowings***	N/A	N/A	N/A	N/A	N/A

Market risk exposure	Carrying amount subject to interest	Interest rate risk			
		1% 100 basis points		-2% -200 basis points	
		Profit	Equity	Profit	Equity
2013	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets:					
Cash and cash equivalents	52,491	525	525	(1,050)	(1,050)
Trade and other receivables*	N/A	N/A	N/A	N/A	N/A
Financial liabilities					
Superannuation liability**	N/A	N/A	N/A	N/A	N/A
Interest-bearing loans and borrowings***	N/A	N/A	N/A	N/A	N/A

*Trade and other receivables are not subject to interest.

**Superannuation liability was paid in full in July 2013.

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

Note 29 Superannuation

Council makes the majority of employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. The defined benefit section provides lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from the Council and the Council's legal or constructive obligation is limited to these contributions.

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

Accumulation funds

The Fund's accumulation category, Vision Super Saver, receives both employer and employee contributions on a progressive basis. Council contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2014, this was 9.25% required under Superannuation Guarantee Legislation). Our commitment to defined benefit contribution plans is limited to making contributions in accordance with our minimum statutory requirement. No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Defined Benefit Plan

As provided under paragraph 34 of AASB 119, Council does not use defined benefit accounting for its defined benefit obligations under the Funds' Defined Benefit category. This is because the Fund's Defined Benefit category is a multi-employer sponsored plan.

As a multi-employer sponsored plan, the Fund was established as a mutual scheme to allow for the mobility of the workforce between the participating employers without attaching a specific liability to particular employees and their current employer. Therefore, there is no proportional split of the defined benefit liabilities, assets or costs between 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. While there is an agreed methodology to allocate any shortfall identified by the Fund Actuary for funding purposes, there is no agreed methodology to allocate benefit liabilities, asset and costs between the participating employers for accounting purposes. Therefore, the Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

Council makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund's Actuary. The Fund's employer funding arrangements comprise of three components which are:

1. Regular contributions – which are ongoing contributions needed to fund the balance of benefits for current members and pensioners;
2. Funding calls – which are contributions in respect of each participating employer's share of any funding shortfalls that arise; and
3. Retrenchment increments – which are additional contributions to cover the increase in liability arising from retrenchments.

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

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

Employer contributions

Regular contributions

On the basis of the results of the most recent full actuarial investigation conducted by the Fund's Actuary as at 31 December 2011, 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 2014, this rate was 9.25% of members' salaries. This rate increased to 9.5% on 1 July 2014 and is expected to increase in line with the required Superannuation Guarantee contribution rate.

In addition, the 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 funded resignation or retirement benefit is calculated as the Vested Benefit Index (VBI) multiplied by the benefit).

Funding calls

The Fund is required to comply with the superannuation prudential standards. Under the superannuation prudential standard SPS 160, the Fund is required to target full funding of its vested benefits. There may be circumstances where:

- a fund is in an unsatisfactory financial position at an actuarial investigation (i.e. its vested benefit index (VBI) is less than 100% at the date of the actuarial investigation); or
- a fund's VBI is below its shortfall limit at any time other than at the date of the actuarial investigations.

Annual Financial Report

For the year ended 30 June 2014

Note 29 Superannuation (cont'd)

If either of the above occur, the fund has a shortfall for the purposes of SPS 160 and the fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. There may be circumstances where the Australian Prudential Regulation Authority (APRA) may approve a period longer than three years.

The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%. At 30 June 2014, the VBI was 104.

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including the Council) are required to make an employer contribution to cover the shortfall. The methodology used to allocate the shortfall was agreed in 1997 to fairly and reasonably apportion the shortfall between the participating employers.

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

The pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund are based on:

- The service periods of all active members split between the active members pre-1 July 1993 and post-30 June 1993 service period.
- The service periods of all deferred members split between the deferred members pre-1 July 1993 and post-30 June 1993 service period.
- The pensioner (including fixed term pension) liabilities which are allocated to the pre-1993 period.

The pre-1 July 1993 component of the shortfall is apportioned between the participating employers based on the employer's share of the total participating employer payroll at 30 June 1993.

The post-30 June 1993 component of the shortfall is apportioned between the participating employers based on the employer's share of the total participating employer payroll at the date the shortfall has been calculated.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up. In the unlikely event that the Fund is wound up and there is a surplus in the Fund, the surplus cannot be applied for the benefit of the defined benefit employers where there are on-going defined benefit obligations. The surplus would be transferred to the fund accepting those defined benefit obligations (including the lifetime pension obligations) of the Fund.

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

Differences between calculations

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

Retrenchment increments

During 2013-14, Council was not required to make payments to the Fund in respect of retrenchment increments.

Shortfall amounts

The amount of the unpaid shortfall at 30 June 2014 is Nil (\$4.85 million for 2012-13).

	2014 \$'000	2013 \$'000
Superannuation liability	–	4,847

Note 29 Superannuation (cont'd)

Superannuation contributions

Contributions by Council (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2014 are detailed below:

Scheme	Type of Scheme	Rate	2014 \$'000	2013 \$'000
Vision Super	Defined Benefit	9.25%	545	547
			545	547
Vision Super	Accumulation Fund	9.25%	3,157	2,930
Other Funds	Accumulation Fund	9.25%	1,022	838
			4,179	3,768

There were no contributions outstanding to the above schemes at 30 June 2014.

Note 30 Contingent liabilities and contingent assets

Contingent liabilities

Defined benefit superannuation scheme

Council has obligations under a defined benefit superannuation scheme that may result in the need to make additional contributions to the scheme to ensure that the liabilities of the fund are covered by the assets of the fund (refer note 29). As a result of the volatility in financial markets the likelihood of making such contributions in future periods exists. At this point in time it is not known if additional contributions will be required, their timing or potential amount.

Bank Guarantees

The Council has agreed to guarantee a bank loan taken out by the Dandenong Basketball Association (DBA). The original loan (and maximum extent of possible Council exposure) was \$2 million. At balance date the amount outstanding balance is \$380,000 (\$460,000 as at 30 June 2013).

The Commonwealth Bank of Australia (Council's banker) at the request of the Council, issued guarantees in favour of Urban Renewal Authority of Victoria for \$1.24 million in respect of development works of the Dandenong Municipal Building project. At balance date Council is contingently liable for \$1.24 million (\$1.24 million as at 30 June 2013). A guarantee to the value of \$490,000 was cancelled on 29 July 2014.

The Council is also a guarantor on a bank loan taken out by the Noble Park Football Social Club Ltd. The original loan (and maximum extent of possible Council exposure) was \$650,000. At balance date the amount outstanding balance is \$550,000.

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 \$310,000 (\$480,000 as at 30 June 2013).

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 that is published on the Department of Transport, Planning and Local Infrastructure website.

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 have been agreed to be funded by Council. The total value of these works is estimated to be around \$18.18 million.

Annual Financial Report

For the year ended 30 June 2014

Note 30 Contingent liabilities and contingent assets (cont'd)

Contingent assets

Development Contribution Plans (DCP)

Under the two DCPs noted previously, developers construct infrastructure assets which are vested with Council when Council issues a Statement of Compliance. These assets are brought to account as revenue (Contributions – non monetary assets) and capitalised. At reporting date, developers had commenced construction of assets that will eventually be transferred to the Council subject to Council issuing a Statement of Compliance. Council cannot reliably measure the value of the assets involved prior to completion and the timing of recognition.

Note 31 Related party transactions

(i) Responsible Persons

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

Councillors

Councillor Roz Blades AM
 Councillor Peter Brown
 Councillor Youhorn Chea
 Councillor John Kelly
 Councillor Matthew Kirwan
 Councillor Angela Long – (Mayor 07/11/12 to 07/11/13)
 Councillor Jim Memeti – (Mayor 07/11/13 to current)
 Councillor Sean O'Reilly
 Councillor Maria Sampey
 Councillor Heang Tak
 Councillor Loi Truong

Dandenong Market Board Members

Ms Julie Busch
 Mr Bruce Fletcher
 Mr Christopher Smith
 Mr Franz Madlener
 Mr Ian Gauder

Chief Executive Officer

John Bennie

(ii) Remuneration of Responsible Persons

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

	Consolidated 2014 No.	Consolidated 2013 No.
\$1 - \$9,999	–	3
\$10,000 - \$19,999	4	7
\$20,000 - \$29,999	10	7
\$40,000 - \$49,999	–	1
\$50,000 - \$59,999	1	–
\$60,000 - \$69,999	–	1
\$70,000 - \$79,999	1	–
\$350,000 - \$359,999	–	1
\$370,000 - \$379,999	1	–
Total	17	20
	\$'000	\$'000
Total remuneration for the reporting year, for responsible persons included above, amounted to:		
Council	767	711
Dandenong Market Pty Ltd	110	82
	877	793

Note 31 Related party transactions (cont'd)

(iii) Transactions with Responsible Persons

No retirement benefits were made by the Council to a Responsible Person during 2013-14 (2012-13 \$nil).

No loans were made, guaranteed or secured by the Council to a Responsible Person during 2013-14 (2012-13 \$nil).

No transactions were entered into by the Council with Responsible Persons outside the normal course of Council business, other than remuneration and reimbursement of expenses during 2013-14 (2012-13 nil).

Councillor Memeti has a financial interest in a stall at Dandenong Market. The financial arrangements are at arms length based on commercial terms. A number of Responsible Persons have minority shareholdings in public companies, which have dealings with the Council from time to time. These and other transactions with Responsible Persons who also hold the office of Councillor are required to be declared under section 81 of the Local Government Act 1989 (as amended) and are held in a register in accordance with that Act. The register is available for public inspection.

Responsible persons include five individuals who held the position of Director in Dandenong Market Pty Ltd (DMPL) during the 2013-14.

(iv) Senior Officers remuneration

A Senior Officer other than a Responsible Person, is an officer of Council who has management responsibilities and reports directly to the Chief Executive Officer or whose total annual remuneration exceeds \$133,000 (2012-13 \$130,000).

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

	Consolidated 2014 No.	Consolidated 2013 No.
Income range:		
< \$132,999	2	3
\$133,000 - \$139,999	–	4
\$140,000 - \$149,999	3	9
\$150,000 - \$159,999	11	2
\$160,000 - \$169,999	4	4
\$170,000 - \$179,999	3	–
\$190,000 - \$199,999	1	–
\$200,000 - \$209,999	–	1
\$210,000 - \$219,999	–	1
\$220,000 - \$229,999	2	3
\$230,000 - \$239,999	3	1
\$240,000 - \$249,999	1	–
	30	28
	\$'000	\$'000
Total remuneration for the reporting year for Senior Officers included above, amounted to:	4,988	4,164

Annual Financial Report

For the year ended 30 June 2014

		Consolidated 2014 \$'000	Consolidated 2013 \$'000
Note 32 Reconciliation of cash flows from operating activities to surplus (deficit)			
Net result as per Comprehensive Income Statement	Note	54,543	36,658
Depreciation	12	26,538	25,327
Contributions of non-monetary assets	5(b)	(51,182)	(22,954)
Assets written off and works in progress unable to capitalised (expensed)	8(b)	6,260	4,345
Finance costs	16	4,236	2,836
Gain on disposal of property, infrastructure, plant and equipment	8(a)	(1,113)	(458)
Change in assets and liabilities			
Increase in trade and other receivables	19(a)	(14)	(2,521)
(Increase) decrease in prepayments	19(b)	(2)	34
Increase in trade and other payables	22	2,245	1,629
Decrease in superannuation liability	29	(4,847)	(5,722)
Increase in employee provisions	23	897	1,228
Net cash provided by operating activities		37,561	40,402
Note 33 Reconciliation of cash and cash equivalents			
Cash and cash equivalents	18	66,983	52,491
		66,983	52,491

Note 34 Financial ratios

	2014 \$'000	2014 (%)	2013 \$'000	2013 (%)	2012 \$'000	2012 (%)
(a) Underlying result (surplus ratio)						
Underlying surplus (deficit)	(2,699)	= (1.76%)	5,018	= 3.33%	(1,166)	= (0.80%)
Total revenue	153,025		150,489		145,320	

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

Note: The higher 2012-13 surplus ratio result is due to the early receipt of 50% of the 2013-14 Victoria Grants Commission grant allocations in June 2013. This early receipt is also the main reason for the reduction in the surplus ratio result in 2013-14. A key contributor to the 2011-12 result of -0.80% is the recognition of \$10.57 million as an expense relating to Council's requirement to contribute to the defined benefits superannuation shortfall.

(b) Indebtedness

Non-current liabilities	58,831	= 38.45%	62,519	= 41.54%	43,950	= 30.24%
Total revenue	153,025		150,489		145,320	

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

(c) Self financing

Net cash from operating activities	37,561	= 24.55%	40,402	= 26.85%	45,868	= 31.56%
Total revenue	153,025		150,489		145,320	

This is a measure of Council's ability to fund the replacement of assets from cash generated by operating activities.

Note: The lower result in 2012-13 and 2013-14 is mainly due to payments made towards Council's superannuation liability of \$5.50 million and \$4.85 million respectively.

(d) Investment gap ratio

Capital expenditure	61,340	= 231.14%	47,440	= 187.31%	42,864	= 182.34%
Depreciation	26,538		25,327		23,508	

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

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

Debt servicing costs	4,236	= 2.77%	2,836	= 1.88%	1,654	= 1.14%
Total revenue	153,025		150,489		145,320	

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

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

Debt servicing and redemption costs	8,275	= 8.06%	6,091	= 6.32%	4,460	= 4.98%
Rate revenue	102,686		96,343		89,608	

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

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

Rate revenue	102,686	= 61.84%	96,343	= 58.78%	89,608	= 56.60%
Total revenue *	166,052		163,906		158,318	

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

* In arriving at the total revenue, capital grants, contributions – cash, proceeds on sale of assets are included.

Annual Financial Report

For the year ended 30 June 2014

Note 34 Financial ratios (cont'd)	2014 \$'000	2014 (%)	2013 \$'000	2013 (%)	2012 \$'000	2012 (%)
(h) Working capital ratio (to assess Council's ability to meet current commitments)						
Current assets	<u>83,939</u>	= 150.35%	<u>107,661</u>	= 210.32%	<u>84,462</u>	= 197.55%
Current liabilities	55,828		51,189		42,754	

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

Note: The lower working capital ratio in 2013-14 is the result of lower current assets due to a reduction in cash balances as well as an increase in current liabilities caused by the interim loan facility of \$4.90 million held by Council at 30 June 2014.

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

Total liabilities	<u>85,488</u>	= 8.57%	<u>88,619</u>	= 10.82%	<u>60,326</u>	= 7.45%
Total realisable assets	997,389		820,022		809,212	

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

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

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

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

Note 35 Capital expenditure

Capital works areas

Property

Land		–	751
Buildings		36,802	1,848
Land improvements		359	2,357
Leasehold improvements		97	4

Infrastructure

Bridges		37	7
Car parks		539	236
Drains		20	–
Footpaths		780	788
Playgrounds		14	557
Roads and kerb and channel		3,955	5,021
Street furniture		–	124

Plant and equipment

Plant and equipment		2,615	2,232
IT software		47	13
Minor plant, furniture and equipment		3,633	1,244
Works in progress		12,442	32,258

Total capital works	21(d)	61,340	47,440
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Represented by:

Renewal	(b)	14,668	16,602
Upgrade and expansion	(a) & (c)	7,026	4,173
New	(d)	39,646	26,665
Total capital works		61,340	47,440

Property, infrastructure, plant and equipment movement reconciliation

The movement between the previous year and the current year in property, infrastructure, plant and equipment as shown in the Balance Sheet links to the net of the following items:

Total capital works		61,340	47,427
Contributions – non-monetary assets	5(b)	51,182	22,954
Assets written off and replaced (including capital works expenditure unable to be capitalised)	8(b)	(6,260)	(4,345)
Written down value of assets sold (excluding selling costs)	8(a)	(322)	(379)
Depreciation	12	(26,538)	(25,327)
Asset revaluation movement	26(a)	83,427	16,199
Impairment losses taken to the asset revaluation reserve	26(a)	(31)	–
Assets recognised in the current year relating to prior years (adjustments to equity)	36	3,923	13,702
Net movement in property, infrastructure, plant and equipment		166,721	70,231

Annual Financial Report

For the year ended 30 June 2014

Note 35 Capital expenditure (cont'd)

(a) Expansion

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

(b) Renewal

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

(c) Upgrade

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

(d) New

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

Note 36 Adjustments directly to equity

In the 2013-14 financial year, it was identified that Council had received ownership and control of assets (found and gifted assets) prior to the current financial year. The majority of the assets (\$3.71 million in 2013-14 and \$9.22 million in 2012-13) related to gifted infrastructure assets by developers of new subdivisions. Other factors contributing to the adjustments were assets recognised as part of the Revitalisation of Central Dandenong program and the detailed mapping of Council's drainage assets. These adjustments to equity occurred in the 2013-14 financial year, but were adjusted against opening equity and assets of the following years:

	Consolidated 2014 \$'000	Consolidated 2013 \$'000
Property		
Land	–	76
Land under roads	270	718
Buildings	147	3
Infrastructure		
Bridges	–	84
Drains	2,494	6,644
Footpaths	197	1,766
Road substructure	440	2,262
Road seal	220	778
Road kerb and channel	155	1,371
Other		
Narre Warren landfill – financial contribution	–	246
	3,923	13,948

Note 37 Reconciliation of Council, The Dandenong Market Pty Ltd (DMPL) and consolidated accounts

Dandenong Market Pty Ltd is a wholly owned subsidiary of Greater Dandenong City Council. Dandenong Market Pty Ltd manages the Dandenong Market on the terms set out in a management service agreement dated 30 November 2012 between Dandenong Market Pty Ltd and Greater Dandenong City Council. The management service agreement with Council expires on the 30 June 2015. The following Comprehensive Income Statement, Balance Sheet and Cash Flow Statement has been provided to show the individual financial positions of the Council and The Dandenong Market Pty Ltd and consolidated accounts for the 2012-13 and 2013-14 financial years. 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 2014

	Council 2014 \$'000	DMPL 2014 \$'000	Consolidation Adjustment 2014 \$'000	Consolidated Accounts 2014 \$'000
Income				
Rates and charges	102,745	–	(59)	102,686
Grants – operating (recurrent)	24,437	–	–	24,437
Grants – operating (non-recurrent)	1,324	–	–	1,324
Statutory fees and fines	6,453	–	–	6,453
User fees	9,385	4,599	(1,317)	12,667
Other income	5,337	229	(108)	5,458
Total income	149,681	4,828	(1,484)	153,025
Expenses				
Employee costs	(65,091)	(655)	36	(65,710)
Contract payments, materials and services	(31,837)	(1,739)	59	(33,517)
Depreciation and amortisation	(26,529)	(9)	–	(26,538)
Grants, sponsorships and contributions	(4,795)	–	–	(4,795)
Professional services	(5,349)	–	145	(5,204)
Administration costs	(12,726)	(2,351)	1,243	(13,834)
Finance costs	(4,236)	–	–	(4,236)
Other expenses	(1,838)	(53)	1	(1,890)
Total expenses	(152,401)	(4,807)	1,484	(155,724)
Net surplus (deficit) result prior to capital income and asset items	(2,720)	21	–	(2,699)
Net gain on disposal of assets	1,113	–	–	1,113
Grants – capital (recurrent)	701	–	–	701
Grants – capital (non-recurrent)	8,452	–	–	8,452
Capital contributions – cash	2,054	–	–	2,054
Capital contributions – non-monetary	51,182	–	–	51,182
Assets written off	(6,260)	–	–	(6,260)
Net surplus for the year	54,522	21	–	54,543
Other comprehensive income				
Net asset revaluation increment	83,396	–	–	83,396
Total comprehensive result	137,918	21	–	137,939

Annual Financial Report

For the year ended 30 June 2014

Note 37 Reconciliation of Council, The Dandenong Market Pty Ltd (DMPL) and consolidated accounts (cont'd)

Balance Sheet

As at 30 June 2014

	Council 2014 \$'000	DMPL 2014 \$'000	Consolidation Adjustment 2014 \$'000	Consolidated Accounts 2014 \$'000
Assets				
Current assets				
Cash and cash equivalents	66,643	340	–	66,983
Trade and other receivables	16,242	176	(87)	16,331
Prepayments	374	8	–	382
Inventory property	243	–	–	243
Total current assets	83,502	524	(87)	83,939
Non-current assets				
Property, plant and equipment, infrastructure	1,559,864	28	–	1,559,892
Inventory property	3,455	–	–	3,455
Financial assets – assets held for sale	230	–	–	230
Trade and other receivables	319	–	–	319
Total non-current assets	1,563,868	28	–	1,563,896
Total assets	1,647,370	552	(87)	1,647,835
Liabilities				
Current liabilities				
Trade and other payables	18,405	422	(87)	18,740
Employee provisions	14,796	21	–	14,817
Trust funds and deposits	13,041	–	–	13,041
Interest-bearing loans and borrowings	9,230	–	–	9,230
Total current liabilities	55,472	443	(87)	55,828
Non-current liabilities				
Employee provisions	711	3	–	714
Trust funds and deposits	580	19	–	599
Interest-bearing loans and borrowings	57,518	–	–	57,518
Total non-current liabilities	58,809	22	–	58,831
Total liabilities	114,281	465	(87)	114,659
Net assets	1,533,089	87	–	1,533,176
Equity				
Accumulated surplus	672,267	87	–	672,354
Asset revaluation reserve	836,989	–	–	836,989
Other reserves	23,833	–	–	23,833
Total equity	1,533,089	87	–	1,533,176

Note 37 Reconciliation of Council, The Dandenong Market Pty Ltd (DMPL) and consolidated accounts (cont'd)

Cash Flow Statement

For the year ended 30 June 2014

	Council 2014 \$'000	DMPL 2014 \$'000	Consolidation Adjustment 2014 \$'000	Consolidated Accounts 2014 \$'000
Cash flows from operating activities				
Rates and charges	101,806	–	(59)	101,747
Fees, charges, fines and other (inclusive of GST)	18,709	5,396	(1,689)	22,416
Contributions (inclusive of GST)	2,062	–	–	2,062
Grants – (inclusive of GST)	36,055	–	–	36,055
Interest received	3,427	17	–	3,444
Payments to suppliers (inclusive of GST)	(66,014)	(4,477)	1,713	(68,778)
Payments to employees	(64,254)	(595)	35	(64,814)
Payments to superannuation liability	(4,847)	–	–	(4,847)
Net GST refund	10,396	(120)	–	10,276
Net cash provided by operating activities	37,340	221	–	37,561
Cash flows from investing activities				
Payments for property, infrastructure, plant and equipment	(62,655)	–	–	(62,655)
Proceeds from sale of property held for resale	1,419	–	–	1,419
Proceeds from sale of property, infrastructure, plant and equipment (net of selling costs)	393	–	–	393
Proceeds (payments) for other financial assets	39,546	–	–	39,546
Trust funds and deposits	1,630	(9)	–	1,621
Net cash used in investing activities	(19,667)	(9)	–	(19,676)
Cash flows from financing activities				
Finance costs	(4,254)	–	–	(4,254)
Proceeds from interest-bearing loans and borrowings	4,900	–	–	4,900
Repayment of interest-bearing loans and borrowings	(4,039)	–	–	(4,039)
Net cash used in financing activities	(3,393)	–	–	(3,393)
Net increase (decrease) in cash and cash equivalents	14,280	212	–	14,492
Cash and cash equivalents at the beginning of the financial year	52,363	128	–	52,491
Cash and cash equivalents at the end of the financial year	66,643	340	–	66,983

Annual Financial Report

For the year ended 30 June 2014

Note 37 Reconciliation of Council, The Dandenong Market Pty Ltd (DMPL) and consolidated accounts (cont'd)

Comprehensive Income Statement

For the year ended 30 June 2013

	Council 2013 \$'000	DMPL 2013 \$'000	Consolidation Adjustment 2013 \$'000	Consolidated Accounts 2013 \$'000
Income				
Rates and charges	96,343	–	–	96,343
Grants – operating (recurrent)	28,501	–	–	28,501
Grants – operating (non-recurrent)	2,420	–	–	2,420
Statutory fees and fines	5,774	–	–	5,774
User fees	12,068	17	–	12,085
Other income	5,366	288	(288)	5,366
Total income	150,472	305	(288)	150,489
Expenses				
Employee costs	(59,173)	(83)	–	(59,256)
Contract payments, materials and services	(35,108)	–	250	(34,858)
Depreciation and amortisation	(25,327)	–	–	(25,327)
Grants, sponsorships and contributions	(5,260)	–	–	(5,260)
Professional services	(5,394)	(13)	–	(5,407)
Administration costs	(11,804)	(143)	38	(11,909)
Finance costs	(2,836)	–	–	(2,836)
Other expenses	(618)	–	–	(618)
Total expenses	(145,520)	(239)	288	(145,471)
Net surplus (deficit) result prior to capital income and asset items	4,952	66	–	5,018
Net gain on disposal of assets	458	–	–	458
Grants – capital (recurrent)	743	–	–	743
Grants – capital (non-recurrent)	6,641	–	–	6,641
Capital contributions – cash	5,189	–	–	5,189
Capital contributions – non-monetary	22,954	–	–	22,954
Assets written off	(4,345)	–	–	(4,345)
Net surplus for the year	36,592	66	–	36,658
Other comprehensive income				
Net asset revaluation increment	16,199	–	–	16,199
Total comprehensive result	52,791	66	–	52,857

Note 37 Reconciliation of Council, The Dandenong Market Pty Ltd (DMPL) and consolidated accounts (cont'd)

Balance Sheet

As at 30 June 2013

	Council 2013 \$'000	DMPL 2013 \$'000	Consolidation Adjustment 2013 \$'000	Consolidated Accounts 2013 \$'000
Assets				
Current assets				
Cash and cash equivalents	52,363	128	–	52,491
Financial assets	39,546	–	–	39,546
Trade and other receivables	14,792	2	–	14,794
Prepayments	453	–	–	453
Inventory property	377	–	–	377
Total current assets	107,531	130	–	107,661
Non-current assets				
Property, plant and equipment, infrastructure	1,393,134	37	–	1,393,171
Inventory property	3,698	–	–	3,698
Trade and other receivables	492	–	–	492
Total non-current assets	1,397,324	37	–	1,397,361
Total assets	1,504,855	167	–	1,505,022
Liabilities				
Current liabilities				
Trade and other payables	17,812	73	–	17,885
Employee provisions	13,947	–	–	13,947
Trust funds and deposits	10,471	–	–	10,471
Superannuation liability	4,847	–	–	4,847
Interest-bearing loans and borrowings	4,039	–	–	4,039
Total current liabilities	51,116	73	–	51,189
Non-current liabilities				
Employee provisions	643	–	–	643
Trust funds and deposits	–	28	–	28
Interest-bearing loans and borrowings	61,848	–	–	61,848
Total non-current liabilities	62,491	28	–	62,519
Total liabilities	113,607	101	–	113,708
Net assets	1,391,248	66	–	1,391,314
Equity				
Accumulated surplus	615,710	66	–	615,776
Asset revaluation reserve	753,593	–	–	753,593
Other reserves	21,945	–	–	21,945
Total equity	1,391,248	66	–	1,391,314

Annual Financial Report

For the year ended 30 June 2014

Note 37 Reconciliation of Council, The Dandenong Market Pty Ltd (DMPL) and consolidated accounts (cont'd)

Cash Flow Statement

For the year ended 30 June 2013

	Council 2013 \$'000	DMPL 2013 \$'000	Consolidation Adjustment 2013 \$'000	Consolidated Accounts 2013 \$'000
Cash flows from operating activities				
Rates and charges	96,007	–	–	96,007
Fees, charges, fines and other (inclusive of GST)	19,188	335	(317)	19,206
Contributions (inclusive of GST)	4,943	–	–	4,943
Grants – (inclusive of GST)	39,893	–	–	39,893
Interest received	2,893	–	–	2,893
Payments to suppliers (inclusive of GST)	(67,117)	(186)	317	(66,986)
Payments to employees	(58,006)	–	–	(58,006)
Payments to superannuation liability	(5,500)	–	–	(5,500)
Net GST refund	7,963	(11)	–	7,952
Net cash provided by operating activities	40,264	138	–	40,402
Cash flows from investing activities				
Payments for property, infrastructure, plant and equipment	(45,331)	(38)	–	(45,369)
Proceeds from sale of property, infrastructure, plant and equipment (net of selling costs)	2,763	–	–	2,763
Proceeds (payments) for other financial assets	(39,546)	–	–	(39,546)
Trust funds and deposits	(2,545)	28	–	(2,517)
Net cash used in investing activities	(84,659)	(10)	–	(84,669)
Cash flows from financing activities				
Finance costs	(2,365)	–	–	(2,365)
Proceeds from interest-bearing loans and borrowings	33,100	–	–	33,100
Repayment of interest-bearing loans and borrowings	(3,255)	–	–	(3,255)
Net cash provided by financing activities	27,480	–	–	27,480
Net increase (decrease) in cash and cash equivalents	(16,915)	128	–	(16,787)
Cash and cash equivalents at the beginning of the financial year	69,278	–	–	69,278
Cash and cash equivalents at the end of the financial year	52,363	128	–	52,491

Certification of the Financial Statements

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



Michelle Hansen CPA
Principal Accounting Officer
Date: 8 September 2014

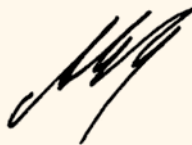
In our opinion the accompanying Financial Statements present fairly the financial transactions of the City of Greater Dandenong for the year ended 30 June 2014 and the financial position of the Council as at that date.

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

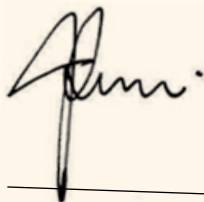
We have been authorised by the Council on 8 September 2014 to certify the Financial Statements in their final form.



Jim Memeti
Mayor
Date: 8 September 2014



Angela Long
Councillor
Date: 8 September 2014



John Bennie
Chief Executive Officer
Date: 8 September 2014

Annual Financial Report

For the year ended 30 June 2014

VAGO

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INDEPENDENT AUDITOR'S REPORT

To the Councillors, Greater Dandenong City Council

The Financial Report and Standard Statements

The accompanying financial report for the year ended 30 June 2014 of the Greater Dandenong City Council which comprises the comprehensive income statement, balance sheet, statement of changes in equity, statement of cash flows, notes comprising a summary of the significant accounting policies and other explanatory information, and the certification of the financial report has been audited.

The accompanying standard statements for the year ended 30 June 2014 of Greater Dandenong City Council which comprises the standard income statement, standard balance sheet, standard cash flow statement, standard statement of capital works, the related notes and the certification of standard statements have been audited.

The Councillors' Responsibility for the Financial Report and Standard Statements

The Councillors of the Greater Dandenong City Council are responsible for the preparation and the fair presentation of:

- the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Local Government Act 1989*
- the standard statements in accordance with the basis of preparation as described in Note 1 to the statements and the requirements of the *Local Government Act 1989*.

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

Auditor's Responsibility

As required by the *Audit Act 1994* and the *Local Government Act 1989*, my responsibility is to express an opinion on the financial report and standard statements based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report and standard statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and standard statements. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report and standard statements, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report and standard statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

Auditing in the Public Interest

Independent Auditor's Report (continued)

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

Independence

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

Opinion

In my opinion:

- (a) the financial report presents fairly, in all material respects, the financial position of the Greater Dandenong City Council as at 30 June 2014 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Local Government Act 1989*
- (b) the standard statements present fairly, in all material respects, in accordance with the basis of preparation as described in Note 1 to the statements and the requirements of the *Local Government Act 1989*.

Basis of Accounting for Standard Statements


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

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

This auditor's report relates to the financial report and standard statements of the Greater Dandenong City Council for the year ended 30 June 2014 included both in the Council's annual report and on the website. The Councillors of the Greater Dandenong City Council are responsible for the integrity of the Council's website. I have not been engaged to report on the integrity of the Greater Dandenong City Council's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report and standard statements are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report and standard statements to confirm the information contained in the website version of the financial report and standard statements.

MELBOURNE

10 September 2014


John Doyle
Auditor-General

2

Auditing in the Public Interest



Standard Statements

For the year ended 30 June 2014



Table of Contents

Standard Statements

Standard Income Statement	194
Standard Balance Sheet	195
Standard Cash Flow Statement	196
Standard Statement of Capital Works	197

Notes to the Standard Statements

Note 1 Basis of preparation of Standard Statements	198
Note 2 Explanation of material variances	198
(a) Standard Income Statement	198-199
(b) Standard Balance Sheet	200-201
(c) Standard Cash Flow Statement	202
(d) Standard Statement of Capital Works	203
Certification of the Standard Statements	204

Standard Statements

For the year ended 30 June 2014

Standard Income Statement

For the year ended 30 June 2014

	Note	Council Actual \$'000	Council Budget \$'000	\$'000	Variance %
Income					
Rates and charges		102,745	102,667	78	0.1
Grants – operating (recurrent)	1(a)	25,761	30,407	(4,646)	(15.3)
Statutory fees and fines		3,369	2,848	521	18.3
User fees	1(b)	11,625	15,339	(3,714)	(24.2)
Interest		2,852	2,069	783	37.8
Other income		3,329	2,985	344	11.5
Total income		149,681	156,315	(6,634)	(4.2)
Expenditure					
Employee costs		65,091	64,450	(641)	(1.0)
Contract payments, materials and services		31,837	34,624	2,787	8.0
Depreciation		26,529	25,709	(820)	(3.2)
Grants and sponsorships	1(c)	4,795	5,847	1,052	18.0
Professional services	1(d)	5,349	4,300	(1,049)	(24.4)
Administration costs	1(e)	12,726	11,595	(1,131)	(9.8)
Finance costs		4,236	4,328	92	2.1
Other expenses	1(f)	1,838	727	(1,111)	(152.8)
Total expenditure		152,401	151,580	(821)	(0.5)
Underlying operating result		(2,720)	4,735	(7,455)	(157.4)
Non-operating income and expenditure					
Net gain on disposal of assets		1,113	1,254	(141)	(11.2)
Capital grants (non-recurrent)	1(g)	9,153	5,669	3,484	61.5
Capital contributions (non-recurrent)	1(h)	2,054	747	1,307	175.0
Contributions – non-monetary assets	1(i)	51,182	10,000	41,182	411.8
Assets written off	1(j)	(6,260)	–	(6,260)	100.0
Surplus result for the year		54,522	22,405	32,117	143.3

The above statement should be read with the accompanying notes.

Standard Balance Sheet

As at 30 June 2014

	Note	Council Actual \$'000	Council Budget \$'000	Variance \$'000	%
ASSETS					
Current assets					
Cash and cash equivalents	2(a)	66,643	43,850	22,793	52.0
Trade and other receivables	2(b)	16,616	11,997	4,619	38.5
Inventory property		243	389	(146)	(37.5)
Total current assets		83,502	56,236	27,266	48.5
Non-current assets					
Property, infrastructure, plant and equipment	2(c)	1,559,864	1,412,688	147,176	10.4
Inventory property		3,455	2,525	930	36.8
Financial assets - assets held for sale		230	-	230	100.0
Trade and other receivables		319	-	319	100.0
Total non-current assets		1,563,868	1,415,213	148,655	10.5
Total assets		1,647,370	1,471,449	175,921	12.0
LIABILITIES					
Current liabilities					
Trade and other payables	2(d)	18,405	14,834	3,571	24.1
Employee provisions		14,796	14,009	787	5.6
Trust funds and deposits	2(e)	13,041	10,716	2,325	21.7
Interest-bearing loans and borrowings	2(f)	9,230	4,988	4,242	85.0
Total current liabilities		55,472	44,547	10,925	24.5
Non-current liabilities					
Employee provisions		711	660	51	7.7
Trust funds and deposits		580	-	580	100.0
Interest-bearing loans and borrowings	2(g)	57,518	63,607	(6,089)	(9.6)
Total non-current liabilities		58,809	64,267	(5,458)	(8.5)
Total liabilities		114,281	108,814	5,467	5.0
Net assets		1,533,089	1,362,635	170,454	12.5
Equity					
Accumulated surplus	2(h)	672,267	610,616	61,651	10.1
Asset revaluation reserve	2(i)	836,989	737,394	99,595	13.5
Reserves	2(j)	23,833	14,625	9,208	63.0
Total equity		1,533,089	1,362,635	170,454	12.5

The above statement should be read with the accompanying notes.

Standard Statements

For the year ended 30 June 2014

Standard Cash Flow Statement

For the year ended 30 June 2014

	Note	Council Actual \$'000	Council Budget \$'000	Variance \$'000	%
Cash flows from operating activities					
Rates and charges		101,806	102,369	(563)	(0.5)
Fees, charges, fines and other	3(a)	18,377	22,631	(4,254)	(18.8)
Grants – operating (recurrent)	3(b)	25,773	30,407	(4,634)	(15.2)
Grants – capital (non-recurrent)	3(c)	8,915	5,669	3,246	57.3
Contributions – capital (non-recurrent)	3(d)	2,062	747	1,315	176.0
Interest	3(e)	3,427	2,069	1,358	65.6
Contract payments, materials and other		(53,919)	(56,523)	2,604	(4.6)
Employee costs		(64,254)	(63,793)	(461)	0.7
Employee costs – defined benefits superannuation		(4,847)	(4,848)	1	(0.0)
Net cash provided by operating activities		37,340	38,728	(1,388)	(3.6)
Cash flows from investing activities					
Payments for property, infrastructure, plant and equipment	3(f)	(62,655)	(38,345)	(24,310)	63.4
Proceeds from financial assets	3(g)	39,546	–	39,546	100.0
Proceeds from sale of property held for resale		1,419	1,419	–	0.0
Proceeds from sale of property, plant and equipment		393	735	(342)	(46.5)
Trust funds and deposits	3(h)	1,630	–	1,630	100.0
Net cash used in investing activities		(19,667)	(36,191)	16,524	(45.7)
Cash flows from financing activities					
Finance costs		(4,254)	(4,328)	74	(1.7)
Proceeds from interest-bearing loans	3(i)	4,900	6,748	(1,848)	(27.4)
Repayment of interest-bearing loans		(4,039)	(4,039)	–	0.0
Net cash used in financing activities		(3,393)	(1,619)	(1,774)	109.6
Net increase in cash and cash equivalents		14,280	918	13,362	1,455.6
Cash and cash equivalents at the beginning of the year	3(j)	52,363	42,932	9,431	22.0
Cash and cash equivalents at the end of the financial year	2(a)	66,643	43,850	22,793	52.0

The above statement should be read with the accompanying notes.

Standard Statement of Capital Works

For the year ended 30 June 2014

	Note	Council Actual \$'000	Council Budget \$'000	Variance \$'000	%
Ongoing asset renewal programs					
Roads group		5,548	5,144	404	7.9
Storm water group		617	620	(3)	(0.5)
Facilities group		4,095	3,792	303	8.0
Open space group		1,358	1,253	105	8.4
Plant, fleet and equipment group		3,351	3,141	210	6.7
Total ongoing asset renewal		14,969	13,950	1,019	7.3
Major Projects					
Municipal Building Project	4(a)	33,636	16,217	17,419	107.4
Springvale Civic Project		726	720	6	0.8
Pavilion upgrade program		26	200	(174)	(87.0)
Total Major Projects		34,388	17,137	17,251	100.7
Developer Contribution Plan					
DCP Council funded works		133	-	133	100.0
Total DCP works		133	-	133	100.0
Other capital discretionary	4(b)	14,091	7,258	6,833	94.1
Total capital works		63,581	38,345	25,236	65.8
Asset expenditure classification					
Renewal		14,669	13,950	719	5.2
Upgrade/expansion	4(c)	7,026	5,457	1,569	28.8
New	4(d)	39,646	18,938	20,708	109.3
Operational/maintenance	4(e)	2,240	-	2,240	100.0
Total capital works		63,581	38,345	25,236	65.8

*Please note that the total Capital Works expenditure of \$63.58 million includes the total expenditure on Capital Works projects. This total includes \$2.24 million of expenditure that was considered to be either operating in nature or could not be capitalised because it related to non Council owned assets or was below the capitalisation threshold for the relevant asset classes.

The above statement should be read with the accompanying notes.

Standard Statements

For the year ended 30 June 2014

Notes to the Standard Statements

1. Basis of preparation of Standard Statements

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

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

The Standard Statements have been prepared on accounting bases consistent with those used for the General Purpose Financial Report and the Budget. The results reported in these statements are consistent with those reported in the General Purpose Financial Report except that the Standard Statements relate only to Council. The financial position and performance of the Dandenong Market Pty Ltd have not been consolidated in the Standard Statements.

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

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

The budget figures included in the Standard Statements are those adopted by Council on 24 June 2013. The budget was based on assumptions that were relevant at the time of adoption of the budget. The Council set guidelines and parameters for revenue and expense targets in this budget in order to meet Council's business plan and financial performance targets for both the short and long term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

2. Explanation of material variances

(a) Standard Income Statement

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

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

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

Note	Item	Explanation
1(a)	Grants - operating (recurrent)	50% of the Victoria Grants Commission 2013-14 funding of \$5.40 million was distributed early to Council in June 2013, instead of being received in 2013-14, thereby causing actual grant income to be lower than the budget in the current year.
1(b)	User fees	User fees are lower than budget due to a change in the governance model of the Dandenong Market (\$3.33 million). The Dandenong Market is now a separate legal entity of Council. Aged care user fees were also lower than budget due to a change in the treatment of service delivery allocations across commercial aged care and Commonwealth funded programs (refer also 1(c)). These items have an overall nil impact on the operating result.
1(c)	Grants and sponsorships	Grants and sponsorships were \$1.05 million lower than the original budget due to \$1.01 million lower than expected sponsorships in the areas of commercial aged care and Commonwealth funded programs by \$688,000 due to a change in the treatment of service delivery allocations (also refer 1(b)) and family day care \$316,000.

Note	Item	Explanation
1(d)	Professional services	Professional services were \$1.05 million higher than budget primarily due to the allocation of \$344,000 consultancy costs contained in the capital works budget that either did not meet the asset capitalisation criteria or were operating in nature and were expensed through the Standard Income Statement. The majority of these costs relate to the building renewal program and the Municipal Building and Community Complex. Legal fees were also \$446,000 higher than budget across the organisation primarily in Risk Management (\$121,000), Organisational Development (\$114,000) and Statutory Planning (\$84,000).
1(e)	Administration costs	Administration costs were \$1.13 million higher than budget due to greater than expected insurance claims – public liability (\$368,000), Home and Community Care (HACC) brokered and professional services (\$368,000) which was previously classified as materials and services and water (\$262,000).
1(f)	Other expenses	Other expenses were \$1.11 million higher than budget due to the requirement to return unspent grant funding to the funding body in relation to a number of programs including Transition to Adulthood (\$444,000), Dandenong West Kindergarten (\$300,000) and Inclusion Support Program (\$217,000).
1(g)	Capital grants (non-recurrent)	Capital grants were \$3.48 million higher than the original budget due to the receipt of unbudgeted grants including \$1.95 million relating to the Children's Facilities Capital Program for works to upgrade various early learning centres throughout the municipality, \$0.54 million relating to street lighting installation and replacement (Community Energy Efficiency Program) and funding awarded from the Department of Transport, Planning and Local Infrastructure as part of the 2013-14 Community Facility Funding Program for works at Shepley Oval. These projects are scheduled for the 2014-15 year and unspent funds are carried forward.
1(h)	Capital contributions (non-recurrent)	As a result of a higher than anticipated level of economic activity, Council received higher than budgeted open space contributions from developers of \$1.38 million during 2013-14. These contributions are restricted in their use and are transferred to reserves at the end of the financial year and set aside for open space projects.
1(i)	Contributions – non-monetary assets	This relates to assets that are transferred to Council's ownership from developers upon completion of subdivisions. In June 2014, more than 20 subdivisions were completed and finalised. The timing of this transfer of assets is outside of Council's control. This item is a non-cash accounting entry.
1(j)	Assets written off	Asset write off of capital expenditure during the year occurs due to either asset purchases under the capitalisation threshold or non capital purchases. Non capital purchases include minor repairs and maintenance, safety audits and inspections and are considered operating in nature. A total of \$2.46 million related to works in progress and \$3.80 million related to assets disposed/scrapped during the year.

Standard Statements

For the year ended 30 June 2014

(b) Standard Balance Sheet

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

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

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

Note	Item	Explanation
2(a)	Cash and cash equivalents	Cash holdings were higher than anticipated at 30 June 2014 mainly due to a higher than expected opening cash balance at 1 July 2013. The opening cash balance was higher than expected in the original budget due to the draw down of \$33.10 million in new borrowings in late 2012-13 combined with timing variances in the payment of progress claims for the Municipal Building Project and other major capital projects during the 2012-13 financial year.
2(b)	Trade and other receivables	The balance of trade and other receivables at the end of the financial year is higher than the original budget by \$4.62 million due mainly to higher than anticipated town planning debtors caused by a \$1.95 million open space invoice outstanding at 30 June 2014 (corresponding increase in trust funds and deposits at note 2(e)) and a higher than expected accrued income balance at year end caused by a pensioner rebate claim of \$607,000 and the sale of revaluation data from the State Revenue Office of \$363,000. The remaining variance relates to a marginal increase in outstanding sundry, parking infringements and rates debtors at year end.
2(c)	Property, infrastructure, plant and equipment	The increase in property, infrastructure, plant and equipment is mainly due to the \$83.43 million revaluation increment for land and buildings coupled with \$61.34 million in capital expenditure during 2013-14.
2(d)	Trade and other payables	Trade and other payables is higher than the original budget due to an increase in trade creditors and accrued expenses relating to: <ul style="list-style-type: none"> – \$1.91 million increase in capital related trade creditors. – \$443,000 grant funding to be returned to the funding body in relation to 'Closing the Gap/Transition to Adulthood' project due to a redirection of funds by the funding body. – \$224,000 unspent grant funding for 'Inclusion Support' to be refunded to the funding body as the program was concluded in 2013-14. – \$300,000 in capital facilities funding due to be refunded to the Department of Education and Early Childhood Development. Successful receipt of New Early Learning Facilities (NELF) funding in June 2014 replaces the original capital facilities funding received. Also, contributing to this unfavourable variance is \$178,000 of fire services property levy (FSPL) that has been collected by Council at 30 June 2014 but is not required to be forwarded to the State Revenue Office until October 2014.

Note	Item	Explanation
2(e)	Trust funds and deposits	Trust funds and deposits are higher than expected due mainly to a large open space contribution of \$1.95 million held in trust at 30 June 2014. This is offset by a corresponding increase in trade and other receivables (refer 2(b)). Also contributing to the variance is a higher balance of the Development Contribution Plans (DCP) trust account.
2(f)	Interest-bearing loans and borrowings (current)	The current portion of interest-bearing loans and borrowings is \$4.24 million higher than budget due to Council's decision to participate in the Local Government Funding Vehicle (LGFV) to finance \$4.90 million in new borrowings and access lower interest costs. The LGFV is expected to commence in September 2014, however Council was required to enter into an interim loan facility for the \$4.90 million in new borrowings. The interim loan facility is due to be repaid in September, therefore the current portion of borrowings is higher than anticipated at 30 June 2014. On a related note, the non-current portion of borrowings is \$6.09 million less than expected due to the short maturity of the interim loan facility as well as the reduction in the amount of new borrowings drawn down in 2013-14 (refer 3(i) for further details).
2(g)	Interest-bearing loans and borrowings (non-current)	Refer to the explanation provided at 2(f) above.
2(h)	Accumulated surplus	The accumulated surplus balance is \$61.65 million higher than budget due mainly to the current year surplus of \$54.52 million. Also, contributing to the favourable variance were \$3.92 million of fixed assets recognised as an adjustment to opening equity at 1 July 2013, offset by the net movement in other reserves during 2013-14.
2(i)	Asset revaluation reserve	The asset revaluation reserve was \$99.60 million higher than the original budget due mainly to the formal revaluation of land and buildings at 1 January 2014, resulting in a net increment to the reserve of \$83.43 million. In addition, a revaluation increment of \$16.20 million for the bridges asset class at 30 June 2013 also contributed to the variance as it occurred after the original budget was adopted in June 2013.
2(j)	Reserves	The increase in reserves is the net result of a number of inflows and outflows that occurred during the 2013-14 financial year. Outflows relate mainly to funds for capital works. Please refer to note 26(a) of the Financial Report for further details on reserve balances at 30 June 2014.

Standard Statements

For the year ended 30 June 2014

(c) Standard Cash Flow Statement

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

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

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

Note	Item	Explanation
3(a)	Fees, charges, fines and other	Fees, charges, fines and other cash inflows are lower than budget by \$4.22 million primarily due to the change in the governance model of the Dandenong Market (refer explanation at 1(b)) and the change in accounting treatment of Home and Community Care (HACC) service delivery allocations across Commonwealth funded programs and commercial aged care (refer 1(d)).
3(b)	Grants – operating (recurrent)	Refer to explanation provided earlier at 1(a).
3(c)	Grants – capital (non-recurrent)	Refer to explanation provided earlier at 1(g).
3(d)	Contributions – capital (non-recurrent)	Refer to explanation provided earlier at 1(h).
3(e)	Interest	Interest cash inflows were \$1.36 million higher than anticipated in the original budget due to higher average cash holdings during the year resulting in greater interest returns coupled with a decrease in the accrued interest balance at 30 June 2014 compared with the prior year.
3(f)	Payments for property, infrastructure, plant and equipment	Payments for property, infrastructure, plant and equipment were \$24.31 million higher than budget due to the delay in the timing of expenditure for a number of capital projects relating to the Municipal Building and Community Complex as well as several community buildings and pavilions. These projects were budgeted in the prior year and spent in the current year. The prior year budget was carried forward for these projects after the adoption of the original budget. Refer to explanations provided at notes 4(a) and 4(b) for further details.
3(g)	Proceeds from financial assets	Proceeds from financial assets represent term deposits invested for greater than three months at 30 June 2013 that were redeemed during 2013-14 and transferred to cash or term deposits with a shorter maturity than three months.
3(h)	Trust funds and deposits	Cash inflows from trust funds and deposits are \$1.63 million higher than budgeted as previously this line item was not separately disclosed, therefore, the budget in respect of this item was nil. These cash inflows relate to higher deposit balances at 30 June 2014 for Council's Development Contribution Plans (DCP), landscaping and roads.
3(i)	Proceeds from interest-bearing loans	Proceeds from interest-bearing loans were \$1.85 million lower than budget due to Council's resolution to direct part of the prior year's cash surplus to repay the balance of the superannuation liability (\$1.85 million). Loan borrowings were originally budgeted to be drawn down in 2013-14 to part fund the balance of the superannuation liability.
3(j)	Cash and cash equivalents at the beginning of the year	Refer to explanation provided earlier at 2(a).

(d) Standard Capital Works Statement

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

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

Note	Item	Explanation
4(a)	Municipal Building Project	Capital expenditure relating to the new Municipal Building and Community Complex was \$17.42 million higher than original budget expectations due to the timing of expenditure outflows in the prior year. \$20.36 million of the prior year's budget was carried forward to the current year after the original budget was adopted. The project was completed in March 2014 and resulted in \$1.05 million in savings.
4(b)	Other capital discretionary	Capital expenditure in the 'Other capital discretionary' group was higher than budget by \$6.83 million. This was caused by a number of upgrade and expansion projects relating to community buildings and pavilions that were budgeted in the prior year but the actual expenditure was incurred in the current financial year. Examples include Dandenong South new Early Learning Facility, Norman Luth Reserve Pavilion, George Andrews Reserve new Pavilion, Heatherhill Kindergarten, Heritage Preschool, Dandenong South Kindergarten, Dandenong Basketball and Volleyball Centre, Greaves Reserve - Alan Carter Pavilion and Darren Reserve Kindergarten. Also, contributing to the unfavourable variance was \$1.94 million of operating expenditure (refer note 4(e) for further details).
4(c)	Upgrade/expansion	The \$1.57 million unfavourable variance is mainly due to the delay in upgrade and expansion works on community buildings and pavilions. Refer to note 4(b) above for further details.
4(d)	New	The variance in new capital spending relates primarily to the Municipal Building and Community Complex in Dandenong (see above note 4(a)).
4(e)	Operational/maintenance	The \$2.24 million variance relates to expenditure that was budgeted for in the Capital Works program however, have been expensed through the Standard Income Statement as they were either operating in nature or could not be capitalised because they did not relate to Council owned assets or were below the capitalisation threshold for the relevant asset classes.

Standard Statements

For the year ended 30 June 2014

Certification of Standard Statements

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

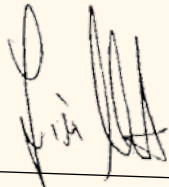


Michelle Hansen CPA
Principal Accounting Officer
Date: 8 September 2014

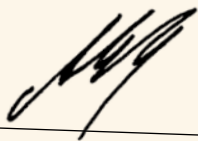
In our opinion the accompanying Standard Statements have been prepared on accounting bases consistent with the Financial Statements and in accordance with the Local Government Act 1989 and the Local Government (Finance and Reporting) Regulations 2004.

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

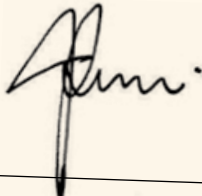
We have been authorised by the Council on 8 September 2014, to certify the Standard Statements in their final form on behalf of the Council.



Jim Memeti
Mayor
Date: 8 September 2014



Angela Long
Councillor
Date: 8 September 2014



John Bennie
Chief Executive Officer
Date: 8 September 2014