

CARDINIA SHIRE COUNCIL
ANNUAL FINANCIAL REPORT

For the Year Ended 30 June 2017

Cardinia Shire Council
Financial Report
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Comprehensive Income Statement For the Year Ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Income			
Rates and charges	3	79,147	73,921
Statutory fees and fines	4	4,583	3,798
User fees	5	2,844	2,740
Grants - operating	6	17,164	7,279
Grants - capital	6	9,544	12,486
Contributions - monetary	7	30,596	11,460
Contributions - non monetary	7	51,587	46,688
Net gain on asset revaluation	9	1,961	3,972
Net gain on disposal of property, infrastructure, plant and equipment	8	3,693	-
Share of net gain of associates	17	5	159
Other income	10	4,663	6,381
Total income		205,787	168,884
Expenses			
Employee costs	11(a)	(32,074)	(31,069)
Materials and services	12	(44,434)	(42,475)
Bad and doubtful debts	13	(161)	(168)
Depreciation and amortisation	14	(19,681)	(18,483)
Borrowing costs	15	(3,279)	(3,738)
Contributions - monetary	7	(7,794)	-
Contributions - non monetary	7	(5,918)	-
Net loss on disposal of property, infrastructure, plant and equipment	8	-	(351)
Other expenses	16	(2,735)	(2,289)
Total expenses		(116,076)	(98,573)
Surplus for the year		89,711	70,311
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment	30 a	100,990	31,743
Total comprehensive result		190,701	102,054

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

Balance Sheet As at 30 June 2017

	Note	2017 \$'000	2016 \$'000
Assets			
Current assets			
Cash and cash equivalents	18	63,199	23,470
Trade and other receivables	20	22,670	25,963
Other financial assets	19	28,000	27,833
Inventories	21	5	13
Assets classified as held for sale	22	-	8,726
Other assets	23	2,331	647
Total current assets		116,205	86,652
Non-current assets			
Trade and other receivables	20	5,671	1,281
Investments in associates	17	1,596	1,591
Property, infrastructure, plant and equipment	24	1,148,685	986,290
Intangible assets	25	638	669
Total non-current assets		1,156,590	989,831
Total assets		1,272,795	1,076,483
Liabilities			
Current liabilities			
Trade and other payables	26	17,174	16,532
Trust funds and deposits	27	11,332	9,896
Provisions	28	6,347	5,555
Interest-bearing loans and borrowings	29	5,001	4,765
Total current liabilities		39,854	36,748
Non-current liabilities			
Trade and other payables	26	12,896	6,155
Provisions	28	1,245	1,909
Interest-bearing loans and borrowings	29	42,265	47,521
Total non-current liabilities		56,406	55,585
Total liabilities		96,260	92,333
Net assets		1,176,535	984,150
Equity			
Accumulated surplus		707,400	630,326
Reserves	30	469,135	353,824
Total Equity		1,176,535	984,150

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

Statement of Changes in Equity For the Year Ended 30 June 2017

	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2017					
Balance at beginning of the financial year		984,150	630,326	317,940	35,884
Other adjustments to opening balances	30(c)	1,684	1,684	-	-
Surplus for the year		89,711	89,711	-	-
Net asset revaluation increment	30(a)	100,990	-	100,990	-
Transfers to other reserves	30(b)	-	(28,748)	-	28,748
Transfers from other reserves	30(b)	-	14,427	-	(14,427)
Balance at end of the financial year		1,176,535	707,400	418,930	50,205
2016					
Balance at beginning of the financial year		880,952	566,351	286,197	28,404
Other adjustments to opening balances		1,144	1,144	-	-
Surplus for the year		70,311	70,311	-	-
Net asset revaluation increment	30(a)	31,743	-	31,743	-
Transfers to other reserves	30(b)	-	(11,187)	-	11,187
Transfers from other reserves	30(b)	-	3,707	-	(3,707)
Balance at end of the financial year		984,150	630,326	317,940	35,884

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

Statement of Cash Flows For the Year Ended 30 June 2017

	Note	2017 Inflows/ (Outflows) \$'000	2016 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rates and charges		78,108	73,019
Statutory fees and fines		4,908	4,058
User fees		3,924	3,215
Grants - operating		16,789	7,441
Grants - capital		9,533	12,914
Contributions - monetary		23,075	14,039
Interest received		1,362	1,400
Trust funds and deposits taken		6,869	8,270
Other receipts		3,485	5,306
Net GST refund/payment		5,439	4,775
Employee costs		(32,020)	(30,776)
Materials and services		(55,106)	(47,714)
Trust funds and deposits repaid		(5,361)	(3,788)
Net cash provided by operating activities	31	<u>61,005</u>	<u>52,159</u>
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment	24	(23,634)	(25,905)
Proceeds from sale of property, infrastructure, plant and equipment		10,823	2,128
Payments for investments		(18,000)	(6,500)
Proceeds from sale of investments		13,501	2,767
Net cash used in investing activities		<u>(17,310)</u>	<u>(27,510)</u>
Cash flows from financing activities			
Finance costs		(3,279)	(3,738)
Repayment of borrowings		(5,020)	(9,752)
Net cash provided by/(used in) financing activities		<u>(8,299)</u>	<u>(13,490)</u>
Net increase in cash and cash equivalents		35,396	11,159
Cash and cash equivalents at the beginning of the financial year		27,803	16,644
Cash and cash equivalents at the end of the financial year	18	<u>63,199</u>	<u>27,803</u>
Financing arrangements	32		
Restrictions on cash assets	18		

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

Statement of Capital Works For the Year Ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Property			
Land		5,451	3,098
Total land		5,451	3,098
Buildings			
Buildings		6,673	6,634
Heritage Buildings		22	827
Building improvements		83	271
Total buildings		6,778	7,732
Total property		12,229	10,830
Plant and equipment			
Plant, machinery and equipment		1,013	1,291
Fixtures, fittings and furniture		19	37
Computers and telecommunications		21	103
Total plant and equipment		1,053	1,431
Infrastructure			
Roads		2,512	8,972
Bridges		1,324	705
Footpaths and cycleways		1,177	1,274
Drainage		1,319	323
Recreational, leisure and community facilities		2,837	1,523
Parks, open space and streetscapes		207	-
Off street car parks		293	350
Other infrastructure		438	43
Total infrastructure		10,107	13,190
Total capital works expenditure		23,389	25,451
Represented by:			
New asset expenditure		14,050	14,385
Asset renewal expenditure		6,207	8,328
Asset upgrade expenditure		3,132	2,738
Total capital works expenditure		23,389	25,451

The above statement of capital works should be read with the accompanying notes.

Introduction

The Cardinia Shire Council was established by an Order of the Governor in Council on 15 December 1994 and is a body corporate. The Council's main office is located at 20 Siding Avenue, Officer.

Statement of compliance

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

Note 1 Significant accounting policies

(a) Basis of accounting

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

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

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

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

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

(b) Principles of consolidation

The requirement to consolidate entities under the control of Cardinia Shire Council has been considered and determined that there are no such entities.

Note 1 Significant accounting policies (cont'd)

(c) Committees of management

All entities controlled by Council that have material revenues, expenses, assets or liabilities, such as committees of management, have been included in this financial report.

(d) Accounting for investments in associates

Associates

Associates are all entities over which Council has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

(e) Revenue recognition

Income is recognised when the Council obtains control of the contribution or the right to receive the contribution, it is probable that the economic benefits comprising the contribution will flow to the Council and the amount of the contribution can be measured reliably.

Rates and Charges

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

Statutory fees and fines

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

User fees

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

Grants

Grant income is recognised when Council obtains control of the contribution. This is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and are valued at their fair value at the date of transfer.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in note 6. The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

Contributions

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

Sale of property, infrastructure, plant and equipment

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

Interest

Interest is recognised as it is earned.

Other Income

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

Note 1 Significant accounting policies (cont'd)

(f) Fair value measurement

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

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

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

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

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

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.

(g) Cash and cash equivalents

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

(h) Trade and other receivables

Short term receivables are carried at invoice amount as amortised cost using the effective interest rate method would not impact the carrying value. A provision for doubtful debts is recognised when there is objective evidence that an impairment has occurred. Long term receivables are carried at amortised cost using the effective interest rate method.

Note 1 Significant accounting policies (cont'd)

(i) **Other financial assets**

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

(j) **Inventories**

Inventories held for distribution are measured at cost, adjusted when applicable for any loss of service potential.

All other inventories, including land held for sale, are measured at the lower of cost and net realisable value. Where inventories are acquired for no cost or nominal consideration, they are measured at current

(k) **Non-current assets classified as held for sale**

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

(l) **Recognition and measurement of property, plant and equipment, infrastructure, intangibles**

Acquisition

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

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

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

Revaluation

Subsequent to the initial recognition of assets, Land and Building and major Infrastructure assets, 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. Further details regarding the fair value hierarchy are disclosed at Note 24, Property, infrastructure and plant and equipment.

In addition, Council undertakes a formal revaluation of land, buildings, and major infrastructure assets on a regular basis ranging from 1 to 4 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.

Note 1 Significant accounting policies (cont'd)

(l) Recognition and measurement of property, plant and equipment, infrastructure, intangibles (cont'd)

Land under roads

Council recognises Land under roads acquired after 30 June 2008 at fair value. Council does not recognise land under roads that it controlled prior to that period in its financial report.

(m) Depreciation and amortisation of property, infrastructure, plant and equipment and intangibles

Buildings, land improvements, plant and equipment, infrastructure, and other assets having limited useful lives are systematically depreciated over their useful lives to the Council in a manner which reflects consumption of the service potential 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.

Road earthworks are not depreciated on the basis that they are assessed as not having a limited useful life. Straight line depreciation is charged based on the residual useful life as determined each year.

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

The capitalisation threshold for Buildings, Recreational, leisure and community facilities, and Parks, open Space and streetscapes has been increased from \$5k to \$10k in 2016/17.

Useful lives of the Recreational, leisure and community facilities has been expanded from 10 - 70 to 5 - 80 years.

Asset recognition thresholds and depreciation periods

	Depreciation	
	Period years	Threshold Limit \$'000
Property		
land	-	-
land improvements	-	10
Buildings		
heritage buildings	10 - 200	10
buildings	10 - 100	10
building improvements	10 - 100	10
Plant and Equipment		
plant, machinery and equipment	5 - 15	5
fixtures, fittings and furniture	8 - 15	5
computers and telecommunications	3 - 15	5
Infrastructure		
road pavements and seals	10 - 70	10
road substructure	10 - 70	10
road formation and earthworks	-	10
road kerb and channel	10 - 70	10
bridges deck	20 - 100	10
bridges substructure	20 - 100	10
footpaths and cycleways	10 - 50	10
drainage and minor culverts	20 - 100	10
recreational, leisure and community facilities	5 - 80	10
parks, open space and streetscapes	25	10
off street car parks	10 - 70	10
Intangible assets		
intangible assets	5	5

(n) 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.

Note 1 Significant accounting policies (cont'd)

(o) **Impairment of assets**

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

(p) **Trust funds and deposits**

Amounts received as deposits and retention amounts controlled by Council are recognised as trust funds until they are returned, transferred in accordance with the purpose of the receipt, or forfeited (refer to Note 27).

(q) **Borrowings**

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

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

Borrowing costs

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

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

(r) **Employee costs and benefits**

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

Wages and salaries and annual leave

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

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

Note 1 Significant accounting policies (cont'd)

(r) Employee costs and benefits (cont'd)

Long service leave

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

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

The components of this current liability are measured at :

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

Classification of employee costs

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

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

(s) Leases

Finance leases

Leases of assets where substantially all the risks and rewards incidental to ownership of the asset, are transferred to the Council are classified as finance leases. Finance leases are capitalised, recording an asset and a liability at the lower of the fair value of the asset and the present value of the minimum lease payments, including any guaranteed residual value. Lease payments are allocated between the reduction of the lease liability and the interest expense. Leased assets are depreciated on a straight line basis over their estimated useful lives to the Council where it is likely that the Council will obtain ownership of the asset or over the term of the lease, whichever is the shorter. Council currently has no finance leases.

Operating leases

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

(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 Tax 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 the 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 financing activities, which are disclosed as operating cash flows.

(u) Financial guarantees

Financial guarantee contracts are not recognised as a liability in the balance sheet unless the lender has exercised their right to call on the guarantee or Council has other reasons to believe that it is probable that the right will be exercised. Details of guarantees that Council has provided, that are not recognised in the balance sheet are disclosed at Note 36 Contingent Liabilities and Contingent Assets.

Note 1 Significant accounting policies (cont'd)

(v) **Contingent assets and contingent liabilities and commitments**

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

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

(w) **Pending accounting standards**

The following new AAS's have been issued that are not mandatory for the 30 June 2017 reporting period. Council has assessed these pending standards and has identified the following potential impacts will flow from the application of these standards in future reporting periods.

Revenue from contracts with customers (AASB 15) (applies 2019/20), AASB 1058 (applies 2019/20)

The standard shifts the focus from the transaction-level to a contract-based approach. Recognition is determined based on what the customer expects to be entitled to (rights and obligations), while measurement encompasses estimation by the entity of the amount expected to be entitled for performing under the contract. The full impact of this standard is not known however it is most likely to impact where contracts extend over time, where there are rights and obligations that may vary the timing or amount of the consideration, or where there are multiple performance elements. This has the potential to impact on the recognition of certain grant income.

Leases (AASB 16) (applies 2019/20)

The classification of leases as either finance leases or operating leases is eliminated for lessees. Leases will be recognised in the Balance Sheet by capitalising the present value of the minimum lease payments and showing a 'right-of-use' asset, while future lease payments will be recognised as a financial liability. The nature of the expense recognised in the profit or loss will change. Rather than being shown as rent, or as leasing costs, it will be recognised as depreciation on the 'right-of-use' asset, and an interest charge on the lease liability. The interest charge will be calculated using the effective interest method, which will result in a gradual reduction of interest expense over the lease term.

Council has a significant number of operating leases that will be impacted as a result of this change.

(x) **Rounding**

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

Note 2 Budget comparison

The budget comparison notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variances. Council has adopted a materiality threshold of the lower of 10% percent or \$500K where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures detailed below are those adopted by Council on 26 April 2016. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for revenue and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

a) Income and Expenditure

	Budget 2017 \$'000	Actual 2017 \$'000	Variance 2017 \$'000	Ref
Income				
Rates and charges	77,572	79,147	1,575	1
Statutory fees and fines	3,215	4,583	1,368	2
User fees	2,342	2,844	502	3
Grants - operating	11,456	17,164	5,709	4
Grants - capital	2,072	9,544	7,472	5
Contributions - monetary	6,198	30,596	24,398	6
Contributions - non monetary	1,128	51,587	50,460	7
Net gain on disposal of property, infrastructure, plant and equipment	-	3,693	3,693	8
Net gain on asset revaluation	-	1,961	1,961	9
Share of net gain of associates	-	5	5	
Other income	3,388	4,663	1,276	10
Total income	107,369	205,787	98,419	
Expenses				
Employee costs	31,691	32,074	(383)	
Materials and services	40,576	44,434	(3,857)	11
Bad and doubtful debts	172	161	11	
Depreciation and amortisation	19,070	19,681	(611)	12
Borrowing costs	4,054	3,279	775	13
Contributions - monetary	-	7,794	(7,794)	14
Contributions - non monetary	-	5,918	(5,918)	15
Other expenses	2,483	2,735	(252)	
Total expenses	98,046	116,076	(18,029)	
Surplus for the year	9,322	89,711	80,388	

Note 2 Budget comparison (cont'd)
a) Income and Expenditure (cont'd)

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Rates and charges	Rates, including supplementary rates, are better than budget due to an increase in the number of rateable properties. Income from the garbage charge and the green waste bin charge is also better than budget due to an increase in the number of new services.
2	Statutory fees and fines	Development fees (design checking and supervision) are better than budget due to increased development activity, and Planning fees are better than budget due to a new fee regulations introduced earlier this financial year.
3	User fees	Favourable variance is primarily due to increased income from the Cardinia Cultural Centre as a result of increased events and patronage. Section 86 committee income recognised is higher due to an overall increase in committee revenue, and asset protection fees are higher due to a higher volume of applications.
4	Grants - operating	Budgeted grants are better than budget primarily due to advance payment of part of the Victoria Grants Commission (VGC) 2017-18 grant of \$4.9m. The budgeted grants for Maternal & Child Health and School Crossing Supervisors were also better than budget. Additionally, unbudgeted grants have been recognised, primarily for flood rectification works, development projects and Emerald Lake Park vegetation management.
5	Grants - capital	Actual grants received are better than budget, due to increased Roads to Recovery funding of \$0.8m and the VGC grant higher due to advance payment of part of the 2017-18 grant of \$0.4m. Unbudgeted grants have been recognised, the major one being Growing Suburbs Fund funding totalling \$4.1m for Deep Creek Development, Growth Corridor District Playground, and Emerald to Gembrook Multi Use Trail. Other major unbudgeted grants recognised are for Pakenham Health Hub for \$1.0m and Arena Kindergarten for \$0.7m.
6	Contributions - monetary	This includes operating and capital cash contributions, as well as development levies. Development levies include developer levies, community infrastructure levies, and public open space levies, and make up most of the favourable variance, which is due to increased development activity.
7	Contributions - non monetary	Non-cash contributions includes roads, footpaths, drains, bridges, and land under roads contributed by developers. The value of developer contributed assets for the year is significantly better than budget, due to the budget being a conservative estimate of contributions to be received.
8	Net gain on disposal of property, infrastructure, plant and equipment	Favourable variance is mainly due to recognition of the proceeds from the sale of land at South East Business Park, which was not budgeted, partly offset by the written down value of assets disposed.
9	Net asset revaluation increment	This is an accounting entry to offset changes to roads and off-street car park valuations recognised in prior years
10	Other Income	Interest on investments, including Developer Contribution Plan (DCP) investments, are better than budget due to higher investment balances. Additionally, cost recovery income, being income received for expenditure incurred, is overall higher due to receipt of unbudgeted income.
11	Materials & Services	Unfavourable variance is due to funded capital works, including community capital works and priority works, which has been expensed due to not meeting the financial criteria to be included as assets. These have been partly offset by contracts which are under budget, primarily in the waste area due to projected cost increases being delayed and savings from new contracts.
12	Depreciation and amortisation	Unfavourable variance is mainly due to a large increase in developer contributed assets and the construction of several new Council buildings, combined with the depreciation implication of revaluation of existing assets.
13	Borrowing costs	Interest on loans are under budget primarily due to the budgeted 2016-17 loan not being drawn down and the repayment of other loans when due.
14	Contributions - monetary	This relates to cash contributions to VicRoads for Developer Contribution Plan (DCP) projects.
15	Contributions - non monetary (expenditure)	This relates to non-cash contributions and adjustments to VicRoads for Developer Contribution Plan (DCP) projects and contributions to the Department of Education.

Note 2 Budget comparison (cont'd)

b) Capital Works

	Budget 2017 \$'000	Actual 2017 \$'000	Variance 2017 \$'000	Ref
Property				
Land	1,200	5,451	4,251	1
Total Land	1,200	5,451	4,251	
Buildings	1,153	6,673	5,520	
Heritage buildings	-	22	22	
Building improvements	-	83	83	
Total Buildings	1,153	6,778	5,625	2
Total Property	2,353	12,229	9,876	
Plant and Equipment				
Plant, machinery and equipment	2,350	1,013	(1,337)	3
Fixtures, fittings and furniture	400	19	(381)	4
Computers and telecommunications	-	21	21	
Total Plant and Equipment	2,750	1,053	(1,697)	
Infrastructure				
Roads	8,210	2,512	(5,698)	5
Bridges	600	1,324	724	6
Footpaths and cycleways	1,512	1,177	(335)	
Drainage	380	1,319	939	7
Recreational, leisure and community facilities	17,326	2,837	(14,489)	8
Parks, open space and streetscapes	3,030	207	(2,823)	9
Off street car parks	152	293	141	
Other infrastructure	480	438	(42)	
Total Infrastructure	31,690	10,107	(21,583)	
Total Capital Works Expenditure	36,793	23,389	(13,404)	
Represented by:				
New asset expenditure	17,266	14,050	(3,216)	10
Asset renewal expenditure	11,267	6,207	(5,060)	11
Asset upgrade expenditure	8,260	3,132	(5,128)	12
Total Capital Works Expenditure	36,793	23,389	(13,404)	

Note 2 Budget comparison (cont'd)
b) Capital Works (cont'd)

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Land	Acquisition of land for future development in Officer, including Rix Road, Princes Highway, Brunt Road, and Bridge Road.
2	Buildings	Major items of actual expenditure are for building works at IYU Recreation Reserve, Pakenham Health Hub, Chandler Reserve, and Arena Kindergarten, which were not budgeted in this category. Budget was for works at Council's Purton Road depot and general building works, including disability access works.
3	Plant, machinery and equipment	Scheduled replacement of several items of plant and equipment have been postponed due to unforeseen events during the year. Replacement of plant and equipment is scheduled to be completed in 2017-2018.
4	Fixtures, fittings and furniture	The favourable variance is mainly due to the Information Technology (IT) strategy and Geographic Information System (GIS) strategy projects which are both budgeted in this category, but expended in the intangible assets category, and other expenditure being expensed and included in the operating statements.
5	Roads	Expenditure primarily relates to the roads renewal program, which includes resurfacing, resheeting and pavement renewals. Underspend is mainly as a result of a delay of a Special Charge Scheme in Pakenham and reclassification of expenditure at IYU Recreation Reserve.
6	Bridges	Expenditure in the bridges replacement program is over budget, but has been funded by unspent expenditure from previous years and the receipt of unbudgeted capital contributions.
7	Drainage	Drainage replacement program has been fully expended with additional drainage works completed at IYU Recreation Reserve and other recreation reserves which were originally budgeted in the recreational, leisure and community facilities category.
8	Recreational, leisure and community facilities	Budget is for major projects IYU Recreation Reserve, Hills Community Hub, Heatherbrae Recreation Reserve, Lang Lang sporting facilities, Emerald netball facilities, plus a number of smaller projects. However, the main item of expenditure in this category is for IYU Recreation Reserve. The other projects listed have been expended in other categories, some expenditure has been expensed, and some projects have been delayed due to unforeseen circumstances.
9	Parks, open space and streetscapes	Major item budgeted in this category is Deep Creek Reserve which is currently under budget and has mostly been expended in the Other Infrastructure category.
10	New asset expenditure	The major projects included as new assets are IYU Recreation Reserve, Hills Community Hub, Deep Creek Reserve, Heatherbrae Recreation Reserve, Lang Lang sporting facilities and Emerald netball facilities. The unfavourable variance is mainly a result of recognition of the acquisition of land for James Bathe Recreation Reserve, which was partly funded by under expenditure in previous years, and other land purchases for future development which have mainly been funded by Developer Contribution Plan (DCP) contributions.
11	Asset renewal expenditure	Asset renewal projects are under budget, with the major variances being for the plant replacement and roads resealing programs.
12	Asset upgrade expenditure	Asset upgrade projects are under budget, the major variance being a Special Charge Scheme in Pakenham which is currently behind schedule.

	2017	2016
	\$'000	\$'000
Note 3 Rates and charges		
<p>Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The CIV of a property is the market value as determined by the Municipal Valuer as at 1 January 2016.</p> <p>The valuation base used to calculate general rates for 2016/17 was \$18,719 million (2015/16 \$15,786 million). The 2016/17 rate in the CIV dollar was 0.003364 (2015/16, 0.003607).</p>		
General Rates	66,155	62,184
Waste management charge	11,078	10,220
Supplementary rates and rate adjustments	1,636	1,416
Cultural and recreational	99	101
Interest on rates and charges	179	-
Total rates and charges	79,147	73,921
<p>The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2016, and the valuation will be first applied in the rating year commencing 1 July 2016.</p>		
Note 4 Statutory fees and fines		
Infringements and costs	1,192	1,016
Town planning fees	1,743	1,797
Land information certificates	116	89
Permits	1,532	896
Total statutory fees and fines	4,583	3,798
Note 5 User fees		
Aged and health services	49	53
Leisure centre and recreation	1,557	1,640
Child care/children's programs	225	141
Parking	81	80
Registration and other permits	506	456
Building services	252	233
Other fees and charges	174	137
Total user fees	2,844	2,740

	2017 \$'000	2016 \$'000
Note 6 Grants		
Grants were received in respect of the following :		
Summary of grants		
Commonwealth funded grants	17,626	8,960
State funded grants	9,082	10,805
Total *	<u>26,708</u>	<u>19,765</u>
Operating Grants		
<i>Recurrent - Commonwealth Government</i>		
Victoria Grants Commission	14,293	4,669
Community Health	104	-
Other	15	-
<i>Recurrent - State Government</i>		
School crossing supervisors	229	203
Maternal and child health	1,206	979
Recreation	73	95
Community safety	95	78
Best Start Program	114	88
Community Health	229	348
Disability	145	139
Emergency Management	30	60
Environment and Heritage	227	203
Family and children	227	364
Local infrastructure	64	4
Other	113	49
Total recurrent operating grants	<u>17,164</u>	<u>7,279</u>
Total operating grants	<u>17,164</u>	<u>7,279</u>
Capital Grants		
<i>Recurrent - Commonwealth Government</i>		
Victoria Grants Commission	1,084	356
Roads to recovery	2,100	3,345
Total recurrent capital grants	<u>3,184</u>	<u>3,701</u>
<i>Non-recurrent - Commonwealth Government</i>		
Local infrastructure	30	210
Recreation	-	380
<i>Non-recurrent - State Government</i>		
Local infrastructure	5,427	2,282
Recreation	903	5,913
Total non-recurrent capital grants	<u>6,360</u>	<u>8,785</u>
Total capital grants	<u>9,544</u>	<u>12,486</u>
Total	<u>26,708</u>	<u>19,765</u>
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:	5,161	3,288
Grants which were recognised as revenue in prior years and were expended during the current year in the manner specified by the grantor were:	(2,154)	(1,563)
Net increase in restricted assets resulting from grant revenues for the year:	<u>3,007</u>	<u>1,725</u>
* See Note 2 for explanation regarding the grant movement		
Unspent grants received on condition that they be spent in a specific manner		
Balance at start of year	4,221	2,496
Received during the financial year and remained unspent at balance date	5,161	3,288
Received in prior years and spent during the financial year	(2,154)	(1,563)
Balance at year end	<u>7,228</u>	<u>4,221</u>

	2017 \$'000	2016 \$'000
Note 7 Contributions		
Contributions Income		
Monetary	30,596	11,460
Non-monetary	51,587	46,688
Total contributions	82,183	58,148
<i>Contributions of non monetary assets were received in relation to the following asset classes.</i>		
Land	23,856	9,656
Building	595	-
Roads	14,570	11,717
Other infrastructure	17,539	13,740
Other	125	11,575
Total non-monetary contributed assets recognised this year	56,685	46,688
The difference between the value of contributed assets recognised in Property, Plant and Equipment, and non-monetary contributions income recognised in the year is due to differences in the date when Council physically gains control of the non-monetary assets, and when the Income is recognised.		
Contributions Expenses		
<i>Monetary and non monetary contributions collected from developers for projects on Vic Roads land have been handed over to Vic Roads in 2016/17.</i>		
Monetary	7,794	-
Non-monetary	5,918	-
Total contributions	13,712	-
<i>Contributions of non monetary assets were distributed in relation to the following asset classes.</i>		
Land	876	-
Roads	5,042	-
Total non-monetary contributions expenses	5,918	-
Note 8 Net gain/(loss) on disposal of property, infrastructure, plant and equipment		
Proceeds of sale	18,155	2,128
Write down value of assets disposed	(14,462)	(2,479)
Total net gain on disposal of property, infrastructure, plant and equipment	3,693	(351)
Refer to the explanations in note 2 for further information.		
Note 9 Net gain on asset revaluation		
Roads	2,788	3,930
Off street car parks	(827)	42
Total net gain on asset revaluation	1,961	3,972
Note 10 Other income		
Interest	1,475	1,393
Other recoveries	2,288	3,276
Other	900	1,712
Total other income	4,663	6,381
Note 11 (a) Employee costs		
Wages and salaries	27,993	27,375
WorkCover	368	396
Casual Staff	789	480
Superannuation	2,555	2,435
Fringe benefits tax	351	362
Other	18	21
Total employee costs	32,074	31,069
Note 11 (b) Superannuation		
Council made contributions to the following funds:		
Defined benefit fund		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	142	162
	142	162
Employer contributions payable at reporting date.		
Accumulation funds		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	2,320	2,273
	2,320	2,273
Employer contributions payable at reporting date.	93	73
Refer to note 35 for further information relating to Council's superannuation obligations.		

	2017	2016
	\$'000	\$'000
Note 12		
Materials and services		
Building maintenance	155	231
General maintenance	3,871	2,927
Office administration	479	286
Information technology	1,352	1,295
Materials and services	10,942	9,995
Contract payments	21,756	20,851
Utilities	1,836	1,885
Consultants	3,285	4,265
Insurance	758	740
Total materials and services	44,434	42,475
Note 13		
Bad and doubtful debts		
Local laws	119	83
Other	42	85
Total bad and doubtful debts	161	168
Note 14		
Depreciation and amortisation		
Property	4,304	4,090
Plant and equipment	1,655	1,630
Infrastructure	13,547	12,641
Total depreciation	19,506	18,361
Intangible assets	175	122
Total depreciation and amortisation	19,681	18,483
<i>Refer to note 24 and 25 for a more detailed breakdown of depreciation and amortisation charges</i>		
Note 15		
Borrowing costs		
Interest - Borrowings	3,046	3,533
Bank charges	233	205
Total borrowing costs	3,279	3,738
Note 16		
Other expenses		
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	88	84
Auditors' remuneration - Internal	106	102
Councillors' allowances	285	290
Operating lease rentals	454	558
Other expenses	1,802	1,255
Total other expenses	2,735	2,289

	2017	2016
	\$'000	\$'000
Note 17 Investment in associates		
a) Investments in associates		
Investments in associates accounted for by the equity method is:		
Casey Cardinia Library Corporation	1,596	1,591
Fair value of Council's investment in Casey Cardinia Library Corporation	<u>1,596</u>	<u>1,591</u>
Casey Cardinia Library Corporation		
<i>Background</i>		
Library service run by City of Casey and Cardinia Shire Council. Cardinia Shire has equity in the library. The equity for 2016/17 (based on the audited library statements) is 26.4% (2015/16 26.2%)	1,596	1,591
Fair value of Council's investment in Casey Cardinia Library Corporation	<u>1,596</u>	<u>1,591</u>
Council's share of accumulated surplus		
Council's share of accumulated surplus at start of year	1,054	895
Reported deficit for year	(8)	126
Distributions for the year	13	33
Council's share of accumulated surplus at end of year	<u>1,059</u>	<u>1,054</u>
Council's share of reserves		
Council's share of reserves at start of year	537	537
Council's share of reserves at end of year	<u>537</u>	<u>537</u>
Movement in carrying value of specific investment		
Carrying value of investment at start of year	1,591	1,432
Share of surplus(deficit) for year	(8)	126
Distributions received	13	33
Carrying value of investment at end of year	<u>1,596</u>	<u>1,591</u>
Council's share of expenditure commitments		
Operating commitments	76	103
Council's share of expenditure commitments	<u>76</u>	<u>103</u>

Significant restrictions

The Casey Cardinia Library Corporation (CCLC) operated under a Regional Library Agreement that has been prepared in accordance with s.196 of the Local Government Act, approved by the Minister for Local Government, and execute by the Casey and Cardinia Councils. The CCLC exists as an independent Local Government entity, subject to most of the same requirements of a Council under the Local Government Act. The CCLC is governed by a Board of Councillors and Officers from the member councils, and is managed by a board appointed Chief Executive Officer.

The Regional Library Agreement does not allow for the payment of dividends to the Member Councils, and only considers the transfers of assets (and liabilities) in the case of the dissolution of the agreement or the exit of one of the parties.

	2017	2016
	\$'000	\$'000
Note 18	Cash and cash equivalents	
	Cash on hand	2
	Cash at bank	21,197
	Term Deposit - Council	28,500
	Term Deposit - Developer Contribution Plans	13,500
		<u>63,199</u>
	Councils cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:	
	- Trust funds and deposits (Note 27)	11,332
	Total restricted funds	<u>11,332</u>
	Total unrestricted cash and cash equivalents	<u>51,867</u>
		<u>27,803</u>
		<u>9,896</u>
		<u>9,896</u>
		<u>17,907</u>
	Intended allocations	
	Although not externally restricted the following amounts have been allocated for specific future purposes by Council:	
	- Cash held to fund carried forward capital works	20,553
	- Unspent Grants	7,228
	- Other allocations not subject to external restrictions	12,091
	Total funds subject to intended allocations	<u>39,872</u>
		<u>14,675</u>
		<u>4,221</u>
		<u>4,391</u>
		<u>23,287</u>
	Refer also to Note 19 for details of other financial assets held by Council.	
Note 19	Other financial assets	
	Term Deposit - Council	18,000
	Term Deposit - Developer Contribution Plans	10,000
	Total other financial assets	<u>28,000</u>
		<u>23,500</u>
Note 20	Trade and other receivables	
	Current	
	Statutory receivables	
	Rates debtors	8,011
	Infringement debtors	368
	Officer developer contribution plan debtors	6,902
	Cardinia road developer contribution plan debtors	1,933
	Vicroads developer contribution plan debtors	-
	Net GST receivable	728
		<u>6,973</u>
		<u>247</u>
		<u>4,899</u>
		<u>5,862</u>
		<u>5,586</u>
		<u>1,251</u>
	Non statutory receivables	
	South East Business Park	2,750
	Other debtors	2,142
	Provision for doubtful debts - other debtors	(164)
	Total current trade and other receivables	<u>22,670</u>
		<u>25,963</u>
	Non-current	
	Statutory receivables	
	Special rate scheme	1,063
		<u>1,277</u>
	Non statutory receivables	
	South East Business Park	4,604
	Bonds	4
	Total non-current trade and other receivables	<u>5,671</u>
	Total trade and other receivables	<u>28,341</u>
		<u>27,244</u>
	Total statutory receivables	19,005
	Total non statutory receivables	9,500
	Provision for doubtful debts	(164)
	Total trade and other receivables	<u>28,341</u>
		<u>27,244</u>
	a) Ageing of Receivables	
	At balance date other debtors representing financial assets were past due but not impaired. The ageing of the Council's trade & other receivables (excluding statutory receivables) was:	
	Current (not yet due)	4,369
	Past due by up to 30 days	167
	Past due between 31 and 180 days	108
	Past due between 181 and 365 days	252
	Due in over 1 year (not yet due)	4,604
	Total trade & other receivables	<u>9,500</u>
		<u>1,274</u>
	b) Movement in provisions for doubtful debts	
	Balance at the beginning of the year	(129)
	New Provisions recognised during the year	(86)
	Amounts already provided for and written off as uncollectible	11
	Amounts provided for but recovered during the year	40
	Balance at end of year	<u>(164)</u>
		<u>(633)</u>
		<u>(86)</u>
		<u>285</u>
		<u>305</u>
		<u>(129)</u>
Note 21	Inventories	
	Inventories held for distribution	5
	Total inventories	<u>5</u>
		<u>13</u>
Note 22	Non current assets classified as held for sale	
	Cost of acquisition - South East Business Park	-
	Total non current assets classified as held for resale	<u>-</u>
		<u>8,726</u>
		<u>8,726</u>
Note 23	Other assets	
	Prepayments	840
	Accrued income	430
	Deposits on asset purchases	1,061
	Total other assets	<u>2,331</u>
		<u>647</u>

Note 24 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	At Fair Value 30 June 2016	Acquisitions	Contributions	Prior year adjustments	Revaluation	Depreciation	Disposal	Impairment	Transfers	At Fair Value 30 June 2017
Land	328,777	4,412	23,857	22	46,160	-	(837)	-	1,921	404,312
Buildings	110,273	4,580	595	-	39,720	(4,303)	-	-	10,357	161,222
Plant and Equipment	9,161	1,168	-	26	-	(1,654)	(695)	-	-	8,006
Infrastructure	516,045	-	26,561	856	17,069	(13,547)	(4,492)	(35)	18,041	560,498
Work in progress	22,035	16,604	5,547	780	-	-	-	-	(30,319)	14,647
	986,291	26,764	56,560	1,684	102,949	(19,504)	(6,024)	(35)	-	1,148,685

Summary of Work in Progress

	Opening WIP	Additions	Contributions	Prior year adjustments	Transfers	Closing WIP
Buildings	7,047	6,779	-	-	(12,278)	1,548
Infrastructure	14,988	9,825	5,547	780	(18,041)	13,099
Total	22,035	16,604	5,547	780	(30,319)	14,647

Note 24 Property, infrastructure plant and equipment

	Land - specialised	Land - non specialised	Total Land	Heritage Buildings	Buildings - specialised	Buildings - non specialised	Building Improvements	Total Buildings	Work In Progress	Total Property
Land and Buildings										
At fair value 1 July 2016	135,948	192,829	328,777	1,971	71,468	23,510	17,414	114,363	7,047	450,187
Accumulated depreciation at 1 July 2016	-	-	-	(86)	(2,361)	(772)	(871)	(4,090)	-	(4,090)
	135,948	192,829	328,777	1,885	69,107	22,738	16,543	110,273	7,047	446,097
Movements in fair value										
Acquisition of assets at fair value	3,112	1,300	4,412	-	4,580	-	-	4,580	6,779	15,771
Contributed assets	23,572	285	23,857	-	-	595	-	595	-	24,452
Prior year adjustments to fair value	22	-	22	-	-	-	-	-	-	22
Revaluation increments/decrements	26,900	19,260	46,160	4,352	108,412	9,018	5,674	127,456	-	173,616
Fair value of assets disposed	(203)	(634)	(837)	-	-	-	-	-	-	(837)
Transfers	36,506	(34,585)	1,921	22	29,535	(19,501)	301	10,357	(12,278)	-
	89,909	(14,374)	75,535	4,374	142,527	(9,888)	5,975	142,988	(5,499)	213,024
Movements in accumulated depreciation										
Depreciation and amortisation	-	-	-	(120)	(2,679)	(553)	(951)	(4,303)	-	(4,303)
Revaluation increments/decrements	-	-	-	(4,987)	(73,773)	(6,967)	(2,009)	(87,736)	-	(87,736)
Transfers	-	-	-	-	(885)	907	(22)	-	-	-
	-	-	-	(5,107)	(77,337)	(6,613)	(2,982)	(92,039)	-	(92,039)
At fair value 30 June 2017	225,857	178,455	404,312	6,345	213,995	13,622	23,389	257,351	1,548	663,211
Accumulated depreciation at 30 June 2017	-	-	-	(5,193)	(79,698)	(7,385)	(3,853)	(96,129)	-	(96,129)
	225,857	178,455	404,312	1,152	134,297	6,237	19,536	161,222	1,548	567,082

Note 24 Property, infrastructure plant and equipment (cont'd)

	Plant machinery and equipment	Fixtures fittings and furniture	Computers and telecomms	Total plant and equipment
Plant and Equipment				
At fair value 1 July 2016	11,220	3,249	2,010	16,479
Accumulated depreciation at 1 July 2016	(4,739)	(1,767)	(812)	(7,318)
	<u>6,481</u>	<u>1,482</u>	<u>1,198</u>	<u>9,161</u>
Movements in fair value				
Acquisition of assets at fair value	1,128	19	21	1,168
Prior year adjustments to fair value	26	-	-	26
Fair value of assets disposed	(1,328)	(524)	(399)	(2,251)
	<u>(174)</u>	<u>(505)</u>	<u>(378)</u>	<u>(1,057)</u>
Movements in accumulated depreciation				
Depreciation and amortisation	(1,276)	(155)	(223)	(1,654)
Accumulated depreciation of disposals	741	427	388	1,556
	<u>(535)</u>	<u>272</u>	<u>165</u>	<u>(98)</u>
At fair value 30 June 2017	11,046	2,744	1,632	15,422
Accumulated depreciation at 30 June 2017	(5,274)	(1,495)	(647)	(7,416)
	<u>5,772</u>	<u>1,249</u>	<u>985</u>	<u>8,006</u>

Note 24 Property, infrastructure, plant and equipment (cont'd)

	Roads	Bridges	Footpaths and cycleways	Drainage	Recreational, leisure and Community	Parks open spaces and streetscapes	Off street car parks	Other Infrastructure	Work In Progress	Total Infrastructure
Infrastructure										
At fair value 1 July 2016	319,736	68,490	71,163	186,971	31,575	5,103	9,856	521	14,988	708,403
Accumulated depreciation at 1 July 2016	(96,018)	(24,400)	(13,863)	(26,059)	(12,088)	(2,128)	(2,637)	(177)	-	(177,370)
	223,718	44,090	57,300	160,912	19,487	2,975	7,219	344	14,988	531,033
Movements in fair value										
Acquisition of assets at fair value	-	-	-	-	-	-	-	-	9,825	9,825
Contributed assets	11,975	183	4,768	9,351	284	-	-	-	5,547	32,108
Prior year adjustments to fair value	(92)	-	114	777	93	-	32	-	780	1,704
Revaluation increments/decrements	(14,328)	1,064	3,276	11,741	-	-	(1,249)	-	-	504
Fair value of assets disposed	(1,207)	-	(62)	(50)	(3,053)	(4,832)	(4)	-	-	(9,208)
Impairment losses recognised in operating result	-	-	-	-	(35)	-	-	-	-	(35)
Transfers	7,912	1,007	2,014	3,244	3,553	(271)	582	-	(18,041)	-
	4,260	2,254	10,110	25,063	842	(5,103)	(639)	-	(1,889)	34,898
Movements in accumulated depreciation										
Depreciation and amortisation	(7,781)	(835)	(1,489)	(2,015)	(1,044)	(159)	(208)	(16)	-	(13,547)
Prior year adjustments to fair value	93	-	(12)	(112)	(19)	-	(18)	-	-	(68)
Revaluation increments/decrements	17,116	500	146	(1,619)	-	-	422	-	-	16,565
Accumulated depreciation of disposals	683	-	11	6	1,870	2,143	3	-	-	4,716
Transfers	-	1	(127)	(9)	(9)	144	-	-	-	-
	10,111	(334)	(1,471)	(3,749)	798	2,128	199	(16)	-	7,666
At fair value 30 June 2017	323,996	70,744	81,273	212,034	32,417	-	9,217	521	13,099	743,301
Accumulated depreciation at 30 June 2017	(85,907)	(24,734)	(15,334)	(29,808)	(11,290)	-	(2,438)	(193)	-	(169,704)
	238,089	46,010	65,939	182,226	21,127	-	6,779	328	13,099	573,597

Note 24 Property, infrastructure, plant and equipment (cont'd)

Valuation of land and buildings

Valuation of land and buildings were undertaken by a qualified independent valuer Bianca Schewtschenko-Bywater AAPI, Certified Practising Valuer 77946 from Westlink Consulting. The valuation of land is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement. The valuation of buildings is at fair value based on replacement cost less accumulated depreciation as at the date of valuation.

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

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

The date of the current valuation is detailed in the following table.

Details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2017 are as follows:

	Level 2	Level 3	DoV
Land	178,455		03/17
Specialised Land		225,857	03/17
Heritage Buildings		1,152	03/17
Buildings		134,297	03/17
Buildings - non specialised		6,237	03/17
Building Improvements		19,536	03/17
	<u>178,455</u>	<u>387,079</u>	

Valuation of infrastructure

Valuation of infrastructure assets to fair value (except for recreational, leisure and community and other Infrastructure assets has been valued at cost) has been performed by the Council's asset management officer who has almost twenty years' experience in local government asset management, including undertaking condition assessments, managing asset systems, and undertaking valuations/revaluations of non-current assets.

The date of the current valuation is detailed in the following table.

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

Details of the Council's infrastructure and information about the fair value hierarchy as at 30 June 2017 are as follows:

	Level 3	DoV
Roads	238,089	04/17
Bridges	46,010	04/17
Footpaths and cycleways	65,939	04/17
Drainage	182,226	04/17
Off street car parks	6,779	04/17
	<u>539,043</u>	

Specialised land and land under roads is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 5% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$0.71 and \$8,450.00 per square metre.

Specialised and non specialised buildings are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs is calculated on a square metre basis and ranges from \$630 to \$4,700 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 1 years to 59 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

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

	2017	2016
Reconciliation of specialised land		
Land under roads	30,948	23,098
Parks and reserves	194,909	112,850
Total specialised land	<u>225,857</u>	<u>135,948</u>

	2017	2016
	\$'000	\$'000
Note 25 Intangible assets		
Software	638	669
Total intangible assets	<u>638</u>	<u>669</u>
		Software
		\$'000
Gross carrying amount		
Balance at 1 July 2016		1,979
Additions from internal developments		-
Other Additions		237
Disposals		(93)
Balance at 30 June 2017		<u>2,123</u>
Accumulated amortisation and impairment		
Balance at 1 July 2016		(1,382)
Amortisation expense		(175)
Disposals		72
Balance at 30 June 2017		<u>(1,485)</u>
Work in progress at 30 June 2016		<u>72</u>
Work in progress at 30 June 2017		<u>-</u>
Net book value at 30 June 2016		<u>669</u>
Net book value at 30 June 2017		<u>638</u>
	2017	2016
	\$'000	\$'000
Note 26 Trade and other payables		
Current		
Trade payables	11,551	12,605
Accrued expenses	3,994	2,884
Income in Advance	1,629	1,043
	<u>17,174</u>	<u>16,532</u>
Non-Current		
Trade payables	<u>12,896</u>	<u>6,155</u>
	<u>12,896</u>	<u>6,155</u>
Total trade and other payables	<u>30,070</u>	<u>22,687</u>

The large increase is due to a lease incentive liability recognised for the first time as well as increased amount owed to developers due to timing of development.

Note 27 Trust funds and deposits		
Refundable deposits	11,057	9,487
Fire services levy	76	71
Retention amounts	-	139
Trust Funds	199	199
Total trust funds and deposits	<u>11,332</u>	<u>9,896</u>

Purpose and nature of items

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

Fire Service Levy (included under Trust funds and deposits) - Council is the collection agent for fire services levy on behalf of the State Government. Council remits amounts received on a quarterly basis. Amounts disclosed here will be remitted to the state government in line with that process.

Retention Amounts - Council has a contractual right to retain certain amounts until a contractor has met certain requirements or a related warrant or defect period has elapsed. Subject to the satisfactory completion of the contractual obligations, or the elapsing of time, these amounts will be paid to the relevant contractor in line with Council's contractual obligations.

Note 28 Provisions	Annual leave	Long Service Leave	Other	Total
2017				
Balance at beginning of the financial year	2,495	4,886	83	7,464
Additional provisions	2,440	1,329	2	3,771
Amounts used	(2,326)	(1,395)	(18)	(3,739)
Increase in the discounted amount arising because of time and the effect of any change in the discount rate	(8)	104	-	96
Balance at the end of the financial year	<u>2,601</u>	<u>4,924</u>	<u>67</u>	<u>7,592</u>
2016				
Balance at beginning of the financial year	2,441	4,686	89	7,217
Additional provisions	2,100	1,056	2	3,158
Amounts used	(2,040)	(942)	(8)	(2,990)
Increase in the discounted amount arising because of time and the effect of any change in the discount rate	(6)	86	-	79
Balance at the end of the financial year	<u>2,495</u>	<u>4,886</u>	<u>83</u>	<u>7,464</u>
			2017	2016
			\$'000	\$'000
(a) Employee provisions				
Current provisions expected to be wholly settled within 12 months				
Annual leave			2,601	2,050
Long service leave			1,361	3,422
Sick leave bonus/gratuity			67	83
			<u>4,029</u>	<u>5,555</u>
Current provisions expected to be wholly settled after 12 months				
Long service leave			2,318	-
Total current Employee provision			<u>6,347</u>	<u>5,555</u>
Non-current				
Annual leave			-	445
Long service leave			1,245	1,464
Total non-current provisions			<u>1,245</u>	<u>1,909</u>
Aggregate carrying amount of employee provisions:				
Current			6,347	5,555
Non-current			1,245	1,909
Total aggregate carrying amount of employee provisions			<u>7,592</u>	<u>7,464</u>
			2017	2016
			\$'000	\$'000
Note 29 Interest bearing loans and borrowings				
Current				
Borrowings - secured			5,001	4,765
			<u>5,001</u>	<u>4,765</u>
Non-current				
Borrowings - secured			42,265	47,521
			<u>42,265</u>	<u>47,521</u>
Total			<u>47,266</u>	<u>52,286</u>
(1) Borrowings are secured by Deed of charge over rates				
a) The maturity profile for Council's borrowings is:				
Not later than one year			5,001	4,765
Later than one year and not later than five years			25,372	27,280
Later than five years			16,893	20,241
			<u>47,266</u>	<u>52,286</u>

Note 30 Reserves

	Balance at beginning of reporting period	Increment (decrement)	Balance at end of reporting period
	\$'000	\$'000	\$'000
(a) Asset revaluation reserves			
2017			
Property			
Land	200,230	46,160	246,390
Buildings	14,170	39,721	53,891
	<u>214,400</u>	<u>85,881</u>	<u>300,281</u>
Infrastructure			
Bridges	19,109	1,564	20,673
Footpaths and cycleways	13,608	3,422	17,030
Drainage	70,823	10,123	80,946
	<u>103,540</u>	<u>15,109</u>	<u>118,649</u>
Total asset revaluation reserves	<u>317,940</u>	<u>100,990</u>	<u>418,930</u>
2016			
Property			
Land	184,217	16,013	200,230
Buildings	14,170	-	14,170
	<u>198,387</u>	<u>16,013</u>	<u>214,400</u>
Infrastructure			
Bridges	17,758	1,351	19,109
Footpaths and cycleways	13,041	567	13,608
Drainage	57,011	13,812	70,823
	<u>87,810</u>	<u>15,730</u>	<u>103,540</u>
Total asset revaluation reserves	<u>286,197</u>	<u>31,743</u>	<u>317,940</u>

The asset revaluation reserve is used to record the increased (net) value of Council's assets over time.

	Balance at beginning of reporting period	Transfer from accumulated surplus	Transfer to accumulated surplus	Balance at end of reporting period	
	\$'000	\$'000	\$'000	\$'000	
(b) Other reserves					
2017					
	Ref				
Developer levy	1	30,731	22,427	(11,625)	41,533
Community Facilities levy	2	1,463	1,600	(793)	2,270
Public Open Space levy	3	2,496	4,086	(1,644)	4,938
Native vegetation	4	805	4	(99)	710
Decorative Light Poles	5	389	350	(83)	656
Landscapes	6	-	281	(183)	98
Total Other reserves		<u>35,884</u>	<u>28,748</u>	<u>(14,427)</u>	<u>50,205</u>
2016					
Developer levy		24,870	8,875	(3,014)	30,731
Community Facilities levy		577	1,263	(377)	1,463
Public Open Space levy		2,153	600	(257)	2,496
Native vegetation		773	64	(32)	805
Decorative Light Poles		31	385	(27)	389
Total Other reserves		<u>28,404</u>	<u>11,187</u>	<u>(3,707)</u>	<u>35,884</u>

Ref	Item	Description
1	Developer levy	This reserve is the balance of the cash levies paid to council and is to be used to cover the cost of any of the Developer Contribution Plans (DCP) infrastructure assets that are to be purchased or constructed by Council.
2	Community Facilities levy	This reserve is the balance of the cash levies paid to council and is to be used to cover the cost of the remaining community facilities to be provided under the DCP area.
3	Public Open Space levy	It is a requirement under the Planning Scheme and Precinct Structure Plans (PSP's) that a minimum percentage of the developed land be provided for public open space. If the minimum amount is unable to be provided, a cash contribution is required. For Officer DCP area, the contributions are to be used to compensate developers who provide more than the minimum 5.5%. For Cardinia Rd DCP area, the contributions are to be used to offset the provision of land for open space on a parcel of land being subdivided where the amount of open space to be provided exceeds the 8% public open space contribution.
4	Native vegetation	Developers have a statutory responsibility under the planning scheme to provide revegetation to offset the vegetation removed as part of the development. Those who are unable to provide the revegetation required under the planning scheme are required to pay a cash contribution to council. These contributions are then used to do revegetation in other areas on council land.
5	Decorative Light Poles	Existing subdivisions where decorative light poles are already installed, are to be offered the option to install the same decorative light poles in future stages. Income raised from the pole fee is to be maintained in a Reserve fund and used to offset future costs of replacing decorative poles and retrofitting energy efficient lamps on existing decorative poles.
6	Landscape	Developers are required to provide landscaping in new estates which is inspected upon completion and a Practical Completion certificate issued. A landscape maintenance bond is then required to be paid to ensure they are accountable for the maintenance of this landscaping for a two year period. After this time, if rectification works are required and not completed by the developer, council retains funds from their landscape bond to cover the future cost of these works.

	2017 \$'000	2016 \$'000
Note 30 (c) Reserves (cont'd)		
Adjustments directly to equity		
Prior year adjustments for previously not recognised assets/liabilities	1,684	1,144
Total adjustments directly to equity	<u>1,684</u>	<u>1,144</u>
Note 31 Reconciliation of cash flows from operating activities to surplus		
Surplus for the year	89,711	70,311
Depreciation/amortisation	19,681	18,483
Proceeds from Sale of Assets - Investing Activity, not Operating Activity	(18,155)	351
Written Down Book Value (WDBV) of Assets Sold - Non-cash	14,462	-
Contributions - Non-monetary	(45,669)	(46,688)
Interest Costs - Financing, not Operating Activity	3,279	3,738
Share of net (gain)/loss of associates - Non-cash	(5)	(159)
Impairment (gain)/loss - Non-cash	35	-
Net asset revaluation (increment)/decrement	(1,961)	(3,972)
Change in assets and liabilities:		
Increase in trade and other receivables	(1,678)	2,605
Increase in prepayments	(489)	70
Increase in accrued income	(134)	(157)
Increase in trade and other payables	(303)	3,754
Increase in other liabilities	1,508	4,482
Increase in inventories	8	3
Increase in provisions	129	247
Increase in income in advance	586	(909)
Net cash provided by operating activities	<u>61,005</u>	<u>52,159</u>
Note 32 Financing arrangements		
Bank Overdraft	2,000	2,000
Credit card facilities	58	53
Other facilities	47,266	52,286
Total facilities	<u>49,324</u>	<u>54,339</u>
Used facilities	<u>47,266</u>	<u>52,294</u>
Unused facilities	<u>2,058</u>	<u>2,045</u>

Note 33 Commitments

The Council has entered into the following commitments

2017	Not later than 1 year \$'000	Later than 1 year and not later than 2 years \$'000	Later than 2 years and not later than 5 years \$'000	Later than 5 years \$'000	Total \$'000
Operating					
Recycling	2,282	2,452	3,343	-	8,077
Garbage collection	8,681	9,327	12,716	-	30,724
Open space management	3,781	4,064	1,258	-	9,103
Consultancies	538	76	-	-	614
Home care services	51	-	-	-	51
Cleaning contracts for council buildings	424	-	-	-	424
Meals for delivery	1,041	-	-	-	1,041
Casey Cardinia Library funding	1,874	2,001	4,202	-	8,077
Facilities management	188	183	-	-	371
Maintenance	1,105	427	596	120	2,248
Health	506	-	-	-	506
Other	1,718	910	779	160	3,567
Total	22,189	19,440	22,894	280	64,803
Capital					
Buildings	1,225	-	-	-	1,225
Roads	7,570	3,930	-	-	11,500
Drainage	20	-	-	-	20
Land	9,550	-	-	-	9,550
Total	18,365	3,930	-	-	22,295

2016	Not later than 1 year \$'000	Later than 1 year and not later than 2 years \$'000	Later than 2 years and not later than 5 years \$'000	Later than 5 years \$'000	Total \$'000
Operating					
Recycling	1,575	1,705	3,780	-	7,060
Garbage collection	9,032	10,564	23,775	-	43,371
Open space management	3,288	3,469	5,188	-	11,945
Consultancies	230	50	-	-	280
Home care services	272	-	-	-	272
Cleaning contracts for council buildings	754	380	-	-	1,134
Meals for delivery	961	1,041	-	-	2,002
Casey Cardinia Library funding	1,826	1,872	4,020	-	7,718
Facilities management	398	170	167	-	735
Maintenance	1,070	711	649	-	2,430
Health	496	538	-	-	1,034
Other	1,112	236	297	44	1,689
Total	21,014	20,736	37,876	44	79,670
Capital					
Buildings	4,500	-	-	-	4,500
Roads	900	-	-	-	900
Land	1,781	-	-	-	1,781
Total	7,181	-	-	-	7,181

	2017	2016
	\$'000	\$'000
Note 34 Operating leases		
(a) Operating lease commitments		
At the reporting date, the Council had the following obligations under non-cancellable operating leases for the lease of equipment and land and buildings for use within Council's activities (these obligations are not recognised as liabilities):		
Not later than one year	349	146
Later than one year and not later than five years	629	320
	<u>978</u>	<u>466</u>
(b) Operating lease receivables		
The Council has entered into property leases, consisting of freehold office complexes. These properties held under operating leases have remaining non-cancellable lease terms. All leases include a CPI based revision of the rental charge annually.		
Future minimum rentals receivable under non-cancellable operating leases are as follows:		
Not later than one year	270	276
Later than one year and not later than five years	861	607
Later than five years	2,908	119
	<u>4,039</u>	<u>1,002</u>

Note 35 Superannuation

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

Accumulation

The Fund's accumulation categories, Vision MySuper/Vision Super Saver, receive both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2016, this was 9.5% as required under Superannuation Guarantee legislation).

Defined Benefit

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

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

Funding arrangements

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

As at 30 June 2017, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 103.1%. To determine the VBI, the Fund Actuary used the following long-term assumptions:

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

Note 35 Superannuation (Cont'd)

Vision Super has advised that the actual VBI at June quarter 2017 was 103.1%. The VBI is to be used as the primary funding indicator. The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 2017 actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

Employer contributions

Regular contributions

On the basis of the results of the 2017 actuarial investigation conducted by the Fund Actuary, 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 2017, this rate was 9.5% of members' salaries (9.5% in 2015/2016). This rate will increase in line with any increase to the contribution rate. In addition, Council reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

Funding calls

If the Defined Benefit category is in an unsatisfactory financial position at an actuarial investigation or the Defined Benefit category's VBI is below its shortfall limit at any time other than the date of the actuarial investigation, the Defined Benefit category has a shortfall for the purposes of SPS 160 and the Fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%. In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Council) are required to make an employer contribution to cover the shortfall. Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's Defined Benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated. Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up. If there is a surplus in the Fund, the surplus cannot be returned to the participating employers. In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's

2017 Actuarial investigation surplus amounts

The Fund's interim actuarial investigation as at 30 June 2016 identified the following in the defined benefit category of which Council is a contributing employer:

- A VBI surplus of \$40.3 million; and
- A total service liability surplus of \$156 million.

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2017. The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses. Council was notified of the 30 June 2017 VBI during August 2017.

Future superannuation contributions

In addition to the disclosed contributions, Cardinia Shire Council has paid no unfunded liability payments to Vision Super. The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2018 are \$135,000.

Note 36 Contingent liabilities and contingent assets

Council has obligations under a defined benefit superannuation scheme that may result in the need to make additional contributions to the scheme, matters relating to this potential obligation are outlined in Note 35. 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.

Note 37 Financial Instruments

(a) Objectives and policies

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

(b) Market risk

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

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. 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. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Council has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating rate.

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

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

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

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

(c) Credit risk

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

- council may require collateral where appropriate; and
- council only invest surplus funds with financial institutions which have a recognised credit rating specified in council's investment policy.

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

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

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

(d) Liquidity risk

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

To help reduce these risks Council:

- have readily accessible standby facilities and other funding arrangements in place;
- have a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments; and
- monitor budget to actual performance on a regular basis.

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

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

With the exception of borrowings, all financial liabilities are expected to be settled within normal terms of trade. Details of the maturity profile for borrowings are disclosed at Note 29.

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

Note 37 Financial Instruments (cont'd)

e) Fair value

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

Fair value hierarchy

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

(f) Sensitivity disclosure analysis

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

- A parallel shift of + 1% and -1% in market interest rates (AUD) from year-end rates of 2.1% - 2.70%.

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

Note 38 Related party disclosures

(i) Related Parties

Parent entity

Cardinia Shire Council

Subsidiaries and Associates

Interests in subsidiaries and associates are detailed in note 17.

(ii) Key Management Personnel

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

Councillors Mayor Cr Brett Owen (Mayor from 22 November 2016, Councillor until 22 October 2016)
Deputy Mayor Cr Jodie Owen (Mayor from 30 June 2016 - 22 October 2016)
Cr Collin Ross
Cr Carol Ryan (Councillor from 2 November 2016)
Cr Graeme Moore
Cr Jeff Springfield (Councillor from 2 November 2016)
Cr Leticia Wilmot (Deputy Mayor until 22 October 2016)
Cr Michael Schilling (Councillor from 2 November 2016)
Cr Ray Brown (Councillor from 2 November 2016)
Cr Kate Lempriere (Councillor until 22 October 2016)
Cr George Blenkhorn (Councillor until 22 October 2016)
Cr Tania Baxter (Councillor until 22 October 2016)
Cr David Young (Councillor until 22 October 2016)

	No.	No.
Total Number of Councillors	13	9
Chief Executive Officer and other Key Management Personnel	6	6
Total Key Management Personnel	<u>19</u>	<u>15</u>

(iii) Remuneration of Key Management Personnel (Refer Note 1 below)

	2017 \$,000
Total remuneration of key management personnel was as follows:	
Short-term benefits	1,739
Post-employment benefits	134
Long-term benefits	34
Total	<u>1,907</u>

The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:

	2017 No.
\$0 - \$9,999	4
\$10,000 - \$19,999	4
\$20,000 - \$29,999	3
\$40,000 - \$49,999	1
\$60,000 - \$69,999	1
\$210,000 - \$219,999	1
\$230,000 - \$239,999	1
\$240,000 - \$249,999	1
\$250,000 - \$259,999	1
\$270,000 - \$279,999	1
\$390,000 - \$399,999	1
	<u>19</u>

Note 1: No comparatives are provided due to it being the first year of application of AASB 124 for Local Government.

Note 38	Related party disclosures (cont'd)	2017
		\$,000

(iv) **Transactions with related parties**

During the period Council entered into the following transactions with related parties.

Provision of Library Services by the Casey Cardinia Library Corporation, in accordance with the Regional Library Agreement	1,826	
Provision of a Mobile Library bus to the Casey Cardinia Library Corporation	24	
	1,850	

Note 39 Senior Officer Remuneration

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

- a) has management responsibilities and reports directly to the Chief Executive; or
- b) whose total annual remuneration exceeds \$142,000

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

	2017	2016
Income Range:	No.	No.
< \$142,000	1	6
\$142,000 - \$149,999	7	4
\$150,000 - \$159,999	8	9
\$160,000 - \$169,999	4	-
\$170,000 - \$179,999	4	-
\$180,000 - \$189,999	1	-
	25	19
	2017	2016
	\$,000	\$,000
Total Remuneration for the reporting year for Senior Officers included above, amounted to	3,904	2,791

Note 40 Events occurring after balance date

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

Certification of the Financial Statements

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



Jo Harris - CPA

Chief Finance Officer

Date : 18 September 2017
20 Siding Avenue, Officer

In our opinion the accompanying financial statements present fairly the financial transactions of Cardinia Shire Council for the year ended 30 June 2017 and the financial position of the Council as at that date.

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

We have been authorised by the Council and by the *Local Government (Planning and Reporting) Regulations 2014* to certify the financial statements in their final form.



Brett Owen

Mayor

Date : 18 September 2017
20 Siding Avenue, Officer



Leticia Wilmot

Councillor

Date : 18 September 2017
20 Siding Avenue, Officer



Garry McQuillan

Chief Executive Officer

Date : 18 September 2017
20 Siding Avenue, Officer

Independent Auditor's Report

To the Councillors of Cardinia Shire Council

Opinion	<p>I have audited the financial report of Cardinia Shire Council (the council) which comprises the:</p> <ul style="list-style-type: none">• balance sheet as at 30 June 2017• comprehensive income statement for the year then ended• statement of changes in equity for the year then ended• statement of cash flows for the year then ended• statement of capital works for the year then ended• notes to the financial statements, including a summary of significant accounting policies• certification of the financial statements. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the council as at 30 June 2017 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 6 of the <i>Local Government Act 1989</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. My responsibilities under the Act are further described in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Australia. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Councillors' responsibilities for the financial report	<p>The Councillors of the council are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Local Government Act 1989</i>, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Councillors are responsible for assessing the council's ability to continue as a going concern, and using the going concern basis of accounting unless it is inappropriate to do so.</p>

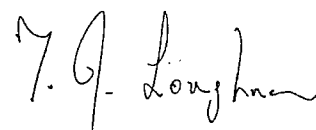
Auditor's responsibilities for the audit of the financial report

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

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

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

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



MELBOURNE
19 September 2017

Tim Loughnan
as delegate for the Auditor-General of Victoria