

**CARDINIA SHIRE COUNCIL
ANNUAL FINANCIAL REPORT**

For the Year Ended 30 June 2016

Cardinia Shire Council
Financial Report
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Comprehensive Income Statement For the Year Ended 30 June 2016

| | Note | 2016 \$'000 | 2015 \$'000 |
|--|-------|-----------------|-----------------|
| Income | | | |
| Rates and charges | 3 | 73,921 | 68,405 |
| Statutory fees and fines | 4 | 3,798 | 3,168 |
| User fees | 5 | 2,740 | 4,136 |
| Grants - operating | 6 | 7,279 | 21,801 |
| Grants - capital | 6 | 12,486 | 3,720 |
| Contributions - monetary | 7 | 11,460 | 11,920 |
| Contributions - non monetary | 7 | 46,688 | 39,351 |
| Net gain / (loss) on asset revaluation | 9 | 3,972 | (6,249) |
| Share of net profits of associates | 17 | 159 | 37 |
| Other income | 10 | 6,381 | 5,584 |
| Total income | | 168,884 | 151,872 |
| Expenses | | | |
| Employee costs | 11(a) | (31,069) | (31,352) |
| Materials and services | 12 | (42,475) | (40,173) |
| Bad and doubtful debts | 13 | (168) | (827) |
| Depreciation and amortisation | 14 | (18,483) | (15,571) |
| Borrowing costs | 15 | (3,738) | (4,202) |
| Net loss on disposal of property, infrastructure, plant and equipment | 8 | (351) | (861) |
| Other expenses | 16 | (2,289) | (2,130) |
| Total expenses | | (98,573) | (95,116) |
| Surplus for the year | | 70,311 | 56,756 |
| Other comprehensive income | | | |
| Items that will not be reclassified to surplus or deficit in future periods | | | |
| Net asset revaluation increment | 30 a | 31,743 | 50,633 |
| Total comprehensive result | | 102,054 | 107,389 |

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

Balance Sheet As at 30 June 2016

| | Note | 2016 \$'000 | 2015 \$'000 |
|---|------|------------------|----------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 18 | 23,470 | 16,644 |
| Trade and other receivables | 19 | 25,963 | 16,763 |
| Other financial assets | 20 | 27,833 | 19,767 |
| Inventories | 21 | 13 | 16 |
| Assets classified as held for sale | 22 | 8,726 | 8,726 |
| Other assets | 23 | 647 | 560 |
| Total current assets | | 86,652 | 62,476 |
| Non-current assets | | | |
| Trade and other receivables | 19 | 1,281 | 761 |
| Investments in associates | 17 | 1,591 | 1,432 |
| Property, infrastructure, plant and equipment | 24 | 986,290 | 904,743 |
| Intangible assets | 25 | 669 | 382 |
| Total non-current assets | | 989,831 | 907,318 |
| Total assets | | 1,076,483 | 969,794 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 26 | 16,532 | 14,182 |
| Trust funds and deposits | 27 | 9,896 | 5,405 |
| Provisions | 28 | 5,555 | 5,624 |
| Interest-bearing loans and borrowings | 29 | 4,765 | 6,296 |
| Total current liabilities | | 36,748 | 31,507 |
| Non-current liabilities | | | |
| Trade and other payables | 26 | 6,155 | - |
| Provisions | 28 | 1,909 | 1,593 |
| Interest-bearing loans and borrowings | 29 | 47,521 | 55,742 |
| Total non-current liabilities | | 55,585 | 57,335 |
| Total liabilities | | 92,333 | 88,842 |
| Net assets | | 984,150 | 880,952 |
| Equity | | | |
| Accumulated surplus | | 630,326 | 566,351 |
| Reserves | 30 | 353,824 | 314,601 |
| Total Equity | | 984,150 | 880,952 |

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

Statement of Changes in Equity For the Year Ended 30 June 2016

| | Note | Total \$'000 | Accumulated Surplus \$'000 | Revaluation Reserve \$'000 | Other Reserves \$'000 |
|---|-------|-----------------|----------------------------------|----------------------------------|-----------------------------|
| 2016 | | | | | |
| Balance at beginning of the financial year | | 880,952 | 566,351 | 286,197 | 28,404 |
| Other adjustments to opening balances | 30(c) | 1,143 | 1,143 | - | - |
| 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 |

| | | Total \$'000 | Accumulated Surplus \$'000 | Revaluation Reserve \$'000 | Other Reserves \$'000 |
|---|-------|-----------------|----------------------------------|----------------------------------|-----------------------------|
| 2015 | | | | | |
| Balance at beginning of the financial year | | 771,937 | 507,767 | 235,564 | 28,606 |
| Other adjustments to opening balances | | 1,626 | 1,626 | - | - |
| Surplus for the year | | 56,756 | 56,756 | - | - |
| Net asset revaluation increment | 30(a) | 50,633 | - | 50,633 | - |
| Transfers to other reserves | 30(b) | - | (11,642) | - | 11,642 |
| Transfers from other reserves | 30(b) | - | 11,844 | - | (11,844) |
| Balance at end of the financial year | | 880,952 | 566,351 | 286,197 | 28,404 |

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

Statement of Cash Flows For the Year Ended 30 June 2016

| | | 2016 Inflows/ (Outflows) \$'000 | 2015 Inflows/ (Outflows) \$'000 |
|---|------|--|--|
| | Note | | |
| Cash flows from operating activities | | | |
| Rates and charges | | 73,019 | 67,555 |
| Statutory fees and fines | | 4,058 | 3,537 |
| User fees | | 3,215 | 6,890 |
| Grants - operating | | 7,441 | 21,677 |
| Grants - capital | | 12,914 | 4,170 |
| Contributions - monetary | | 14,039 | 10,697 |
| Interest received | | 1,400 | 1,438 |
| Trust funds and deposits taken and repaid | | 4,482 | 2,317 |
| Other receipts | | 5,306 | 4,723 |
| Net GST refund/payment | | 4,775 | 7,971 |
| Employee costs | | (30,776) | (31,298) |
| Materials and services | | (47,714) | (47,147) |
| Net cash provided by operating activities | 31 | <u>52,159</u> | <u>52,530</u> |
| Cash flows from investing activities | | | |
| Payments for property, infrastructure, plant and equipment | | (25,905) | (59,697) |
| Proceeds from sale of property, infrastructure, plant and equipment | | 2,128 | 6,708 |
| Payments for investments | | (9,500) | (4,030) |
| Proceeds from sale of investments | | 1,434 | 3,352 |
| Net cash used in investing activities | | <u>(31,843)</u> | <u>(53,667)</u> |
| Cash flows from financing activities | | | |
| Finance costs | | (3,738) | (4,203) |
| Proceeds from borrowings | | - | 24,000 |
| Repayment of borrowings | | (9,752) | (7,457) |
| Net cash provided by/(used in) financing activities | | <u>(13,490)</u> | <u>12,340</u> |
| Net increase in cash and cash equivalents | | 6,826 | 11,204 |
| Cash and cash equivalents at the beginning of the financial year | | 16,644 | 5,441 |
| Cash and cash equivalents at the end of the financial year | 18 | <u>23,470</u> | <u>16,644</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 2016

| | Note | 2016 \$'000 | 2015 \$'000 |
|--|------|----------------|----------------|
| Property | | | |
| Land | | 3,098 | 6,205 |
| Total land | | 3,098 | 6,205 |
| Buildings | | 6,634 | 15,414 |
| Heritage Buildings | | 827 | - |
| Building improvements | | 271 | 15,049 |
| Total buildings | | 7,732 | 30,463 |
| Total property | | 10,830 | 36,668 |
| Plant and equipment | | | |
| Plant, machinery and equipment | | 1,291 | 1,892 |
| Fixtures, fittings and furniture | | 37 | 1,111 |
| Computers and telecommunications | | 103 | 1,013 |
| Total plant and equipment | | 1,431 | 4,016 |
| Infrastructure | | | |
| Roads | | 8,972 | 5,642 |
| Bridges | | 705 | 193 |
| Footpaths and cycleways | | 1,274 | 2,452 |
| Drainage | | 323 | 1,318 |
| Recreational, leisure and community facilities | | 1,523 | 4,105 |
| Parks, open space and streetscapes | | - | 737 |
| Off street car parks | | 350 | 452 |
| Other infrastructure | | 43 | - |
| Total infrastructure | | 13,190 | 14,899 |
| Total capital works expenditure | | 25,451 | 55,583 |
| Represented by: | | | |
| New asset expenditure | | 14,385 | 45,491 |
| Asset renewal expenditure | | 8,328 | 6,987 |
| Asset upgrade expenditure | | 2,738 | 3,105 |
| Total capital works expenditure | | 25,451 | 55,583 |

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 (g))
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to note 1 (n))
- the determination of employee provisions (refer to note 1 (s))

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) Changes in accounting policies

There have been no changes in accounting policies from the previous period.

(d) Committees of management

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

(e) 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.

(f) 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.

Note 1 Significant accounting policies (cont'd)

(f) Revenue recognition (cont'd)

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.

(g) 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.

(h) 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.

(i) Trade and other receivables

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

Note 1 Significant accounting policies (cont'd)

(j) 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.

(k) Inventories

Inventories held for distribution are measured at cost adjusted when applicable for any loss of service potential. Inventories are measured at the lower of cost and net realisable value.

(l) 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.

(m) 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 amount for which the asset could be exchanged between knowledgeable willing parties in an arm's length transaction.

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

In accordance with Council's policy, the threshold limits detailed in Note 1 n 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)

(m)

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

Land under roads

Land under roads acquired after 30 June 2008 is brought to account using the cost basis. Council does not recognise land under roads that it controlled prior to that period in its financial report.

(n) 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.

Asset recognition thresholds and depreciation periods

| | Depreciation Period years | Threshold Limit \$'000 |
|--|---------------------------------|---------------------------|
| Property | | |
| land | - | - |
| land improvements | - | 10 |
| Buildings | | |
| heritage buildings | 10 - 200 | 5 |
| buildings | 10 - 100 | 5 |
| building improvements | 10 - 100 | 5 |
| 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 | 0 | 10 |
| road kerb, channel and minor culverts | 10 - 70 | 10 |
| bridges deck | 20 - 100 | 10 |
| bridges substructure | 20 - 100 | 10 |
| footpaths and cycleways | 10 - 50 | 10 |
| drainage | 20 - 100 | 10 |
| recreational, leisure and community facilities | 10 - 70 | 5 |
| parks, open space and streetscapes | 25 | 5 |
| off street car parks | 10 - 70 | 10 |
| Intangible assets | | |
| intangible assets | 5 | 5 |

(o) 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)

(p) Impairment of assets

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

(q) 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).

(r) 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.

(s) 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)

(s) 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.

(t) 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. Leased assets are currently being amortised over the term of the lease.

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.

(u) 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.

(v) 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)

(w) 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.

(x) Pending accounting standards

Certain new AAS's have been issued that are not mandatory for the 30 June 2016 reporting period. Council has assessed these pending standards and has identified that no material impact will flow from the application of these standards in future reporting periods.

(y) 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 15 June 2015. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for 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 2016 \$'000 | Actual 2016 \$'000 | Variance 2016 \$'000 | Ref |
|---|--------------------------|--------------------------|----------------------------|-----|
| Income | | | | |
| Rates and charges | 72,153 | 73,921 | 1,768 | 1 |
| Statutory fees and fines | 2,906 | 3,798 | 892 | 2 |
| User fees | 2,275 | 2,740 | 465 | 3 |
| Grants - operating | 11,401 | 7,279 | (4,122) | 4 |
| Grants - capital | 3,943 | 12,486 | 8,543 | 5 |
| Contributions - monetary | 1,547 | 11,460 | 9,913 | 6 |
| Contributions - non monetary | 1,100 | 46,688 | 45,588 | 7 |
| Net gain on asset revaluation | - | 3,972 | 3,972 | 8 |
| Share of net profits of associates | - | 159 | 159 | 9 |
| Other income | 2,934 | 6,381 | 3,447 | 10 |
| Total income | 98,259 | 168,884 | 70,625 | |
| Expenses | | | | |
| Employee costs | 29,942 | 31,069 | (1,127) | 11 |
| Materials and services | 37,461 | 42,475 | (5,014) | 12 |
| Bad and doubtful debts | 168 | 168 | - | |
| Depreciation and amortisation | 16,996 | 18,483 | (1,487) | 13 |
| Borrowing costs | 4,183 | 3,738 | 445 | 14 |
| Net loss on disposal of property, infrastructure, plant and equipment | - | 351 | (351) | 15 |
| Other expenses | 2,237 | 2,289 | (52) | |
| Total expenses | 90,987 | 98,573 | (7,586) | |
| Surplus for the year | 7,272 | 70,311 | 63,039 | |

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 overall in line with budget. |
| 2 | Statutory fees and fines | Development fees (design checking and supervision) are better than budget due to increased development activity, and Health, Planning and Animal fees are all better than budget due to a higher number of registrations and applications, but have been partly offset by Animal and Local Laws fines which are both under budget due to better compliance. |
| 3 | User fees | Favourable variance is primarily due to the recognition of better than budgeted section 86 committee income, and unbudgeted income from the AFL NAB Challenge football match held in February. Income from the Cardinia Cultural Centre is also better than budgeted due to increased events and patronage. |
| 4 | Grants - operating | Part of the 2015/16 Victoria Grants Commission (VGC) grant was received and recognised in 2014/15, leading to a significant unfavourable variance in 2015/16. This has been partly offset by the receipt of unbudgeted grants, the most significant being the Linking Learning grant in Children's Services. |
| 5 | Grants - capital | Capital grants are better than budget primarily due to the receipt of unbudgeted grants, the major ones being from the State Government Interface Growth Fund for the IYU and Heatherbrae Recreation Reserves projects, and Blackspot road funding from VicRoads. The budgeted grant for road pavement renewals (Roads to Recovery) was better than budgeted due to a higher allocation from the Federal Government, but has been partially offset by the capital portion of the VGC grant which was partly prepaid in 2014/15. |
| 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 asset revaluation | This is an accounting entry to reflect road revaluation increases, and offset the decreases recognised in 2014/15. |
| 9 | Share of net profits of associates | This is an accounting entry to recognise the increase in Council's share of the equity of the Casey-Cardinia Library Corporation. |
| 10 | Other income | Favourable variance primarily relates to cost recovery income, which are costs recovered from external parties for expenditure incurred, which is better than budget, the most significant item being drainage works done on behalf of Melbourne Water. Additionally, income from interest on investments is better than budgeted due to higher cash and cash equivalents and other financial assets balances than budgeted. |
| 11 | Employee costs | Employee costs are over budget due to staffing changes made during the year, additional unbudgeted costs incurred during the year due to new programmes & extension of existing programmes, and an increase in employee leave provisions. |
| 12 | Materials and services | Unfavourable variance is mainly due to the recognition of project operating expenditure which is budgeted in the Capital Works Program, and the cost of drainage works done on behalf of Melbourne Water (refer Note 9 above). |
| 13 | Depreciation and amortisation | Depreciation is over budget due to an increase in value of infrastructure assets following revaluation in 2014/15. |
| 14 | Borrowing costs | Interest on loans are under budget primarily due to the budgeted 2015/16 not being drawn down and the repayments of other loans when due. |
| 15 | Net loss on disposal of property, infrastructure, plant and equipment | Value of assets disposed during the year, which were not budgeted, have been partially offset by favourable variances from the net proceeds from sale of land and plant. |

Note 2 Budget comparison (cont'd)

b) Capital Works

| | Budget 2016 \$'000 | Actual 2016 \$'000 | Variance 2016 \$'000 | Ref |
|--|--------------------------|--------------------------|----------------------------|-----|
| Property | | | | |
| Land | 5,402 | 3,098 | (2,304) | 1 |
| Total Land | 5,402 | 3,098 | (2,304) | |
| Buildings | 11,668 | 6,634 | (5,034) | 2 |
| Heritage buildings | - | 827 | 827 | 3 |
| Building improvements | - | 271 | 271 | 4 |
| Total Buildings | 11,668 | 7,732 | (3,936) | |
| Total Property | 17,070 | 10,830 | (6,240) | |
| Plant and Equipment | | | | |
| Plant, machinery and equipment | 2,021 | 1,291 | (730) | 5 |
| Fixtures, fittings and furniture | 400 | 37 | (363) | 6 |
| Computers and telecommunications | - | 103 | 103 | 7 |
| Total Plant and Equipment | 2,421 | 1,431 | (990) | |
| Infrastructure | | | | |
| Roads | 6,322 | 8,972 | 2,650 | 8 |
| Bridges | 600 | 705 | 105 | 9 |
| Footpaths and cycleways | 1,168 | 1,274 | 106 | |
| Drainage | 300 | 323 | 23 | |
| Recreational, leisure and community facilities | 2,640 | 1,523 | (1,117) | 10 |
| Off street car parks | - | 350 | 350 | 11 |
| Other infrastructure | - | 43 | 43 | 12 |
| Total Infrastructure | 11,030 | 13,190 | 2,160 | |
| Total Capital Works Expenditure | 30,521 | 25,451 | (5,070) | |
| Represented by: | | | | |
| New asset expenditure | 19,745 | 14,385 | (5,360) | 13 |
| Asset renewal expenditure | 8,971 | 8,328 | (643) | 14 |
| Asset upgrade expenditure | 1,805 | 2,738 | 933 | 15 |
| Total Capital Works Expenditure | 30,521 | 25,451 | (5,070) | |

Note 2 Budget comparison (cont'd)

b) Capital Works (cont'd)

(i) Explanation of material variations

| Variance Ref | Item | Explanation |
|--------------|--|---|
| 1 | Land | Budgeted purchase of land for James Bathe Recreation Reserve did not occur, and has been partly offset by other purchases of land for future development. |
| 2 | Buildings | Major variances are due to projects budgeted in this category being behind schedule. Hills Hub - community consultation process taking longer than anticipated, Lang Lang sporting facilities - completion of master plan with user group taking more time & Emerald Netball Pavilion & Courts - rezoning of the land creating a large number of objections and now waiting for planning approval. And also some expenditure was included in other categories. |
| 3 | Heritage buildings | Primarily relates to Ash Wednesday Memorial Shelter at Cockatoo which was not budgeted in 2015/16. |
| 4 | Building improvements | Mainly relates to improvements at the Municipal depot in Pakenham and is budgeted in buildings category. |
| 5 | Plant, machinery and equipment | Scheduled replacement of several items of plant and equipment did not occur this financial year, but are expected to be replaced next year. |
| 6 | 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 Intangible Assets. |
| 7 | Computers and telecommunications | Majority of the expenditure is for work at the Cardinia Cultural Centre and has been budgeted in Buildings category. |
| 8 | Roads | Works at IYU Recreation Reserve are budgeted in Recreational Leisure and Community Facilities category, and over expenditure on pavement renewal works have been funded by additional Roads to Recovery grant income. |
| 9 | Bridges | Over expenditure in the bridges replacement program is funded by unspent expenditure from previous years and unbudgeted grant funding. |
| 10 | Recreational, leisure and community facilities | Major variance is for work at IYU Recreation Reserve, which is budgeted in this category but has been mostly expended under Roads. |
| 11 | Off street car parks | Expenditure is primarily for works at Toomah Community Centre, funded in previous years, and the car parks and lane ways sealing programs which is budgeted in the Roads category. |
| 12 | Other infrastructure | This relates to expenditure in the Open Space Renewal Program and is budgeted in Recreation, Leisure and Community Facilities category. |
| 13 | New asset expenditure | The major projects included as new assets are the purchase of land for James Bathe Recreation Reserve, and works at the Hills Hub, IYU Recreation Reserve and Officer Secondary College stadium. The variance is mainly a result of the James Bathe land purchase not occurring and the Hills Hub behind schedule as mentioned above |
| 14 | Asset renewal expenditure | Asset renewal projects are under budget, the major variances being in the plant replacement program and renewal of netball facilities, partly offset by over expenditure on pavement renewal works. |
| 15 | Asset upgrade expenditure | Asset upgrade projects are over budget, primarily due to expenditure on projects not budgeted this financial year, such as special charge schemes and road 'blackspot' projects, but funded by unspent expenditure from previous years and unbudgeted grants. |

| | 2016 | 2015 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Note 3 Rates and charges | | |
| 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 2014. | | |
| The valuation base used to calculate general rates for 2015/16 was \$15,786 million (2014/15 \$15,353 million). The 2015/16 rate in the CIV dollar was 0.003607 (2014/15, 0.003419). | | |
| General Rates | 62,184 | 56,595 |
| Waste management charge | 10,220 | 9,855 |
| Supplementary rates and rate adjustments | 1,416 | 1,931 |
| Cultural and recreational | 101 | 24 |
| Total rates and charges | 73,921 | 68,405 |
| 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. | | |
| Note 4 Statutory fees and fines | | |
| Infringements and costs | 1,016 | 811 |
| Court recoveries | - | 12 |
| Town planning fees | 1,797 | 1,386 |
| Land information certificates | 89 | 84 |
| Permits | 896 | 875 |
| Total statutory fees and fines | 3,798 | 3,168 |
| Note 5 User fees | | |
| Aged and health services | 53 | 61 |
| Leisure centre and recreation | 1,640 | 1,300 |
| Child care/children's programs | 141 | 1,656 |
| Parking | 80 | 78 |
| Registration and other permits | 456 | 368 |
| Building services | 233 | 600 |
| Other fees and charges | 137 | 73 |
| Total user fees | 2,740 | 4,136 |

| | 2016 \$'000 | 2015 \$'000 |
|--|----------------|----------------|
| Note 6 Grants | | |
| Grants were received in respect of the following : | | |
| Summary of grants | | |
| Commonwealth funded grants | 8,960 | 16,333 |
| State funded grants | 10,805 | 9,188 |
| Total * | 19,765 | 25,521 |
| Operating Grants | | |
| Recurrent - Commonwealth Government | | |
| Victoria Grants Commission | 4,669 | 13,572 |
| Family and children | - | 141 |
| Environment and Heritage | - | 6 |
| Other | - | 20 |
| Recurrent - State Government | | |
| School crossing supervisors | 203 | 180 |
| Maternal and child health | 979 | 941 |
| Recreation | 95 | 122 |
| Community safety | 78 | 120 |
| Best Start Program | 88 | 129 |
| Community Health | 348 | 906 |
| Disability | 139 | 133 |
| Emergency Management | 60 | 60 |
| Environment and Heritage | 203 | 332 |
| Family and children | 364 | 188 |
| Local infrastructure | 4 | 4,863 |
| Other | 49 | 86 |
| Total recurrent operating grants | 7,279 | 21,801 |
| Total operating grants | 7,279 | 21,801 |
| Capital Grants | | |
| Recurrent - Commonwealth Government | | |
| Victoria Grants Commission | 356 | 1,077 |
| Roads to recovery | 3,345 | 1,171 |
| Total recurrent capital grants | 3,701 | 2,248 |
| Non-recurrent - Commonwealth Government | | |
| Local infrastructure | 210 | 346 |
| Recreation | 380 | - |
| Non-recurrent - State Government | | |
| Local infrastructure | 2,282 | 948 |
| Recreation | 5,913 | 179 |
| Total non-recurrent capital grants | 8,785 | 1,472 |
| Total capital grants | 12,486 | 3,720 |
| Total | 19,765 | 25,521 |
| 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: | 3,288 | 1,703 |
| Grants which were recognised as revenue in prior years and were expended during the current year in the manner specified by the grantor were: | (1,563) | (1,236) |
| Net increase in restricted assets resulting from grant revenues for the year: | 1,725 | 467 |
| * 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 | 2,496 | 2,028 |
| Received during the financial year and remained unspent at balance date | 3,288 | 1,703 |
| Received in prior years and spent during the financial year | (1,563) | (1,236) |
| Balance at year end | 4,221 | 2,496 |

| | 2016 \$'000 | 2015 \$'000 |
|---|----------------|----------------|
| Note 7 Contributions | | |
| Monetary | 11,460 | 11,920 |
| Non-monetary | 46,688 | 39,351 |
| Total contributions | 58,148 | 51,271 |
| <i>Contributions of non monetary assets were received in relation to the following asset classes.</i> | | |
| Land | 9,656 | 2,645 |
| Roads | 11,717 | 12,971 |
| Other infrastructure | 13,740 | 14,653 |
| Other | 11,575 | 9,082 |
| Total non-monetary contributions | 46,688 | 39,351 |
| Note 8 Net loss on disposal of property, infrastructure, plant and equipment | | |
| Gross Proceeds of sale | 2,128 | 15,255 |
| Less Costs incurred by Developers | - | (11,460) |
| Net Proceeds received by Council | 2,128 | 3,795 |
| Write down value of assets disposed | (2,479) | (4,656) |
| Total net loss on disposal of property, infrastructure, plant and equipment | (351) | (861) |
| Note 9 Net gain on asset revaluation | | |
| Land | - | 2,800 |
| Roads | 3,930 | (8,888) |
| Off street car parks | 42 | (161) |
| Total net gain on asset revaluation | 3,972 | (6,249) |
| Note 10 Other income | | |
| Interest | 1,393 | 1,429 |
| Other recoveries | 3,276 | 2,414 |
| Other | 1,712 | 1,741 |
| Total other income | 6,381 | 5,584 |
| Note 11 (a) Employee costs | | |
| Wages and salaries | 27,375 | 27,669 |
| WorkCover | 396 | 511 |
| Casual Staff | 480 | 383 |
| Superannuation | 2,435 | 2,422 |
| Fringe benefits tax | 362 | 342 |
| Other | 21 | 25 |
| Total employee costs | 31,069 | 31,352 |
| Note 11 (b) Superannuation | | |
| Council made contributions to the following funds: | | |
| Defined benefit fund | | |
| Employer contributions to Local Authorities Superannuation Fund (Vision Super) | 162 | 169 |
| | 162 | 169 |
| Employer contributions payable at reporting date. | | |
| Accumulation funds | | |
| Employer contributions to Local Authorities Superannuation Fund (Vision Super) | 2,273 | 2,253 |
| | 2,273 | 2,253 |
| Employer contributions payable at reporting date. | 73 | 18 |
| Refer to note 35 for further information relating to Council's superannuation obligations. | | |

| | 2016 | 2015 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Note 12 Materials and services | | |
| Building maintenance | 231 | 243 |
| General maintenance | 2,927 | 2,851 |
| Office administration | 286 | 322 |
| Information technology | 1,295 | 1,246 |
| Materials and services | 9,995 | 11,016 |
| Contract payments | 20,851 | 17,341 |
| Utilities | 1,885 | 1,694 |
| Consultants | 4,265 | 4,740 |
| Insurance | 740 | 720 |
| Total materials and services | 42,475 | 40,173 |
| Note 13 Bad and doubtful debts | | |
| Local laws | 83 | 170 |
| Rates debtors | - | 571 |
| Other | 85 | 86 |
| Total bad and doubtful debts | 168 | 827 |
| Note 14 Depreciation and amortisation | | |
| Property | 4,090 | 2,894 |
| Plant and equipment | 1,630 | 1,552 |
| Infrastructure | 12,641 | 11,059 |
| Total depreciation | 18,361 | 15,505 |
| Intangible assets | 122 | 66 |
| Total depreciation and amortisation | 18,483 | 15,571 |
| <i>Refer to note 24 and 25 for a more detailed breakdown of depreciation and amortisation charges</i> | | |
| Note 15 Borrowing costs | | |
| Interest - Borrowings | 3,533 | 4,011 |
| Bank charges | 205 | 191 |
| Total borrowing costs | 3,738 | 4,202 |
| Note 16 Other expenses | | |
| Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals | 84 | 78 |
| Auditors' remuneration - Internal | 102 | 106 |
| Councillors' allowances | 290 | 280 |
| Operating lease rentals | 558 | 718 |
| Other expenses | 1,255 | 948 |
| Total other expenses | 2,289 | 2,130 |
| Note 17 Investment in associates | | |
| a) Investments in associates | | |
| Investments in associates accounted for by the equity method is: | | |
| Casey Cardinia Library Corporation | 1,591 | 1,432 |
| Fair value of Council's investment in Casey Cardinia Library Corporation | 1,591 | 1,432 |
| Council's share of accumulated surplus | | |
| Council's share of accumulated surplus at start of year | 1,432 | 1,395 |
| Reported surplus for year | 126 | 26 |
| Distributions for the year | 33 | 11 |
| Council's share of accumulated surplus at end of year | 1,591 | 1,432 |

Background

Library service run by City of Casey and Cardinia Shire Council. Cardinia Shire has equity in the library. The equity for 2015/16 (based on the audited library statements) is 26.2% (2014/15 25.6%)

| | | 2016 \$'000 | 2015 \$'000 |
|----------------|--|----------------|----------------|
| Note 18 | Cash and cash equivalents | | |
| | Cash on hand | 3 | 2 |
| | Cash at bank | 13,467 | 13,642 |
| | Term Deposit | 10,000 | 3,000 |
| | | 23,470 | 16,644 |
| | 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) | 9,896 | 5,405 |
| | Total restricted funds | 9,896 | 5,405 |
| | Total unrestricted cash and cash equivalents | 13,574 | 11,239 |
| Note 19 | Trade and other receivables | | |
| | Current | | |
| | Rates debtors | 6,973 | 6,896 |
| | Infringement debtors | 247 | 138 |
| | Cardinia road developer contribution plan debtors | 5,862 | 3,269 |
| | Officer developer contribution plan debtors | 4,899 | 813 |
| | Vicroads developer contribution plan debtors | 5,586 | 2,979 |
| | Net GST receivable | 1,251 | 1,077 |
| | Other debtors | 1,274 | 2,224 |
| | Provision for doubtful debts - other debtors | (129) | (633) |
| | Total current trade and other receivables | 25,963 | 16,763 |
| | Non-current | | |
| | Special rate scheme | 1,277 | 753 |
| | Bonds | 4 | 8 |
| | Total non-current trade and other receivables | 1,281 | 761 |
| | Total trade and other receivables | 27,244 | 17,524 |
| | a) Ageing of Receivables | | |
| | At balance date other debtors representing financial assets were past due but not impaired. These amounts relate to a number of independent customers for whom there is no recent history of default. The ageing of the Council's trade & other receivables (excluding statutory receivables) was: | | |
| | Current (not yet due) | 6,604 | 2,272 |
| | Past due by up to 30 days | 1,273 | 1,865 |
| | Past due between 31 and 180 days | 5,241 | 124 |
| | Past due between 181 and 365 days | 527 | 511 |
| | Past due by more than 1 year | 4,424 | 4,757 |
| | Total trade & other receivables | 18,069 | 9,529 |
| | b) Movement in provisions for doubtful debts | | |
| | Balance at the beginning of the year | (633) | (60) |
| | New Provisions recognised during the year | (86) | (615) |
| | Amounts already provided for and written off as uncollectible | 285 | 7 |
| | Amounts provided for but recovered during the year | 305 | 35 |
| | Balance at end of year | (129) | (633) |
| Note 20 | Other financial assets | | |
| | Term Deposits | 27,833 | 19,767 |
| | Total other financial assets | 27,833 | 19,767 |
| Note 21 | Inventories | | |
| | Inventories held for distribution | 13 | 16 |
| | Total inventories | 13 | 16 |
| Note 22 | Non current assets classified as held for sale | | |
| | Cost of acquisition - South East Business Park | 8,726 | 8,726 |
| | Total non current assets classified as held for resale | 8,726 | 8,726 |
| Note 23 | Other assets | | |
| | Prepayments | 351 | 421 |
| | Accrued income | 296 | 139 |
| | Total other assets | 647 | 560 |

Note 24 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

| | At Fair Value 30 June 2016 | Accumulated Depreciation | WDV 30 June 2016 | At Fair Value 30 June 2015 | Accumulated Depreciation | WDV 30 June 2015 |
|---------------------|-------------------------------|-----------------------------|---------------------|-------------------------------|-----------------------------|---------------------|
| Land | 328,777 | - | 328,777 | 302,935 | - | 302,935 |
| Buildings | 114,364 | 4,090 | 110,274 | 108,371 | - | 108,371 |
| Plant and Equipment | 16,479 | 7,318 | 9,161 | 16,895 | 7,012 | 9,883 |
| Infrastructure | 693,414 | 177,371 | 516,043 | 631,913 | 164,893 | 467,020 |
| Work in progress | 22,035 | - | 22,035 | 16,534 | - | 16,534 |
| | 1,175,069 | 188,779 | 986,290 | 1,076,648 | 171,904 | 904,743 |

Summary of Work in Progress

| | Opening WIP | Additions | Transfers | Write Offs | Closing WIP |
|----------------|---------------|---------------|---------------|------------|---------------|
| Buildings | 3,693 | 9,653 | 6,299 | - | 7,047 |
| Infrastructure | 12,841 | 20,158 | 18,012 | - | 14,988 |
| Total | 16,534 | 29,811 | 24,311 | - | 22,035 |

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 2015 | 119,343 | 183,592 | 302,935 | 181 | 68,099 | 22,948 | 17,143 | 108,371 | 3,693 | 414,999 |
| | 119,343 | 183,592 | 302,935 | 181 | 68,099 | 22,948 | 17,143 | 108,371 | 3,693 | 414,999 |
| Movements in fair value | | | | | | | | | | |
| Acquisition of assets at fair value | 10,088 | 1,066 | 11,154 | - | - | - | - | - | 9,653 | 20,807 |
| Prior year adjustments to fair value | (227) | - | (227) | - | - | (306) | - | (306) | - | (533) |
| Revaluation increments/decrements | 6,622 | 9,392 | 16,014 | - | - | - | - | - | - | 16,014 |
| Fair value of assets disposed | (384) | (714) | (1,098) | - | - | - | - | - | - | (1,098) |
| Transfers | 507 | (507) | - | 1,790 | 3,370 | 869 | 271 | 6,299 | (6,299) | - |
| | 16,605 | 9,237 | 25,842 | 1,790 | 3,370 | 563 | 271 | 5,993 | 3,353 | 35,189 |
| Movements in accumulated depreciation | | | | | | | | | | |
| Depreciation and amortisation | - | - | - | (86) | (2,361) | (772) | (871) | (4,090) | - | (4,090) |
| | - | - | - | (86) | (2,361) | (772) | (871) | (4,090) | - | (4,090) |
| At fair value 30 June 2016 | 135,948 | 192,829 | 328,777 | 1,971 | 71,468 | 23,510 | 17,414 | 114,364 | 7,047 | 450,188 |
| Accumulated depreciation at 30 June 2016 | - | - | - | (86) | (2,361) | (772) | (871) | (4,090) | - | (4,090) |
| | 135,948 | 192,829 | 328,777 | 1,885 | 69,107 | 22,738 | 16,543 | 110,274 | 7,047 | 446,098 |

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

| | Plant machinery and equipment | Fixtures fittings and furniture | Computers and telecomms | Work In Progress | Total plant and equipment |
|--|-------------------------------------|---------------------------------------|-------------------------------|---------------------|---------------------------------|
| Plant and Equipment | | | | | |
| At fair value 1 July 2015 | 11,635 | 3,211 | 2,049 | - | 16,895 |
| Accumulated depreciation at 1 July 2015 | (4,673) | (1,616) | (723) | - | (7,012) |
| | <u>6,962</u> | <u>1,596</u> | <u>1,326</u> | <u>-</u> | <u>9,883</u> |
| Movements in fair value | | | | | |
| Acquisition of assets at fair value | 1,291 | 37 | 78 | - | 1,407 |
| Fair value of assets disposed | (1,706) | - | (117) | - | (1,823) |
| | <u>(415)</u> | <u>37</u> | <u>(39)</u> | <u>-</u> | <u>(416)</u> |
| Movements in accumulated depreciation | | | | | |
| Depreciation and amortisation | (1,273) | (151) | (206) | - | (1,630) |
| Accumulated depreciation of disposals | 1,207 | - | 117 | - | 1,324 |
| | <u>(66)</u> | <u>(151)</u> | <u>(89)</u> | <u>-</u> | <u>(306)</u> |
| At fair value 30 June 2016 | 11,220 | 3,249 | 2,010 | - | 16,479 |
| Accumulated depreciation at 30 June 2016 | (4,739) | (1,767) | (812) | - | (7,318) |
| | <u>6,481</u> | <u>1,482</u> | <u>1,198</u> | <u>-</u> | <u>9,161</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 2015 | 299,762 | 66,185 | 65,493 | 159,025 | 26,483 | 4,873 | 9,614 | 478 | 12,841 | 644,754 |
| Accumulated depreciation at 1 July 2015 | (92,163) | (23,681) | (12,358) | (22,009) | (10,079) | (1,916) | (2,525) | (163) | - | (164,893) |
| | 207,600 | 42,504 | 53,135 | 137,016 | 16,405 | 2,957 | 7,089 | 315 | 12,841 | 479,861 |
| Movements in fair value | | | | | | | | | | |
| Acquisition of assets at fair value | 11,314 | - | 2,914 | 8,211 | 540 | - | - | - | 20,158 | 43,137 |
| Prior year adjustments to fair value | (225) | 365 | 20 | 347 | 3,039 | - | - | - | - | 3,546 |
| Revaluation increments/decrements | 962 | 2,053 | 838 | 15,973 | - | - | (21) | - | - | 19,805 |
| Fair value of assets disposed | (1,430) | (974) | (167) | (82) | (160) | - | (28) | - | - | (2,840) |
| Transfers | 9,353 | 861 | 2,064 | 3,496 | 1,673 | 230 | 292 | 43 | (18,012) | - |
| | 19,973 | 2,306 | 5,670 | 27,946 | 5,092 | 230 | 242 | 43 | 2,147 | 63,648 |
| Movements in accumulated depreciation | | | | | | | | | | |
| Depreciation and amortisation | (7,564) | (798) | (1,328) | (1,763) | (767) | (206) | (200) | (15) | - | (12,641) |
| Prior year adjustments to fair value | (3) | (140) | (10) | (140) | (1,398) | - | - | - | - | (1,691) |
| Revaluation increments/decrements | 2,969 | (703) | (271) | (2,162) | - | - | 63 | - | - | (104) |
| Accumulated depreciation of disposals | 743 | 922 | 103 | 15 | 149 | - | 25 | - | - | 1,957 |
| Transfers | - | - | - | - | 7 | (7) | - | - | - | - |
| | (3,856) | (719) | (1,505) | (4,050) | (2,009) | (213) | (111) | (15) | - | (12,478) |
| At fair value 30 June 2016 | 319,736 | 68,490 | 71,163 | 186,971 | 31,575 | 5,103 | 9,856 | 521 | 14,988 | 708,402 |
| Accumulated depreciation at 30 June 2016 | (96,018) | (24,400) | (13,863) | (26,059) | (12,088) | (2,128) | (2,637) | (177) | - | (177,371) |
| | 223,717 | 44,090 | 57,300 | 160,912 | 19,487 | 2,974 | 7,219 | 344 | 14,988 | 531,031 |

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 in 2015. The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

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

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

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

| | Level 3 |
|-----------------------------|----------------|
| Land - Non-specialised | 192,829 |
| Land - Specialised | 135,948 |
| Heritage Buildings | 1,885 |
| Buildings - specialised | 69,107 |
| Buildings - non specialised | 22,739 |
| Building Improvements | 16,543 |
| | 439,052 |

Valuation of infrastructure

Valuation of infrastructure assets has been performed by the Council's asset management officer who has over fifteen years experience in local government asset management, including undertaking condition assessments, managing asset systems, and undertaking valuations/revaluations of non-current assets. The valuation in 2016 was performed based on the depreciated reproduction cost of the assets.

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 2016 are as follows:

| | Level 3 |
|-------------------------------------|----------------|
| Roads | 223,717 |
| Bridges | 44,090 |
| Footpaths and cycleways | 57,300 |
| Drainage | 160,912 |
| Recreational, leisure and Community | 19,487 |
| Parks open spaces and streetscapes | 2,974 |
| Off street car parks | 7,219 |
| Other Infrastructure | 344 |
| | 516,043 |

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 \$0.34 and \$6750.00 per square metre.

Specialised buildings are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs is calculated on a square metre basis and ranges from \$500 to \$4,928 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 85 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.

| | 2016 | 2015 |
|---|----------------|----------------|
| Reconciliation of specialised land | | |
| Land under roads | 23,098 | 19,076 |
| Parks and reserves | 112,850 | 100,267 |
| Total specialised land | 135,948 | 119,343 |

| | 2016 \$'000 | 2015 \$'000 |
|--|------------------------|------------------------|
| Note 25 Intangible assets | | |
| Software | 669 | 382 |
| Total intangible assets | 669 | 382 |
| | | Software |
| | | \$'000 |
| Gross carrying amount | | |
| Balance at 1 July 2014 | | 1,578 |
| Other | | 115 |
| Balance at 1 July 2015 | | 1,693 |
| Other | | 286 |
| Balance at 30 June 2016 | | 1,979 |
| Accumulated amortisation and impairment | | |
| Balance at 1 July 2014 | | 1,388 |
| Amortisation expense | | 66 |
| Balance at 1 July 2015 | | 1,454 |
| Amortisation expense | | (72) |
| Balance at 30 June 2016 | | 1,382 |
| Work in progress at 30 June 2015 | | 143 |
| Work in progress at 30 June 2016 | | 72 |
| Net book value at 30 June 2015 | | 382 |
| Net book value at 30 June 2016 | | 669 |
| | 2016 \$'000 | 2015 \$'000 |
| Note 26 Trade and other payables | | |
| Current | | |
| Trade payables | 12,605 | 9,795 |
| Accrued expenses | 2,884 | 2,435 |
| Income in Advance | 1,043 | 1,952 |
| | 16,532 | 14,182 |
| Non-Current | | |
| Trade payables | 6,155 | - |
| | 6,155 | - |
| Total trade and other payables | 22,687 | 14,182 |
| Note 27 Trust funds and deposits | | |
| Refundable deposits | 9,487 | 5,044 |
| Fire services levy | 71 | 62 |
| Retention amounts | 139 | 139 |
| Trust Funds | 199 | 160 |
| Total trust funds and deposits | 9,896 | 5,405 |

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

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.

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.

Notes to the Financial Report
For the Year Ended 30 June 2016

| | | | | 2016 | 2015 |
|----------------|---|---------------------|---------------------------|--------------|--------------|
| | | | | \$'000 | \$'000 |
| Note 28 | Provisions | | | | |
| | | Annual leave | Long Service Leave | Other | Total |
| | 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 | (7) | 86 | - | 79 |
| | Balance at the end of the financial year | 2,494 | 4,886 | 83 | 7,464 |
| | 2015 | | | | |
| | Balance at beginning of the financial year | 2,468 | 4,657 | 110 | 7,235 |
| | Additional provisions | (27) | 76 | (18) | 32 |
| | Amounts used | - | (126) | (3) | (129) |
| | Increase in the discounted amount arising because of time and the effect of any change in the discount rate | - | 79 | - | 79 |
| | Balance at the end of the financial year | 2,441 | 4,686 | 89 | 7,217 |
| | | | | 2016 | 2015 |
| | | | | \$'000 | \$'000 |
| | (a) Employee provisions | | | | |
| | Current provisions expected to be wholly settled within 12 | | | | |
| | Annual leave | | | 2,050 | 2,021 |
| | Long service leave | | | 3,422 | 3,513 |
| | Sick leave bonus/gratuity | | | 83 | 89 |
| | | | | 5,555 | 5,624 |
| | Non-current | | | | |
| | Annual leave | | | 445 | 420 |
| | Long service leave | | | 1,464 | 1,173 |
| | Total non-current provisions | | | 1,909 | 1,593 |
| | Aggregate carrying amount of employee provisions: | | | | |
| | Current | | | 5,555 | 5,624 |
| | Non-current | | | 1,909 | 1,593 |
| | Total aggregate carrying amount of employee provisions | | | 7,464 | 7,217 |

| | 2016 | 2015 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| | 2016 | 2015 |
| | \$'000 | \$'000 |
| Note 29 Interest-bearing loans and borrowings | | |
| Current | | |
| Finance leases | - | 7 |
| Borrowings - secured | 4,765 | 6,289 |
| | <u>4,765</u> | <u>6,296</u> |
| Non-current | | |
| Borrowings - secured | 47,521 | 55,742 |
| | <u>47,521</u> | <u>55,742</u> |
| Total | <u>52,286</u> | <u>62,038</u> |
| (1) Borrowings are secured by Deed of charge over rates and a letter from the CEO | | |
| a) The maturity profile for Council's borrowings is: | | |
| Not later than one year | 4,765 | 6,289 |
| Later than one year and not later than five years | 27,280 | 28,620 |
| Later than five years | 20,241 | 27,122 |
| | <u>52,286</u> | <u>62,031</u> |
| b) The maturity profile for Council's finance lease liabilities is: | | |
| Not later than one year | - | 7 |
| Present value of minimum lease payments | - | 7 |

General description of the leasing arrangements as lessee of finance leases, including, but not limited to, the following:

- (i) the basis on which contingent rent payable is determined;
- (ii) the existence and terms of renewal or purchase options and escalation clauses; and
- (iii) restrictions imposed by lease arrangements, such as those concerning dividends, additional debt, and further leasing.

Note 30 Reserves

| | Balance at beginning of reporting period | Increment (decrement) | Share of increment (decrement) on revaluation by an associate | Balance at end of reporting period |
|---|--|--------------------------|---|---------------------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| (a) Asset revaluation reserves | | | | |
| 2016 | | | | |
| Property | | | | |
| Land | 184,217 | 16,013 | - | 200,230 |
| Buildings | 14,170 | - | - | 14,170 |
| | 198,387 | 16,013 | - | 214,400 |
| Infrastructure | | | | |
| Bridges | 17,758 | 1,351 | - | 19,109 |
| Footpaths and cycleways | 13,041 | 567 | - | 13,608 |
| Drainage | 57,011 | 13,812 | - | 70,823 |
| | 87,810 | 15,730 | - | 103,540 |
| Total asset revaluation reserves | 286,197 | 31,743 | - | 317,940 |
| 2015 | | | | |
| Property | | | | |
| Land for resale | 2,800 | (2,800) | - | - |
| Land | 158,662 | 25,555 | - | 184,217 |
| Buildings | 5,121 | 9,049 | - | 14,170 |
| | 166,583 | 31,804 | - | 198,387 |
| Infrastructure | | | | |
| Bridges | 17,905 | (147) | - | 17,758 |
| Footpaths and cycleways | 6,509 | 6,532 | - | 13,041 |
| Drainage | 44,567 | 12,444 | - | 57,011 |
| | 68,981 | 18,829 | - | 87,810 |
| Total asset revaluation reserves | 235,564 | 50,633 | - | 286,197 |

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

| | | Balance at beginning of reporting period \$'000 | Transfer from accumulated surplus \$'000 | Transfer to accumulated surplus \$'000 | Balance at end of reporting period \$'000 |
|-----------------------------|------------|--|---|---|---|
| (b) Other reserves | | | | | |
| 2016 | Ref | | | | |
| Developer levy | 1 | 24,870 | 8,875 | (3,014) | 30,731 |
| Community Facilities levy | 2 | 577 | 1,263 | (377) | 1,463 |
| Public Open Space levy | 3 | 2,153 | 600 | (257) | 2,496 |
| Native vegetation | 4 | 773 | 64 | (32) | 805 |
| Decorative Light Poles | 5 | 31 | 385 | (27) | 389 |
| Total Other reserves | | 28,404 | 11,187 | (3,707) | 35,884 |
| 2015 | | | | | |
| Developer levy | | 26,143 | 9,166 | (10,439) | 24,870 |
| Community Facilities levy | | 486 | 985 | (894) | 577 |
| Public Open Space levy | | 1,413 | 1,124 | (384) | 2,153 |
| Native vegetation | | 564 | 286 | (77) | 773 |
| Decorative Light Poles | | - | 81 | (50) | 31 |
| Total Other reserves | | 28,606 | 11,642 | (11,844) | 28,404 |

| 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. |

Notes to the Financial Report
For the Year Ended 30 June 2016

| | 2016 \$'000 | 2015 \$'000 |
|--|----------------|----------------|
| Note 30 (c) Reserves (cont'd) | | |
| Adjustments directly to equity | | |
| Prior year adjustments for previously not recognised assets/liabilities | 1,143 | 1,626 |
| Total adjustments directly to equity | <u>1,143</u> | <u>1,626</u> |
| Note 31 Reconciliation of cash flows from operating activities to surplus | | |
| Surplus for the year | 70,311 | 56,756 |
| Depreciation/amortisation | 18,483 | 15,571 |
| Loss on disposal of property, infrastructure, plant and equipment | 351 | 861 |
| Net asset revaluation (increment)/decrement | (3,972) | 6,250 |
| Share of net gain of associates | (159) | (37) |
| Interest Costs - Financing, not Operating Activity | 3,738 | 4,203 |
| Contributions - Non-monetary assets | (46,688) | (39,350) |
| Other | - | 4,817 |
| Change in assets and liabilities: | | |
| Decrease in trade and other receivables | 2,605 | 646 |
| Decrease in prepayments | 70 | (3) |
| Increase in accrued income | (157) | 148 |
| Increase in trade and other payables | 3,754 | (476) |
| Increase in other liabilities | 4,482 | 2,106 |
| Decrease in inventories | 3 | 10 |
| Increase in provisions | 247 | (19) |
| Decrease in income in advance | (909) | 1,048 |
| Net cash provided by operating activities | <u>52,159</u> | <u>52,530</u> |
| Note 32 Financing arrangements | | |
| Bank Overdraft | 2,000 | 2,000 |
| Credit card facilities | 53 | 51 |
| Other facilities | 52,286 | 62,038 |
| Total facilities | <u>54,339</u> | <u>64,089</u> |
| Used facilities | 52,294 | 62,046 |
| Unused facilities | <u>2,045</u> | <u>2,043</u> |

Note 33 Commitments

The Council has entered into the following commitments

| 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 |
| Utility | 1,370 | 1,500 | 3,420 | - | 6,290 |
| Other | 1,112 | 236 | 297 | 44 | 1,689 |
| Total | 22,384 | 22,236 | 41,296 | 44 | 85,960 |
| Capital | | | | | |
| Buildings | 4,500 | - | - | - | 4,500 |
| Roads | 900 | - | - | - | 900 |
| Land | 1,781 | - | - | - | 1,781 |
| Total | 7,181 | - | - | - | 7,181 |

| 2015 | 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 | 1,445 | 1,551 | 1,654 | 1,738 | 6,388 |
| Garbage collection | 8,711 | 9,516 | 8,903 | 9,559 | 36,689 |
| Open space management | 3,117 | 3,288 | 7,129 | 1,528 | 15,062 |
| Consultancies | 196 | - | - | - | 196 |
| Home care services | 439 | - | - | - | 439 |
| Cleaning contracts for council buildings | 630 | 671 | 352 | - | 1,653 |
| Meals for delivery | 875 | 961 | 1,041 | - | 2,877 |
| Casey Cardinia Library funding | 1,790 | 1,862 | 1,936 | 2,000 | 7,588 |
| Facilities management | 486 | - | - | - | 486 |
| Maintenance | 1,589 | 1,323 | 711 | 322 | 3,945 |
| Health | 437 | 496 | 538 | - | 1,471 |
| Utility | 1,222 | 1,347 | 1,484 | - | 4,053 |
| Other | 361 | 189 | 109 | 110 | 769 |
| Total | 21,298 | 21,204 | 23,857 | 15,257 | 81,616 |
| Capital | | | | | |
| Buildings | 668 | - | - | - | 668 |
| Roads | 312 | - | - | - | 312 |
| Total | 980 | - | - | - | 980 |

| | 2016 \$'000 | 2015 \$'000 |
|--|----------------|----------------|
| Note 34 Operating leases | | |
| 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 | 146 | 387 |
| Later than one year and not later than five years | 320 | 49 |
| | <u>466</u> | <u>436</u> |
| (b) Operating lease receivables | | |
| The Council has entered into property leases, consisting of surplus freehold office complexes. These properties held under operating leases have remaining non-cancellable lease terms of between 1 and 10 years. 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 | 276 | 323 |
| Later than one year and not later than five years | 607 | 615 |
| Later than five years | 119 | 151 |
| | <u>1,002</u> | <u>1,089</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 2015, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 105.8%. To determine the VBI, the fund Actuary used the following long-term assumptions:

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

Note 35 Superannuation (Cont'd)

Vision Super has advised that the estimated VBI at 30th June 2016 was 102%. The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 2015 interim actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

Employer contributions

Regular contributions

On the basis of the results of the 2015 interim actuarial investigation conducted by the Fund 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 2016, this rate was 9.5% of members' salaries (9.5% in 2014/2015). 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 successor.

2015 Interim actuarial investigation surplus amounts

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

- A VBI surplus of \$130.8 million; and
- A total service liability surplus of \$239 million.

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2015. The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses. Council was notified of the 30 June 2015 VBI during August 2015.

Future superannuation contributions

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2017 is \$304 532

Note 36 Contingent liabilities

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 -2% in market interest rates (AUD) from year-end rates of 1.75% - 2.75%.

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

Note 38 Related party transactions

(i) Responsible Persons

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

| | |
|--------------------|--------------------------------|
| Councillors | Mayor Cr Jodie Owen |
| | Deputy Mayor Cr Leticia Wilmot |
| | Cr Graeme Moore |
| | Cr Brett Owen |
| | Cr George Blenkhorn |
| | Cr Collin Ross |
| | Cr Tania Baxter |
| | Cr Kate Lempriere |
| | Cr David Young |

Chief Executive Officer Garry McQuillan

(ii) Remuneration of Responsible Persons

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

| | 2016 | 2015 |
|---|---------------|---------------|
| | No. | No. |
| \$20,000 - \$29,999 | 2 | 2 |
| \$30,000 - \$39,999 | 4 | 5 |
| \$40,000 - \$49,999 | 1 | - |
| \$50,000 - \$59,999 | 1 | 1 |
| \$60,000 - \$69,999 | 1 | 1 |
| \$340,000 - \$349,999 | 1 | 1 |
| | 10 | 10 |
| | \$'000 | \$'000 |
| Total Remuneration for the reporting year for Responsible Persons included above amounted to: | 697 | 681 |

(iii) Senior Officers Remuneration

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

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

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

| | 2016 | 2015 |
|---|-------------|-------------|
| | No. | No. |
| Income Range: | | |
| < \$136,000 | - | 2 |
| \$136,000 - \$139,999 | 3 | 5 |
| \$140,000 - \$149,999 | 7 | 9 |
| \$150,000 - \$159,999 | 10 | 2 |
| \$160,000 - \$169,999 | - | 2 |
| \$220,000 - \$229,999 | 2 | 1 |
| \$230,000 - \$239,999 | - | 1 |
| \$240,000 - \$249,999 | - | 1 |
| \$250,000 - \$259,999 | 2 | - |
| \$270,000 - \$279,999 | - | 1 |
| | 24 | 24 |
| Total Remuneration for the reporting year for Senior Officers included above, amounted to | 3,919 | 3,937 |

(iv) Transactions with responsible persons

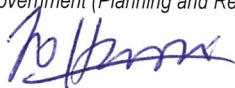
During the period Council did not enter into any transactions with responsible persons or related parties of responsible persons.

Note 39 **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 : 23 September 2016
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 2016 and the financial position of the Council as at that date.

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

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

George Blenkhorn
Councillor



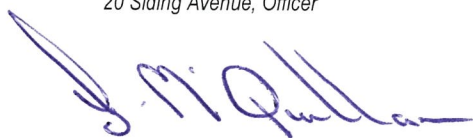
Date : 23 September 2016
20 Siding Avenue, Officer

Kate Lempriere
Councillor



Date : 23 September 2016
20 Siding Avenue, Officer

Garry McQuillan
Chief Executive Officer



Date : 23 September 2016
20 Siding Avenue, Officer

INDEPENDENT AUDITOR'S REPORT

To the Councillors, Cardinia Shire Council

The Financial Report

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

The Councillors' Responsibility for the Financial Report

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

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

Auditor's Responsibility

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

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

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

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

Independent Auditor's Report (continued)

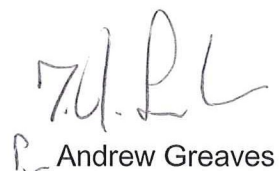
Independence

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

Opinion

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

MELBOURNE
26 September 2016


Andrew Greaves
Auditor-General