

**CARDINIA SHIRE COUNCIL  
ANNUAL FINANCIAL REPORT**

*For the Year Ended 30 June 2015*

**Cardinia Shire Council**  
**Financial Report**  
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## Comprehensive Income Statement For the Year Ended 30 June 2015

	Note	2015 \$'000	2014 \$'000
<b>Income</b>			
Rates and charges	3	68,405	62,731
Statutory fees and fines	4	3,167	3,045
User fees	5	4,136	3,427
Grants - operating	6	21,801	7,981
Grants - capital	6	3,720	4,496
Contributions - monetary	7	11,920	10,585
Contributions - non monetary	7	39,351	20,639
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	8	(861)	201
Net gain / (loss) on asset revaluation	9	(6,249)	-
Share of net profits/(losses) of associates and joint ventures	17	37	374
Other income	10	5,584	6,403
<b>Total income</b>		<b>151,011</b>	<b>119,882</b>
<b>Expenses</b>			
Employee costs	11(a)	(31,352)	(30,111)
Materials and services	12	(40,173)	(42,426)
Bad and doubtful debts	13	(827)	(320)
Depreciation and amortisation	14	(15,571)	(14,493)
Borrowing costs	15	(4,202)	(3,340)
Other expenses	16	(2,130)	(2,305)
<b>Total expenses</b>		<b>(94,255)</b>	<b>(92,995)</b>
<b>Surplus/(deficit) for the year</b>		<b>56,756</b>	<b>26,887</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to surplus or deficit in future periods</b>			
Net asset revaluation increment/(decrement)	30 a	50,633	(22,502)
<b>Total comprehensive result</b>		<b>107,389</b>	<b>4,385</b>

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

## Balance Sheet As at 30 June 2015

	Note	2015 \$'000	2014 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	18	16,644	5,441
Trade and other receivables	19	16,763	21,648
Other financial assets	20	19,767	19,088
Inventories	21	16	26
Non-current assets classified as held for sale - Land	22	8,726	11,029
Other assets	23	560	705
<b>Total current assets</b>		<b>62,476</b>	<b>57,937</b>
<b>Non-current assets</b>			
Trade and other receivables	19	761	-
Investments in associates	17	1,432	1,395
Property, infrastructure, plant and equipment	24	904,743	780,377
Intangible assets	25	382	190
<b>Total non-current assets</b>		<b>907,318</b>	<b>781,962</b>
<b>Total assets</b>		<b>969,794</b>	<b>839,899</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	26	14,182	11,961
Trust funds and deposits	27	5,405	3,271
Provisions	28	5,624	4,704
Interest-bearing loans and borrowings	29	6,296	9,427
<b>Total current liabilities</b>		<b>31,507</b>	<b>29,363</b>
<b>Non-current liabilities</b>			
Provisions	28	1,593	2,531
Interest-bearing loans and borrowings	29	55,742	36,068
<b>Total non-current liabilities</b>		<b>57,335</b>	<b>38,599</b>
<b>Total liabilities</b>		<b>88,842</b>	<b>67,962</b>
<b>Net assets</b>		<b>880,952</b>	<b>771,937</b>
<b>Equity</b>			
Accumulated surplus		566,351	507,767
Reserves	30	314,601	264,170
<b>Total Equity</b>		<b>880,952</b>	<b>771,937</b>

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

### Statement of Changes in Equity For the Year Ended 30 June 2015

2015	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
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/(deficit) for the year		56,756	56,756	-	-
Net asset revaluation increment/(decrement)	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)
<b>Balance at end of the financial year</b>		<b>880,951</b>	<b>566,351</b>	<b>286,197</b>	<b>28,404</b>

2014		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
Balance at beginning of the financial year		765,845	483,011	258,066	24,768
Other adjustments to opening balances		1,707	1,707		
Surplus/(deficit) for the year		26,887	26,887	-	-
Net asset revaluation increment/(decrement)	30(a)	(22,502)	-	(22,502)	-
Transfers to other reserves	30(b)	-	(9,103)	-	9,103
Transfers from other reserves	30(b)	-	5,266	-	(5,266)
<b>Balance at end of the financial year</b>		<b>771,937</b>	<b>507,767</b>	<b>235,564</b>	<b>28,606</b>

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

## Statement of Cash Flows For the Year Ended 30 June 2015

	Note	2015 Inflows/ (Outflows) \$'000	2014 Inflows/ (Outflows) \$'000
<b>Cash flows from operating activities</b>			
Rates and charges		67,555	62,654
Statutory fees and fines		3,537	3,336
User fees		9,207	5,693
Grants - operating		21,677	-
Grants - capital		4,170	12,082
Contributions - monetary		10,697	7,822
Interest received		1,438	1,181
Other receipts		4,723	3,148
Net GST refund/payment		7,971	5,602
Employee costs		(31,298)	(32,225)
Materials and services		(47,147)	(50,689)
<b>Net cash provided by/(used in) operating activities</b>	31	<b>52,530</b>	<b>18,604</b>
<b>Cash flows from investing activities</b>			
Payments for property, infrastructure, plant and equipment	24	(59,697)	(30,487)
Proceeds from sale of property, infrastructure, plant and equipment		6,708	2,877
Payments for investments		(4,030)	(5,575)
Proceeds from sale of investments		3,352	2,747
<b>Net cash provided by/(used in) investing activities</b>		<b>(53,667)</b>	<b>(30,437)</b>
<b>Cash flows from financing activities</b>			
Finance costs		(4,203)	(3,340)
Proceeds from borrowings		24,000	4,000
Repayment of borrowings		(7,457)	(5,640)
<b>Net cash provided by/(used in) financing activities</b>		<b>12,340</b>	<b>(4,980)</b>
Net increase (decrease) in cash and cash equivalents		11,204	(16,813)
Cash and cash equivalents at the beginning of the financial year		5,441	22,254
<b>Cash and cash equivalents at the end of the financial year</b>	32	<b>16,644</b>	<b>5,441</b>
Financing arrangements	33		
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 2015

	Note	2015 \$'000	2014 \$'000
<b>Property</b>			
Land		6,205	3,269
<b>Total land</b>		<u>6,205</u>	<u>3,269</u>
Buildings		15,414	11,719
Building improvements		15,049	
<b>Total buildings</b>		<u>30,463</u>	<u>11,719</u>
<b>Total property</b>		<u>36,668</u>	<u>14,988</u>
<b>Plant and equipment</b>			
Plant, machinery and equipment		1,892	1,584
Fixtures, fittings and furniture		1,111	90
Computers and telecommunications		1,013	244
<b>Total plant and equipment</b>		<u>4,016</u>	<u>1,918</u>
<b>Infrastructure</b>			
Roads		5,642	3,813
Bridges		193	406
Footpaths and cycleways		2,452	1,525
Drainage		1,318	1,480
Recreational, leisure and community facilities		4,105	2,564
Parks, open space and streetscapes		737	121
Off street car parks		452	632
<b>Total infrastructure</b>		<u>14,899</u>	<u>10,542</u>
<b>Total capital works expenditure</b>		<u>55,583</u>	<u>27,448</u>
<b>Represented by:</b>			
New asset expenditure		45,122	16,393
Asset renewal expenditure		6,987	6,759
Asset upgrade expenditure		3,059	4,110
Other		415	186
<b>Total capital works expenditure</b>		<u>55,583</u>	<u>27,448</u>

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

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.



**Note 1 Significant accounting policies (cont.)**

**(b) Changes in accounting policies**

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

**(c) Committees of management**

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

**(d) Accounting for investments in associates and joint arrangements**

*Associates*

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

**(e) Revenue recognition**

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

*Rates and Charges*

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.)**

**(e) Revenue recognition (Cont.)**

*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.

*Rental*

Rents are recognised as revenue when the payment is due or the payment is received, whichever first occurs. Rental payments received in advance are recognised as a prepayment until they are due.

*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.

**(f) Fair value measurement**

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

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

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

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

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

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

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

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

**(g) Cash and cash equivalents**

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

**Note 1 Significant accounting policies (cont.)**

**(h) 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.

**(i) Other financial assets**

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

**(j) Inventories**

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

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

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

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

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

*Acquisition*

The purchase method of accounting is used for all acquisitions of assets, being the fair value of assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition. Fair value is the 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, non-current physical assets, other than plant and equipment, are measured at their fair value, being the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. At balance date, the Council reviewed the carrying value of the individual classes of assets measured at fair value to ensure that each asset materially approximated its fair value. Where the carrying value materially differed from the fair value at balance date, the class of asset was revalued.

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use on an asset result in changes to the permissible or practical highest and best use of the asset. Further details regarding the fair value hierarchy are disclosed at Note 24, Property, infrastructure, plant and equipment, and infrastructure.

In addition, Council undertakes a formal revaluation of land, buildings, and 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.)**

**(l) 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.

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

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

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

Road earthworks are not depreciated on the basis that they are assessed as not having a limited useful life.

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

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

*Asset recognition thresholds and depreciation periods*

	Depreciation Period years	Threshold Limit \$'000
Property		
land	-	10
land improvements	-	10
Buildings		
heritage buildings	10 - 200	5
buildings	10 - 200	5
building improvements	10 - 200	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	100	10
recreational, leisure and community facilities	10 - 100	5
parks, open space and streetscapes	10 - 100	5
off street car parks	10 - 70	10
Intangible assets		
intangible assets	5	5

**(n) Repairs and maintenance**

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

**Note 1 Significant accounting policies (cont.)**

**(o) Investment property**

Investment property, comprising freehold office complexes, is held to generate long-term rental yields. Investment property is measured initially at cost, including transaction costs. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefit in excess of the originally assessed performance of the asset will flow to the Council. Subsequent to initial recognition at cost, investment property is carried at fair value, determined annually by independent valuers. Changes to fair value are recorded in the comprehensive income statement in the period that they arise. Rental income from the leasing of investment properties is recognised in the comprehensive income statement on a straight line basis over the lease term.

**(p) Impairment of assets**

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

**(s) Employee costs and benefits (cont.)**

*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 investing and 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 probably 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.)**

**(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 AASB's have been issued that are not mandatory for the 30 June 2015 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 16 June 2014. 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	Actual	Variance	
	2015	2015	2015	
	\$'000	\$'000	\$'000	Ref
<b>Income</b>				
Rates and charges	67,274	68,405	1,131	1
Statutory fees and fines	2,711	3,167	456	2
User fees	3,964	4,136	172	
Grants - operating	12,034	21,801	9,767	3
Grants - capital	3,389	3,720	330	
Contributions - monetary	2,570	11,920	9,350	4
Contributions - non monetary	10,000	39,351	29,351	5
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	858	(861)	(1,719)	6
Net gain / (loss) on asset revaluation	-	(6,249)	(6,249)	7
Share of net profits/(losses) of associates and joint ventures	-	37	37	
Other income	2,913	5,584	2,671	8
<b>Total income</b>	<b>105,715</b>	<b>151,011</b>	<b>45,296</b>	
<b>Expenses</b>				
Employee costs	30,568	31,352	(784)	9
Materials and services	37,305	40,173	(2,868)	10
Bad and doubtful debts	48	827	(779)	11
Depreciation and amortisation	16,033	15,571	462	
Borrowing costs	4,591	4,202	389	
Other expenses	2,583	2,130	453	12
<b>Total expenses</b>	<b>91,128</b>	<b>94,255</b>	<b>3,127</b>	
<b>Surplus/(deficit) for the year</b>	<b>14,587</b>	<b>56,756</b>	<b>42,169</b>	



Note 2 Budget comparison (cont)

a) Income and Expenditure (cont)

(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. These have been partly offset by garbage charge and green waste bin revenue, which are both under budget due to lower than expected new services.
2	Statutory fees and fines	Development fees (design checking and supervision) are better than budget due to an increase in development activity, and Health and Animal fees are all better than budget due to a higher number of registrations, but have been partly offset by Local Laws and Animal fines which are both under budget due to better compliance.
3	Grants - operating	The favourable variance is primarily due to the receipt of unbudgeted grants, the major ones being \$4.863m for flood rectification works for the 2011 and 2012 floods across the Shire, and a \$4.513m advance payment of part of the 2015/16 Victoria Grants Commission (VGC) grant.
4	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 \$9.164m of the favourable variance, which is due to an increase in development activity.
5	Contributions - non monetary	Non-cash contributions include 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.
6	Net gain/(loss) on disposal of property, infrastructure, plant and equipment	Unfavourable variance is due to lower than expected net income from the sale of plant and machinery and the unbudgeted net cost of disposal of infrastructure assets, partly offset by net income from sale of land at South East Business Park.
7	Net gain / (loss) on asset revaluation	During the year there was a decline in the value for some asset categories as the cost to construct was higher than the replacement cost
8	Other income	The favourable variance primarily relates to cost recovery income, which are costs recovered from external parties for expenditure incurred, which is significantly better than budget due to the inclusion of several major items, the most significant being drainage works done on behalf of Melbourne Water. Interest on investments are better than budget due to higher cash and cash equivalents and other financial assets balances than budgeted.
9	Employee costs	Unfavourable variance is primarily due to staffing changes during the year, partly offset by a reduction in employee leave provisions.
10	Materials and services	A total of \$4.136m of Capital Works, Community Capital Works, and Priority Works operating expenditure, which is budgeted within the Capital Works Program, has been recognised. This has been partly offset by contracts, which are under budget by a total of \$1.291m, with the major variances being in the waste and parks & gardens contracts.
11	Bad and doubtful debts	A significant increase in the doubtful debts provision relates to rates, which was not budgeted.
12	Other expenses	The under expenditure is primarily a result of garbage collection other expenses being under budget partly due to lower than expected garbage and compost bin rebates being issued, and printers lease costs being under budget due to the distribution of printing costs across business units. These have been partly offset by Priority Works projects expenditure, which is budgeted within the Capital Works Program.

Note 2 Budget comparison (cont)

b) Capital Works

	Budget 2015 \$'000	Actual 2015 \$'000	Variance 2015 \$'000	Ref
<b>Property</b>				
Land	(350)	6,205	6,555	1
<b>Total Land</b>	<b>(350)</b>	<b>6,205</b>	<b>6,555</b>	
Buildings	980	15,414	14,434	
Building improvements	-	15,049	15,049	
<b>Total Buildings</b>	<b>980</b>	<b>30,463</b>	<b>29,483</b>	2
<b>Total Property</b>	<b>630</b>	<b>36,668</b>	<b>36,038</b>	
<b>Plant and Equipment</b>				
Plant, machinery and equipment	2,008	1,892	(116)	
Fixtures, fittings and furniture	-	1,111	1,111	3
Computers and telecommunications	450	1,013	563	4
<b>Total Plant and Equipment</b>	<b>2,458</b>	<b>4,016</b>	<b>1,558</b>	
<b>Infrastructure</b>				
Roads	6,833	5,642	(1,191)	5
Bridges	600	193	(407)	6
Footpaths and cycleways	1,496	2,452	956	7
Drainage	280	1,318	1,038	8
Recreational, leisure and community facilities	5,480	4,105	(1,375)	9
Parks, open space and streetscapes	1,860	737	(1,123)	10
Off street car parks	190	452	262	11
Other infrastructure	755	-	(755)	12
<b>Total Infrastructure</b>	<b>17,494</b>	<b>14,899</b>	<b>(2,595)</b>	
<b>Total Capital Works Expenditure</b>	<b>20,582</b>	<b>55,583</b>	<b>35,001</b>	
<b>Represented by:</b>				
New asset expenditure	6,130	45,122	38,992	13
Asset renewal expenditure	9,814	6,987	(2,827)	14
Asset upgrade expenditure	4,637	3,059	(1,578)	15
Other	-	415	415	
<b>Total Capital Works Expenditure</b>	<b>20,582</b>	<b>55,583</b>	<b>35,001</b>	

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

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Land	Actual expenditure includes the strategic purchase of land for future parklands funded by the Developer Contribution Plan (DCP) levies. Budget amount is for land acquisitions, offset by revenue from land sales.
2	Buildings	Significant variance is due to purchase of the new Civic Centre in Officer. Assets associated with the new civic centre have been allocated to appropriate asset categories, as per accounting standards. These items were not budgeted in these categories, as a result a variance between actual and budget exists. Also contributing to the variance is the Cockatoo Memorial, which was funded by grants and unspent funds from previous years.
3	Fixtures, fittings and furniture	Assets associated with the new civic centre have been allocated to appropriate asset categories, as per accounting standards. These items were not budgeted in these categories, as a result a variance between actual and budget exists.
4	Computers and telecommunications	Assets associated with the new civic centre have been allocated to appropriate asset categories, as per accounting standards. These items were not budgeted in these categories, as a result a variance between actual and budget exists.
5	Roads	This variance is mainly due to underspending in this category in pavement renewals, Island Road special charge scheme, and Lang Lang bypass, and also to reclassification of items to other categories. The major item of expenditure is McGregor Road duplication, which has been funded by unspent funds from previous years.
6	Bridges	The majority of the bridge replacement/upgrade program unspent funds will be carried over to complete a planned project, for which matching external funding has also been received, next financial year.
7	Footpaths and cycleways	Assets associated with the new civic centre have been allocated to appropriate asset categories, as per accounting standards. These items were not budgeted in these categories, as a result a variance between actual and budget exists. Additionally, expenditure for McGregor Road footpaths and other projects has been recognised here but budgeted in other categories.
8	Drainage	Expenditure on drainage for projects such as Recreation Reserve Resurfacing and IYU Recreation Reserve has been expended here but budgeted elsewhere.
9	Recreational, leisure and community facilities	Major budgeted works is IYU Recreation Reserve, which is slightly over expended but offset by unspent funds from previous years. Also included is continuing development at Holm Park Recreation Reserve. Assets associated with the new civic centre have been allocated to appropriate asset categories, as per accounting standards. These items were not budgeted in these categories, as a result a variance between actual and budget exists.
10	Parks, open space and streetscapes	Main items included here are landscaping works at Toomah Community Centre, as well as the Open Space renewal program and Township Strategy projects. Assets associated with the new civic centre have been allocated to appropriate asset categories, as per accounting standards. These items were not budgeted in these categories, as a result a variance between actual and budget exists.
11	Off street car parks	Expenditure in this category mainly relates to car park works at IYU Recreation Reserve, and has been budgeted elsewhere.
12	Other infrastructure	The budget includes amounts for Community Capital Works grants, which are expended from operating accounts, and Township Strategy funds, which has been expended elsewhere.
13	New asset expenditure	Assets associated with the new civic centre have been allocated to appropriate asset categories, as per accounting standards. These items were not budgeted in these categories, as a result a variance between actual and budget exists.
14	Asset renewal expenditure	Asset renewal projects are under budget, the major variance being in road pavement renewals.
15	Asset upgrade expenditure	Asset upgrade projects are over budget, the major variance being the McGregor Road duplication project which has been funded by unspent funds from previous years.

	2015 \$'000	2014 \$'000
<b>Note 3 Rates and charges</b>		
<p>Council uses capital improved value (CIV) as the basis of valuation of all properties within the municipal district. The CIV of a property is the market value as determined by the Municipal Valuer as at 1 January 2014.</p> <p>The valuation base used to calculate general rates for 2014/15 was \$15,786 million (2013/14 \$15,125 million). The 2014/15 rate in the Capital Improved Value dollar was 0.003419 (0.0033 2013/14, ).</p>		
General Rates	56,595	53,018
Waste management charge	9,855	9,139
Supplementary rates and rate adjustments	1,931	574
Cultural and recreational	24	-
<b>Total rates and charges</b>	<b>68,405</b>	<b>62,731</b>
<p>The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2014, and the valuation was first applied in the rating year commencing 1 July 2014.</p>		
<b>Note 4 Statutory fees and fines</b>		
Infringements and costs	811	1,133
Court recoveries	12	-
Town planning fees	1,386	1,044
Land information certificates	84	69
Permits	875	799
<b>Total statutory fees and fines</b>	<b>3,167</b>	<b>3,045</b>
<b>Note 5 User fees</b>		
Aged and health services	61	37
Leisure centre and recreation	405	327
Child care/children's programs	1,656	1,425
Parking	78	55
Registration and other permits	368	314
Building / rental services	600	572
Sec 86 Committee	895	647
Other fees and charges	73	50
<b>Total user fees</b>	<b>4,136</b>	<b>3,427</b>

	2015	2014
	\$'000	\$'000
<b>Note 6 Grants</b>		
Grants were received in respect of the following :		
<b>Summary of grants</b>		
Commonwealth funded grants	16,333	6,499
State funded grants	9,188	5,978
<b>Total *</b>	<u>25,521</u>	<u>12,477</u>
<b>Operating Grants</b>		
<i>Recurrent - Commonwealth Government</i>		
Victoria Grants Commission	13,572	4,379
Family and children	141	124
Community Health	-	116
Environment and Heritage	6	-
Other	20	26
<i>Recurrent - State Government</i>		
School crossing supervisors	180	170
Maternal and child health	941	887
Recreation	122	127
Community safety	120	45
Best Start Program	129	108
Community Health	906	902
Disability	133	128
Emergency Management	60	52
Environment and Heritage	332	261
Family and children	188	137
Local infrastructure	4,863	505
Other	86	15
<b>Total recurrent operating grants</b>	<u>21,801</u>	<u>7,981</u>
<b>Total operating grants</b>	<u>21,801</u>	<u>7,981</u>
<b>Capital Grants</b>		
<i>Recurrent - Commonwealth Government</i>		
Victoria Grants Commission	1,077	352
Roads to recovery	1,171	1,292
<b>Total recurrent capital grants</b>	<u>2,248</u>	<u>1,644</u>
<i>Non-recurrent - Commonwealth Government</i>		
Local infrastructure	346	211
<i>Non-recurrent - State Government</i>		
Local infrastructure	948	1,595
Recreation	179	1,046
<b>Total non-recurrent capital grants</b>	<u>1,472</u>	<u>2,852</u>
<b>Total capital grants</b>	<u>3,720</u>	<u>4,496</u>
<b>Conditions on grants</b>		
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:	1,703	2,027
Grants which were recognised as revenue in prior years and were expended during the current year in the manner specified by the grantor were:	1,236	4,242
Net increase/(decrease) in restricted assets resulting from grant revenues for the year:	<u>467</u>	<u>(2,215)</u>

\* See Note 2 for explanation regarding the grant movement

	2015	2014
	\$'000	\$'000
<b>Note 7 Contributions</b>		
<b>(a) Monetary</b>		
Other Contributions	662	1,068
Community Facility Fund	985	919
Public Open Space	1,124	603
Developer - Levies	8,654	7,596
Non-Capital Contributions	495	399
<b>Total monetary contributions</b>	<u>11,920</u>	<u>10,585</u>
<b>(b) Non-monetary</b>		
Developer Contributed Assets		
Land Under Roads	2,645	1,673
Roads & Footpaths	16,227	5,645
Drains	11,360	2,886
Land	-	5,500
Bridges	37	-
Building & Community	5,488	-
Community Capital Works	207	326
Development levy income credited via works-in-progress	3,387	4,609
<b>Total non-monetary contributions</b>	<u>39,351</u>	<u>20,639</u>
<b>Total contributions</b>	<u>51,271</u>	<u>31,224</u>
<b>Note 8 Net gain/(loss) on disposal of property, infrastructure, plant and equipment</b>		
Gross Proceeds of sale	15,255	5,609
Less Costs incurred by Developers	<u>(11,460)</u>	<u>(3,320)</u>
Net Proceeds received by Council	3,795	2,289
Write down value of assets disposed	<u>(4,656)</u>	<u>(2,089)</u>
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	<u>(861)</u>	<u>201</u>
<b>Note 9 Net gain / (loss) on asset revaluation</b>		
Land	2,800	-
Roads	<u>(8,888)</u>	-
Off street car parks	(161)	-
<b>Total net gain / (loss) on asset revaluation</b>	<u>(6,249)</u>	-
<b>Note10 Other income</b>		
Interest on Investments	1,212	970
Interest on Rates	218	202
Debt Collection Costs Recovered from Ratepayers	317	588
Insurance Claims	9	51
Cardinia Cultural Centre Cost Recoveries	195	154
Animals	160	89
Waste Management	489	550
Other Cost Recoveries	2,414	1,230
Re-instatement of impaired assets*	-	2,371
Other Income	570	198
<b>Total other income</b>	<u>5,584</u>	<u>6,403</u>

\*Assets re-instatement from the floods in February 2011 and June 2012.

	2015	2014
	\$'000	\$'000
<b>Note 11 (a) Employee costs</b>		
Wages and salaries	25,975	23,893
WorkCover	511	618
Casual Staff	383	344
Superannuation	2,422	2,246
Long service leave	785	1,478
Annual leave	189	481
Sick leave	720	774
Fringe benefits tax	342	253
Other	25	24
<b>Total employee costs</b>	<b>31,352</b>	<b>30,111</b>
<b>Note 11 (b) Superannuation</b>		
Council made contributions to the following funds:		
<b>Defined benefit fund</b>		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	169	191
	<u>169</u>	<u>191</u>
<b>Accumulation funds</b>		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	2,253	2,021
Employer contributions - other funds	-	34
	<u>2,253</u>	<u>2,055</u>
Employer contributions payable at reporting date.	18	45

Cardinia Shire 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 Comprehensive Income statement when they are made due

#### Accumulation

The Fund's accumulation categories, Vision MySuper/Vision Super Saver, receives 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 2015, this was 9.5% required under Superannuation Guarantee legislation (for 2013/14, this was 9.25%)).

#### Defined Benefit

Cardinia Shire 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 potential 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 Cardinia Shire Council in the Fund cannot be measured as a percentage compared with the other participating employers. Therefore, the Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

	2015	2014
	\$'000	\$'000
<b>Note 12</b>		
<b>Materials and services</b>		
Materials and services	11,911	12,462
Contract payments	20,046	21,902
General maintenance	3,094	3,109
Utilities	2,189	2,177
Consultants	1,407	1,291
Legal	628	430
Insurance	720	727
Cost recoveries	178	328
<b>Total materials and services</b>	<b>40,173</b>	<b>42,426</b>
<b>Note 13</b>		
<b>Bad and doubtful debts</b>		
Local laws	170	258
Rates debtors	571	-
Other	86	62
<b>Total bad and doubtful debts</b>	<b>827</b>	<b>320</b>
<b>Note 14</b>		
<b>Depreciation and amortisation</b>		
Property	2,894	3,481
Plant and equipment	1,552	1,609
Infrastructure	11,059	9,298
Intangible assets	66	105
<b>Total depreciation and amortisation</b>	<b>15,571</b>	<b>14,493</b>
<i>Refer to note 24 for a more detailed breakdown of depreciation and amortisation charges</i>		
<b>Note 15</b>		
<b>Borrowing costs</b>		
Interest - Borrowings	4,011	3,163
Bank charges	191	177
<b>Total borrowing costs</b>	<b>4,202</b>	<b>3,340</b>
<b>Note 16</b>		
<b>Other expenses</b>		
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquitals	78	75
Auditors' remuneration - Internal	106	126
Councillors' allowances	280	275
Operating lease rentals	718	788
Other expenses	948	1,041
<b>Total other expenses</b>	<b>2,130</b>	<b>2,305</b>
<b>Note 17</b>		
<b>Investment in associates</b>		
<b>a) Investments in associates</b>		
Investments in associates accounted for by the equity method is:		
Casey Cardinia Library Corporation	1,432	1,395
<b>Fair value of Council's investment in Casey Cardinia Library Corporation</b>	<b>1,432</b>	<b>1,395</b>
<b>Council's share of accumulated surplus/(deficit)</b>		
Council's share of accumulated surplus/(deficit) at start of year	1,395	1,021
Reported surplus/(deficit) for year	26	(12)
Distributions for the year	11	386
<b>Council's share of accumulated surplus/(deficit) at end of year</b>	<b>1,432</b>	<b>1,395</b>

*Background*

Library service run by City of Casey and Cardinia Shire Council. Cardinia Shire has equity in the library. The equity for 2014/15 (based on the audited library statements) is 25.6% (2013/14 25.4%)



		2015	2014
		\$'000	\$'000
<b>Note 18</b>	<b>Cash and cash equivalents</b>		
	Cash on hand	2	3
	Cash at bank	16,642	5,438
		<u>16,644</u>	<u>5,441</u>
	Councils cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:		
	- Trust funds and deposits (Note 27)	5,405	3,271
	Total restricted funds	<u>5,405</u>	<u>3,271</u>
	Total unrestricted cash and cash equivalents	<u>11,239</u>	<u>2,170</u>
<b>Note 19</b>	<b>Trade and other receivables</b>		
	<b>Current</b>		
	Rates debtors	6,896	5,834
	Infringement debtors	138	186
	Cardinia road developer contribution plan debtors	3,269	4,696
	Officer developer contribution plan debtors	813	2,583
	Vicroads developer contribution plan debtors	2,979	2,728
	Net GST receivable	1,077	1,533
	Special rate scheme	-	870
	Bonds	-	21
	Other debtors	2,224	3,257
	Provision for doubtful debts - other debtors	(633)	(60)
	Total current trade and other receivables	<u>16,763</u>	<u>21,648</u>
	<b>Non-current</b>		
	Special rate scheme	753	-
	Bonds	8	-
	Total non-current trade and other receivables	<u>761</u>	<u>-</u>
	<b>Total trade and other receivables</b>	<u>17,524</u>	<u>21,648</u>
	<b>a) Ageing of Receivables</b>		
	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)	2,272	6,163
	Past due by up to 30 days	1,865	44
	Past due between 31 and 180 days	124	2,164
	Past due between 181 and 365 days	511	356
	Past due by more than 1 year	4,757	3,139
	Total trade & other receivables	<u>9,529</u>	<u>11,866</u>
	<b>b) Movement in provisions for doubtful debts</b>		
	Balance at the beginning of the year	(60)	(62)
	New Provisions recognised during the year	(615)	(37)
	Amounts already provided for and written off as uncollectible	7	38
	Amounts provided for but recovered during the year	35	1
	Balance at end of year	<u>(633)</u>	<u>(60)</u>
<b>Note 20</b>	<b>Other financial assets</b>		
	Call deposits	19,767	19,088
	<b>Total other financial assets</b>	<u>19,767</u>	<u>19,088</u>
<b>Note 21</b>	<b>Inventories</b>		
	Inventories held for distribution	16	26
	<b>Total inventories</b>	<u>16</u>	<u>26</u>
<b>Note 22</b>	<b>Non current assets classified as held for sale - Land</b>		
	Cost of acquisition	8,726	11,029
	<b>Total non current assets classified as held for resale</b>	<u>8,726</u>	<u>11,029</u>
<b>Note 23</b>	<b>Other assets</b>		
	Prepayments	421	418
	Accrued income	139	287
	<b>Total other assets</b>	<u>560</u>	<u>705</u>

Note 24 Property, infrastructure plant and equipment

	Land - specialised	Land - non specialised	Total Land	Heritage Buildings	Buildings - specialised	Buildings & structures - non specialised	Building Improvements	Total Buildings	Work In Progress	Total Property
<b>Land and Buildings</b>										
At fair value 1 July 2014	111,485	150,276	<b>261,761</b>	1,493	103,487	28,414	199	<b>133,592</b>	14,051	<b>409,404</b>
Accumulated depreciation at 1 July 2014	-	-	-	(1,289)	(43,635)	(17,685)	(136)	<b>(62,744)</b>	-	<b>(62,744)</b>
	111,485	150,276	<b>261,761</b>	204	59,852	10,729	64	<b>70,848</b>	14,051	<b>346,660</b>
<b>Movements in fair value</b>										
Acquisition of assets at fair value	14,101	2,416	<b>16,517</b>	-	-	-	-	-	30,483	<b>47,000</b>
Prior year adjustments to fair value	283	10	<b>293</b>	-	-	-	(129)	<b>(129)</b>	-	<b>164</b>
Revaluation increments/decrements	(5,337)	30,891	<b>25,554</b>	(1,312)	(40,786)	(14,685)	847	<b>(55,936)</b>	-	<b>(30,382)</b>
Fair value of assets disposed	(1,140)	-	<b>(1,140)</b>	-	-	-	-	-	-	<b>(1,140)</b>
Transfers	(49)	-	<b>(49)</b>	-	5,398	9,219	16,227	<b>30,844</b>	(40,841)	<b>(10,046)</b>
	7,858	33,317	<b>41,175</b>	(1,312)	(35,388)	(5,466)	16,944	<b>(25,222)</b>	(10,358)	<b>5,595</b>
<b>Movements in accumulated depreciation</b>										
Depreciation and amortisation	-	-	-	(26)	(2,078)	(600)	(190)	<b>(2,894)</b>	-	<b>(2,894)</b>
Prior year adjustments to fair value	-	-	-	-	-	-	129	<b>129</b>	-	<b>129</b>
Revaluation increments/decrements	-	-	-	1,315	45,184	18,285	202	<b>64,985</b>	-	<b>64,985</b>
Transfers	-	-	-	-	529	-	(4)	<b>524</b>	-	<b>524</b>
	-	-	-	1,289	43,635	17,685	136	<b>62,744</b>	-	<b>62,744</b>
At fair value 30 June 2015	119,343	183,592	<b>302,935</b>	181	68,099	22,948	17,143	<b>108,371</b>	3,693	<b>414,999</b>
Accumulated depreciation at 30 June 2015	-	-	-	-	-	-	-	-	-	-
	<b>119,343</b>	<b>183,592</b>	<b>302,935</b>	181	68,099	22,948	17,143	<b>108,371</b>	3,693	<b>414,999</b>

Note 24 Property, infrastructure plant and equipment (cont)

<b>Plant and Equipment</b>	<b>Note</b>	Plant machinery and equipment	Fixtures fittings and furniture	Computers and telecomms	Work In Progress	Total plant and equipment
At fair value 1 July 2014		11,545	2,100	834	202	<b>14,681</b>
Accumulated depreciation at 1 July 2014		(4,451)	(1,505)	(643)		<b>(6,599)</b>
		<u>7,094</u>	<u>595</u>	<u>191</u>	<u>202</u>	<u><b>8,082</b></u>
<b>Movements in fair value</b>						
Acquisition of assets at fair value		1,892	-	-		<b>1,892</b>
Fair value of assets disposed		(1,802)	-	-		<b>(1,802)</b>
Transfers			1,111	1,215	(202)	<b>2,124</b>
		<u>90</u>	<u>1,111</u>	<u>1,215</u>	<u>(202)</u>	<u><b>2,214</b></u>
<b>Movements in accumulated depreciation</b>						
Depreciation and amortisation		(1,361)	(111)	(80)		<b>(1,552)</b>
Accumulated depreciation of disposals		1,139	-	-		<b>1,139</b>
		<u>(222)</u>	<u>(111)</u>	<u>(80)</u>		<u><b>(413)</b></u>
At cost value 30 June 2015		11,635	3,211	2,049	-	<b>16,895</b>
Accumulated depreciation at 30 June 2015		(4,673)	(1,616)	(723)	-	<b>(7,012)</b>
		<u>6,962</u>	<u>1,595</u>	<u>1,326</u>	<u>-</u>	<u><b>9,883</b></u>

Notes to the Financial Report  
For the Year Ended 30 June 2015

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

	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
<b>Infrastructure</b>										
At fair value 1 July 2014	284,197	64,693	55,113	125,091	20,712	3,568	8,306	399	12,988	575,067
Accumulated depreciation at 1 July 2014	(85,472)	(22,490)	(10,430)	(17,824)	(9,188)	(1,762)	(2,161)	(105)	-	(149,432)
	198,725	42,203	44,683	107,267	11,524	1,806	6,145	294	12,988	425,635
<b>Movements in fair value</b>										
Acquisition of assets at fair value	12,127	37	2,745	14,001	71	55	172	-	27,797	57,005
Prior year adjustments to fair value	107	249	(60)	1,735	(725)	-	-	79	-	1,385
Revaluation increments/decrements	(7,051)	(425)	3,738	14,172	-	-	35	-	-	10,469
Fair value of assets disposed	(754)	(241)	(254)	(146)	-	-	(38)	-	-	(1,433)
Transfers	11,137	1,871	4,211	4,172	6,426	1,249	1,139	-	(27,945)	2,260
	15,566	1,491	10,380	33,934	5,772	1,304	1,308	79	(147)	69,687
<b>Movements in accumulated depreciation</b>										
Depreciation and amortisation	(6,784)	(793)	(1,131)	(1,439)	(570)	(153)	(175)	(14)	-	(11,059)
Prior year adjustments to fair value	(13)	(76)	-	(449)	202	-	-	(44)	-	(380)
Revaluation increments/decrements	(234)	(505)	(941)	(2,329)	-	-	(196)	-	-	(4,205)
Accumulated depreciation of disposals	340	184	143	34	-	-	6	-	-	707
Transfers	-	-	-	(2)	(522)	-	-	-	-	(524)
	(6,691)	(1,190)	(1,929)	(4,185)	(890)	(153)	(364)	(58)	-	(15,461)
At fair value 30 June 2015	299,763	66,184	65,493	159,025	26,484	4,872	9,614	478	12,841	644,754
Accumulated depreciation at 30 June 2015	(92,163)	(23,680)	(12,359)	(22,009)	(10,078)	(1,915)	(2,525)	(163)	-	(164,893)
	207,600	42,504	53,134	137,016	16,406	2,957	7,089	315	12,841	479,861

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

*Valuation of land and buildings*

Valuation of land and buildings were undertaken by a qualified independent valuer Bianca Schewtschenko-Bywater AAPI, Certified Practising Valuer 77946 from Westlink Consulting. The valuation of land 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 2015 are as follows:

	Level 2	Level 3
Land - Non-specialised	183,592	-
Land - Specialised	-	119,343
Heritage Buildings	126	55
Buildings - specialised	-	68,099
Buildings - non specialised	22,948	-
Building Improvements	16,001	1,142
	<u>222,667</u>	<u>188,639</u>

*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 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 2015 are as follows:

	Level 3
Roads	207,600
Bridges	42,504
Footpaths and cycleways	53,134
Drainage	137,016
Recreational, leisure and Community	16,406
Parks open spaces and streetscapes	2,957
Off street car parks	7,089
Other Infrastructure	315
	<u>467,020</u>

**Specialised land and land under roads** is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 5% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$0.34 and \$6750.00 per square metre.

**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 1.67 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.

	2015	2014
<b>Reconciliation of specialised land</b>		
Land under roads	19,076	15,363
Parks and reserves	100,267	96,122
<b>Total specialised land</b>	<u>119,343</u>	<u>111,485</u>

	2015	2014
	\$'000	\$'000
<b>Note 25 Intangible assets</b>		
Software	382	190
Total intangible assets	<u>382</u>	<u>190</u>
		<b>Software</b>
		<b>\$'000</b>
<b>Gross carrying amount</b>		
Balance at 1 July 2013		1,444
Other		134
Balance at 1 July 2014		<u>1,578</u>
Other		115
Balance at 30 June 2015		<u><b>1,693</b></u>
<b>Accumulated amortisation and impairment</b>		
Balance at 1 July 2013		1,281
Amortisation expense		107
Balance at 1 July 2014		<u>1,388</u>
Amortisation expense		66
Balance at 30 June 2015		<u><b>1,454</b></u>
Work in progress at 30 June 2015		<u>143</u>
Net book value at 30 June 2014		190
Net book value at 30 June 2015		<u><b>382</b></u>
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Note 26 Trade and other payables</b>		
Trade payables	9,795	9,681
Accrued expenses	2,435	1,376
Income in Advance	1,952	904
<b>Total trade and other payables</b>	<u><b>14,182</b></u>	<u><b>11,961</b></u>
<b>Note 27 Trust funds and deposits</b>		
Refundable deposits	5,044	2,889
Fire services levy	62	34
Retention	139	265
Trust Funds	160	83
<b>Total trust funds and deposits</b>	<u><b>5,405</b></u>	<u><b>3,271</b></u>

*Purpose and nature of items*

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

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 Trade payables) - 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.

			2015 \$'000	2014 \$'000
<b>Note 28 Provisions</b>				
	<b>Annual leave</b>	<b>Long Service Leave</b>	<b>Other</b>	<b>Total</b>
	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
<b>2015</b>				
Balance at beginning of the financial year	2,468	4,657	110	7,235
Additional provisions	(27)	76	(18)	32
Amounts used	-	(47)	(3)	(50)
Balance at the end of the financial year	<u>2,441</u>	<u>4,686</u>	<u>89</u>	<u>7,217</u>
<b>2014</b>				
Balance at beginning of the financial year	2,113	3,760	114	5,987
Additional provisions	355	897	-	1,252
Amounts used	-	-	(4)	(4)
Balance at the end of the financial year	<u>2,468</u>	<u>4,657</u>	<u>110</u>	<u>7,235</u>
			<b>2015 \$'000</b>	<b>2014 \$'000</b>
<b>(a) Employee provisions</b>				
<b>Current provisions expected to be wholly settled within 12 months</b>				
Annual leave			2,021	1,279
Long service leave			3,513	3,315
Sick leave bonus/gratuity			89	110
			<u>5,624</u>	<u>4,704</u>
<b>Non-current</b>				
Annual leave			420	1,342
Long service leave			1,173	1,189
Total non-current provisions			<u>1,593</u>	<u>2,531</u>
Aggregate carrying amount of employee provisions:				
Current			5,624	4,704
Non-current			1,593	2,531
Total aggregate carrying amount of employee provisions			<u>7,217</u>	<u>7,235</u>
The following assumptions were adopted in measuring the present value of employee benefits:				
Weighted average increase in employee costs			4.44%	4.44%
Weighted average discount rates			3.03%	3.57%
Weighted average settlement period			11 years	11 years

	2015 \$'000	2014 \$'000
<b>Note 29 Interest-bearing loans and borrowings</b>		
<b>Current</b>		
Finance leases	7	11
Borrowings - secured	6,289	9,416
	<u>6,296</u>	<u>9,427</u>
<b>Non-current</b>		
Borrowings - secured	55,742	36,061
Finance leases	-	7
	<u>55,742</u>	<u>36,068</u>
<b>Total</b>	<u>62,038</u>	<u>45,495</u>
a) The maturity profile for Council's borrowings is:		
Not later than one year	6,289	9,416
Later than one year and not later than five years	28,620	17,410
Later than five years	27,122	18,651
	<u>62,031</u>	<u>45,477</u>
b) The maturity profile for Council's finance lease liabilities is:		
Not later than one year	7	11
Later than one year and not later than five years	-	7
	<u>7</u>	<u>18</u>
Present value of minimum lease payments	<u>7</u>	<u>18</u>
General description of the leasing arrangement as lessee of finance lease is as follows:		
(i) the basis on which contingent rent payable is calculated is by multiplying the monthly installment by the number of years;		
(ii) the term is 36 monthly installments and an option to buy back at the end of the term for \$400; and		
c) Aggregate carrying amount of interest-bearing loans and borrowings:		
Current	6,296	9,427
Non-current	55,742	36,068
	<u>62,038</u>	<u>45,495</u>



Note 30 Reserves

	Balance at beginning of reporting period	Increment (decrement)	Share of increment (decrement) on revaluation of <name asset class> by an associate	Balance at end of reporting period
	\$'000	\$'000	\$'000	\$'000
<b>(a) Asset revaluation reserves</b>				
<b>2015</b>				
<b>Property</b>				
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
<b>Infrastructure</b>				
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
<b>Total asset revaluation reserves</b>	<b>235,564</b>	<b>50,633</b>	<b>-</b>	<b>286,197</b>
<b>2014</b>				
<b>Property</b>				
Land for resale	2,800	-	-	2,800
Land	162,781	(4,119)	-	158,662
Buildings	5,121	-	-	5,121
	170,702	(4,119)	-	166,583
<b>Infrastructure</b>				
Roads & Footpaths and cycleways	33,340	(26,831)	-	6,509
Bridges	17,572	333	-	17,905
Drainage	36,452	8,115	-	44,567
	87,364	(18,383)	-	68,981
<b>Total asset revaluation reserves</b>	<b>258,066</b>	<b>(22,502)</b>	<b>-</b>	<b>235,564</b>

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

	Balance at beginning of reporting period	Transfer from accumulated surplus	Transfer to accumulated surplus	Balance at end of reporting period
	\$'000	\$'000	\$'000	\$'000
<b>(b) Other reserves</b>				
<b>2015</b>				
				<b>Ref</b>
Developer levy	26,143	(10,439)	9,166	24,870
Community Facilities levy	486	(894)	985	577
Public Open Space levy	1,413	(384)	1,124	2,153
Native vegetation	564	(77)	286	773
Decorative Light Poles	-	(50)	81	31
<b>Total Other reserves</b>	<b>28,606</b>	<b>(11,844)</b>	<b>11,642</b>	<b>28,404</b>
<b>2014</b>				
Developer levy	22,440	(3,636)	7,338	26,143
Community Facilities levy	1,130	(1,563)	919	486
Public Open Space levy	809	-	604	1,413
Native vegetation	389	(67)	242	564
<b>Total Other reserves</b>	<b>24,768</b>	<b>(5,266)</b>	<b>9,103</b>	<b>28,606</b>

Ref	Item	Description
1	Developer levy	This reserve is the balance of the cash levies paid to council in 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.

	2015 \$'000	2014 \$'000
<b>Note 31 Reconciliation of cash flows from operating activities to surplus/(deficit)</b>		
Surplus/(deficit) for the year	56,756	26,887
Depreciation/amortisation	15,571	14,493
Profit/(loss) on disposal of property, infrastructure, plant and equipment	(3,795)	(2,289)
Written Down Value of Assets Sold	4,656	2,088
Net asset revaluation (increment)/decrement	6,250	-
Share of net (gain)/loss of associates	(37)	(373)
Interest Costs - Financing, not Operating Activity	4,203	3,340
Contributions - Non-monetary assets	(39,351)	(20,639)
Re-instatement of impaired assets	-	(2,371)
Grossing up of GST	4,817	2,510
<b>Change in assets and liabilities:</b>		
(Increase)/decrease in trade and other receivables	646	(1,784)
Decrease in prepayments	(3)	26
Increase/(decrease) in accrued income	148	11
Increase/(decrease) in trade and other payables	(476)	(5,108)
(Decrease)/increase in other liabilities	2,106	392
(Increase)/decrease in inventories	10	(6)
Increase/(Decrease) in provisions	(19)	1,250
Increase/(decrease) in income in advance	1,048	177
Net cash provided by/(used in) operating activities	<u>52,530</u>	<u>18,604</u>
<b>Note 32 Reconciliation of cash and cash equivalents</b>		
Cash and cash equivalents (see note 18)	16,644	5,441
Less bank overdraft	-	-
	<u>16,644</u>	<u>5,441</u>
<b>Note 33 Financing arrangements</b>		
Bank facilities (Overdraft, Loans & Credit cards)	114,531	115,977
Used facilities	(62,031)	(45,477)
Unused facilities	<u>52,500</u>	<u>70,500</u>

**Note 34 Commitments**

The Council has entered into the following commitments

2015	Not later than 1	Later than 1 year	Later than 2 years	Later than 5	Total
	year	and not later than 2 years	and not later than 5 years	years	
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Operating</b>					
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
	21,298	21,204	23,857	15,257	81,616
<b>Capital</b>					
Buildings	668	-	-	-	668
Roads	312	-	-	-	312
Total	980	-	-	-	980

2014	Not later than 1	Later than 1 year	Later than 2 years	Later than 5	Total
	year	and not later than 2 years	and not later than 5 years	years	
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Operating</b>					
Recycling	979	1,118	2,948	493	5,538
Garbage collection	6,637	4,626	6,180	808	18,251
Open space management	3,025	3,244	1,154	-	7,423
Home care services	435	-	-	-	435
Cleaning contracts for council buildings	609	639	671	352	2,271
Meals for delivery	800	875	961	-	2,635
Casey Cardinia Library funding	1,709	1,760	3,680	-	7,149
Facilities management	474	485	-	-	959
Maintenance	982	1,022	1,385	2,846	6,235
Health	412	437	2,075	-	2,925
Utility	1,001	1,222	102	-	2,325
Other	764	273	102	-	1,139
	17,827	15,701	19,258	4,499	57,285
<b>Capital</b>					
Construction Works	3,871	250	600	489	5,210
Buildings	23,227	-	-	-	23,227
IT Infrastructure	403	-	-	-	403
Total	27,501	250	600	489	28,840

	2015 \$'000	2014 \$'000
<b>Note 35 Operating leases</b>		
<b>(a) Operating lease commitments</b>		
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	387	427
Later than one year and not later than five years	49	330
	436	757
<b>(b) Operating lease receivables</b>		
The Council has entered into commercial property leases on its investment property, 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	323	254
Later than one year and not later than five years	615	478
Later than five years	151	82
	1,089	814

**Note 36 Contingent liabilities**

- (a) Council has obligations under a defined benefit superannuation scheme that may result in the need to make additional contributions to the scheme to ensure that the liabilities of the fund are covered by the assets of the fund. 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

*Funding arrangements*

Cardinia Shire Council makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustees on the advice of the Fund's Actuary.

The Fund's latest actuarial investigation was held as at 30 June 2014 and it was determined that the vested benefit index (VBI) of the defined benefit category of which Cardinia Shire Council is a contributing employer was 103.4%. To determine the VBI, The Fund Actuary used the following long-term assumptions:

Net Investment returns	7.5% pa.
Salary information	4.25% pa.
Price inflation (CPI)	3.75% pa

Vision super has advised that the VBI at 30 June 2015 was 105.8%

The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the actuarial investigation determined the defined benefit category was in a satisfactory financial position and that no changes 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 most recent full actuarial investigation conducted by the Fund's Actuary as at 30 June 2014, Cardinia Shire Council makes employer contributions to the Fund's Defined Benefit category at the rates determined by the Fund's Trustee. For the year ended 30 June 2015, this rate was 9.5% of member's salaries. This rate will increase in line with any increase to the Superannuation Guarantee (SG) contribution rate.

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

**Note 36 Contingent liabilities (cont.)**

**Funding Calls**

If the defined benefit category is in an unsatisfactory financial position at the 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 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 Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Cardinia Shire 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.

Vision super has advised that the VBI at 30 June 2015 was 105.8%

**Latest actuarial investigation surplus amounts**

The Fund's latest actuarial investigation as at 30 June 2014 identified the following in the defined benefit category of which Cardinia Shire Council is a contributing employer:

A VBI surplus of \$77.1 million; and

A total service liability surplus of \$236 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 2014.

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.

Cardinia Shire Council was notified of the results of the actuarial investigation during January 2015.

(b) **Superannuation contributions**

Contributions by Cardinia Shire Council (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2015 are detailed below:

<b>Scheme</b>	<b>Type of scheme</b>	<b>Rate</b>	<b>2015</b>	<b>2014</b>
			<b>\$'000</b>	<b>\$'000</b>
Vision Super	Defined benefits	9.50%	169	191
Vision Super	Accumulation	9.50%	2,253	2,021
Other Super funds	Defined benefits	9.50%	-	34

There were \$17,507 contributions outstanding at 30 June 2015.

The expected contributions to be paid to the defined benefit category of Vision Super for the year ending 30 June 2016 is \$169,000

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 us to make a financial loss. We have exposure to credit risk on some financial assets included in our balance sheet. To help manage this risk:

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

Receivables consist of a large number of customers, spread across the ratepayer, business and government sectors. Credit risk associated with the Council's financial assets is minimal 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;
- monitor budget to actual performance on a regular basis; and

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 (Continued)**

**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 2.3% - 3.51%.

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 Leticia Wilmot  
Deputy Mayor Graeme Moore  
Councillor Brett Owen  
Councillor George Blenkhorn  
Councillor Collin Ross  
Councillor Tania Baxter  
Councillor Kate Lempriere  
Councillor Jodie Owen  
Councillor 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:

	2015 No.	2014 No.
\$20,000 - \$29,999	2	3
\$30,000 - \$39,999	5	4
\$40,000 - \$49,999	-	-
\$50,000 - \$59,999	1	2
\$60,000 - \$69,999	1	-
\$340,000 - \$349,999	1	1
	10	10

Total Remuneration for the reporting year for Responsible Persons included above amounted to:	\$'000	\$'000
	681	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 \$136,000

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

Income Range:	2015 No.	2014 No.
< \$136,000	2	1
\$136,000 - \$139,999	5	4
\$140,000 - \$149,999	9	8
\$150,000 - \$159,999	2	6
\$160,000 - \$169,999	2	2
\$170,000 - \$179,999	-	1
\$180,000 - \$189,999	-	-
\$190,000 - \$199,999	-	-
\$200,000 - \$209,999	-	-
\$210,000 - \$219,999	-	-
\$220,000 - \$229,999	1	3
\$230,000 - \$239,999	1	-
\$240,000 - \$249,999	1	1
\$250,000 - \$259,999	-	-
\$260,000 - \$269,999	-	-
\$270,000 - \$279,999	1 *	-
	24	26

Total Remuneration for the reporting year for Senior Officers included above, amounted to	3,793	3,937
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\* Includes payout of employee entitlements



**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 :** 21<sup>st</sup> September 2015  
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 2015 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 :** 21<sup>st</sup> September 2015  
20 Siding Avenue, Officer

Kate Lempriere  
**Councillor**

**Date :** 21<sup>st</sup> September 2015  
20 Siding Avenue, Officer

Garry McQuillan  
**Chief Executive Officer**

**Date :** 21<sup>st</sup> September 2015  
20 Siding Avenue, Officer