

Financial Statements



Certification of the financial statements

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, the Australian Accounting Standards and other mandatory professional reporting requirements.


Bernard Rohan
Principal Accounting Officer

Date : 3 September 2019
2 Patrick Northeast Drive, Narre Warren

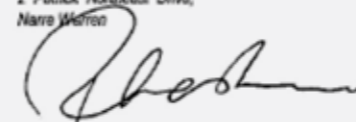
In our opinion the accompanying financial statements present fairly the financial transactions of Casey City Council for the year ended 30 June 2019 and the financial position of the Council as at that date.

As at the date of signing, we are not aware of any circumstances that 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.



Cr Amanda Stapledon
Mayor
Date : 3 September 2019
2 Patrick Northeast Drive,
Narre Warren



Cr Rosalee Crestani
Deputy Mayor
Date : 3 September 2019
2 Patrick Northeast Drive,
Narre Warren



Cr Timothy Jackson
Deputy Mayor
Date : 3 September 2019
2 Patrick Northeast Drive,
Narre Warren



Glenn Patterson
Chief Executive Officer
Date : 3 September 2019
2 Patrick Northeast Drive,
Narre Warren



Victorian Auditor-General's Office

Independent Auditor's Report

To the Councillors of Casey City Council

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

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

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

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

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

MELBOURNE
12 September 2019

Jopathan Kyvelidis
as delegate for the Auditor-General of Victoria

Comprehensive Income Statement

For the year ended 30 June 2019

Income	Note	2019 \$'000	2018 \$'000
Rates and charges	3.1	229,006	214,000
Statutory fees and fines	3.2	13,079	11,559
User fees	3.3	20,644	17,215
Grants – operating	3.4	65,622	59,641
Grants – capital	3.4	19,498	20,016
Contributions – monetary	3.5	53,257	75,297
Contributions – non-monetary	3.5	189,676	134,917
Net gain (or loss) on disposal of property, infrastructure, plant and equipment	3.6	(3,656)	(1,956)
Fair value adjustments for Non-current assets classified as held for sale	6.4	1,374	-
Share of net profits (or loss) of associates and joint ventures	6.3	(321)	(197)
Other income	3.7	10,670	9,190
Total income		598,849	539,682
Expenses			
Employee costs	4.1	116,216	113,095
Materials and services	4.2	145,709	138,502
Depreciation and amortisation	4.3	48,432	43,669
Bad and doubtful debts	4.4	818	93
Borrowing costs	4.5	2,288	1,888
Other expenses	4.6	8,028	3,292
Total expenses		321,491	300,539
Surplus (deficit) for the year		277,358	239,143
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment/(decrement)	6.2	995,462	594,385
Total comprehensive result		1,272,820	833,528

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

Balance Sheet

As at 30 June 2019

Assets	Note	2019 \$'000	2018 \$'000
Current assets			
Cash and cash equivalents	5.1	15,570	33,464
Trade and other receivables	5.1	29,589	24,887
Other financial assets	5.1	343,214	320,246
Non-current assets classified as held for sale	6.1	2,214	3,450
Other assets	5.2	7,912	7,573
Total current assets		398,499	389,620
Non-current assets			
Trade and other receivables	5.1	-	15
Other financial assets	5.1	37,000	20,000
Investments in associates, joint arrangements and subsidiaries	6.3	4,276	4,597
Property, infrastructure, plant and equipment	6.2	4,814,198	3,573,250
Total non-current assets		4,855,474	3,597,862
Total assets		5,253,972	3,987,482
Liabilities			
Current liabilities			
Trade and other payables	5.3	29,426	29,027
Trust funds and deposits	5.3	32,228	31,918
Provisions	5.5	24,022	23,894
Interest-bearing liabilities	5.4	7,355	7,150
Total current liabilities		93,030	91,989
Non-current liabilities			
Provisions	5.5	18,094	17,355
Interest-bearing liabilities	5.4	53,560	61,094
Total non-current liabilities		71,654	78,449
Total liabilities		164,684	170,438
Net assets		5,089,288	3,817,044
Equity			
Accumulated surplus		2,129,422	1,885,001
Reserves	9.1	2,959,866	1,932,043
Total equity		5,089,288	3,817,044

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

Statement of Changes in Equity

For the year ended 30 June 2019

	Note	Total	Accumulated surplus	Revaluation reserve	Other reserves
2019		\$'000	\$'000	\$'000	\$'000
Balance at beginning of the financial year		3,817,044	1,885,001	1,609,120	322,923
Surplus (deficit) for the year		277,358	277,358	-	-
Net asset revaluation increment/(decrement)	6.2	994,886	(576)	995,462	
Transfers to other reserves	9.1	-	(137,370)	-	137,370
Transfers from other reserves	9.1		105,009	-	(105,009)
Balance at end of the financial year		5,089,288	2,129,422	2,604,582	355,284

2018		\$'000	\$'000	\$'000	\$'000
Balance at beginning of the financial year		2,983,516	1,693,933	1,014,735	274,848
Surplus/(deficit) for the year		239,143	239,143	-	-
Net asset revaluation increment/(decrement)	6.2	594,385	-	594,385	-
Transfers to other reserves	9.1	-	(148,246)	-	148,246
Transfers from other reserves	9.1	-	100,171	-	(100,171)
Balance at end of the financial year		3,817,044	1,885,001	1,609,120	322,923

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

Statement of Cash Flows

For the year ended 30 June 2019

	Note	2019 Inflows/ (Outflows)	2018 Inflows/ (Outflows)
		\$'000	\$'000

Cash flows from operating activities

Rates and charges		226,623	211,646
Statutory fees and fines		10,904	10,272
User fees		20,029	16,883
Grants – operating		65,575	59,687
Grants – capital		20,304	20,132
Contributions – monetary		53,273	75,297
Interest received		9,124	9,049
Trust funds and deposits taken		76,689	56,665
Net GST refund/payment		11,353	12,561
Employee costs		(115,898)	(111,471)
Materials and services		(157,677)	(166,182)
Trust funds and deposits repaid		(76,379)	(45,330)
Net cash provided by/(used in) operating activities	9.2	143,920	149,209

Cash flows from investing activities

Payments for property, infrastructure, plant and equipment	6.2	(117,252)	(133,901)
Proceeds from sale of property, infrastructure, plant and equipment		5,031	14,504
(Payments for acquisition) of other financial assets		(39,967)	(28,259)
Net cash provided by/(used in) investing activities		(152,188)	(147,656)

Cash flows from financing activities

Finance costs		(2,297)	(1,810)
Proceeds from borrowings		-	21,237
Repayment of borrowings		(7,329)	(3,987)
Net cash provided by/(used in) financing activities		(9,626)	15,440

Net increase(decrease) in cash and cash equivalents		(17,894)	16,993
Cash and cash equivalents at the beginning of the financial year		33,464	16,471
Cash and cash equivalents at the end of the financial year		15,570	33,464

Financing arrangements	5.6		
Restrictions on cash assets	5.1		

The above statement of cash flows should be read in conjunction with the accompanying notes.

Statement of Capital Works

For the year ended 30 June 2019

	2019 \$'000	2018 \$'000
Property		
Land	24,189	43,814
Total land	24,189	43,814
Buildings	1,312	1,533
Building improvements	331	519
Total buildings	1,643	2,052
Total property	25,832	45,866
Plant and equipment		
Plant, machinery and equipment	2,823	3,497
Fixtures, fittings and furniture	29	-
Computers and telecommunications	5,010	2,056
Total plant and equipment	7,862	5,553
Infrastructure		
Roads	14,837	11,469
Bridges	786	362
Footpaths and cycleways	4,289	3,582
Drainage	815	909
Recreational, leisure and community facilities	68,887	63,050
Parks, open space and streetscapes	5,149	2,388
Off-street car parks	249	545
Other infrastructure	1,057	177
Total infrastructure	96,069	82,482
Total capital works expenditure	129,763	133,901
Represented by:		
New asset expenditure	75,180	97,723
Asset renewal expenditure	29,489	24,414
Asset expansion expenditure	3,028	2,522
Asset upgrade expenditure	22,066	9,242
Total capital works expenditure	129,763	133,901

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

Notes to the Financial Report

For the year ended 30 June 2019

Overview

Introduction

The City of Casey was established by an Order of the Governor in Council on 14 December 1994 and is a body corporate. The Council's main office is located at Bunjil Place, Patrick Northeast Drive, Narre Warren.

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 the Australian Accounting Standards (AAS), other authoritative pronouncements of the Australian Accounting Standards Board, the *Local Government Act 1989*, and the *Local Government (Planning and Reporting) Regulations 2014*.

Significant accounting policies

(a) Basis of accounting

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 6.2)
- › the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.2)
- › the determination of employee provisions (refer to Note 5.5)
- › the determination of landfill provisions (refer to Note 5.5)

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 – Performance against budget

The performance against budget 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 per cent or \$1M where further explanation is warranted. Explanations have not been provided for variations below

the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures detailed below are those adopted by Council on 26 June 2018. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for income and expense targets in this budget in

order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

1.1 Income and expenditure

	Budget 2019	Actual 2019	Variance 2019	Variance 2019	
	\$'000	\$'000	\$'000	%	Ref
Incomes					
Rates and charges	227,684	229,006	1,322	1%	1
Statutory fees and fines	11,727	13,079	1,352	12%	2
User fees	18,623	20,644	2,021	11%	3
Grants – operating	57,479	65,622	8,143	14%	4
Grants – capital	14,032	19,498	5,466	39%	5
Contributions – monetary	39,976	53,257	13,281	33%	6
Contributions – non-monetary	50,000	189,676	139,676	279%	7
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	50	(3,656)	(3,706)	-7412%	8
Fair value adjustments for Non-current assets classified as held for sale	-	1,374	1,374	100%	9
Share of net profits/(losses) of associates and joint ventures	-	(321)	(321)	-100%	
Other income	7,763	10,670	2,907	37%	10
Total income	427,334	598,849	171,516	40%	
Expenses					
Employee costs	122,853	116,216	6,638	5%	11
Materials and services	142,288	145,709	(3,421)	-2%	12
Depreciation and amortisation	45,260	48,432	(3,172)	-7%	13
Bad and doubtful debts	15	818	(803)	-5353%	14
Borrowing costs	2,370	2,288	82	3%	
Other expenses	6,167	8,028	(1,862)	-30%	15
Total expenses	318,952	321,491	(2,538)	-1%	
Surplus /(deficit) for the year	108,381	277,358	174,053	2	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Rates and charges	Rates and charges were higher than budget due to increased levels of supplementary rates, reflecting high levels of development activity.
2	Statutory fees and fines	Statutory fees were higher than budget due to increased levels of development activity, resulting in higher fees for town planning, building services and subdivisions. Fines were also above budget and mainly associated with parking and local laws compliance.
3	User fees	Higher user fees were mainly associated with kindergarten enrolments and the fees applied under leisure contracts as part of updated contract terms.
4	Grants – operating	There were higher operating grants from the Victoria Grants Commission and service delivery program grants. The favourable outcome from the Victorian Grants Commission also included advance funding for 2019/20. Higher than budgeted service delivery program grants were associated with demand and new programs across family day-care, kindergartens, maternal and child health, community care and planning.
5	Grants – capital	Capital grants were higher than budget due to higher than expected capital works grants from the State and Commonwealth governments.
6	Contributions – monetary	Above budget contributions were due to higher than expected levels of development activity. These contributions are placed in reserve and are used to fund approved development contribution plan capital works projects in future years.
7	Contributions – non-monetary	Strong development activity resulted in substantial transfers of assets from new estates and sub-divisions.
8	Net gain/(loss) on disposal of property, infrastructure, plant and equipment	The net loss on disposal of assets was due to losses on disposals/write offs of some infrastructure assets offset by proceeds from the change-over of council vehicle fleet.
9	Fair value adjustments for Non-current assets classified as held for sale	The net increase on fair value adjustments for Non-current assets classified as held for sale is due to revaluation of the assets prior to disposal.
10	Other income	Interest on investments was higher than budget and attributable to the size of Casey's cash reserves, resulting from timing issues with the capital works program.
11	Employee costs	Employee costs were lower than budget and mainly due to vacancies.
12	Materials and services	Materials and services were higher than budget and this was mainly caused by increased utilisation of agency staff to backfill vacancies. Other contributing factors were higher consultant and legal costs, as well as the accounting treatment of works funded under the capital works program, now regarded as operating in nature.
13	Depreciation and amortisation	Depreciation expense was higher than budget and underpinned by the higher than expected levels of contributed assets.
14	Bad and doubtful debts	Higher than budget doubtful debts were associated with fines relating to parking, animal management and general local laws.
15	Other expenses	Other expenses were above budget due to an increase in the provision for landfill rehabilitation, reflecting rising expectations of future costs.

1.2 Capital works

	Current Year Budget 2019	Carry-forward Budget 2019	Total Budget 2019	Actual 2019	Variance 2019	Variance 2019	Ref
	\$'000	\$'000	\$'000	\$'000	\$'000	%	
Property							
Land	32,260	2,021	34,281	24,189	(10,092)	-29%	1
Total land	32,260	2,021	34,281	24,189	(10,092)	-29%	
Buildings	2,838	29	2,867	1,312	(1,555)	-54%	2
Building improvements	361	123	484	331	(153)	-32%	
Total buildings	3,199	153	3,352	1,643	(1,709)	-51%	
Total property	35,459	2,174	37,633	25,832	(11,801)	-31%	
Plant and equipment							
Plant, machinery and equipment	3,237	-	3,237	2,823	(414)	-13%	
Fixtures, fittings and furniture	32	6	38	29	(9)	-24%	
Computers and telecommunications	6,184	3,848	10,032	5,010	(5,022)	-50%	3
Total plant and equipment	9,453	3,854	13,307	7,862	(5,445)	-41%	
Infrastructure							
Roads	22,533	4,994	27,527	14,837	(12,690)	-46%	4
Bridges	523	347	870	786	(84)	-10%	
Footpaths and cycleways	4,218	140	4,358	4,289	(69)	-2%	
Drainage	542	631	1,173	815	(358)	-31%	
Recreational, leisure and community facilities	44,676	29,948	74,624	68,889	(5,735)	-8%	5
Parks, open space and streetscapes	4,701	2,145	6,846	5,149	(1,697)	-25%	6
Off street car parks	159	64	223	249	26	12%	
Other infrastructure	450	784	1,234	1,057	(177)	-14%	
Total infrastructure	77,802	39,053	116,855	96,071	(20,784)	-18%	
Total Capital Works expenditure	122,714	45,081	167,795	129,765	(38,030)	-23%	
Represented by:							
New asset expenditure	70,975	22,763	93,738	75,182	(18,556)	-20%	
Asset renewal expenditure	27,629	9,276	36,905	29,489	(7,416)	-20%	
Asset expansion expenditure	3,310	1,771	5,081	3,028	(2,053)	-40%	
Asset upgrade expenditure	20,800	11,271	32,071	22,066	(10,005)	-31%	
Total Capital Works expenditure	122,714	45,081	167,795	129,765	(38,030)	-23%	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Land	Land purchases have been lower than budget, these will be purchased in a later financial period. There projects that are still being negotiated and are expected to be concluded in the future.
2	Buildings	A number of building projects were under budget due to delays of milestones and finalisation of projects. These projects will be finalised in the 2019/20 financial year.
3	Computers and telecommunications	A number of information technology projects were under budget due to delays with scoping and assessment of procurement approaches, completion of milestones and finalisation of projects. These projects will be finalised in the 2019/20 financial year.
4	Roads	The lower than budget expenditure is for a number of large budgeted projects which are delayed due to the projects being contingent upon purchases and approvals from other authorities, which have taken longer than anticipated to be approved or agreed. Other projects are multi year and are yet to commence or complete construction, whilst some projects have been completed for a lower than expected cost. Other projects will continue into the 2019/20 financial year.
5	Recreational, leisure and community facilities	The current variance is a result of various projects which are currently under budget due to delays with the tendering process and negotiations with external stakeholders, changes in scope and projects having multi-year budgets where initial stages have been delayed. Most projects have had tenders awarded, and several major projects will be completed in the 2019/20 financial year.
6	Parks, open space and streetscapes	Several projects were currently under their financial year's budgets due to tendering delays, site issues impacting construction schedules and seasonal impacts postponing tree planting to July. Some projects were completed for less than their estimated budget, and some projects are near completion stage.

Note 2 – Analysis of Council results by program /division

Council delivers its functions and activities through the following programs/divisions:

2.1(a) Customer and Business Transformation

The Customer and Business Transformation Division is focused on delivering value to our customers through enabling organisational strategy, improving the way we work, planning for the future and working in partnership with the business to achieve great performance outcomes. Through this the Customer and Business Transformation Division will contribute to the City of Casey being a great place to work, and clear on how we deliver customer centric services to our community. Customer and Business Transformation is comprised of Customer and Digital, Communications and Marketing, Improvement and Innovation, Strategy and Business Intelligence and Technology.

Corporate Services

The Corporate Services Division leads and builds capability enabling effective delivery of services to our community. Corporate Services' functions relate to Property and Procurement, Governance, Finance and Rates, and People and Culture.

Community Life

The Community Life Division works to develop healthy, active, connected and safe communities through the delivery of community facilities, events, experiences and life cycle services from birth to older age.

City Planning and Infrastructure

The City Planning and Infrastructure Division plans, designs, builds and maintains Council infrastructure. This infrastructure covers roads, footpaths, drains and waterways, buildings and open spaces. We also provide approvals for private led construction activity in our City. City Planning and Infrastructure comprises City Presentation, City Design and Construction, Sustainability and Waste, Statutory Planning and Building Services, City and Asset Planning and Growth and Investment.

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

	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
2019					
Customer and Business Transformation	-	25,557	(25,556)	-	6,070
Corporate Services	261,539	21,294	240,244	18,391	2,485,984
Community Life	83,301	118,250	(34,949)	63,313	511,531
City Planning and Infrastructure	254,009	156,390	97,619	3,417	2,250,386
Total	598,849	321,491	277,358	85,120	5,253,972
2018					
Customer and Business Transformation	-	29,821	(29,821)	-	9,383
Corporate Services	246,702	22,319	224,383	17,834	1,611,650
Community Life	62,507	109,987	(47,480)	48,399	450,256
City Planning and Infrastructure	230,473	138,412	92,061	13,424	1,916,193
Total	539,682	300,539	239,143	79,658	3,987,482

Note 3 – Funding for the delivery of our services

3.1 Rates and charges

	2019 \$'000	2018 \$'000
Residential	168,759	156,425
Commercial	11,310	12,757
Industrial	4,857	5,376
Farm/rural	1,273	1,476
Supplementary rates and rate adjustments	4,711	4,474
Interest on rates and charges	1,486	1,318
Garbage Charge	36,610	32,174
Total rates and charges	229,006	214,000

Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The valuation base used to calculate general rates for 2018/2019 of a property is its Capital Improved Value (CIV).

The valuation base used to calculate general rates for 2018/19 was \$76.25 billion (2017/18 \$55.48 billion).

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2018, and the valuation was first applied in the rating year commencing 1 July 2018. The next general revaluation of land for rating purposes within the municipal district will be undertaken as at 1 January 2019 and the resulting valuations will be first applied in the rating year commencing 1 July 2019.

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

3.2 Statutory fees and fines

	2019 \$'000	2018 \$'000
Infringements and costs	1,894	717
Town planning fees	1,733	1,718
Building	706	271
Land information certificates	227	269
Subdivision Fees	5,254	5,350
Animal registration and fines	2,199	1,923
Health registration and fees	1,027	941
Election fines	37	359
Fire management	2	11
Total statutory fees and fines	13,079	11,559

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.

Notes to the Financial Report > Note 3 – Funding for the delivery of our services (cont'd)

3.3 User fees

	2019 \$'000	2018 \$'000
Client fees – community care	1,314	1,283
Client fees – family day care	2,008	1,681
Leisure centre and recreation	3,990	2,001
Kindergarten fees	3,526	3,015
Hire fees – council facilities	3,152	1,789
Pound release fees	235	210
Building services	718	847
Re-infrastructure/road opening fees	1,407	1,459
Recoveries	2,582	2,100
Reimbursements	1,236	1,880
Other fees and charges	476	950
Total user fees	20,644	17,215

User fees are recognised as revenue when the service has been provided or council has otherwise earned the income.

3.4 Funding from other levels of government

	2019 \$'000	2018 \$'000
Grants were received in respect of the following:		
Summary of grants		
Commonwealth funded grants	65,622	39,395
State funded grants	19,498	40,261
Total grants received	85,120	79,656

(a) Operating grants

Recurrent – Commonwealth Government

Financial assistance grants	-	17,726
Connected communities	8,208	7,867
Child youth and family	6,660	5,164
Other	15	15

Recurrent – State Government

General purpose grants	18,289	-
Child youth and family	23,376	19,885
Connected communities	4,997	4,992
Safer communities	1,279	1,365
Total recurrent operating grants	62,824	57,014

	2019 \$'000	2018 \$'000
Non-recurrent – Commonwealth Government		
Safer communities	-	30
Non-recurrent – State Government		
Active communities	123	40
Arts and cultural development	103	98
Child youth and family	1,082	974
City and asset planning	213	248
City presentation	20	12
Connected communities	328	468
Finance and rates	102	108
Growth and investment	390	-
Safer communities	213	120
Statutory planning and guiding	140	-
Waste and landfill	84	529
Total non-recurrent operating grants	2,798	2,627
Total operating grants	65,622	59,641

(b) Capital grants

Recurrent – Commonwealth Government		
Roads to recovery	834	2,206

Recurrent – State Government

Victorian Grants Commission – Local roads funding	2,570	2,487
Total recurrent capital grants	3,404	4,693

Non-recurrent – Commonwealth Government

Buildings	100	3,900
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Non-recurrent – State Government

Community and recreational facilities	15,994	11,423
Total non-recurrent capital grants	16,094	15,323

Total capital grants	19,498	20,016
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(c) Unspent grants received on condition that they be spent in a specific manner

Balance at start of year	25,738	21,641
Received during the financial year and remained unspent at balance date	25,834	19,217
Received in prior years and spent during the financial year	(15,265)	(15,120)
Balance at year end	36,307	25,738

Grant income is recognised when Council obtains control of the contribution. Control is normally obtained upon receipt (or acquittal).

Notes to the Financial Report > Note 3 – Funding for the delivery of our services (cont'd)

3.5 Contributions

	2019 \$'000	2018 \$'000
Monetary	3,971	1,477
Monetary – Developer /Capital Works	49,340	73,820
Non-monetary	189,676	134,917
Total contributions	242,933	210,214

Contributions of non-monetary assets were received in relation to the following asset classes.

	2019 \$'000	2018 \$'000
Land	84,949	32,388
Buildings	-	176
Roads	64,702	38,212
Other infrastructure	40,025	64,140
Total non-monetary contributions	189,676	134,917

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

3.6 Net gain/(loss) on disposal of property, infrastructure, plant and equipment

	2019 \$'000	2018 \$'000
Proceeds of sale	5,031	14,504
Written down value of assets disposed	(8,687)	(16,460)
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	(3,656)	(1,956)

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

3.7 Other income

	2019 \$'000	2018 \$'000
Interest	9,835	8,390
Other rent	835	800
Total other income	10,670	9,190

Interest is recognised as it is earned.

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

Note 4 – The cost of delivering services

4.1(a) Employee costs

	2019 \$'000	2018 \$'000
Wages and salaries	100,230	97,294
WorkCover	2,629	2,380
Superannuation	9,350	9,033
Fringe benefits tax	399	429
Other	3,608	3,959
Total employee costs	116,216	113,095

4.1(b) Superannuation

Council made contributions to the following funds:

	2019 \$'000	2018 \$'000
Defined benefit fund		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	415	516
Employer contributions – other funds	-	-
Total	415	516

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	-	-
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Accumulation funds

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	5,467	5,414
Employer contributions – other funds	3,469	3,103
Total	8,936	8,517
Employer contributions payable at reporting date	706	681

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

4.2 Materials and services

	2019 \$'000	2018 \$'000
Building maintenance	4,533	3,685
General maintenance	45,218	41,898
Utilities	8,250	7,647
Office administration	43,056	41,623
Information technology	4,556	4,410
Insurance	1,942	1,831
Consultants	7,804	9,860
Waste management	30,351	27,548
Total materials and services	145,709	138,502

4.3 Depreciation and amortisation

	2019 \$'000	2018 \$'000
Property	13,464	11,695
Plant and equipment	5,445	5,068
Infrastructure	29,523	26,906
Total depreciation	48,432	43,669
Total depreciation and amortisation	48,432	43,669

Refer to note 6.2 for a more detailed breakdown of depreciation and amortisation charges and accounting policy.

4.4 Bad and doubtful debts

	2019 \$'000	2018 \$'000
Parking fine debtors	818	50
Other debtors	-	43
Total bad and doubtful debts	818	93

Movement in provisions for doubtful debts

Balance at the beginning of the year	349	253
New Provisions recognised during the year	945	140
Amounts already provided for and written off as uncollectible	(62)	(4)
Amounts provided for but recovered during the year	(130)	(40)
Balance at end of year	1,102	349

Provision for doubtful debt is recognised based on an expected credit loss model. This model considers both historic and forward-looking information in determining the level of impairment. Bad debts are written off when identified.

4.5 Borrowing costs

	2019 \$'000	2018 \$'000
Interest – Borrowings	2,288	2,423
Less capitalised borrowing costs on qualifying assets	-	(535)
Total borrowing costs	2,288	1,888

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.

4.6 Other expenses

	2019 \$'000	2018 \$'000
Auditors' remuneration – VAGO – audit of the financial statements, performance statement and grant acquittals	71	60
Auditors' remuneration – Internal	110	161
Councillors' allowances	453	433
Operating lease rentals	247	603
Grants and contributions	5,187	5,851
Increase / (Decrease) in landfill provision	1,960	(4,264)
Net Asset revaluation decrement	-	448
Total other expenses	8,028	3,292

Note 5 – Our financial position**5.1 Financial assets**

	2019 \$'000	2018 \$'000
(a) Cash and cash equivalents		
Cash on hand	35	37
Cash at bank	3,644	4,120
Term deposits	11,891	29,307
Total cash and cash equivalents	15,570	33,464

(b) Other Financial assets

Term deposits – current	343,214	320,246
Term deposits – non-current	37,000	20,000
Total other financial assets	380,214	340,246
Total financial assets	395,784	373,710

Council's cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:

> Trust funds and deposits (Note 5.3)	32,228	31,918
> Government Grants received in advance to be used for future Capital Works	9,850	10,902
Total restricted funds	42,078	42,820
Total unrestricted cash and cash equivalents	(26,508)	(9,356)

Intended allocations

Although not externally restricted the following amounts have been allocated for specific future purposes by Council:

> Developer contributions	227,165	210,557
> General reserves to fund operating activities	35,501	42,331
> Asset reserves to fund capital works program	92,618	70,035
Total funds subject to intended allocations	355,284	322,923

5.1 Financial assets (cont'd)

	2019 \$'000	2018 \$'000
Other financial assets are valued at fair value, at balance date. Term deposits are measured at original cost. Any unrealised gains and losses on holdings at balance date are recognised as either a revenue or expense.		
(c) Trade and other receivables		
Current		
Statutory receivables		
Rates debtors	18,440	15,302
Special rate assessment	71	465
Infringement debtors	1,483	713
Provision for doubtful debts – infringements	(1,080)	(265)
GST Receivable	3,313	3,373
Other receivables	584	274
Non-statutory receivables		
Trade and other receivables	6,800	5,109
Provision for doubtful debts	(22)	(84)
Total trade and other receivables	29,589	24,887

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

(d) Ageing of receivables

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

Current (not yet due)	3,168	2,596
Past due by up to 30 days	549	479
Past due between 31 and 180 days	2,032	1,339
Past due between 181 and 365 days	574	314
Past due by more than 1 year	456	297
Total trade and other receivables	6,778	5,025

5.2 Non-financial assets

	2019 \$'000	2018 \$'000
(a) Other assets		
Prepayments	1,182	794
Other	6,730	6,794
Total other assets	7,912	7,588

5.3 Payables

	2019 \$'000	2018 \$'000
(a) Trade and other payables		
Trade payables	24,900	24,513
Net GST payable	293	305
Accrued expenses	4,233	4,209
Total trade and other payables	29,426	29,027
(b) Trust funds and deposits		
Refundable deposits	90	109
Fire services levy	258	418
Retention amounts	30,951	30,537
Other refundable deposits	929	854
Total trust funds and deposits	32,228	31,918

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. Trust funds that are forfeited, resulting in council gaining control of the funds, are to be recognised as revenue at the time of forfeit.

Purpose and nature of items

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

Fire service levy—Council is the collection agent for fire services levy on behalf of the State Government. Council remits amounts received on a quarterly basis. Amounts disclosed here will be remitted to the state government in line with that process.

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

5.4 Interest-bearing liabilities

	2019 \$'000	2018 \$'000
Current		
Borrowings – secured	7,355	7,150
	7,355	7,150
Non-current		
Borrowings – secured	53,560	61,094
	53,560	61,094
Total	60,915	68,244

Borrowings are secured by the rates of Council

(a) The maturity profile for Council's borrowings is:

Not later than one year	7,355	7,150
Later than one year and not later than five years	31,055	30,545
Later than five years	22,505	30,549
Total	60,915	68,244

5.5 Provisions

	Employee	Landfill restoration	Total
2019	\$ '000	\$ '000	\$ '000
Balance at beginning of the financial year	25,166	16,084	41,250
Additional provisions	161	3,144	3,305
Amounts used	(3,500)	(1,508)	(5,008)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	3,753	(1,184)	2,569
Balance at the end of the financial year	25,580	16,536	42,116
2018			
Balance at beginning of the financial year	23,960	22,170	46,130
Additional provisions	4,062	(4,294)	(232)
Amounts used	(2,925)	(1,822)	(4,747)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	69	30	99
Balance at the end of the financial year	25,166	16,084	41,250

(a) Employee provisions

Current provisions expected to be wholly settled within 12 months.

	2019 \$'000	2018 \$'000
Current provisions expected to be wholly settled within 12 months		
Annual leave	6,691	6,651
Long service leave	1,861	1,849
Retirement gratuity	132	159
	8,683	8,659

Current provisions expected to be wholly settled after 12 months

Annual leave	774	1,627
Long service leave	12,850	11,997
	13,624	13,624
Total current employee provisions	22,307	22,283

Non-current

Long service leave	3,241	2,852
Annual leave	31	31
Total non-current employee provisions	3,272	2,883

Aggregate carrying amount of employee provisions:

Current	22,307	22,283
Non-current	3,272	2,883
Total aggregate carrying amount of employee provisions	25,579	25,166

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 the present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

Long service leave

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

	2019	2018
Key assumptions		
– discount rate	1.32%	2.65%
– index rate	3.25%	3.25%

5.5 Provisions (cont'd)

(b) Landfill restoration

	2019 \$'000	2018 \$'000
Current	1,715	1,611
Non-current	14,822	14,472
Total	16,536	16,084

The City of Casey currently has responsibility for 3 former landfill sites.

Stevenson's landfill

The City of Casey is liable for remediation of the Stevenson's Road Closed Landfill (SRCL) site. The total estimated present value of the remaining cost of rehabilitation and on-going site management is over \$16.536 million, inclusive of ongoing operational costs of up to \$1.715 million per annum for up to 15 years.

A provision of \$16.536 million (2017/18 \$16.084 million) is provided, based on the net present value of the estimated ongoing site management and monitoring costs over 15 years.

Cemetery Road landfill

Rehabilitation of this site is complete. The council has minor ongoing monitoring and maintenance expenses.

Narre Warren landfill

The landfill rehabilitation is complete and the site has been handed back to Council for ongoing management as a reserve. The Council also manages ongoing monitoring of ground water on behalf of the Narre Warren User Group (NWUG). These expenses are reimbursed to the Council via a fund managed by the City of Whitehorse.

	2019	2018
Key assumptions		
–discount rate	1.18%	2.43%
–index rate	3.00%	3.00%

5.6 Financing arrangements

The Council has the following funding arrangements in place as at 30th June 2019.

	2019 \$'000	2018 \$'000
Credit card facilities	120	120
Other facilities - Loans	61,493	68,698
Total facilities	61,613	68,818
Used facilities	60,958	68,282
Unused facilities	656	536

5.7 Commitments

The Council has entered into the following commitments. Commitments are not recognised in the Balance Sheet. Commitments are disclosed at their nominal value and presented inclusive of the GST payable.

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
2019	\$'000	\$'000	\$'000	\$'000	\$'000

Operating

Animal Pound Services	990	254	-	-	1,244
Asset Management	2,633	-	-	-	2,633
Auditing Services	130	132	-	-	262
Building Cleansing	1,722	1,764	-	-	3,486
Energy Supply	7,599	3,787	1,860	-	13,246
Environmental Health Services	2,431	2,492	1,278	-	6,201
Equipment	3,820	1,795	8	-	5,623
Facilities Management	3,967	745	-	-	4,712
Graffiti Removal	440	451	462	-	1,353
Home Care Services	105	-	-	-	105
Information Technology	6,806	4,520	1,035	-	12,361
Landfill	9,400	7,381	-	-	16,781
Leisure Centre Management	600	615	954	-	2,169
Open Space Management	15,695	8,802	3,817	-	28,314
Professional Services	8,340	4,610	3,339	-	16,289
Property Valuation	443	462	1,540	-	2,445
Records Management	77	79	68	-	224
Street Cleansing	1,240	318	-	-	1,558
Waste Management	25,767	10,482	19,673	37,568	93,490
Total	92,205	48,689	34,034	37,568	212,496

Capital

Buildings	34,369	-	-	-	34,369
Roads	8,311	254	-	-	8,565
Total	42,680	254	-	-	42,934

5.7 Commitments (cont'd)

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
2018	\$'000	\$'000	\$'000	\$'000	\$'000

Operating

Animal Pound services	224	-	-	-	224
Asset Management	5,019	4,978	5,127	-	15,124
Auditing Services	209	216	-	-	425
Building Cleansing	1,980	2,039	4,265	-	8,284
Energy Supply	2,459	2,528	-	-	4,987
Health Services	3,444	2,422	2,495	-	8,361
Equipment	913	503	319	-	1,735
Facilities Management	2,387	2,267	1,570	-	6,224
Graffiti Removal	473	487	-	-	960
Home Care Services	102	106	-	-	208
Information Technology	3,856	2,210	2,421	-	8,487
Landfill	8,871	9,423	7,408	-	25,702
Leisure Centre Management	794	819	842	-	2,455
Open Space Management	10,625	14,913	13,274	-	38,812
Professional Services	3,068	545	430	-	4,043
Property Valuation	462	-	1,870	-	2,332
Records Management	109	182	-	-	291
Street Cleansing	1,034	1,065	1,097	-	3,196
Waste Management	8,721	7,607	23,613	30,672	70,613
Total	54,750	52,310	64,731	30,672	202,463

Capital

Buildings	27,135	12,598	-	-	39,733
Roads, footpaths, kerb and channel	10,338	8,038	-	-	18,376
Drainage	-	-	3,108	-	3,108
Total	37,473	20,636	3,108	-	61,217

2019	2018
\$'000	\$'000

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	334	239
Later than one year and not later than five years	463	304
Later than five years	7	7
Total	804	550

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.

Note 6 – Assets classified as held for sale**6.1 Non-current assets classified as held for sale**

	2019	2018
	\$'000	\$'000
Fair value of non-current asset – held for sale	2,214	3,450
Total non-current assets classified as held for sale	2,214	3,450

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

6.2 Property, infrastructure, plant and equipment Summary of property, infrastructure, plant and equipment

	At Fair Value 30 June 2018	Additions	Contributions	Revaluation	Depreciation	Disposal	Capital works expensed	Assets held for sale	Transfers	At fair value 30 June 2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	1,454,913	-	84,519	963,969	-	-	-	(840)	27,030	2,529,591
Buildings	372,154	-	-	31,493	(13,463)	(1,317)	-	-	43,089	431,956
Plant and equipment	23,303	-	-	-	(5,445)	(889)	-	-	4,602	21,571
Infrastructure	1,667,551	-	105,157	(576)	(29,524)	(3,030)	-	-	29,461	1,769,039
Work in progress	55,329	129,763	-	-	-	-	(18,869)	-	(104,182)	62,041
Total	3,573,250	129,763	189,676	994,886	(48,432)	(5,236)	(18,869)	(840)	-	4,814,198

6.2 Property, infrastructure, plant and equipment (cont'd)

Summary of Works in Progress

	Opening WIP	Additions	Capital works expensed	Transfers	Closing WIP
	\$'000	\$'000	\$'000	\$'000	\$'000
Property	27,512	64,047	(2,482)	(70,119)	18,958
Plant and equipment	798	7,610	(3,726)	(4,602)	80
Infrastructure	27,019	58,106	(12,661)	(29,461)	43,003
Total	55,329	129,763	(18,869)	(104,182)	62,041

6.2 Property, infrastructure, plant and equipment (cont'd)

(a) Property

	Land – specialised \$'000	Land – non-specialised \$'000	Total land and improvements \$'000	Buildings – specialised \$'000	Building – non-specialised \$'000	Total buildings \$'000	Work In Progress \$'000	Total property \$'000
At fair value 1 July 2018	1,139,422	315,491	1,454,913	563,681	-	563,681	27,512	2,046,106
Accumulated depreciation at 1 July 2018	-	-	-	(191,527)	-	(191,527)	-	(191,527)
	1,139,422	315,491	1,454,913	372,154	-	372,154	27,512	1,854,579

Movements in fair value

Additions	-	27,030	27,030	39,776	3,313	43,089	(70,119)	-
Contributions	40,756	43,763	84,519	-	-	-	-	84,519
Revaluation	562,289	401,680	963,969	23,008	14,053	37,061	-	1,001,030
Disposal	-	(840)	(840)	(4,547)	(110)	(4,657)	-	(5,497)
Acquisition of WIP assets at cost	-	-	-	-	-	-	64,047	64,047
Non Capitalisation of prior year WIP	-	-	-	-	-	-	(2,482)	(2,482)
Transfers	(369,135)	369,135	-	(69,972)	69,972	-	-	-
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-
	233,910	840,768	1,074,678	(11,735)	87,228	75,493	(8,554)	1,141,617

Movements in accumulated depreciation

Depreciation and amortisation	-	-	-	(11,816)	(1,647)	(13,463)	-	(13,463)
Accumulated depreciation of disposals	-	-	-	3,277	63	3,340	-	3,340
Revaluation increments/decrements	-	-	-	3,746	(9,314)	(5,568)	-	(5,568)
Transfers	-	-	-	37,293	(37,293)	-	-	-
	-	-	-	32,500	(48,191)	(15,691)	-	(15,691)
At fair value 30 June 2019	1,373,332	1,156,259	2,529,591	551,946	87,228	639,174	18,958	3,187,723
Accumulated depreciation at 30 June 2019	-	-	-	(159,027)	(48,191)	(207,218)	-	(207,218)
Total	1,373,332	1,156,259	2,529,591	392,919	39,037	431,956	18,958	2,980,505

(b) Plant and equipment

	Plant machinery and equipment \$'000	Fixtures fittings and furniture \$'000	Computers and telecoms \$'000	Work in Progress \$'000	Total plant and equipment \$'000
At fair value 1 July 2018	14,954	13,481	11,981	798	41,214
Accumulated depreciation at 1 July 2018	(7,964)	(3,814)	(5,335)	-	(17,113)
	6,990	9,667	6,646	798	24,101

Movements in fair value

Additions	2,668	590	1,344	(4,602)	-
Disposal	(2,741)	-	-	-	(2,741)
Acquisition of WIP assets at cost	-	-	-	7,610	-
Non Capitalisation of prior year WIP	-	-	-	(3,726)	-
	(73)	590	1,344	(718)	1,143

Movements in accumulated depreciation

Depreciation and amortisation	(2,124)	(1,402)	(1,919)	-	(5,445)
Accumulated depreciation of disposals	1,852	-	-	-	1,852
	(272)	(1,402)	(1,919)	-	(3,593)
At fair value 30 June 2019	14,881	14,071	13,325	80	42,357
Accumulated depreciation at 30 June 2019	(8,236)	(5,216)	(7,254)	-	(20,706)
Total	6,645	8,855	6,071	80	21,651

6.2 Property, infrastructure, plant and equipment (cont'd)

(c) Infrastructure

	Roads \$'000	Bridges \$'000	Footpaths and cycleways \$'000	Drainage \$'000	Outdoor sports facilities \$'000	Waste management \$'000	Open spaces & landscapings at community facilities \$'000	Off street car parks \$'000	Work-In- Progress \$'000	Total infrastructure \$'000
At fair value 1 July 2018	1,075,270	46,505	151,475	605,068	63,302	29,731	89,437	34,545	27,020	2,122,353
Accumulated depreciation at 1 July 2018	(178,945)	(9,620)	(34,596)	(115,423)	(28,159)	(12,557)	(44,076)	(4,406)	-	(427,782)
	896,325	36,885	116,879	489,645	35,143	17,174	45,361	30,139	27,020	1,694,571

Movements in fair value

Additions	8,256	1,890	3,816	1,508	7,741	68	4,593	1,589	(29,461)	-
Contributions	66,591	-	9,053	28,914	170	-	429	-	-	105,157
Revaluation	(226)	-	-	(11)	(169)	-	(63)	(108)	-	(576)
Disposal	(3,671)	(80)	(438)	(198)	(2,921)	-	(1,477)	(288)	-	(9,073)
Acquisition of WIP assets at cost	-	-	-	-	-	-	-	-	58,106	58,106
Non Capitalisation of prior year WIP	-	-	-	-	-	-	-	-	(12,661)	(12,661)
Transfers	-	-	-	-	505	-	(99)	(406)	-	-
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-

	Roads \$'000	Bridges \$'000	Footpaths and cycleways \$'000	Drainage \$'000	Outdoor sports facilities \$'000	Waste management \$'000	Open spaces & landscapings at community facilities \$'000	Off street car parks \$'000	Work-In- Progress \$'000	Total infrastructure \$'000
At fair value 30 June 2019	1,146,220	48,315	163,906	635,281	68,628	29,799	92,820	35,332	43,004	2,263,305
Accumulated depreciation at 30 June 2019	(188,053)	(10,268)	(37,068)	(122,140)	(28,152)	(14,082)	(46,499)	(5,001)	-	(451,263)
	958,167	38,047	126,838	513,141	40,476	15,717	46,321	30,331	43,004	1,812,042

Movements in accumulated depreciations

Depreciation and amortisation	(11,949)	(659)	(2,670)	(6,727)	(1,994)	(1,525)	(3,311)	(689)	-	(29,524)
Accumulated depreciation of disposals	2,841	11	198	10	2,001	-	888	94	-	6,043
	(9,108)	(648)	(2,472)	(6,717)	7	(1,525)	(2,423)	(595)	-	(23,481)
At fair value 30 June 2019	1,146,220	48,315	163,906	635,281	68,628	29,799	92,820	35,332	43,004	2,263,305
Accumulated depreciation at 30 June 2019	(188,053)	(10,268)	(37,068)	(122,140)	(28,152)	(14,082)	(46,499)	(5,001)	-	(451,263)
	958,167	38,047	126,838	513,141	40,476	15,717	46,321	30,331	43,004	1,812,042

Notes to the Financial Report > Note 6 – Assets classified as held for sale (cont'd)

6.2 Property, infrastructure, plant and equipment (cont'd)

Acquisition

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

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

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

	Depreciation period	Threshold limit
Asset recognition thresholds and depreciation periods		\$'000
Land and land improvements		
Land	-	Nil
Buildings		
Buildings and building components	10-200 years	5
Plant and equipment		
Plant, machinery and equipment	2-20 years	2
Fixtures, fittings and furniture	2-10 years	2
Computers and telecommunications	2-5 years	2
Infrastructure		
Road-pavements	25-161 years	10
Road-seals	10-87 years	10
Road - formation and earthworks	-	Nil
Road-kerb, channel and minor culverts and traffic management	8-127 years	10
Car parks	10-80 years	5
Bridges-deck	38-117 years	5
Bridges-structures	38-117 years	5
Footpaths and cycleways	60-78 years	5
Drainage	20-100 years	5
Outdoor sports facilities	9-122 years	5
Waste management	10-50 years	5
Open space and landscaping community facilities	10-100 years	5

Land under roads

Council recognises land under roads it controls at fair value.

Depreciation and amortisation

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 above and are consistent with the prior year unless otherwise stated.

Repairs and maintenance

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

Valuation of land and buildings

Valuation of land and buildings were undertaken by a qualified independent valuer 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.

The date of the current valuation is detailed in the following table. A full revaluation was done for Land and Building in 2018/19 and for Infrastructure assets will be conducted in 2019/20.

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

	Level 1	Level 2	Level 3	Date of valuation
	\$'000	\$'000	\$'000	
Non-specialised land	-	1,156,259	-	June 2019
Specialised land	-	-	1,373,332	June 2019
Specialised buildings	-	-	392,919	June 2019
Non-specialised buildings	-	39,036	-	June 2019
Total	-	1,195,295	1,766,251	

6.2 Property, infrastructure, plant and equipment (cont'd)

Valuation of infrastructure

Valuation of infrastructure assets has been determined in accordance with an valuation under the direction of Eric Van Toor, Team Leader Asset Management, whose professional qualifications are Bachelor of Engineering (BE).

The date of the current valuation is detailed in the following table. A full revaluation of these assets was conducted in 2017-18.

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 2019 are as follows:

	Level 1	Level 2	Level 3	Date of valuation
	\$'000	\$'000	\$'000	
Roads	-	-	958,167	June 2018
Bridges	-	-	38,047	June 2018
Footpaths and cycleways	-	-	126,838	June 2018
Drainage	-	-	513,141	June 2018
Recreational, leisure and community facilities	-	-	40,476	June 2018
Waste management	-	-	15,717	June 2018
Parks, open space and streetscapes	-	-	46,321	June 2018
Other infrastructure	-	-	30,332	June 2018
Total	-	-	1,769,039	

Description of significant unobservable inputs into level 3 valuations

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 20% 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 \$1 and \$3,000 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 \$300 to \$5,000 per square metre. The total useful lives of buildings are determined on the basis of the current condition of buildings and vary from 10 years to 200 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 generally not bought or sold in their entirety, so are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. Replacements costs are determined from rates provided

for recent subdivision development within the municipality and extracted from contract schedules for recent capital projects. Where limited data on current local rate is available, rates are estimated using:

- > rates for similar projects from other authorities
- > construction cost guides and/or
- > adjusted historical costs

The total useful lives of infrastructure assets take into account the current condition of the asset and vary from 9 years to 161 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 change in use, expectations or requirements that could either or extend the useful lives of infrastructure assets.

	2019 \$'000	2018 \$'000
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Reconciliation of specialised land

Land under road	487,963	259,827
Parks and reserves	833,802	857,280
Community facilities	47,241	20,336
Corporate	4,326	1,980
Total specialised land	1,373,332	1,139,423

6.3 Investments in associates, joint arrangements and subsidiaries

	2019 \$'000	2018 \$'000
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(a) Investments in associates

Investments in associates accounted for by the equity method are:

Casey Cardinia Library	3,942	4,263
Narre Warren User Group	335	334
Total	4,276	4,597

Casey Cardinia Corporation

Background

The Casey Cardinia Library Corporation (the Corporation) is owned by the City of Casey and Cardinia Shire Council. The City of Casey owns the properties where the Corporation operates the Libraries within the City of Casey and is entitled to 74.72% of its net financial result (2017/18, 73.50%).

Fair value of Council's investment in Casey Cardinia Library Corporation	3,943	4,263
Council's share of accumulated surplus / (deficit)		
Council's share of accumulated surplus (deficit) at start of year	4,263	4,449
Reported (deficit) for year	(322)	(186)
Council's share of accumulated surplus (deficit) at end of year	3,942	4,263
Council's share of expenditure commitments		
Operating commitments	221	231
Council's share of expenditure commitments	221	231

Significant restrictions

The Casey Cardinia Library Corporation (CCLC) operates under a Regional Library Agreement that has been prepared in accordance with s.196 of the Local Government Act, approved by the Minister for Local Government and executed by Casey and Cardinia Councils. The CCLC exists as an independent Local Government entity, subject to most of the same requirements of a Council under the Local Government Act. The CCLC is governed by a Board of Councillors and Officers from member Councils, and is managed by a board appointed Chief Executive Officer. The Regional Library Agreement does not allow for the payment of dividends to the Member Councils and only considers the transfer of assets (and liabilities) in the case of the dissolution of the agreement or exit of one of the parties.

6.3 Investments in associates (cont'd)

Committees of management

Council's policy is to seek all Committees of Management to incorporate pursuant to the *Associations Incorporation Reform Act 2012*. The adopted incorporated Committee of Management structure provides committees with the power and autonomy to effectively manage and plan for the long term future of the facility they utilise.

The operations of the Committees of Management are not material to the overall operations of the Council and their revenues and expenses are excluded from this Financial report. However, all land and buildings managed by Committees of Management are owned by Council and have been brought to account as assets of Council.

	2019 \$'000	2018 \$'000
(b) Investments in associates		
Narre Warren User Group	335	334
Background		
The City of Casey holds 17.96% in Narre Warren User Group (NWUG). The principal activity of NWUG is to monitor the closed landfill that was previously used by Council at Narre Warren. The contributions by the Council to NWUG during the period totalled Nil (2017/2018 NIL). The Whitehorse City Council holds the cash investment for NWUG and the surplus is generated from interest income less monitoring costs. The cash investment is managed by Whitehorse City Council who holds a 48.88% interest in NWUG.		
Council's share of accumulated surplus/(deficit)	335	334
Council's share of accumulated surplus at start of year	334	345
Reported surplus/(deficit) for year	1	(11)
Transfers (to) from reserves	-	-
Distributions for the year	-	-
Council's share of accumulated surplus at end of year	335	334
Council's share of reserves		
Council's share of reserves at start of year	-	-
Transfers (to) from reserves	-	-
Council's share of reserves at end of year	-	-
Movement in carrying value of specific investment		
Carrying value of investment at start of year	334	345
Share of surplus/(deficit) for year	1	(11)
Share of asset revaluation	-	-
Distributions received	-	-
Carrying value of investment at end of year	335	334
Council's share of expenditure commitments		
Operating commitments	-	-
Capital commitments	-	-
Council's share of expenditure commitments	-	-
Net increase/ (decrease) in cash and cash equivalents	-	-

Significant restrictions

The NWUG operates under a User Group Agreement, that has been agreed by all of the participating Councils. There is no clause in the agreement that allows for the return of funds to the participating Councils. The current funds are held to meet commitments for the site contained within the EPA issued Pollution Abatement Notice (PAN). There is no current agreement between the participating Councils on the distribution of assets or liabilities of the User Group when the commitments of the PAN have been satisfied.

Note 7 – People and relationship

7.1 Council and key management remuneration

	2019	2018
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a) Related Parties*Subsidiaries and Associates*

Interests in subsidiaries and associates are detailed in Note 6.3.

(b) Key Management Personnel

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

Councillors

- › Cr Amanda Stapledon – (Mayor - 29 October 2018 to 30 June 2019)
- › Cr Geoff Ablett (Mayor – 1 July 2018 to 29 October 2019)
- › Cr Sam Aziz
- › Cr Rosalie Crestani
- › Cr Rex Flannery
- › Cr Milla Gilic
- › Cr Tim Jackson
- › Cr Damien Rosario
- › Cr Gary Rowe
- › Cr Susan Serey
- › Cr Wayne Smith JP

Executive Leadership Team

- › Chief Executive Officer, Mr Glenn Patterson, from 17 September 2018
- › Chief Executive Officer, Mr Steve Dalton, to 16 September 2018
- › Director, Community Life, Mr Steve Coldham
- › Director, Corporate Services, Ms Sheena Frost
- › Director, City Planning and Infrastructure, Mr Peter Fitchett
- › Strategic Director, Customer Focus and Innovation, Mr James Rouse, to 10 October 2018
- › Director, Customer and Business Transformation, Ms Jen Bednar – from 21 November 2018
- › Acting Strategic Director, Customer Focus and Innovation, Mr Wayne Mack, from 11 October 2018 to 20 November 2018

Total number of Councillors	11	11
Chief Executive Officer and other key management personnel	8	11
Total key management personnel	19	22

(c) Remuneration of key management personnel

	2019 \$'000	2018 \$'000
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Total remuneration of key management personnel was as follows:

Short-term benefits (Salary, vehicle and annual leave)	1,827	2,188
Post-employment benefits (superannuation)	139	188
Long-term benefits (accrued long service leave)	33	42
Termination benefits	198	302
Total	2,196	2,720

	2019	2018
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The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:

\$20,000 - \$29,999	1	1
\$30,000 - \$39,999	9	11
\$50,000 - \$59,999	1	2
\$80,000 - \$89,999	-	1
\$90,000 - \$99,999	1	-
\$100,000 - \$109,999	1	-
\$110,000 - \$119,999	1	-
\$140,000 - \$149,999	-	1
\$240,000 - \$249,999	-	1
\$270,000 - \$279,999	1	1
\$280,000 - \$289,999	1	1
\$290,000 - \$299,999	-	1
\$300,000 - \$309,999	1	1
\$310,000 - \$319,999	1	-
\$320,000 - \$329,999	1	-
\$570,000 - \$579,999	-	1
Total	19	22

7.1 Council and key management remuneration

(d) Senior Officer Remuneration

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

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

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

	2019	2018
<\$147,999	5	9
\$148,000 - \$149,999	2	2
\$150,000 - \$159,999	9	8
\$160,000 - \$169,999	6	6
\$170,000 - \$179,999	2	6
\$180,000 - \$189,999	4	4
\$190,000 - \$199,999	3	5
\$200,000 - \$209,999	5	2
\$210,000 - \$219,999	1	1
\$230,000 - \$239,999	1	-
\$250,000 - \$259,999	1	-
\$270,000 - \$279,999	-	1
\$280,000 - \$289,999	2	-
Total	41	44

	2019 \$'000	2018 \$'000
Total Remuneration for the reporting year for Senior Officers included above, amounted to	7,108	7,225

7.2 Related party disclosure

	2019 \$'000	2018 \$'000
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(a) Transactions with related parties

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

Provision of Library Services by the Casey Cardinia Library Corporation, in accordance with the Regional Library Agreement	6,400	6,315
Provision of financial services to the Casey Cardinia Library Corporation	(34)	(33)
Provision of seconded staff to the Casey Cardinia Library Corporation	(96)	(107)
Rental of a Council building by the Casey Cardinia Library Corporation	-	(45)
Total	6,270	6,130

Procurement Australia

Conference Attendance fees	1	-
Power Purchasing fees	17	-
Total	18	-

(b) Outstanding balances with related parties

There were no outstanding balances with related parties that required disclosure during the 2018-19 or 2017-18 reporting years.

(c) Loans to/from related parties

No loans have been made, guaranteed, or secured by Council to related parties during the 2018-19 or 2017-18 reporting years.

(d) Commitments to/from related parties

No commitments have been made, guaranteed, or secured by Council to related parties during the 2018-19 or 2017-18 reporting years.

Note 8 – Managing uncertainties

8.1 Contingent assets and liabilities

(a) Contingent assets

Land and infrastructure assets to be transferred to Council in respect of subdivisions under development have an estimated value of \$42,975,970 (2018 \$38,315,518) and the amount receivable in cash \$Nil (2018 \$Nil).

Operating lease receivables

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:

	2019 \$'000	2018 \$'000
Future minimum rentals receivable under non-cancellable operating leases are as follows:		
Not later than one year	950	823
Later than one year and not later than five years	1,387	1,745
Later than five years	1,091	1,260
Total	3,428	3,828

(b) Contingent liabilities

Superannuation

Council has obligations under a defined benefit superannuation scheme that may result in the need to make additional contributions to the scheme, matters relating to this potential obligation are outlined below. As a result of the volatility in financial markets the likelihood of making such contributions in future periods exists.

Future superannuation contributions

In addition to the disclosed contributions, there were NIL contributions outstanding and NIL loans issued from or to the above schemes as at 30 June 2019. The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2020 are \$391K.

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

Liability Mutual Insurance

Council is a participant of the MAV Liability Mutual Insurance (LMI) Scheme. The LMI scheme provides public liability and professional indemnity insurance cover. The LMI scheme states that each participant will remain liable to make further contributions to the scheme in respect of any insurance year in which it was a participant to the extent of its participant's share of any shortfall in the provision set aside in respect of that insurance year, and such liability will continue whether or not the participant remains a participant in future insurance years.

(c) Guarantees for loans to other entities

The City of Casey has guaranteed a loan of up to \$150k for the Narre Warren Football Netball Club.

8.2 Change in accounting standards

The following new AAS's have been issued that are not mandatory for the 30 June 2019 reporting period. Council has assessed these pending standards and has identified the following potential impacts will flow from the application of these standards in future reporting periods.

Revenue from contracts with customers (AASB 15) (applies 2019 - 20 for LG sector)

The standard shifts the focus from the transaction-level to a contract-based approach. Recognition is determined based on what the customer expects to be entitled to (rights and obligations), while measurement encompasses estimation by the entity of the amount expected to be entitled for performing under the contract. The full impact of this standard is not known however it is most likely to impact where contracts extend over time, where there are rights and obligations that may vary the timing or amount of the consideration, or where there are multiple performance elements. The transition to the new standard coupled with AASB 1058 will have a \$60M a year potential to impact on the recognition of certain grant and Developer Contribution income.

Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities (AASB 2016-7) (applies 2019/20)

This Standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.

Leases (AASB 16) (applies 2019/20)

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

Council has elected to adopt the modified retrospective approach to the transition to the new lease

standard. This will mean that only existing operating leases for non-low value assets, with remaining terms greater than 12 months, will be recognised on transition (1 July 2019). Based on our current lease commitments and an assumption of a continuation of the current leasing arrangements Council expects that the transition to the new standard will see the initial recognition of \$680,087 in lease related assets and an equivalent liability,

Income of Not-for-Profit Entities (AASB 1058) (applies 2019/20)

This standard is expected to apply to certain transactions currently accounted for under AASB 1004 Contributions and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable a not-for-profit entity to further its objectives. The transition to the new standard coupled with AASB 15 will have a \$60M a year potential to impact on the recognition of certain grant and Developer Contribution income.

Council is currently reviewing the impact of the AASB1058 and AASB15 on the treatment of Developer Contributions Reserves.

8.3 Financial instruments

(a) Objectives and policies

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

(b) Market risk

Market risk is the risk that the fair value or future cash flows of council financial instruments will fluctuate because of changes in market prices. The Council's exposure 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. Council's interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which exposes council to fair value interest rate risk / Council does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of

changes in market interest rates. Council has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating rates.

Investment of surplus funds is made with approved financial institutions under the Local Government Act 1989. Council manages 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 the balance sheet. Particularly significant areas of credit risk exist in relation to outstanding fees and fines as well as loans and receivables from sporting clubs and associations. To help manage this risk:

- › council have a policy for establishing credit limits for the entities council deal with
- › council may require collateral where appropriate
- › 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.

Council may also be subject to credit risk for transactions which are not included in the balance sheet, such as when council provide a guarantee for another party. Details of our contingent liabilities are disclosed in Note 8.1(b).

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 council's operational liquidity requirements it will not have sufficient funds to settle a transaction when required or will be forced to sell a financial asset at below value or may be unable to settle or recover a financial asset.

To help reduce these risks Council:

- › have a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained
- › 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
- › set limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

The Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed on the face of the balance sheet and the amounts related to financial guarantees disclosed in Note 8.1(c), and is deemed insignificant based on prior periods' data and current assessment of risk.

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

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

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

(e) Sensitivity disclosure analysis

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

- › A parallel shift of + 1.0% and -1.0% in market interest rates (AUD) from year-end rates of 1.00% to 5.00%.

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

8.4 Fair value measurement

Fair value hierarchy

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

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

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

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

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

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

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 of an asset result in changes to the permissible or practical highest and best use of the asset. In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from one to three 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.

Impairment of assets

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

8.5 Events occurring after balance date

SKM Industries was contracted by the City of Casey for the receipt and processing of recyclable materials collected from City of Casey households during the reporting period. In 2019, SKM Industries has been subject to non-compliance notices by the Environmental Protection Authority and this has affected SKM Industries' capacity to provide services to Casey. On 2 August 2019, an associate of SKM Industries – SKM Corporate Pty Ltd – was placed into receivership by the Supreme Court of Victoria. On 9 August 2019, Council entered into a separate and limited arrangement with Polytrade Recycling to accept and process Casey recyclable materials instead of sending it all to landfill. Council is continuing to work closely with Metropolitan Waste and Resource Recovery Group, the Municipal Association of Victoria, the State Government and other affected Councils, on ensuring continued recycling services for the City of Casey.

Note 9 – Other matters

9.1 Reserves

(a) Asset revaluation reserves

	Balance at beginning of reporting period	Increment (decrement)	Balance at end of reporting period
2019	\$'000	\$'000	\$'000
Property			
Land and land improvements	1,012,976	963,969	1,976,945
Buildings	135,555	31,493	167,048
	1,148,531	995,462	2,143,993
Infrastructure			
Roads	217,938	-	217,938
Bridges	17,019	-	17,019
Footpaths and cycleways	-	-	-
Drainage	190,967	-	190,967
Recreational, leisure and community facilities	17,758	-	17,758
Waste management	926	-	926
Parks, open space and streetscapes	11,202	-	11,202
Off-street car parks	4,779	-	4,779
Other infrastructure	-	-	-
	460,589	-	460,589
Total asset revaluation reserves	1,609,120	995,462	2,604,582
2018			
	\$'000	\$'000	\$'000
Property			
Land and land improvements	436,711	576,265	1,012,976
Buildings	172,217	(36,662)	135,555
	608,928	539,603	1,148,531
Infrastructure			
Roads	182,240	35,698	217,938
Bridges	17,328	(309)	17,019
Footpaths and cycleways	4,571	(4,571)	-
Drainage	173,366	17,601	190,967
Recreational, leisure and community facilities	16,512	1,246	17,758
Waste management	481	445	926
Parks, open space and streetscapes	8,630	2,572	11,202
Off-street car parks	2,679	2,100	4,779
Other infrastructure	-	-	-
	405,807	54,782	460,589
Total asset revaluation reserves	1,014,735	594,385	1,609,120

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

9.1 Reserves (cont'd)

(b) Other reserves

	Balance at beginning of reporting period	Transfer from accumulated surplus	Transfer to accumulated surplus	Balance at end of reporting period
2019	\$'000	\$'000	\$'000	\$'000
Asset reserve	70,035	(28,258)	50,841	92,618
Developer reserve	210,557	(45,700)	62,308	227,165
General reserve	42,331	(31,051)	24,221	35,501
Total other reserves	322,923	(105,009)	137,370	355,284
2018	\$'000	\$'000	\$'000	\$'000
Asset reserve	51,102	(23,663)	42,596	70,035
Developer reserve	184,489	(52,280)	78,348	210,557
General reserve	39,257	(24,228)	27,302	42,331
Total other reserves	274,848	(100,171)	148,246	322,923

9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)

	2019	2018
Reconciliation of cash flows from operating activities to surplus/(deficit)	\$'000	\$'000
Surplus/(deficit) for the year	1,272,820	833,528
Depreciation/amortisation	48,432	43,669
Profit/(loss) on disposal of property, infrastructure, plant and equipment	3,656	1,956
Fair value adjustment – Assets held for sale	(1,374)	-
Finance costs	2,297	1,820
Decrement on revaluation of asset	-	448
Share of net profits of associates and joint ventures – accounted by equity method	321	197
Contributions – Non-monetary assets	(189,676)	(134,917)
Prior year capital works expensed	6,358	2,351
Net assets revaluation increment/decrement	(995,462)	(594,385)
Change in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(4,703)	(3,102)
(Increase)/decrease in interest receivable	(711)	(660)
(Increase)/decrease in prepayment	387	(2,791)
(Increase)/decrease in trade and other payables	400	(5,360)
(Decrease)/increase in trust funds	309	11,334
(Increase)/decrease in provisions	866	(4,880)
Net cash provided by/(used in) operating activities	143,920	149,209

9.3 Superannuation

Council makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently.

Accumulation

The Fund's accumulation categories receive both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2019, this was 9.5% 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. 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. For the year ended 30 June 2019, this rate was 9.5% of members' salaries (9.5% in 2017/2018).

As at 30 June 2017, a full triennial actuarial investigation was completed. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 103.1%. To determine the VBI, the Fund Actuary used the following long-term assumptions:

- › Net investment returns 6.5% pa
- › Salary information 3.5% pa
- › Price inflation (CPI) 2.5% pa

Vision Super has advised that the actual VBI at 30 June 2019 was 107.1%.

The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2017 actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

Defined benefit 2017 triennial actuarial investigation surplus amounts

The Fund's triennial investigation as at 30 June 2017 identified the following in the defined benefit category of which Council is a contributing employer:

- › A VBI surplus of \$69.8 million
- › A total service liability surplus of \$193.5 million
- › A discounted accrued benefits surplus of \$228.8 million.

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2017. Council was notified of the 30 June 2017 VBI during August 2017.

An interim actuarial investigation was conducted for the Fund's position as at 30 June 2019. It is anticipated that this actuarial investigation will be completed in December 2019.