

MELTON CITY COUNCIL

ANNUAL FINANCIAL REPORT
For the Year Ended 30 JUNE 2016



Draft
6/09/2016

MELTON CITY COUNCIL

Financial Report

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COMPREHENSIVE INCOME STATEMENT**FOR THE YEAR ENDED 30 JUNE 2016**

	Note	2016 \$'000	2015 \$'000
Income			
Rates and charges	3	92,672	85,898
Statutory fees and fines	4	3,366	3,070
User fees	5	8,580	7,040
Grants - operating	6	18,200	31,207
Grants - capital	6	13,390	3,453
Contributions - cash	7	19,078	5,979
Contributions - non monetary assets	7	59,834	39,275
Other income	8	4,379	4,746
Net gain/(loss) on disposal of property, plant and equipment	9	2,113	(547)
Recognition of previously unrecognised non-current assets	20	14,639	-
Fair value adjustments for investment property	21	617	-
Total income		236,868	180,121
Expenses			
Employee costs	10	43,051	43,124
Materials and services	11	56,056	56,926
Utilities		3,690	3,543
Depreciation and amortisation	12	25,103	23,151
Borrowing costs	13	1,422	1,362
Bad and doubtful debts	14	406	403
Total expenses		129,727	128,510
Surplus/(deficit) for the year		107,141	51,611
Other comprehensive income			
Net asset revaluation increment(decrement)	28	298,931	(1,518)
Financial assets available for sale reserve			
- Gain/(loss) taken to equity	22	(41)	81
Total comprehensive result		406,031	50,174

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

MELTON CITY COUNCIL Financial Report for the year ended 30 June 2016

BALANCE SHEET

AS AT 30 JUNE 2016

	Note	2016 \$'000	2015 \$'000
Assets			
Current assets			
Cash and cash equivalents	15	77,555	47,768
Trade and other receivables	16	15,055	10,132
Inventories	17	11	89
Land classified as held for sale	18	1,108	543
Other assets	19	2,148	2,568
Total current assets		95,878	61,100
Non-current assets			
Inventories	17	47	118
Property, infrastructure plant and equipment	20	1,722,055	1,349,642
Investment property	21	6,617	6,000
Financial assets	22	1,349	1,390
Intangible assets	23	4,338	4,665
Total non-current assets		1,734,406	1,361,815
Total assets		1,830,284	1,422,915
Liabilities			
Current liabilities			
Trade and other payables	24	13,697	15,166
Provisions	25	8,736	8,572
Interest bearing liabilities	26	6,915	7,262
Trust funds and deposits	27	2,092	1,532
Total current liabilities		31,439	32,532
Non-current liabilities			
Provisions	25	1,491	1,340
Interest bearing liabilities	26	22,153	21,218
Trust funds and deposits	27	3,896	2,552
Total non-current liabilities		27,540	25,110
Total liabilities		58,979	57,642
Net Assets		1,771,305	1,365,274
Equity			
Accumulated surplus		973,295	881,704
Reserves	28	798,010	483,570
Total Equity		1,771,305	1,365,274

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

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MELTON CITY COUNCIL Financial Report for the year ended 30 June 2016

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

	Note	Total 2016 \$'000	Accumulated Surplus 2016 \$'000	Asset Revaluation Reserve 2016 \$'000	Other Reserves 2016 \$'000
2016					
Balance at beginning of the financial year		1,365,274	881,704	453,193	30,377
Surplus/(deficit) for the year		107,141	107,141	-	-
Net asset revaluation increment/(decrement)	28	298,931	-	298,931	-
Financial Assets Gain/(loss) taken to equity	28	(41)	-	-	(41)
Transfers to other reserves	28	-	(30,920)	-	30,920
Transfers from other reserves	28	-	15,370	-	(15,370)
Balance at end of the financial year		1,771,305	973,295	752,124	45,886
2015					
Balance at beginning of the financial year		1,315,100	826,944	454,711	33,445
Surplus/(deficit) for the year		51,611	51,611	-	-
Net asset revaluation increment/(decrement)	28	(1,518)	-	(1,518)	-
Financial Assets Gain/(loss) taken to equity	28	81	-	-	81
Transfers to other reserves	28	-	(14,791)	-	14,791
Transfers from other reserves	28	-	17,940	-	(17,940)
Balance at end of the financial year		1,365,274	881,704	453,193	30,377

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

MELTON CITY COUNCIL Financial Report for the year ended 30 June 2016

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

		2016	2015
		Inflows/(Outflows)	Inflows/(Outflows)
	Note	\$'000	\$'000
Cash flows from operating activities			
Rates and charges		92,007	85,595
Statutory fees and fines		3,308	2,942
User fees		8,156	7,447
Grants received		31,515	35,174
Contributions and reimbursements		15,530	6,887
Interest received		1,548	1,096
Receipt of trust monies		2,005	(758)
Other receipts		2,976	4,094
Net GST refund/(payment)		5,966	7,876
Payments to suppliers		(68,025)	(68,250)
Payments to employees		(42,694)	(42,005)
Borrowing costs		(1,422)	(1,362)
Net cash provided by (used in) operating activities	29	50,869	38,736
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment		(27,022)	(35,096)
Payments for Other Financial Assets		-	-
Proceeds from sale of property, infrastructure, plant and equipment		5,352	2,030
Net cash provided by (used in) investing activities		(21,670)	(33,066)
Cash flows from financing activities			
Proceeds from borrowings		7,850	15,000
Repayment of borrowings		(7,262)	(11,147)
Net cash provided by (used in) financing activities		588	3,853
Net increase (decrease) in cash and cash equivalents		29,787	9,523
Cash and cash equivalents at the beginning of the financial year		47,768	38,245
Cash and cash equivalents at the end of the financial year	15	77,555	47,768
Financing arrangements	30		
Restrictions on cash assets	15		

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

MELTON CITY COUNCIL Financial Report for the year ended 30 June 2016

STATEMENT OF CAPITAL WORKS

FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$'000	2015 \$'000
Property			
Land	20	655	-
Land under roads	20	96	-
Total land		751	-
Buildings	20	8,531	18,620
Building improvements		-	-
Total buildings		8,531	18,620
Total property		9,282	18,620
Plant and equipment			
Plant, machinery and equipment	20	1,009	1,049
Fixtures, fittings and furniture	20	10	20
Computers and telecommunications	20	-	93
Library books	20	221	355
Total plant and equipment		1,240	1,517
Infrastructure			
Roads	20	8,615	9,012
Bridges	20	14	695
Footpaths and cycleways	20	1,139	1,808
Drainage	20	974	173
Recreational, leisure and community facilities	20	7,235	3,540
Car parks	20	296	670
Total infrastructure		18,273	15,898
Total capital works expenditure		28,795	36,035
Represented by:			
Asset renewal expenditure		5,530	5,357
New asset expenditure		18,689	22,590
Asset Upgrade expenditure		4,014	7,824
Asset expansion expenditure		562	264
Total capital works expenditure		28,795	36,035

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

MELTON CITY COUNCIL Notes to the Financial Statements for the year ended 30 June 2016**Introduction**

The Melton City Council (formerly the Melton Shire Council until 4 September 2012) was established by an Order of the Governor in Council on 15 December 1994 and is a body corporate.
The Council's main office is located at 232 High Street, Melton.

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

Note 1 Significant accounting policies**(a) Basis of Accounting**

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

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

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

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

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

(b) Change in accounting policies

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

(c) Accounting for investments in associates

Council's investment in associates is accounted for by the equity method as the Council has the ability to influence rather than control the operations of the entities. The investment is initially recorded at the cost of acquisition and adjusted thereafter for post-acquisition changes in the Council's share of the net assets of the entities. The Council's share of the financial result of the entities is recognised in the comprehensive income statement.

MELTON CITY COUNCIL Notes to the Financial Statements for the year ended 30 June 2016**Note 1 Significant accounting policies (Continued)****(d) Revenue recognition**

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

Rates and Charges

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

Statutory fees and fines

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

User fees

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

Grants

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

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

Contributions

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

Sale of property, infrastructure, plant and equipment

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

Interest

Interest is recognised as it is earned.

Dividends

Dividend revenue is recognised when the Council's right to receive payment is established.

Other Income

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

MELTON CITY COUNCIL Notes to the Financial Statements for the year ended 30 June 2016**Note 1 Significant accounting policies (Continued)****(e) Fair value measurement**

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

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

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

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

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

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

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

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

(f) Cash and cash equivalents

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

(g) Trade and other receivables

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

(h) Other financial assets

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

(i) Inventories

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

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

MELTON CITY COUNCIL Notes to the Financial Statements for the year ended 30 June 2016**Note 1 Significant accounting policies (Continued)****(j) Non-current assets classified as held for sale**

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

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

The purchase method of accounting is used for all acquisitions of assets, being the fair value of assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition. Fair value is the amount for which the asset could be exchanged between knowledgeable willing parties in an arm's length transaction.

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

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

Revaluation

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

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use on an asset result in changes to the permissible or practical highest and best use of the asset. Further details regarding the fair value hierarchy are disclosed at Note 20, Property, infrastructure, plant and equipment.

In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 2 to 5 years. The valuation is performed either by experienced council officers or independent experts.

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

Land under roads

Land under roads acquired after 30 June 2008 is brought to account using the cost basis. Council does not recognise as an asset land under roads that it controlled prior to that period.

MELTON CITY COUNCIL Notes to the Financial Statements for the year ended 30 June 2016**Note 1 Significant accounting policies (Continued)****(l) Depreciation and amortisation of infrastructure, plant and equipment and intangibles**

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

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

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

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

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

Asset recognition thresholds and depreciation periods	Depreciation Period	Threshold Limit S'000
Roads	10-100 years	10
Footpaths	10-70 years	10
Kerb and Channel	10-70 years	10
Car Parks	10-70 years	10
Traffic Management	10-70 years	10
Bridges	25-100 years	25
Drainage Works	80-100 years	25
Recreation Facilities	3-30 years	1
Other	20-100 years	Nil
Plant and machinery	5 years	5
Buildings	50 years	Nil
Furniture and equipment	3-5 years	5
Land	N/A	Nil
Land under roads	N/A	Nil
Library assets	10 years	Nil

(m) Repairs and maintenance

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

(n) Investment property

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

MELTON CITY COUNCIL Notes to the Financial Statements for the year ended 30 June 2016**Note 1 Significant accounting policies (Continued)****(o) Impairment of assets**

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

(p) Trust funds and deposits

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

(q) Borrowings

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

Borrowing costs

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

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

MELTON CITY COUNCIL Notes to the Financial Statements for the year ended 30 June 2016**Note 1 Significant accounting policies (Continued)****(r) Employee costs and benefits**

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

Wages and salaries and annual leave

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

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

Long service leave

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

Current Liability - unconditional LSL representing 7 years is disclosed as a current liability even when the council does not expect to settle the liability within 12 months because it will not have the unconditional right to defer settlement of the entitlement should an employee take leave within 12 months.

The components of this current liability are measured at :

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

Classification of employee costs

Non-current liability - conditional LSL representing less than 7 years is disclosed as a non - current liability. There is an unconditional right to defer settlement of the entitlement until the employee has completed the requisite years of service.

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

(s) Leases*Operating leases*

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

Leasehold improvements

Leasehold improvements are recognised at cost and are amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter. At balance date, leasehold improvements are amortised over a 1 to 20 year period.

(s) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(t) Financial guarantees

Financial guarantee contracts are not recognised as a liability in the balance sheet unless the lender has exercised their right to call on the guarantee or Council has other reasons to believe that it is probable that that right will be exercised. Details of guarantees that Council has provided, that are not recognised in the balance sheet are disclosed at Note 34 Contingent Liabilities and Contingent Assets.

MELTON CITY COUNCIL Notes to the Financial Statements for the year ended 30 June 2016**Note 1 Significant accounting policies (Continued)****(u) Contingent assets and contingent liabilities and commitments**

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

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

(v) Pending accounting standards

Certain new AAS's have been issued that are not mandatory for the 30 June 2015 reporting period. Council has assessed these pending standards and has identified that no material impact will flow from the application of these standards in future reporting periods.

(w) Rounding

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

MELTON CITY COUNCIL Notes to the Financial Statements for the year ended 30 June 2016**Note 2 Budget comparison**

The budget comparison notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variances. Council has adopted a materiality threshold of the lower of 10 percent or \$250,000 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 23 June 2015. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for revenue and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

a) Income and Expenditure

	Budget	Actual	Variance	
	2016	2016	2016	
	\$'000	\$'000	\$'000	Ref
Income				
Rates and charges	93,067	92,672	(395)	1
Statutory fees and fines	2,290	3,366	1,076	2
User fees	8,780	8,580	(200)	
Contributions - cash	9,550	19,078	9,528	3
Contributions - non-monetary assets	62,500	59,834	(2,666)	4
Grants - Operating (recurrent)	21,867	17,646	(4,221)	5
Grants - Operating (non-recurrent)	222	554	332	6
Grants - Capital (recurrent)	-	2,186	2,186	7
Grants - Capital (non-recurrent)	7,217	11,204	3,987	8
Net gain on disposal of assets	1,779	2,113	334	9
Other income	3,894	4,379	485	10
Recognition of previously unrecognised assets	-	14,639	14,639	11
Fair value adj. for investmt. Property	-	617	617	12
Total Income	211,166	236,868	25,702	
Expenses				
Employee costs	47,008	43,051	(3,957)	13
Materials and services	51,731	56,056	4,325	14
Bad and doubtful debts	400	406	6	
Depreciation and amortisation	23,727	25,103	1,376	15
Finance costs	1,499	1,422	(77)	
Utilities & telephone exps	3,898	3,690	(208)	
Total Expenses	128,263	129,727	1,464	
Surplus/(Deficit)	82,903	107,141	24,238	

MELTON CITY COUNCIL Notes to the Financial Statements for the year ended 30 June 2016

Note 2 Budget comparison (Continued)

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Rates and charges	The decrease is mainly due to supplementary rates being \$267k under budget. The number of new properties becoming rateable was less than predicted.
2	Statutory fees and fines	Budgeted figures did not include the Court Recoveries of 492k, these were allocated under other income. Other variances include additional infringement income due to more proactive patrols of 155k and additional Subdivision Plan checking fees of 218k due to increased level of construction activity in Subdivisions.
3	Contributions - cash	A number of Estates had Developer Infrastructure Levies not budgeted for due to the developers bring forward developments as well as for a higher than budgeted indexation rate. Also a number of works in kind offsets were included in the budget.
4	Contributions - non-monetary assets	Variance to budget due to increases in development activity greater than anticipated.
5	Grants - Operating (recurrent)	In June 2015 the Commonwealth Government brought forward the payment of half the estimated aggregate 2015-2016 Financial Assistance Grants allocation to Victorian councils which amounted to \$6.29m for Melton. Unbudgeted grants were received for Operations of \$386k and addition unbudgeted grants were received for Family and Children of \$502k and Community Planning of \$324k.
6	Grants - Operating (non-recurrent)	Additional and unbudgeted grants were received for Road Safety Education \$161k, Food Bank Relocation \$386k, Sons of the West \$30k and Community Activation Program of \$72k.
7	Grants - Capital (recurrent)	The budget has allocated Roads to Recovery as non recurrent capital grants of \$1.2m. Actual received was for two years.
8	Grants - Capital (non-recurrent)	Roads to Recovery actual have been recorded as recurrent capital grants with budget of \$1.2m. There were a number of unbudgeted grants received for the year which includes Boundary Road Sinclair Road Black spot funding of \$1.6m, 5 McKenzie Street Redevelopment \$1.8m and Atherstone Play Space \$812k. Additional amount above budget of \$2.2m was received Pride of Melton Streetscape Improvements.
9	Net gain on disposal of assets	The variance is due the better than anticipated sales of land.

MELTON CITY COUNCIL Notes to the Financial Statements for the year ended 30 June 2016

Note 2 Budget comparison (Continued)

(i) Explanation of material variations (Continued)

Variance Ref	Item	Explanation
10	Other income	Court recoveries of \$492k have been reported in the actual as Statutory Fees and Charges and Investment Property Rental of \$250k has been included as User Fees in the budget . Interest on investments exceeded budget by \$474k due to larger than anticipated cash holdings and Community Contributions of \$72k towards Turf Wickets were not included in the budget.
11	Recognition of previously unrecognised assets	Previously unrecognised assets not taken into account in preparation of the budget.
12	Fair value adj. for investmt. Property	Fair value adjustment for investment property not taken into account in the preparation of the budget.
13	Employee costs	Agency staff costs have been reported as Contract Labour under Materials and Services in the Financial Statements, they were budgeted for at \$1m. Employee salaries were under budget by \$2.2m due to positions not being filled during the year. Due to the unfilled positions annual leave and superannuation expenses were under budget by \$892k.
14	Materials and services	Major variances to budget include the reallocation of \$2.8m Capital Budget items due to items not meeting capitalisation requirements and allocation of staff agency costs which had actual expenditure of \$2.1m.
15	Depreciation and amortisation	Due to substantial increases in Road assets over the past two years caused by developer contributions and found assets.

MELTON CITY COUNCIL Notes to the Financial Statements for the year ended 30 June 2016

Note 2 Budget comparison (Continued)

b) Capital Works

	Budget 2016 \$'000	Actual 2016 \$'000	Variance 2016 \$'000	Ref
Property				
Land	-	655	655	1
Land Under Roads	-	96	96	2
Total land	-	751	751	
Buildings	15,247	8,531	(6,716)	3
Total buildings	15,247	8,531	(6,716)	
Total property	15,247	9,282	(5,965)	
Plant and equipment				
Plant, machinery and equipment	1,100	1,009	(91)	
Fixtures, fittings and furniture	75	10	(65)	4
Computers and telecommunications	263	-	(263)	5
Library books	200	221	21	
Total plant and equipment	1,638	1,240	(398)	
Infrastructure				
Roads	5,957	8,615	2,658	6
Bridges	820	14	(806)	7
Footpaths and cycleways	-	1,139	1,139	8
Drainage	417	974	557	9
Recreational, leisure and community facilities	10,547	7,235	(3,312)	10
Car parks	-	296	296	11
Other infrastructure	1,828	-	(1,828)	12
Total infrastructure	19,569	18,273	(1,296)	
Total capital works expenditure	36,454	28,795	(7,659)	
Represented by:				
Asset renewal expenditure	6,146	5,530	(616)	
New asset expenditure	26,071	18,689	(7,382)	
Asset Upgrade expenditure	3,477	4,014	537	
Asset expansion expenditure	760	562	(198)	
Total capital works expenditure	36,454	28,795	(7,659)	

MELTON CITY COUNCIL Notes to the Financial Statements for the year ended 30 June 2016

Note 2 Budget comparison (Continued)

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Land	Land that has been provided by developer for open space that is over and above requirements under their development agreement for which Council has had to compensate.
2	Land Under Roads	Additional amounts paid by Council for the compulsory acquisition of land for the widening of roads.
3	Buildings	Council office space development budgeted \$6.6m which has not yet commenced.
4	Fixtures, fittings and furniture	Variance is due to items not meeting capitalisation requirements.
5	Computers and telecommunications	Variance is due to items not meeting capitalisation requirements.
6	Roads	Budget did not include works done at Boundary and Sinclair Roads of \$1.4m. Funding for this work was applied for after the budget was completed and is fully funded by the Black spot Funding Program. \$1.5m of road works were completed under the Community Initiative Development Expenditure agreement with Lend Lease for the early delivery of infrastructure in the Atherstone Estate, these works were not included in the budget.
7	Bridges	Budget had allocated \$800k for Abey Road Bridge but due to protracted land acquisition negotiations project commencement has been delayed.
8	Footpaths and cycleways	Works on shared paths of \$141k is not included in the budgeted figure but the expenditure was approved as a carry forward project from the prior year. New footpaths construction program works of \$398k allocated as Roads in the budget. Footpath works in passive open spaces of \$206k and Bridge Road Reserve Athletic Facility of \$347k were allocated to Recreation in the budget.
9	Drainage	Minns Road Retarding Basin Development had budgeted works of \$300k, these have been expensed due to not meeting capitalisation requirements. Works at Boundary Road and Sinclair Road under the Black spot Funding grant amounted to \$245k and had no budget as explained under variance reference 6. Works of \$620k at the Bridge Road Reserve Athletics Facility were allocated under Recreation.
10	Recreational, leisure and community facilities	Actual spend of \$206k for Passive Open Spaces and \$347k for Bridge Road have been allocated under Footpaths. Actual spend of \$620k at Bridge Road Reserve Athletics Facility has been allocated to Drainage. \$296k actual spend has been allocated as Car parks. Amounts of \$215k have been expensed due to not meeting capitalisation requirements. \$950k for Community Infrastructure Development Expenditure relating to Entry Park works at Atherstone were not included in the budget.
11	Car parks	There has been works of \$296k that have been allocated as Recreation for the budget.
12	Other infrastructure	Items not meeting capitalisation requirements or reallocated to other asset classes.

MELTON CITY COUNCIL Notes to the Financial Statements for the year ended 30 June 2016

	2016	2015
	\$'000	\$'000
Note 3 Rates and Charges		
Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The CIV of a property is the value of the land and improvements. The valuation base used to calculate general rates for 2015/2016 was \$20,380,903,900 (2014/2015 \$19,860,889,400). The rate in the CIV dollar was:		
	2016	2015
General Developed Land	0.0034870	0.0033400
Commercial Developed	0.0055791	0.0053440
Industrial Developed	0.0055791	0.0053440
Rural Living	0.0031383	0.0030060
Retirement Village	0.0029638	0.0028389
Vacant Land	0.0052305	0.0050101
Commercial Vacant Land	0.0069739	0.0066800
Industrial Vacant	0.0069739	0.0066800
Rural	0.0025106	0.0024048
Extractive Land	0.0100424	0.0096193
Urban Growth Land (Included in General Rate 2013/14)	0.0026152	0.0025050
	2016	2015
	\$'000	\$'000
General	59,931	55,930
Commercial	5,766	8,060
Industrial	5,007	1,910
Rural	2,300	2,173
Municipal charge	6,704	6,295
Garbage charge	10,783	10,255
Supplementary rates and rate adjustments	2,183	1,274
	92,672	85,898

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2014, and the valuation was first applied in the rating year commencing 1 July 2014. The date of the previous general revaluation of land for rating purposes within the municipal district was 1 January 2012, and the valuation first applied in the rating period commencing 1 July 2012.

MELTON CITY COUNCIL Notes to the Financial Statements for the year ended 30 June 2016

	2016 \$'000	2015 \$'000
Note 4 Statutory fees and fines		
Infringements and costs	1,233	1,153
Court recoveries	492	620
Town planning fees	175	92
Land information certificates	123	95
Permits	937	821
Property Information Requests	405	289
	<u>3,366</u>	<u>3,070</u>
Note 5 User fees		
Leisure centre and recreation	1,486	1,158
Child care/children's program	710	547
Aged and health services	429	431
Registration and other permits	1,120	876
Building services	337	253
Youth program fees	89	80
Infrastructure management fees	-	162
Subdivision fees	1,755	936
Waste management services	1,956	1,952
Other fees and charges	698	646
	<u>8,580</u>	<u>7,040</u>

MELTON CITY COUNCIL Notes to the Financial Statements for the year ended 30 June 2016

	2016 \$'000	2015 \$'000
Note 6 Grants		
Grants were received in respect of the following:		
Summary of grants		
Commonwealth funded grants	10,847	24,146
State funded grants	19,876	10,117
Others	867	397
Total	31,590	34,660
Operating Grants		
<i>Recurrent - Commonwealth Government</i>		
Victoria Grants Commission	6,630	18,913
Family and children	1,159	1,373
Other	880	841
<i>Recurrent - State Government</i>		
Aged and disability services	4,188	4,138
Childrens services	2,072	1,915
Community support and development	871	844
Environment	83	603
Recreation and leisure	2	-
Community health	116	117
Roads	0	40
Libraries	812	796
Youth Services	55	48
Other	449	228
<i>Other</i>		
Community	330	230
Total recurrent operating grants	17,646	30,087
<i>Non-recurrent - Commonwealth Government</i>		
Environment	-	233
<i>Non-Recurrent - State Government</i>		
Aged and disability services	30	40
Business growth and sustainability	-	2
Childrens services	2	45
Community support and development	210	150
Community safety	172	151
Recreation and leisure	-	280
Roads	2	-
Environment	27	24
Family, youth and housing	-	3
Other	98	24
<i>Non-Recurrent - Other</i>		
Community health	13	167
Total non-recurrent - operating grants	554	1,120
Total operating grants	18,200	31,207

MELTON CITY COUNCIL Notes to the Financial Statements for the year ended 30 June 2016

Note 6	Grants (Continued)	2016 \$'000	2015 \$'000
	Capital Grants		
	<i>Recurrent - Commonwealth Government</i>		
	Roads to Recovery	2,178	770
	Other	8	-
	Total recurrent capital grants	<u>2,186</u>	<u>770</u>
	<i>Non-recurrent - Commonwealth Government</i>		
	Buildings	-	2,015
	<i>Non-recurrent - State Government</i>		
	Buildings	2,048	668
	Drainage	605	-
	Recreation	2,142	-
	Roads	5,418	-
	Other	476	-
	<i>Non-recurrent - Other</i>		
	Buildings	60	-
	Recreation	455	-
	Total non-recurrent capital grants	<u>11,204</u>	<u>2,683</u>
	Total capital grants	<u>13,390</u>	<u>3,453</u>
	Conditions over grants		
	Grants recognised as revenue during the year and which were obtained on the condition that they be expended in a specified manner but had yet to be applied in that manner as at the reporting date were:	4,963	1,609
	Grants which were recognised as revenues in previous periods and were expended during the current year in the manner specified by the grantor were:	1,609	6,155
	Net increase/(decrease) in restricted assets resulting from grant revenues for the year:	<u>3,354</u>	<u>(4,546)</u>
Note 7	Contributions		
	Monetary	19,078	5,979
	Non-Monetary	59,834	39,275
	Total contributions	<u>78,912</u>	<u>45,254</u>
	Contributions of non monetary assets were received in relation to the following asset classes:		
	Land	12,686	7,093
	Land under roads	2,967	3,520
	Buildings	-	2,279
	Roads	13,327	10,968
	Footpaths	7,748	3,402
	Drainage	14,668	9,179
	Recreation	-	444
	Kerb and Channel	3,470	1474
	Traffic Management	4,967	916

MELTON CITY COUNCIL Notes to the Financial Statements for the year ended 30 June 2016

	2016 \$'000	2015 \$'000
Note 8 Other income		
Festival sponsorship	50	32
Program Revenue	760	724
Rebates	817	1,196
Investment property rental	252	249
Interest	1,674	1,106
Other	826	1,440
	<u>4,379</u>	<u>4,746</u>
Note 9 Net gain/(loss) on disposal of property, infrastructure, plant and equipment		
Proceeds of sale	7,738	4,024
Written down value of assets disposed	(5,625)	(4,571)
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	<u>2,113</u>	<u>(547)</u>
Note 10 Employee costs		
Wages and salaries	36,064	36,449
Workcover	1,077	916
Superannuation	3,351	3,332
Casual staff	1,345	1,502
Fringe benefits tax	474	454
Other	740	470
	<u>43,051</u>	<u>43,124</u>
Superannuation		
Council made contributions to the following funds:		
Defined benefit fund		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	<u>206</u>	<u>208</u>
Employer contributions payable at reporting date	-	-
Accumulation funds		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	<u>3,145</u>	<u>3,125</u>
Employer contributions payable at reporting date	-	-
Council account for its obligations under the defined benefit fund as if it was a defined contribution plan. The reason for this is that the fund manager, Vision Super, is unable to provide accurate information to each employer in a timely manner. Additional information about Council's exposure in relation to the defined benefit fund is detailed at note 31.		

MELTON CITY COUNCIL Notes to the Financial Statements for the year ended 30 June 2016

	2016 \$'000	2015 \$'000
Note 11 Materials and services		
Contract payments	28,404	26,833
Maintenance	6,771	10,048
Garbage collection and disposal	2,080	1,940
Consultants	373	283
Contract labour	3,219	2,126
Administrative support	5,825	5,835
Program expenses	3,540	3,570
Professional fees	2,142	2,128
Insurances	946	904
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquitals	66	76
Auditors' remuneration - Internal	101	61
Contributions and donations	617	449
Councillors allowances	289	253
Transport and vehicle operations	277	296
Other	1,406	2,123
	<u>56,056</u>	<u>56,926</u>
Note 12 Depreciation and amortisation		
Property	3,013	2,683
Plant and equipment	1,250	1,534
Infrastructure	20,513	18,607
Intangible assets	327	327
	<u>25,103</u>	<u>23,151</u>
<i>Refer to note 20 for a more detailed breakdown of depreciation and amortisation charges</i>		
Note 13 Borrowing costs		
Interest - borrowings	1,422	1,362
	<u>1,422</u>	<u>1,362</u>
Note 14 Bad and doubtful debts		
Infringements	354	371
Other	52	32
	<u>406</u>	<u>403</u>

MELTON CITY COUNCIL Notes to the Financial Statements for the year ended 30 June 2016

	2016 \$'000	2015 \$'000
Note 15 Cash and cash equivalents		
Cash on hand	7	5
Cash at Bank	6,691	8,480
Short Term Investments	70,857	39,283
	<u>77,555</u>	<u>47,768</u>
Council's cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:		
- Reserves (Note 28)	42,597	27,870
- Trust funds and deposits (Note 27)	5,814	3,809
- Fire Services Levy (Note 24)	501	573
Total unrestricted cash and cash equivalents	<u>28,643</u>	<u>15,516</u>
Intended allocations		
Although not externally restricted the following amounts have been allocated for specific future purposes by Council:		
- Cash held to fund carried forward capital works	20,418	14,400
Total funds subject to intended allocations	<u>20,418</u>	<u>14,400</u>
Note 16 Trade and Other Receivables		
<i>Current</i>		
Rates debtors	6,154	5,489
Parking infringement debtors	825	767
Provision for doubtful debts - parking infringements	(497)	(480)
Other debtors	9,451	5,471
Provision for doubtful debts - other debtors	(1,096)	(1,209)
Accrued interest	218	93
	<u>15,055</u>	<u>10,132</u>
<i>Non-current</i>		
Other debtors	-	-
	<u>-</u>	<u>-</u>
Total trade and other receivables	<u>15,055</u>	<u>10,132</u>
a) Ageing of Receivables		
At balance date other debtors representing financial assets were past due but not impaired. These amounts relate to a number of independent customers for whom there is no recent history of default. The ageing of the Council's trade & other receivables (excluding statutory receivables) was:		
Current (not yet due)	5,878	3,044
Past due by up to 30 days	1,848	579
Past due between 31 and 180 days	403	653
Past due between 181 and 365 days	435	167
Past due by more than 1 year	1,105	1,121
Total trade & other receivables	<u>9,669</u>	<u>5,564</u>

MELTON CITY COUNCIL Notes to the Financial Statements for the year ended 30 June 2016

	2016 \$'000	2015 \$'000
Note 16 Trade and Other Receivables (Continued)		
b) Movement in provisions for doubtful debts		
Balance at the beginning of the year	1,209	1,033
New Provisions recognised during the year	315	274
Amounts already provided for and written off as uncollectible	(321)	(84)
Amounts provided for but recovered during the year	(108)	(14)
Balance at end of year	<u>1,095</u>	<u>1,209</u>
c) Ageing of individually impaired Receivables		
At balance date, other debtors representing financial assets with a nominal value of \$1,593,287 (2015: \$1,688,924) were impaired. The amount of the provision raised against these debtors was \$1,593,287 (2015: \$1,688,924). The individually have been impaired as a result of their doubtful collection. Many of the long outstanding past due amounts have been lodged with Council's debt collectors or are on payment arrangements.		
The ageing of receivables that have been individually determined as impaired at reporting date was:		
Current (not yet due)	-	-
Past due by up to 30 days	-	-
Past due between 31 and 180 days	-	-
Past due between 181 and 365 days	-	-
Past due by more than 1 year	1,095	1,209
Total trade & other receivables	<u>1,095</u>	<u>1,209</u>
Note 17 Inventories		
<i>Current</i>		
Land for Interment Purposes	11	89
<i>Non-current</i>		
Land for Interment Purposes	47	118
Total Inventories	<u>58</u>	<u>207</u>

MELTON CITY COUNCIL Notes to the Financial Statements for the year ended 30 June 2016

	2016 \$'000	2015 \$'000
Note 18 Land classified as held for sale		
Opening balance	543	142
Transfers to land	-	(18)
Additions	1,003	495
Sales (WDV)	(438)	(76)
Revaluation Increment/(Decrement)	-	-
Total	<u>1,108</u>	<u>543</u>

Assets held for sale are carried at fair value less cost of disposal. The following table provides Council's fair value measurement hierarchy for assets held for sale:

	Carrying value at 30 June \$000	Fair Value measurement at the end of the period using(1):		
		Level 1 \$000	Level 2 \$000	Level 3 \$000
Land	1,108	-	1,108	-

(1) – Classified in accordance with fair value hierarchy – see note 20

Note 19 Other assets		
<i>Current</i>		
Accrued land sales	<u>2,148</u>	<u>2,568</u>
Total Other assets	<u>2,148</u>	<u>2,568</u>

MELTON CITY COUNCIL Notes to the Financial Report for the year ended 30 June 2016

Note 20 Property, infrastructure plant and equipment

	At Fair Value 30 June 2016	Accumulated Depreciation	WDV 30 June 2016	At Fair Value 30 June 2015	Accumulated Depreciation	WDV 30 June 2015
Summary of property, infrastructure plant and equipment						
Land	379,034	-	379,034	357,550	-	357,550
Buildings	165,407	(35,624)	129,783	155,721	(32,617)	123,104
Plant and Equipment	14,622	(10,665)	3,957	14,897	(10,470)	4,427
Infrastructure	1,442,223	(244,745)	1,197,478	1,033,381	(177,035)	856,346
Work in progress	11,802	-	11,802	8,216	-	8,216
	2,013,088	(291,033)	1,722,055	1,569,765	(220,122)	1,349,643

Summary of Work in Progress

	Opening WIP	Additions	Transfers	Write Offs	Closing WIP
Buildings	4,221	134	(1,298)	-	3,057
Plant and Equipment	-	-	-	-	-
Infrastructure	3,995	5,632	(876)	(6)	8,745
Total	8,216	5,766	(2,174)	(6)	11,802

MELTON CITY COUNCIL Notes to the Financial Report for the year ended 30 June 2016

Note 20 Property, infrastructure plant and equipment

	Land - specialised	Land - non specialised	Land Under Roads	Total Land	Buildings - specialised	Buildings - non specialised	Total Buildings	Work In Progress	Total Property
Land and Buildings									
At fair value 1 July 2015	234,277	96,334	26,939	357,550	145,943	9,778	155,721	4,221	517,492
Accumulated depreciation at 1 July 2015	234,277	96,334	26,939	357,550	(32,617)	-	(32,617)	4,221	(32,617)
Movements in fair value									
Acquisition of assets at fair value	13,341	-	3,063	16,404	8,397	-	8,397	134	24,935
Revaluation increments/decrements	11,305	(421)	-	10,884	-	-	-	-	10,884
Fair value of assets disposed	-	(2,529)	-	(2,529)	(9)	-	(9)	-	(2,538)
Transfers	(2,280)	(449)	449	(2,280)	(982)	2,280	1,298	(1,298)	(2,280)
Assets available for sale	(995)	(995)	-	(995)	-	-	-	-	(995)
	22,366	(4,394)	3,512	21,484	7,406	2,280	9,686	(1,164)	30,006
Movements in accumulated depreciation									
Depreciation and amortisation	-	-	-	-	(2,768)	(245)	(3,013)	-	(3,013)
Revaluation increments/decrements	-	-	-	-	-	-	-	-	-
Accumulated depreciation of disposals	-	-	-	-	6	-	6	-	6
Transfers	-	-	-	-	-	-	-	-	-
	-	-	-	-	(2,762)	(245)	(3,007)	-	(3,007)
At fair value 30 June 2016	256,643	91,940	30,451	379,034	153,349	12,058	165,407	3,057	547,498
Accumulated depreciation at 30 June 2016	-	-	-	-	(35,379)	(245)	(35,624)	-	(35,624)
	256,643	91,940	30,451	379,034	117,970	11,813	129,783	3,057	511,874

MELTON CITY COUNCIL Notes to the Financial Report for the year ended 30 June 2016**Note 20 Property, infrastructure plant and equipment (Continued)**

Plant and Equipment	Note	Plant machinery and equipment	Fixtures fittings and furniture	Computers and telecomms	Library books	Total plant and equipment
At fair value 1 July 2015		4,689	645	5,655	3,908	14,897
Accumulated depreciation at 1 July 2015		(2,283)	(632)	(5,383)	(2,172)	(10,470)
		2,406	13	272	1,736	4,427
Movements in fair value						
Acquisition of assets at cost		1,009	11	-	221	1,241
Revaluation increments/decrements		-	-	-	-	-
Cost of assets disposed		(855)	-	-	(661)	(1,516)
Transfers		-	-	-	-	-
		154	11	-	(440)	(275)
Movements in accumulated depreciation						
Depreciation and amortisation		(825)	(9)	(152)	(265)	(1,251)
Accumulated depreciation of disposals		575	-	-	481	1,056
Transfers		-	-	-	-	-
		(250)	(9)	(152)	216	(195)
At fair value 30 June 2016		4,843	656	5,655	3,468	14,622
Accumulated depreciation at 30 June 2016		(2,533)	(641)	(5,535)	(1,956)	(10,665)
		2,310	15	120	1,512	3,957

MELTON CITY COUNCIL Notes to the Financial Report for the year ended 30 June 2016

Note 20 Property, infrastructure plant and equipment (Continued)

Note	Roads	Bridges	Footpaths	Drainage	Recreation	Kerb and Channel	Traffic Management	Car Parks	Other Infrastructure	Work In Progress	Total Infrastructure
Infrastructure											
At fair value 1 July 2015	447,632	15,786	106,579	280,212	39,943	78,663	55,884	5,915	2,767	3,995	1,037,376
Accumulated depreciation at 1 July 2015	(60,462)	(5,356)	(27,160)	(40,358)	(18,260)	(16,442)	(5,646)	(2,158)	(1,193)	-	(177,036)
	387,170	10,430	79,419	239,854	21,683	62,221	50,238	3,757	1,574	3,995	860,340
Movements in fair value											
Acquisition of assets at fair value	17,948	-	8,883	15,639	5,153	3,794	5,093	296	-	5,632	62,438
Revaluation increments/decrements *	281,090	-	-	51,622	-	-	-	-	-	-	332,712
Fair value of assets disposed	(112)	(97)	(361)	(661)	(157)	(1)	(37)	-	-	(6)	(1,432)
Previously unrecognised assets	17,166	-	-	-	-	-	-	-	-	-	17,166
Transfers	2,992	-	369	71	47	21	84	-	-	(876)	2,708
Assets available for sale	-	-	-	-	-	-	-	-	-	-	-
	319,084	(97)	8,891	66,671	5,043	3,814	5,140	296	-	4,750	413,592
Movements in accumulated depreciation											
Depreciation and amortisation	(10,308)	(215)	(1,733)	(3,064)	(2,209)	(1,416)	(1,196)	(280)	(92)	-	(20,513)
Accumulated depreciation of disposals	45	-	140	94	141	-	2	-	-	-	422
Revaluation increments/decrements *	(35,483)	-	-	(9,182)	-	-	-	-	-	-	(44,665)
Previously unrecognised assets	(2,526)	-	-	-	-	-	-	-	-	-	(2,526)
Transfers	(428)	-	-	-	-	-	-	-	-	-	(428)
	(48,700)	(215)	(1,593)	(12,152)	(2,068)	(1,416)	(1,194)	(280)	(92)	-	(67,710)
At fair value 30 June 2016	766,716	15,689	115,470	346,883	44,986	82,477	61,024	6,211	2,767	8,745	1,450,968
Accumulated depreciation at 30 June 2016	(109,162)	(5,571)	(28,753)	(52,510)	(20,328)	(17,858)	(6,840)	(2,438)	(1,285)	-	(244,746)
	657,554	10,118	86,717	294,373	24,658	64,619	54,184	3,773	1,482	8,745	1,206,222

* Changes in accounting estimates of Roads has resulted in an increase in the valuation of \$205,701,526. The valuation of Road assets includes the value of construction costs.

MELTON CITY COUNCIL Notes to the Financial Report for the year ended 30 June 2016

Note 20 Property, infrastructure plant and equipment (Continued)*Valuation of land and buildings*

Valuation of land and buildings were undertaken by a qualified independent valuer (Landlink Opteon, the municipal valuers). The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

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

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

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

	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000
Land - non specialised	-	91,940	-
Land - specialised	-	-	287,094
Buildings - non specialised	-	11,813	-
Buildings - specialised	-	-	117,970
Total	-	103,753	405,064

Valuation of infrastructure

Valuation of infrastructure assets has been determined in accordance with a valuation undertaken by Assetic Pty Ltd.

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

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

	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000
Roads	-	-	657,554
Bridges	-	-	10,118
Footpaths	-	-	86,717
Drainage	-	-	294,373
Recreation	-	-	24,658
Kerb and Channel	-	-	64,619
Traffic Management	-	-	54,184
Car Parks	-	-	3,773
Other Infrastructure	-	-	1,482
Total	-	-	1,197,478

MELTON CITY COUNCIL Notes to the Financial Report for the year ended 30 June 2016

Note 20 Property, infrastructure plant and equipment (Continued)*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 5% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$1 and \$815 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 \$20 to \$300 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 1 years to 50 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

Infrastructure assets are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 10 years to 70 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

	2016	2015
	\$'000	\$'000
Reconciliation of specialised land		
Land under roads	30,451	26,939
Parks and reserves	256,643	234,277
Total specialised land	<u>287,094</u>	<u>261,216</u>

Note 21 Investment property

Opening balance	6,000	6,000
Transfers to land and buildings	-	-
Additions	-	-
Revaluation Increment/(Decrement)	617	-
Total	<u>6,617</u>	<u>6,000</u>

Valuation of investment property has been determined in accordance with an independent valuation by Landlink-Opteon, a registered valuer who has recent experience in the location and category of the property being valued. The valuation is at fair value, based on the current market value for the property.

MELTON CITY COUNCIL Notes to the Financial Report for the year ended 30 June 2016

	2016 \$'000	2015 \$'000
Note 22		
Financial assets		
Unlisted shares - Regional Kitchen Pty Ltd	1,349	1,390
Note 23		
Intangible assets		
Non-Exclusive Licences - Caroline Springs College		
Creekside Campus	648	748
- Springside Childrens and Community Centre	1,365	1,437
- Koroiot Creek Early Learning Centre	2,325	2,480
	<u>4,338</u>	<u>4,665</u>
- The Department of Education and Early Childhood Development and the Caroline Springs College have granted non-exclusive licences to the Melton City Council to use the Creekside facility. Amortisation of the licence is expensed over the term of the licence until 30 June 2026.		
- The Department of Education and Early Childhood Development has granted non-exclusive licences to the Melton City Council to use the Springside and Koroiot Creek facilities. Amortisation of the licence is expensed over the term of the licence until 30 June 2029 (Springside) and 30 June 2031 (Koroiot Creek).		
	Non-Exclusive Licences 2016 \$'000	Total 2016 \$'000
Gross carrying amount		
Balance at 1 July 2014	6,540	6,540
Additions	-	-
Balance at 1 July 2015	<u>6,540</u>	<u>6,540</u>
Additions	-	-
Balance at 30 June 2016	<u>6,540</u>	<u>6,540</u>
Accumulated amortisation and impairment		
Balance at 1 July 2014	(1,548)	(1,548)
Amortisation expense	(328)	(328)
Balance at 1 July 2015	<u>(1,876)</u>	<u>(1,876)</u>
Amortisation expense	(328)	(328)
Balance at 30 June 2016	<u>(2,204)</u>	<u>(2,204)</u>
Net book value at 30 June 2015	<u>4,664</u>	<u>4,664</u>
Net book value at 30 June 2016	<u>4,336</u>	<u>4,336</u>
Note 24		
Trade and other payables		
Trade payables	5,034	5,103
Accrued Expense	8,663	10,063
	<u>13,697</u>	<u>15,166</u>

MELTON CITY COUNCIL Notes to the Financial Report for the year ended 30 June 2016

Note 25	Provisions	Annual leave	Long service leave
	2016	\$'000	\$'000
	Balance at beginning of the financial year	3,244	6,668
	Additional provisions	3,070	1,313
	Amount used	<u>(3,137)</u>	<u>(931)</u>
	Balance at the end of the financial year	<u>3,177</u>	<u>7,050</u>
	2015		
	Balance at beginning of the financial year	3,047	5,921
	Additional provisions	2,804	1,054
	Amount used	<u>(2,607)</u>	<u>(307)</u>
	Balance at the end of the financial year	<u>3,244</u>	<u>6,668</u>
		2016	2015
		\$'000	\$'000
	Current provisions expected to be settled within 12 months		
	Annual leave	2,342	2,363
	Long service leave	<u>441</u>	<u>394</u>
		<u>2,783</u>	<u>2,757</u>
	Current provisions expected to be settled after 12 months		
	Annual leave	835	881
	Long service leave	<u>5,118</u>	<u>4,934</u>
		<u>5,953</u>	<u>5,815</u>
	Total current provisions	<u>8,736</u>	<u>8,572</u>
	Non-current		
	Long service leave	1,491	1,340
	The following assumptions were adopted in measuring the present value of long service leave and retiring gratuity:		
	Weighted average increase in employee costs	4.13%	4.44%
	Weighted average discount rates	1.99%	3.03%
	Weighted average settlement period	144mths	144mths

MELTON CITY COUNCIL Notes to the Financial Report for the year ended 30 June 2016

	2016 \$'000	2015 \$'000
Note 26		
Interest bearing liabilities		
<i>Current</i>		
Loans- secured	6,915	7,262
	<u>6,915</u>	<u>7,262</u>
<i>Non-current</i>		
Loans- secured	22,153	21,218
	<u>22,153</u>	<u>21,218</u>
Total interest-bearing liabilities	<u>29,068</u>	<u>28,480</u>
The maturity profile for Council's borrowings is:		
Not later than one year	6,915	7,262
Later than one year and not later than five years	11,479	13,293
Later than five years	10,674	7,925
	<u>29,068</u>	<u>28,480</u>

Borrowings are secured by way of mortgages over the general rates of the Council.

Note 27		
Trust funds and deposits		
<i>Current</i>		
Refundable deposits	1,919	1,257
Construction retention monies	173	275
	<u>2,092</u>	<u>1,532</u>
<i>Non-current</i>		
Refundable deposits	3,896	2,552
Other	-	-
	<u>3,896</u>	<u>2,552</u>
	<u>5,987</u>	<u>4,084</u>

Purpose and nature of items

Refundable deposits

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

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

MELTON CITY COUNCIL Notes to the Financial Report for the year ended 30 June 2016

	2016 \$'000	2015 \$'000	
Note 28 Reserves			
(a) Asset revaluation reserve			
Balance at beginning of reporting period	453,193	454,711	
Increment (decrement)	<u>298,931</u>	<u>(1,518)</u>	
Balance at end of reporting period	<u>752,124</u>	<u>453,193</u>	
(b) Other reserves			
Balances			
Street trees/drainage *	864	842	
Community infrastructure *	41,733	26,703	
Asset replacement	2,304	1,444	
Perpetual Maintenance	121	118	
Public Art	230	279	
Available for Sale Financial Assets	289	330	
Conditional Grants *	-	325	
Defined Benefit Call	344	335	
Total other reserves	<u>45,885</u>	<u>30,376</u>	
Total reserves	<u>798,009</u>	<u>483,569</u>	
* Restricted Reserves			
Movements			
	Opening balance \$'000	Movement \$'000	Closing balance \$'000
<u>Asset revaluation reserve</u>			
<u>Net movement in asset valuations</u>			
Land	215,471	10,884	226,355
Buildings	58	-	58
Roads *	150,059	245,607	395,666
Bridges	5,023	-	5,023
Drains	80,990	42,440	123,430
Recreation	913	-	913
Other	679	-	679
Total	<u>453,193</u>	<u>298,931</u>	<u>752,124</u>

* Changes in accounting estimates of Roads has resulted in an increase in the valuation of \$205,701,526. The valuation of Road assets includes the value of construction costs.

MELTON CITY COUNCIL Notes to the Financial Report for the year ended 30 June 2016

	2016 \$'000	2015 \$'000
Note 28 Reserves (Continued)		
<u>Street trees/drainage</u>		
<i>Developer contributions for provision of drainage assets and street beautification</i>		
Balance at beginning of the financial year	842	822
Transfer from accumulated surplus	22	20
Transfer to accumulated surplus	-	-
Balance at end of the financial year	<u>864</u>	<u>842</u>
<u>Community infrastructure</u>		
<i>Provision of community infrastructure in developing subdivisions</i>		
Balance at beginning of the financial year	26,703	24,091
Transfer from accumulated surplus	29,386	12,638
Transfer to accumulated surplus	(14,356)	(10,026)
Balance at end of the financial year	<u>41,733</u>	<u>26,703</u>
<u>Asset replacement</u>		
<i>Provision for ongoing replacement of plant and equipment</i>		
Balance at beginning of the financial year	1,444	1,685
Transfer from accumulated surplus	1,492	1,503
Transfer to accumulated surplus	(632)	(1,744)
Balance at end of the financial year	<u>2,304</u>	<u>1,444</u>
<u>Perpetual Maintenance</u>		
<i>Provision for cemetery perpetual maintenance</i>		
Balance at beginning of the financial year	118	115
Transfer from accumulated surplus	3	3
Transfer to accumulated surplus	-	-
Balance at end of the financial year	<u>121</u>	<u>118</u>
<u>Public Art Reserve</u>		
<i>Provision for public art</i>		
Balance at beginning of the financial year	279	136
Transfer from accumulated surplus	8	158
Transfer to accumulated surplus	(57)	(15)
Balance at end of the financial year	<u>230</u>	<u>279</u>
<u>Available for Sale Financial Assets</u>		
<i>Provision for movements in available for sale financial assets (Regional Kitchen Refer 22)</i>		
Balance at beginning of the financial year	330	250
Gain taken to equity	-	80
Loss taken to equity	(41)	-
Balance at end of the financial year	<u>289</u>	<u>330</u>
<u>Conditional Grants</u>		
<i>Provision for conditional grants</i>		
Balance at beginning of the financial year	325	6,018
Transfer from accumulated surplus	-	462
Transfer to accumulated surplus	(325)	(6,155)
Balance at end of the financial year	<u>-</u>	<u>325</u>

MELTON CITY COUNCIL Notes to the Financial Report for the year ended 30 June 2016

	2016	2015
	\$'000	\$'000
Note 28		
Reserves (Continued)		
<i>Defined Benefit Call</i>		
<i>Provision for Defined Benefit Call</i>		
Balance at beginning of the financial year	335	328
Transfer from accumulated surplus	9	7
Transfer to accumulated surplus	-	-
Balance at end of the financial year	<u>344</u>	<u>335</u>
Note 29		
Reconciliation of cash flows from operating activities to surplus/(deficit)		
<i>Surplus for the year</i>	107,141	51,611
Depreciation and amortisation	25,103	23,151
Contributions - Non-monetary assets	(59,834)	(39,275)
(Profit)/loss on disposal property, infrastructure, plant and equip.	(2,113)	547
Fair value adjustments for investment property	(617)	-
Recognition of previously unrecognised non-current assets	(14,639)	-
<i>Change in assets and liabilities</i>		
(Increase)/decrease in rate debtors	(665)	(302)
(Increase)/decrease in other receivables	(4,259)	790
(Increase)/decrease in other assets	420	(1,673)
(Increase)/decrease in land held for resale	(565)	(401)
Increase/(decrease) in payables	(1,469)	3,900
Increase/(decrease) in trust funds	1,904	(642)
Increase/(decrease) in provisions	314	941
(Increase)/decrease in inventories	149	89
Net cash provided by operating activities	<u>50,869</u>	<u>38,736</u>
Note 30		
Financing arrangements		
Bank overdraft	1,900	1,900
Used facilities	-	-
Unused facility	<u>1,900</u>	<u>1,900</u>
Bank overdraft facilities could be drawn at any time as per the existing banking agreement.		

MELTON CITY COUNCIL Notes to the Financial Report for the year ended 30 June 2016**Note 31 Superannuation**

Melton City 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. Obligations for contributions to the Fund are recognised as an expense in Comprehensive Operating Statement when they are made or due.

Accumulation

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

Defined Benefit

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

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

Funding arrangements

Melton City Council makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund's Actuary.

As at 30 June 2015, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which Melton City Council is a contributing employer was 105.8%. To determine the VBI, the fund Actuary used the following long-term assumptions:

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

Vision Super has advised that the estimated VBI at June 2016 was 102.0%. The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 2015 interim actuarial investigation determined the defined benefit category was in a satisfactory financial position and that no change was necessary to the defined benefit category's funding arrangements from prior years.

Employer contributions**Regular contributions**

On the basis of the results of the 2015 interim actuarial investigation conducted by the Fund's Actuary, Melton City Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2016, this rate was 9.5% of members' salaries (9.5% in 2014/2015). This rate will increase in line with any increase to the Superannuation Guarantee (SG) contribution rate. In addition, Melton City Council reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

MELTON CITY COUNCIL Notes to the Financial Report for the year ended 30 June 2016

Note 31 Superannuation (Continued)**Funding calls**

If the defined benefit category is in an unsatisfactory financial position at actuarial investigation or the defined benefit category's VBI is below its shortfall limit at any time other than the date of the actuarial investigation, the defined benefit category has a shortfall for the purposes of SPS 160 and the Fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%.

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Melton City Council) are required to make an employer contribution to cover the shortfall.

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

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up.

If there is a surplus in the Fund, the surplus cannot be returned to the participating employers.

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

2015 Interim actuarial investigation surplus amounts

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

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

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2015.

The total service liability surplus means that the current value of the assets in the Fund's defined benefit category plus expected future contributions exceeds the value of expected future benefits and expenses.

Melton City Council was notified of the 30 June 2015 VBI during August 2015.

Future superannuation contributions

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2017 is \$383,230

MELTON CITY COUNCIL Notes to the Financial Report for the year ended 30 June 2016

Note 32 Commitments

The Council has entered into the following commitments

2016	Not later	Later than 1	Later than 2	Later than 5	Total
	than 1 year	year and not later than 2 years	years and not later than 5 years	than 5 years	
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating					
Garbage and recycling collection	6,163	6,346	5,170	-	17,679
Health services and cleaning services	1,562	64	-	-	1,626
Corporate Services	494	342	117	-	953
Parks maintenance services	5,760	5,843	18,483	10,302	40,388
Road maintenance	5,623	5,790	14,816	5,092	31,321
Recycling facility operations	2,265	1,892	-	-	4,157
Leisure Services	54	69	357	-	480
IT Services	1,177	798	798	-	2,773
Total	23,098	21,144	39,741	15,394	99,377
Capital					
Roads	7,239	-	-	-	7,239
Computers and telecomms	64	26	21	-	111
Buildings	1,290	-	-	-	1,290
Recreational	1,480	-	-	-	1,480
Total	10,073	26	21	-	10,120

2015	Not later	Later than 1	Later than 2	Later than 5	Total
	than 1 year	year and not later than 2 years	years and not later than 5 years	than 5 years	
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating					
Garbage and recycling collection	5,603	5,818	9,998	-	21,419
Health services and cleaning services	778	305	-	-	1,083
Corporate Services	422	428	377	-	1,227
Parks maintenance services	6,077	-	-	-	6,077
Road maintenance	5,523	1,090	1,090	-	7,703
Recycling facility operations	1,829	1,956	1,956	-	5,741
Leisure Services	157	-	-	-	157
IT Services	445	691	-	-	1,136
Social	185	-	-	-	185
Total	21,019	10,288	13,421	-	44,728
Capital					
Computers and telecomms	100	64	-	-	164
Buildings	3,380	-	-	-	3,380
Recreational	7,191	-	-	-	7,191
Total	10,671	64	-	-	10,735

MELTON CITY COUNCIL Notes to the Financial Report for the year ended 30 June 2016

Note	2016 \$'000	2015 \$'000
33	Operating leases	
	(a) Operating lease commitments	
	At the reporting date, the Council had the following obligations under non-cancellable operating leases for the lease of equipment and land and buildings for use within Council's activities (these obligations are not recognised as liabilities):	
	Not later than one year	399
	Later than one year and not later than five years	89
	Later than five years	-
	<u>844</u>	<u>488</u>
	(b) Operating lease receivables	
	The Council has entered into commercial property leases on its investment property. These properties held under operating leases have remaining non-cancellable lease terms of between 1 and 10 years. All leases include a CPI based revision of the rental charge annually.	
	Future minimum rentals receivable under non-cancellable operating leases are as follows:	
	Not later than one year	173
	Later than one year and not later than five years	86
	Later than five years	68
	<u>1,598</u>	<u>328</u>

MELTON CITY COUNCIL Notes to the Financial Report for the year ended 30 June 2016

Note 34 Contingent liabilities and contingent assets**Contingent liabilities**

Proceedings have been brought against the Council in the Supreme Court of Victoria in relation to land acquired by Council in the Taylors Hill West Precinct. The plaintiff asserts that rather than the value of compensation for the land being required to be determined by the Taylors Hill West Precinct Structure Plan and the Taylors Hill West Precinct Development Contributions Plan (DCP), instead, the value of land should have been determined under the Land Acquisition and Compensation Act 1958 (LAC Act). Council is defending this claim with the costs of this claim not known.

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

Contingent assets

Developer contributions to be received in respect of estates currently under development is in the range of \$60m to \$65m. (2014/15, \$50m to \$55m).

Note 35 Financial instruments**(a) Objectives and policies**

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

(b) Market risk

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

MELTON CITY COUNCIL Notes to the Financial Report for the year ended 30 June 2016

Note 35 Financial instruments (Continued)***Interest rate risk***

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Our interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which exposes us to fair value interest rate risk. 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 rate.

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

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

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

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

(c) Credit risk

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

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

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

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

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 34.

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.

MELTON CITY COUNCIL Notes to the Financial Report for the year ended 30 June 2016

Note 35 Financial instruments (Continued)**(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; and
- set limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

The Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the balance sheet and the amounts related to financial guarantees disclosed in Note 31, 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 26.

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

e) Fair value

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

Fair value hierarchy

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

(f) Sensitivity disclosure analysis

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

- A parallel shift of +1% and -2% in market interest rates (AUD) from year-end rates of 2.73%.

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.

MELTON CITY COUNCIL Notes to the Financial Report for the year ended 30 June 2016

Note 36 Related party transactions

(i) Responsible Persons

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

Councillors	Councillor Sophie Ramsey (Mayor 28 October 2014 - 27 October 2015) Councillor Renata Cugliari Councillor Kathy Majdlik (Mayor 27 October 2015 - current) Councillor Bob Turner Councillor Lara Carli Councillor Nola Dunn Councillor Myles Bentley
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Chief Executive Officer Kelvin Tori

(ii) Remuneration of responsible persons

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

	2016	2015
	No.	No.
\$1 - \$9,999	-	1
\$10,000 - \$19,999	-	2
\$30,000 - \$39,999	5	4
\$40,000 - \$49,999	1	1
\$80,000 - \$89,999	1	1
\$340,000 - \$349,999	-	1
\$360,000 - \$369,999	1	-
	<u>8</u>	<u>10</u>
	2016	2015
	\$'000	\$'000
Total remuneration for the reporting year for Responsible Persons included above amounted to:	<u>639</u>	<u>626</u>

MELTON CITY COUNCIL Notes to the Financial Report for the year ended 30 June 2016

Note 36 Related party transactions (Continued)**(iii) Senior officers remuneration**

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

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

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

	2016	2015
	No.	No.
Income Range:		
136,000 to \$139,999	-	-
140,000 to \$149,999	1	1
150,000 to \$159,999	7	11
160,000 to \$169,999	7	5
170,000 to \$179,999	2	-
240,000 to \$249,999	-	3
250,000 to \$259,999	3	-
	<u>20</u>	<u>20</u>
	2016	2015
	\$'000	\$'000
Total remuneration for the reporting period for Senior officers included above, amounted to	<u>3,499</u>	<u>3,219</u>

(iv) Responsible persons retirement benefits

The aggregate amount paid during the reporting period by Council in connection with the retirement of responsible persons was \$0. (2014/2015 - \$0)

(v) Loans to responsible persons

No loans have been made, guaranteed or secured by the Council to a responsible person of the Council during the reporting period.

(vi) Transactions with responsible persons

No transactions other than remuneration payments or the reimbursement of approved expenses were entered into by Council with Responsible Persons, or Related Parties of such Responsible Persons during the reporting year (2015/16, Nil).

Note 37 Events occurring after balance date

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

Certification of the Financial Report

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

Thurairajah Shanmugapalan CPA
Principal Accounting Officer

Dated: September 2016

In our opinion the accompanying financial statements present fairly the financial transactions of Melton City Council for the year ended 30 June 2016 and the financial position of the Council as at that date.

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

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

Cr. Kathy Majdlik
Mayor

Dated: September 2016

Cr. Renata Cugliari
Deputy Mayor

Dated: September 2016

Kelvin Tori
Chief Executive Officer

Dated: September 2016

Performance Statement

For the year ended 30 June 2016

Description of municipality

The Melton City Council (the council) is one of the fastest growing municipalities in Australia, offering the best in urban and rural lifestyles and affordable land within a comfortable commuting distance from Melbourne, Victoria and links to Melbourne's key freeways, airports and the Port of Melbourne.

The City of Melton embraces a series of townships and communities including Caroline Springs (19 kilometres west of Melbourne's CBD) and Melton (35 kilometres west of Melbourne's CBD).

The council is also the home of harness racing. Tabcorp Park, the harness racing and entertainment complex in Melton, along with many horse trainers, training facilities and breeders located in the City of Melton enhances the City's reputation as one of the premier equine municipalities in the country.

Other Information

For the year ended 30 June 2016

1. Basis of preparation

Council is required to prepare and include a performance statement within its annual report.

The performance statement includes the results of the prescribed sustainable capacity, service performance and financial performance indicators and measures together with a description of the municipal district and an explanation of material variations in the results. This statement has been prepared to meet the requirements of the Local Government Act 1989 and Local Government (planning and Reporting) Regulations 2014.

Where applicable the results in the performance statement have been prepared on accounting bases consistent with those reported in the Financial Statements. The other results are based on information drawn from council information systems or from third parties (e.g. Australian Bureau of Statistics).

The performance statement presents the actual results for the current and three preceding years and for the prescribed financial performance indicators and measures, the results forecast by the council's strategic resource plan. The Local Government (Planning and Reporting) Regulations 2014 requires explanation of any material variations in the results contained in the performance statement. Council has adopted materiality thresholds relevant to each indicator and measure and explanations have not been provided for variations below the materiality thresholds unless the variance is considered to be material because of its nature.

The forecast figures included in the performance statement are those adopted by Council in its strategic resource plan on 23 June 2015 and which forms part of the council plan. The strategic resource plan includes estimates based on key assumptions about the future that were relevant at the time of adoption and aimed at achieving sustainability over the long term. Detailed information on the actual financial results is contained in the General Purpose Financial Statement. The strategic resource plan can be obtained by contacting Council.

PERFORMANCE STATEMENT			
Sustainable Capacity Indicators			
Indicator /measure	Results 2015	Results 2016	Material Variations and Comments
Population			
Expenses per head of municipal population [Total expenses / Municipal population]	\$969.62	\$940.98	No material movement.
Infrastructure per head of municipal population [Value of infrastructure / Municipal population]	\$7,485.40	\$9,741.57	Due to inclusion of construction costs for Roads and revaluations conducted during the year.
Population density per length of road [Municipal population / Kilometres of local roads]	129.30	130.93	No material movement.
Own-source revenue			
Own-source revenue per head of municipal population [Own-source revenue / Municipal population]	\$756.07	\$810.41	No material movement.
Recurrent grants			
Recurrent grants per head of municipal population [Recurrent grants / Municipal population]	\$232.82	\$143.85	Due to 50% of the 2015/2016 Victoria Grants Commission allocation paid early to Council in the 2014/2015 year.
Disadvantage			
Relative Socio-Economic Disadvantage [Index of Relative Socio-Economic Disadvantage by decile]	7.00	7.00	No material movement.
Service Performance Indicators			
Service/indicator /measure	Results 2015	Results 2016	Material Variations and Comments
Aquatic Facilities			
Utilisation			
Utilisation of aquatic facilities [Number of visits to aquatic facilities / Municipal population]	2.17	1.93	
Animal Management			
Health and safety			
Animal management prosecutions [Number of successful animal management prosecutions]	18.00	2.00	In the 2015/2016 financial year the majority of matters were resolved through settlements not requiring prosecutions.
Food Safety			
Health and safety			
Critical and major non-compliance outcome notifications [Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises] x100	0.00%	100.00%	During the 2014/2015 financial year there were no critical or major non-compliance outcome notifications received by Council, while during 2015/2016, there was one.
Governance			
Satisfaction			

PERFORMANCE STATEMENT		60.00	56.00	
Satisfaction with council decisions [Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]				
Home and Community Care (HACC)				
Participation Participation in HACC service [Number of people that received a HACC service / Municipal target population for HACC services] x100	14.00%	10.52%		Council has no waiting list currently for assessment of service provision.
Participation Participation in HACC service by CALD people [Number of CALD people who receive a HACC service / Municipal target population in relation to CALD people for HACC services] x100	4.00%	6.95%		There has been an increase of referrals and acceptance of service from CALD clients.
Libraries				
Participation Active library members [Number of active library members / Municipal population] x100	12.48%	11.26%		
Maternal and Child Health (MCH)				
Participation Participation in the MCH service [Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100	73.00%	73.05%		
Participation Participation in the MCH service by Aboriginal children [Number of Aboriginal children who attend the MCH service at least once (in the year) / Number of Aboriginal children enrolled in the MCH service] x100	62.00%	61.62%		
Roads				
Satisfaction Satisfaction with sealed local roads [Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]	62.00	64.00		
Statutory Planning				
Decision making Council planning decisions upheld at VCAT [Number of VCAT decisions that did not set aside council's decision in relation to a planning application / Number of VCAT decisions in relation to planning applications] x100	50.00%	50.00%		
Waste Collection				
Waste diversion Kerbside collection waste diverted from landfill	43.00%	42.49%		

PERFORMANCE STATEMENT									
Current assets compared to current liabilities [Current assets / Current liabilities] x100	197.27%	304.95%	243.94%	304.76%	329.88%	299.81%	Increased cash holdings due to additional Developer Contributions, additional grant funding and carry forward of capital works projects.		
Unrestricted cash	11.35%	11.97%	35.65%	62.28%	90.40%	70.43%	The increases in the forecasted figures are due to Council not entering into new borrowings, increases in the grant funding for growth Council's and the sales of land assets.		
Unrestricted cash compared to current liabilities [Unrestricted cash / Current liabilities] x100	23.47%	22.32%	56.45%	39.69%	39.38%	53.47%	Movements in the forecasted figures are due to needs identified in the Council's Asset Management system and approved in the long term capital works plan.		
Obligations	33.16%	31.37%	22.48%	18.07%	14.56%	11.24%	No material movement.		
Asset renewal	12.98%	9.37%	8.35%	4.40%	3.49%	3.29%	Due to the continued growth in the Council the Rates Revenue base has increased while the borrowings of Council has remained at similar levels to the prior year.		
Asset renewal compared to depreciation [Asset renewal expense / Asset depreciation] x100	26.61%	24.65%	21.03%	17.69%	14.69%	12.20%	No material movement.		
Loans and borrowings	2.78%	1.81%	2.18%	1.48%	1.89%	2.12%	Due to 50% of the 2016 Victoria Grants Commission allocation paid early to Council in the 2015 year.		
Loans and borrowings compared to rates [Interest bearing loans and borrowings / Rate revenue] x100									
Loans and borrowings repayments compared to rates [Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100									
Indebtedness									
Non-current liabilities compared to own source revenue [Non-current liabilities / Own source revenue] x100									
Operating position									
Adjusted underlying result									
Adjusted underlying surplus (or deficit) [Adjusted underlying surplus (deficit) / Adjusted underlying revenue] x100									
Stability									
Rates concentration									
Rates compared to adjusted underlying revenue [Rate revenue / Adjusted underlying revenue] x100	64.98%	70.15%	69.91%	70.82%	71.22%	71.61%	No material movement.		
Rates effort	0.42%	0.44%	0.45%	0.43%	0.44%	0.42%	No material movement.		
Rates compared to property values [Rate revenue / Capital improved value of rateable properties in the municipality] x100									

Certification of Performance Statement

In my opinion, the accompanying performance statement has been prepared in accordance with the *Local Government Act 1989* and the Local Government (Planning and Reporting) Regulations 2014.

Thurairajah Shanmugapalan CPA
Principal Accounting Officer

Dated: September 2016

In our opinion, the accompanying performance statement of the Melton City Council for the year ended 30 June 2016 presents fairly the results of the council's performance in accordance with the Local Government Act 1989 and the Local Government (Planning and Reporting) Regulations 2014.

The performance statement contains the relevant performance indicators, measures and results in relation to service performance, financial performance and sustainable capacity.

At the date of signing, we are not aware of any circumstances that would render any particulars in the performance statement 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 performance statement in their final form.

Cr. Kathy Majdlik
Mayor

Dated: September 2016

Cr. Renata Cugliari
Deputy Mayor

Dated: September 2016

Kelvin Tori
Chief Executive Officer

Dated: September 2016