

# general purpose financial statements

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# Comprehensive Income Statement

For the Year Ended 30 June 2015

	Note	2015 \$	2014 \$
<b>Income</b>			
Rates and charges	3	24,177,723	23,054,284
Statutory fees and fines	4	934,412	756,252
User fees	5	5,031,249	4,958,362
Grants – operating	6	17,219,703	13,639,890
Grants – capital	6	3,719,965	3,315,730
Contributions – monetary	7	1,248,034	1,028,455
Contributions – non-monetary	7	142,903	284,788
Net gain on disposal of property, infrastructure, plant and equipment	8	92,686	7,594
Other income	9	2,263,562	2,854,244
<b>Total Income</b>		<b>54,830,237</b>	<b>49,899,599</b>
<b>Expenses</b>			
Employee costs	10	18,941,031	18,416,946
Materials and services	11	19,418,025	20,141,758
Bad and doubtful debts	12	54,453	44,203
Depreciation and amortisation	13	7,978,502	7,814,778
Borrowing costs	14	396,083	361,084
Other expenses	15	1,552,611	2,364,250
<b>Total Expenses</b>		<b>48,340,705</b>	<b>49,143,019</b>
<b>Surplus for the year</b>		<b>6,489,532</b>	<b>756,580</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to surplus or deficit in future periods</b>			
Net asset revaluation increment/(decrement)	27	31,375,706	(962,162)
<b>Total comprehensive result</b>		<b>37,865,238</b>	<b>(205,582)</b>

The above Comprehensive Income Statement should be read with the accompanying notes.

# Balance Sheet

As at 30 June 2015

	Note	2015 \$	2014 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	16	15,539,398	5,985,020
Trade and other receivables	17	1,968,480	1,836,509
Financial assets	18	-	4,668,841
Inventories	19	141,659	137,666
Other assets	20	137,388	187,462
<b>Total current assets</b>		<b>17,786,925</b>	<b>12,815,498</b>
<b>Non-current assets</b>			
Trade and other receivables	17	40,766	80,783
Property, infrastructure, plant and equipment	21	442,447,583	405,510,060
Intangible assets	22	720,384	726,016
Other assets	20	50,000	50,000
<b>Total non-current assets</b>		<b>443,258,733</b>	<b>406,366,859</b>
<b>Total assets</b>		<b>461,045,658</b>	<b>419,182,357</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	23	1,724,834	1,903,264
Trust funds and deposits	24	433,821	388,143
Provisions	25	4,846,225	4,654,951
Interest – bearing loans and borrowings	26	765,397	922,524
<b>Total current liabilities</b>		<b>7,770,277</b>	<b>7,868,882</b>
<b>Non-current liabilities</b>			
Provisions	25	1,759,702	1,692,637
Interest – bearing loans and borrowings	26	7,775,427	3,745,824
<b>Total non-current liabilities</b>		<b>9,535,129</b>	<b>5,438,461</b>
<b>Total liabilities</b>		<b>17,305,406</b>	<b>13,307,343</b>
<b>Net assets</b>		<b>443,740,252</b>	<b>405,875,014</b>
<b>Equity</b>			
Accumulated surplus		275,745,926	269,256,394
Reserves	27	167,994,326	136,618,620
<b>Total equity</b>		<b>443,740,252</b>	<b>405,875,014</b>

The above Balance Sheet should be read with the accompanying notes.

# Statement of Changes in Equity

For the Year Ended 30 June 2015

2015	Note	Total 2015 \$	Accumulated Surplus 2015 \$	Asset Revaluation Reserve 2015 \$
Balance at beginning of the financial year		405,875,014	269,256,394	136,618,620
Comprehensive result		6,489,532	6,489,532	-
Net asset revaluation increment	27	31,375,706	-	31,375,706
<b>Balance at end of the financial year</b>		<b>443,740,252</b>	<b>275,745,926</b>	<b>167,994,326</b>

2014	Note	Total 2014 \$	Accumulated Surplus 2014 \$	Asset Revaluation Reserve 2014 \$
Balance at beginning of the financial year		406,080,596	268,499,814	137,580,782
Comprehensive result		756,580	756,580	-
Net asset revaluation decrement	27	(962,162)	-	(962,162)
<b>Balance at end of the financial year</b>		<b>405,875,014</b>	<b>269,256,394</b>	<b>136,618,620</b>

The above Statement of Changes in Equity should be read with the accompanying notes.

# Statement of Cash Flows

For the Year Ended 30 June 2015

	Note	2015 Inflows/ (Outflows) \$	2014 Inflows/ (Outflows) \$
<b>Cash flows from operating activities</b>			
Rates and charges		23,895,847	22,968,868
Statutory fees and fines		934,412	1,009,348
User fees (inclusive of GST)		5,683,390	5,032,741
Grants – operating (inclusive of GST)		17,293,678	12,501,671
Grants – capital (inclusive of GST)		3,834,207	4,608,398
Contributions (inclusive of GST)		1,372,837	1,131,301
Interest received		566,006	541,315
Other receipts (inclusive of GST)		1,713,287	2,443,405
Net GST refund/payment		2,304,597	1,938,891
Employee costs		(19,503,879)	(18,028,309)
Materials and services		(22,836,985)	(24,676,184)
<b>Net cash provided by (used in) operating activities</b>	28	<b>15,257,397</b>	<b>9,471,445</b>
<b>Cash flows from investing activities</b>			
Payments for property, infrastructure, plant and equipment		(14,211,707)	(9,304,612)
Proceeds from sale of property, infrastructure, plant and equipment		363,454	250,306
Payments for investments		-	(3,654,967)
Proceeds from sale of investments		4,668,841	-
<b>Net cash provided by (used in) investing activities</b>		<b>(9,179,412)</b>	<b>(12,709,273)</b>
<b>Cash flows from financing activities</b>			
Finance costs		(448,367)	(413,368)
Proceeds from borrowings		4,795,000	-
Repayments of borrowings		(870,240)	(1,120,024)
<b>Net cash provided by (used in) financing activities</b>		<b>3,476,393</b>	<b>(1,533,392)</b>
Net increase/(decrease) in cash and cash equivalents		9,554,378	(4,771,220)
Cash and cash equivalents at the beginning of the financial year		5,985,020	10,756,240
<b>Cash and cash equivalents at the end of the financial year</b>	29	<b>15,539,398</b>	<b>5,985,020</b>
Financing arrangements	30		
Restrictions on cash assets	16		

The above Statement of Cash Flows should be read with the accompanying notes.

# Statement of Capital Works

For the Year Ended 30 June 2015

	Note	2015 \$	2014 \$
<b>Property</b>			
Land		-	91,381
<b>Total land</b>		-	91,381
Buildings		795,985	794,840
<b>Total buildings</b>		795,985	794,840
<b>Total property</b>		795,985	886,221
<b>Plant and equipment</b>			
Plant, machinery and equipment		1,397,937	665,934
Fixtures, fittings and furniture		2,070,533	124,132
Computers and telecommunications		44,239	130,234
<b>Total plant and equipment</b>		3,512,709	920,300
<b>Infrastructure</b>			
Sealed roads		6,109,845	4,491,543
Unsealed roads		751,328	904,286
Kerb and channel		246,597	70,595
Footpaths and cycleways		404,852	426,816
Drainage		979,919	154,884
Waste management		109,451	-
Recreation, leisure and community facilities		466,820	-
Parks, open spaces and streetscapes		373,970	-
Other infrastructure		146,622	882,613
<b>Total infrastructure</b>		9,589,404	6,930,737
<b>Cultural and heritage</b>			
Library collection		110,314	106,774
Pioneer Settlement buildings		351,913	88,734
<b>Total cultural and heritage</b>		462,227	195,508
<b>Total capital works expenditure</b>		<b>14,360,325</b>	<b>8,932,766</b>
<b>Represented by:</b>			
New asset expenditure		5,832,904	983,962
Asset renewal expenditure		7,090,730	6,887,763
Asset upgrade expenditure		1,436,691	1,061,041
<b>Total capital works expenditure</b>		<b>14,360,325</b>	<b>8,932,766</b>

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



# Notes to the Financial Report

For the Year Ended 30 June 2015

## Notes to the Financial Report

For the Year Ended 30 June 2015

### Introduction

The Swan Hill Rural City Council was established by an Order of the Governor in Council on 20 January 1995 and is a body corporate.

The Council's main office is located at 45 Splatt St Swan Hill.

The purpose of the Council is to:

- provide for the peace, order and good government of its municipal district;
- to promote the social, economic and environmental viability and sustainability of the municipal district;
- to ensure that resources are used efficiently and effectively and services are provided in accordance with the Best Value Principles to best meet the needs of the local community;
- to improve the overall quality of life of people in the local community;
- to promote appropriate business and employment opportunities;
- to ensure that services and facilities provided by the Council are accessible and equitable;
- to ensure the equitable imposition of rates and charges; and
- to ensure transparency and accountability in Council decision making.

This financial report of Swan Hill Rural City Council is 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. This general purpose financial report complies with Australian Accounting Standards (AAS), other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1989, and the Local Government (Planning and Reporting) Regulations 2014.

### 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) Principles of consolidation

The consolidated financial statements of Council incorporate all entities controlled by Council as at 30 June 2015, and their income and expenses for that part of the reporting period in which control existed.

Subsidiaries are all entities over which Council has control. Council controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Council. They are deconsolidated from the date that control ceases.

Where dissimilar accounting policies are adopted by entities and their effect is considered material, adjustments are made to ensure consistent policies are adopted in these financial statements.

In the process of preparing consolidated financial statements all material transactions and balances between consolidated entities are eliminated.

Entities consolidated into Council include:

- There are no entities to consolidate into Council.

#### (d) Committees of management

Council has elected not to consolidate Special Committees of Management as the assets and liabilities involved were deemed to have an immaterial impact on the financial position or performance.

#### (e) Revenue recognition

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

#### Rates and charges

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

# Notes to the Financial Report

For the Year Ended 30 June 2015

## Note 1 Significant accounting policies (cont)

### Statutory fees and fines

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

### User fees

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

### Grants

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

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

### Contributions

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

### Sale of property, infrastructure, plant and equipment

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

### Interest

Interest is recognised as it is earned.

### Other income

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

### (f) Fair value measurement

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

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

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

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

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

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

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

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

### (g) Cash and cash equivalents

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

### (h) Trade and other receivables

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 impairment has occurred.

### (i) Other financial assets

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

### (j) Inventories

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

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

### (k) 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.

# Notes to the Financial Report

For the Year Ended 30 June 2015

## Note 1 Significant accounting policies (cont)

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 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 21, Property, infrastructure, plant and equipment, and infrastructure.

In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 2 to 8 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

Council recognises land under roads it controls at fair value.

### (l) Depreciation and amortisation of property, infrastructure, plant and equipment and tangibles

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 \$
<b>Property</b>		
land	-	1
land under roads	-	1
land improvements	10 to 100 yrs	1
<b>Buildings</b>		
buildings	30 to 100 yrs	5,000
<b>Plant and Equipment</b>		
plant, machinery and equipment		
▪ large	5 to 10 yrs	1,500
▪ small	2 to 4 yrs	1,500
fixtures, fittings and furniture	5 yrs	1,500
computers and telecommunications	3 yrs	1,000
<b>Infrastructure</b>		
sealed roads		
▪ road pavements	60 to 80 yrs	5,000
▪ road seals	15 to 80 yrs	5,000
▪ road ancillary assets	30 to 100 yrs	10,000
unsealed roads		
▪ natural surface	100 yrs	5,000
▪ gravel surface	30 yrs	5,000
kerb and channel	25 to 50 yrs	5,000
footpaths	20 to 50 yrs	5,000
drainage	20 to 80 yrs	5,000
waste management	10 to 35 yrs	5,000
recreation, leisure and community facilities	10 to 90 yrs	5,000
parks, open space and streetscapes	10 to 60 yrs	5,000
other infrastructure	10 yrs	5,000
<b>Cultural and heritage</b>		
library collection	5 to 100 yrs	1
Pioneer Settlement		
▪ vehicles & vessels	100 yrs	1,000
▪ site exhibits	100 yrs	1,000
▪ buildings	100 yrs	1,000

### (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.

# Notes to the Financial Report

For the Year Ended 30 June 2015

## Note 1 Significant accounting policies (cont)

### (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.

### (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 assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the comprehensive income statement, unless the asset is carried at the revalued amount in which case, the impairment loss is recognised directly against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

### (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 24).

### (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.

### (r) Employee costs

The calculation of employee costs and benefits includes all relevant oncosts and are calculated as follows at reporting date:

#### *Wages and salaries*

Liabilities for wages and salaries and rostered days off are recognised and are measured as the amount unpaid at balance date and include appropriate oncosts such as workers compensation and payroll costs.

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

The components of this current liability are measured at :

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

- nominal value - component that is expected to be wholly settled within 12 months.

#### *Classification of employee costs*

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

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

### (s) Landfill rehabilitation provision

Council is obligated to restore the Swan Hill and Robinvale Landfill sites to a particular standard. The forecast life of the site is based on current estimates of remaining capacity and the forecast rate of infill. The provision for landfill restoration has been calculated based on the present value of the expected cost of works to be undertaken. The expected cost of works has been estimated based on current understanding of work required to reinstate the site to a suitable standard. Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs.

# Notes to the Financial Report

For the Year Ended 30 June 2015

## Note 1 Significant accounting policies (cont)

### (t) Leases

#### Finance Leases

Leases of assets where substantially all the risks and rewards incidental to ownership of the asset, are transferred to the Council are classified as finance leases. Finance leases are capitalised, recording an asset and a liability at the lower of the fair value of the asset and the present value of the minimum lease payments, including any guaranteed residual value. Lease payments are allocated between the reduction of the lease liability and the interest expense. Leased assets are depreciated on a straight line basis over their estimated useful lives to the Council where it is likely that the Council will obtain ownership of the asset or over the term of the lease, whichever is the shorter. Leased assets are currently being amortised over a 4 year period.

#### 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 5 to 15 year period.

### (u) Goods and services tax (GST)

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

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

### (v) Financial guarantee

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 the right to call on the guarantee will be exercised. Details of guarantees that Council has provided, that are not recognised in the balance sheet are disclosed at Note 33 Contingent Liabilities and Contingent Assets.

### (w) 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 note and presented exclusive of the GST payable.

### (x) 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.

### (y) Rounding

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

# Notes to the Financial Report

For the Year Ended 30 June 2015

## 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 \$1,000,000 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 29 July 2014. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for revenue and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

### a) Income and Expenditure

	Budget 2015 \$	Actual 2015 \$	Variance 2015 \$	Ref
<b>Income</b>				
Rates and charges	24,146,000	24,177,723	31,723	
Statutory fees and fines	1,019,000	934,412	(84,588)	
User fees	5,000,000	5,031,249	31,249	
Grants - operating	13,655,000	17,219,703	3,564,703	1
Grants - capital	7,277,000	3,719,965	(3,557,035)	2
Contributions - monetary	224,000	1,248,034	1,024,034	3
Contributions - non monetary	700,000	142,903	(557,097)	4
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	411,000	92,686	(318,314)	5
Other income	2,206,000	2,263,562	57,562	
<b>Total income</b>	<b>54,638,000</b>	<b>54,830,237</b>	<b>192,237</b>	
<b>Expenses</b>				
Employee costs	19,771,000	18,941,031	829,969	
Materials and services	18,243,000	19,418,025	(1,175,025)	6
Bad and doubtful debts	4,000	54,453	(50,453)	7
Depreciation and amortisation	8,264,000	7,978,502	285,498	
Borrowing costs	499,000	396,083	102,917	8
Other expenses	1,022,000	1,552,611	(530,611)	9
<b>Total expenses</b>	<b>47,803,000</b>	<b>48,340,705</b>	<b>(537,705)</b>	
<b>Surplus for the year</b>	<b>6,835,000</b>	<b>6,489,532</b>	<b>345,468</b>	

# Notes to the Financial Report

For the Year Ended 30 June 2015

## Note 2 Budget comparison (cont)

### (i) Explanation of material variations

Ref	Item	Explanation
1	Grants – operating	Grants Commission for 2015/16 was prepaid in June 2015. Council received \$3,090,753 being 50% of its 2015/16 allocation which was not budgeted.
2	Grants - capital	The budgeted grant for the Pioneer Settlement - Heartbeat of the Murray project of \$2,500,000 has not been received. The first instalment is expected in November 2015. Budgeted grant funding for the Chisholm Reserve Drag Strip of \$2,000,000 was not been received in full. At 30 June 2015, \$1,000,000 had been received, with the balance expected as the project is completed.
3	Contributions - monetary	Council received \$785,000 for development costs at the Tower Hill Estate, \$37,000 for the AFL offices at the Swan Hill Indoor Sports Stadium, and \$65,000 from the Friends of the Pioneer Settlement for redevelopment projects. The receipt of funds had not been forecast.
4	Contributions – non-monetary	The budget allowed for developer donated assets at the Tower Hill Estate. Construction of this development was undertaken by Council and a cash contribution was received from the developer as noted in Ref 3.
5	Net gain on disposal of property, infrastructure, plant and equipment	Land sales of \$325,000 had been forecast, however the settlement was not finalised and is now expected to take place in 2015/16.
6	Materials and services	Major project expenditure was \$585,018 above forecast due to a number of projects budgeted as capital works but required to be expensed because the works are considered to be operational or failed to meet Council capitalisation requirements. Expenditure on the Tower Hill Estate development was \$405,243 above forecast due to the higher number of lot sales during the year.
7	Bad and doubtful debts	An increase in infringement debtors resulted in a \$28,082 increase of their doubtful debts provision. The provision allowed for 'other debtors' to increase by \$26,961.
8	Borrowing costs	The 2014/15 financing costs budget allowed for the borrowing of \$3.5 million to be drawn down in the previous financial year. Interest savings were achieved through the deferred borrowings.
9	Other expenses	Asset write offs/adjustments of \$584,777 occurred during 2014/15 which had not been forecast.

# Notes to the Financial Report

For the Year Ended 30 June 2015

## Note 2 Budget comparison (cont)

### b) Capital Works

	Budget 2015 \$	Actual 2015 \$	Variance 2015 \$	Ref
<b>Property</b>				
Land	280,000	-	(280,000)	1
<b>Total land</b>	<b>280,000</b>	<b>-</b>	<b>(280,000)</b>	
Buildings	446,000	795,985	349,985	2
<b>Total buildings</b>	<b>446,000</b>	<b>795,985</b>	<b>349,985</b>	
<b>Total property</b>	<b>726,000</b>	<b>795,985</b>	<b>69,985</b>	
<b>Plant and equipment</b>				
Plant, machinery and equipment	1,151,000	1,397,937	246,937	3
Fixtures, fittings and furniture	-	2,070,533	2,070,533	4
Computers and telecommunications	120,000	44,239	(75,761)	5
<b>Total plant and equipment</b>	<b>1,271,000</b>	<b>3,512,709</b>	<b>2,241,709</b>	
<b>Infrastructure</b>				
Sealed roads	6,218,000	6,109,845	(108,155)	
Unsealed roads	1,097,000	751,328	(345,672)	6
Kerb and channel	92,000	246,597	154,597	7
Footpaths and cycleways	174,000	404,852	230,852	8
Drainage	1,509,000	979,919	(529,081)	9
Waste management	-	109,451	109,451	10
Recreation, leisure and community facilities	-	466,820	466,820	11
Parks, open spaces and streetscapes	-	373,970	373,970	12
Other infrastructure	1,977,000	146,622	(1,830,378)	13
<b>Total infrastructure</b>	<b>11,067,000</b>	<b>9,589,404</b>	<b>(1,477,596)</b>	
<b>Cultural and heritage</b>				
Library collection	110,000	110,314	314	
Pioneer Settlement buildings	3,555,000	351,913	(3,203,087)	14
<b>Total cultural and heritage</b>	<b>3,665,000</b>	<b>462,227</b>	<b>(3,202,773)</b>	
Pioneer Settlement vehicles and vessels				
<b>Total capital works expenditure</b>	<b>16,729,000</b>	<b>14,360,325</b>	<b>(2,368,675)</b>	
<b>Represented by:</b>				
New asset expenditure	3,368,000	5,832,904	2,464,904	
Asset renewal expenditure	12,392,000	7,090,730	(5,301,270)	
Asset expansion expenditure	-	-	-	
Asset upgrade expenditure	969,000	1,436,691	467,691	
<b>Total capital works expenditure</b>	<b>16,729,000</b>	<b>14,360,325</b>	<b>(2,368,675)</b>	



# Notes to the Financial Report

For the Year Ended 30 June 2015

## Note 2 Budget comparison (cont)

### (i) Explanation of material variations

Ref	Item	Explanation
1	Land	Funds allocated for the purchase of land did not eventuate.
2	Buildings	The budget variance is due to a number of projects forecast to be completed in 2013/14 but carried forward and completed in 2014/15. These were the Swan Hill Dog Pound (\$227,713), relocation of Scout and Band Hall (\$127,927) and Nyah West Kindergarten (\$77,006).
3	Plant, machinery and equipment	Plant and equipment purchases are above forecast due to the purchase of two large graders carried forward from the prior year.
4	Fixtures, fittings and furniture	The majority of this variance relates to \$1,901,817 spent on the Pioneer Settlement - Heartbeat of the Murray Laser Light Show. This project had been forecast as Pioneer Settlement buildings; however the nature of the assets being purchased/constructed for this project will be capitalised as fixtures and fittings. Refer Ref 14.
5	Computers and telecommunications	Expenditure on IT equipment during the year was significantly below forecast.
6	Unsealed roads	Reconstruction works on Kerang St, Lake Boga (\$202,793) and Douglas Rd, Swan Hill (\$145,136) were forecast as unsealed roads, however they have both now been sealed, and form part of Council's sealed road assets.
7	Kerb and channel	Kerb and channel works at Tower Avenue (\$29,510) and Beveridge St (\$121,859) were budgeted as being sealed road works.
8	Footpaths	Footpath works at the Swan Hill Riverside Park (\$180,059) was funded from the Swan Hill Riverfront Masterplan project which was budgeted as other infrastructure works. Refer Ref 13.
9	Drainage	Drainage projects for the Nyah West Commercial Area and Robinvale Stormwater Pipeline were still under construction at 30 June and are expected to be completed in the first half of 2015/16.
10	Waste management	Construction works for a resource recovery and dumping area at the Swan Hill Landfill was not budgeted. Funding for this project was sourced from a grant and Council waste reserves.
11	Recreation, leisure and community facilities	Works for this category were originally budgeted in other infrastructure. Refer Ref 13.
12	Parks, open space and streetscapes	Works for this category were originally budgeted in other infrastructure. Refer Ref 13.
13	Other infrastructure	A number of projects budgeted in this asset category were for works now capitalised to new asset classifications. The significant items are the shared footpath at Riverside Park (\$180,059), Riverfront Fitness Stations (\$199,533) and the Lake Boga Pontoon (\$65,713) which are now reported in Parks, open space and streetscapes. Lighting at the Nyah Recreation Reserve (\$253,786) and Ultima netball court redevelopment (\$74,787) being reported in recreation, leisure and community facilities. A further project for lighting at the Swan Hill Showgrounds (\$500,000) had been budgeted, but has been delayed until September 2015. Refer Ref 8, 11 and 12.
14	Pioneer Settlement buildings	The Heartbeat of the Murray Laser Light Show was budgeted as Pioneer Settlement Buildings (\$3,235,000), but the actual nature of the purchases requires the asset to be capitalised as fixtures, fittings and furniture. Refer Ref 4.

# Notes to the Financial Report

For the Year Ended 30 June 2015

## Note 3 Rates and charges

Council uses Capital Improved Value as the basis of valuation of all properties within the municipal district. The Capital Improved Value of a property is the value of its Land, Buildings and Improvements.

The valuation base used to calculate general rates for 2014/15 was \$3,288 million (2013/14 \$3,170 million). The 2014/15 rate in the Capital Improved Value dollar was 0.00632437 (2013/14, 0.00631040).

	2015 \$	2014 \$
Residential	9,362,266	9,119,418
Commercial	1,655,283	1,651,494
Industrial	716,993	686,336
Farm/rural	9,414,751	8,920,218
Supplementary rates and rate adjustments	75,724	76,557
Garbage charge	2,683,222	2,601,574
Special marketing rates	339,014	335,594
Other	(31,580)	(178,872)
Abandonments	(37,950)	(158,035)
<b>Total rates and charges</b>	<b>24,177,723</b>	<b>23,054,284</b>

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.

## Note 4 Statutory fees and fines

Building and planning fees	429,772	369,768
Valuation data fees	108,214	25,390
Animal registration/release fees	139,435	130,483
Health registration fees	147,910	141,789
Infringements and costs	43,330	44,015
Other fees and fines	65,751	44,807
<b>Total statutory fees and fines</b>	<b>934,412</b>	<b>756,252</b>

## Note 5 User fees

Administration fees	784,224	703,742
Child care/children's program fees	289,662	230,170
Sales – admissions	742,065	767,631
Sales – merchandise, catering, other sales	323,842	465,664
Hire & leasing fees	669,124	633,662
Livestock exchange	631,449	565,193
Aged services	863,554	859,959
Tourism & economic development	48,322	66,182
Parking	267,571	253,096
Other	411,436	413,063
<b>Total user fees</b>	<b>5,031,249</b>	<b>4,958,362</b>

# Notes to the Financial Report

For the Year Ended 30 June 2015

## Note 6 Grants

	2015 \$	2014 \$
Grants were received in respect of the following:		
<b>Summary of grants</b>		
Commonwealth funded grants	14,421,773	8,708,490
State funded grants	6,517,895	7,990,650
Others	-	256,480
<b>Total</b>	<b>20,939,668</b>	<b>16,955,620</b>
<b>(a) Operating - recurrent</b>		
<b>Recurrent – Commonwealth Government</b>		
Commonwealth Government – health and aged care	6,205,895	4,547,971
Victoria Grants Commission – general purpose	3,091,447	2,032,750
Victoria Grants Commission – local roads	4,144,431	1,045,650
<b>Recurrent – State Government</b>		
Family and children	480,819	392,961
Employment subsidies	7,000	13,727
Public health	19,802	27,639
Home and community care	1,376,776	1,368,500
Community projects	-	140,000
School crossing	-	21,246
Art gallery and performing arts	150,000	150,000
Libraries	187,654	178,929
Maternal and child health	304,426	328,133
Other	135,413	138,835
<b>Total recurrent</b>	<b>16,103,663</b>	<b>10,386,341</b>
<b>(b) Operating - non-recurrent</b>		
<b>Recurrent – State Government</b>		
Community projects	409,875	674,460
Environmental protection	80,000	99,785
Emergency management/response	141,627	2,128,042
Family and children	148,290	35,395
Library services	7,010	6,866
Indigenous affairs	121,400	172,480
Cultural and heritage	96,392	65,000
Economic development	94,014	24,091
Home and community care	2,200	20,103
Other	15,232	27,327
<b>Total non-recurrent</b>	<b>1,116,040</b>	<b>3,253,549</b>
<b>Total operating grants</b>	<b>17,219,703</b>	<b>13,639,890</b>
<b>(c) Capital Grants - Recurrent</b>		
<b>Recurrent – Commonwealth Government</b>		
Roads to Recovery	980,000	1,082,119
<b>Recurrent – State Government</b>		
Country roads and bridges	1,000,000	1,000,000
<b>Total recurrent capital grants</b>	<b>1,980,000</b>	<b>2,082,119</b>
<b>(d) Capital Grants - Non-recurrent</b>		
<b>Non-Recurrent – State Government</b>		
Buildings	-	30,000
Roads	30,000	-
Art and heritage	7,513	27,132
Parks, playgrounds and street beautification	1,615,314	751,479
Waste management	50,519	-
Other	36,619	425,000
<b>Total non-current capital grants</b>	<b>1,739,965</b>	<b>1,233,611</b>
<b>Total capital grants</b>	<b>3,719,965</b>	<b>3,315,730</b>

# Notes to the Financial Report

For the Year Ended 30 June 2015

## Note 6 Grants (cont)

### Condition on Grants

Grants recognised as revenue during the year that were obtained on condition that they be expended in a specified manner that had not occurred at balance date were:

	2015 \$	2014 \$
Operating grants	3,504,213	797,855
Capital grants	604,370	1,596,290
	4,108,583	2,394,145

Grants which were recognised as revenue in prior years and were expended during the current year in the manner specified by the grantor were:

Operating grants	775,440	4,848,026
Capital grants	1,308,975	1,259,830
<b>Total grants</b>	<b>2,084,415</b>	<b>6,107,856</b>
<b>Net increase (decrease) in cash assets resulting from grant revenues for the year:</b>	<b>2,024,168</b>	<b>(3,713,711)</b>

## Note 7 Contributions

Monetary	1,248,034	1,028,455
Non-monetary	142,903	284,788
<b>Total contributions</b>	<b>1,390,937</b>	<b>1,313,243</b>

### (a) Monetary assets

Drainage	-	28,241
Sealed roads	784,492	-
Cultural & heritage	251,006	120,693
Car parking	2,000	58,000
Community projects	1,182	533,189
Recreation, leisure and community facilities	132,587	178,100
Environmental protection	-	15,455
Family and children	15,000	86,000
Other	61,767	8,777
<b>Total contributions - monetary</b>	<b>1,248,034</b>	<b>1,028,455</b>

### (b) Non-monetary assets

Roads	56,869	59,798
Land under roads	11,073	11,040
Buildings	31,810	-
Drainage	-	121,127
Footpaths	23,391	23,321
Kerb & Channel	-	32,198
Artwork	12,950	26,000
Library books	6,810	5,054
Pioneer Settlement	-	6,250
<b>Total contributions – non-monetary assets</b>	<b>142,903</b>	<b>284,788</b>
<b>Total contributions</b>	<b>1,390,937</b>	<b>1,313,243</b>

## Note 8 Net gain on disposal of property, infrastructure, plant and equipment

Proceeds of sale	363,454	250,306
Written down value of assets sold	(270,768)	(242,712)
<b>Total net gain on disposal of property, infrastructure, plant and equipment</b>	<b>92,686</b>	<b>7,594</b>

# Notes to the Financial Report

For the Year Ended 30 June 2015

## Note 9 Other income

	2015 \$	2014 \$
Interest	566,006	541,315
Reimbursements	262,739	341,147
Tower Hill land sales	1,286,203	1,800,687
Less - Tower Hill cost of goods sold	(27,526)	(40,962)
Other	176,140	212,057
<b>Total other income</b>	<b>2,263,562</b>	<b>2,854,244</b>

## Note 10(a) Employee costs

Wages and salaries	15,015,075	14,764,980
Agency staff	528,097	520,185
Workcover	808,400	740,303
Long service leave	702,798	533,755
Staff training	151,628	183,552
Superannuation	1,564,617	1,504,363
Fringe benefits tax	72,187	57,856
Other oncosts	98,229	111,952
<b>Total employee costs</b>	<b>18,941,031</b>	<b>18,416,946</b>

## Note 10(b) Superannuation

Council made contributions to the following funds:

### Defined benefit fund

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	382,818	413,780
<b>Total employee costs</b>	<b>382,818</b>	<b>413,780</b>
Employer contributions payable at reporting date	-	-

### Accumulation funds

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	1,807,458	1,668,281
<b>Total employee costs</b>	<b>1,807,458</b>	<b>1,668,281</b>
Employer contributions payable at reporting date	49,230	48,335

Swan Hill Rural City Council makes all of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (Vision Super). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. Obligations for contributions to the Fund are recognised as an expense in Comprehensive Income Statement when they are made 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 2015, this was 9.5% required under Superannuation Guarantee legislation (for 2013/14, this was 9.25%)).

### Defined benefit

Swan Hill Rural 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 Swan Hill Rural 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.

# Notes to the Financial Report

For the Year Ended 30 June 2015

## Note 11 Materials and services

	2015 \$	2014 \$
Waste management	1,632,192	1,554,324
Aged and community care agency payments	4,565,270	4,259,393
Community grants, sponsorships and contributions	1,302,883	1,233,115
Road and infrastructure maintenance	1,531,695	1,493,192
Major projects	2,159,704	2,883,187
Building maintenance and repairs	677,183	865,751
Tower Hill development costs	1,413,243	1,666,449
Organisational support	1,335,908	1,361,361
Cleaning	673,020	652,007
Community support events	1,111,583	1,234,262
Culture and heritage programs	455,876	397,457
Insurance	618,339	669,978
Utilities	1,038,004	1,074,457
Parks and reserves maintenance	447,370	370,174
Professional services	455,755	426,651
<b>Total materials and services</b>	<b>19,418,025</b>	<b>20,141,758</b>

## Note 12 Bad and doubtful debts

Parking and by-law debtors	30,695	16,988
Rates debtors	(3,811)	773
Private schemes	(14,254)	23,989
Other debtors	41,823	2,453
<b>Total bad and doubtful debts</b>	<b>54,453</b>	<b>44,203</b>

## Note 13 Depreciation and amortisation

Property	835,080	796,533
Plant and equipment	1,231,011	1,273,524
Infrastructure	5,699,846	5,511,271
Cultural and heritage assets	212,565	233,450
<b>Total depreciation and amortisation</b>	<b>7,978,502</b>	<b>7,814,778</b>

Refer to note 21 for a more detailed breakdown of depreciation and amortisation charges

## Note 14 Borrowing costs

Interest – borrowings	383,449	348,450
Interest – finance leases	12,634	12,634
<b>Total finance costs</b>	<b>396,083</b>	<b>361,084</b>

## Note 15 Other expenses

Auditors' remuneration – VAGO – audit of the financial statements, performance statement and grant acquittals	39,000	37,600
Auditors' remuneration - Internal	24,074	12,266
Auditors' remuneration – Other	2,305	14,419
Councillors' allowances	225,434	221,787
Vehicle registrations	87,543	79,624
Bank charges	63,518	54,974
Software licences	362,991	342,509
Asset write offs/adjustments	584,777	1,378,022
Legal costs	53,961	98,600
Fire services levy	61,514	83,145
Other	47,494	41,304
<b>Total other expenses</b>	<b>1,552,611</b>	<b>2,364,250</b>

# Notes to the Financial Report

For the Year Ended 30 June 2015

## Note 16 Cash and cash equivalents

	2015 \$	2014 \$
Cash on hand	7,545	7,355
Cash at bank	7,380,027	2,874,908
Term deposits (with maturity terms less than 90 days)	8,151,826	3,102,757
<b>Total cash and cash equivalents</b>	<b>15,539,398</b>	<b>5,985,020</b>

Council's cash and cash equivalents are subject to a number of internal and external restrictions that limit amounts available for discretionary or future use. These include:

Trust funds and deposits (Note 24)	433,821	379,595
<b>Total restricted Funds</b>	<b>433,821</b>	<b>379,595</b>
<b>Total unrestricted cash and cash equivalents</b>	<b>15,105,577</b>	<b>5,605,425</b>

### 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 and major projects	5,681,673	5,560,740
- Landfill rehabilitation and development	1,916,750	1,460,680
<b>Total funds subject to intended allocations</b>	<b>7,598,423</b>	<b>7,021,420</b>

## Note 17 Trade and other receivables

### Current

Rates debtors	1,161,148	879,272
Provision for doubtful debts – rates debtors	(10,360)	(14,198)
Parking infringement and by-laws debtors	107,912	71,889
Provision for doubtful debts – parking infringement and by-law debtors	(84,993)	(56,911)
Private scheme debtors	20,495	39,368
Other debtors	524,410	680,808
Provision for doubtful debts – other debtors	(47,027)	(20,066)
Net GST receivable	296,895	256,347
<b>Total current trade and receivables</b>	<b>1,968,480</b>	<b>1,836,509</b>

### Non-current

Private scheme debtors	40,766	80,783
<b>Total non-current trade and other receivables</b>	<b>40,766</b>	<b>80,783</b>
<b>Total trade and other receivables</b>	<b>2,009,246</b>	<b>1,917,292</b>

### 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 and other receivables (excluding statutory receivables) was:

Current (not yet due)	702,729	350,151
Past due by up to 30 days	56,806	413,719
Past due between 31 and 60 days	1,180,033	946,779
Past due between 61 and 90 days	34,711	74,243
Past due by more than 90 days	34,967	132,400
<b>Total trade and other receivables</b>	<b>2,009,246</b>	<b>1,917,292</b>

### b) Movement in provisions for doubtful debts

Balance at beginning of the year	91,175	59,314
New Provisions recognised during the year	126,278	57,815
Amounts already provided for and written off as uncollectable	(54,453)	(2,607)
Amounts provided for but recovered during the year	(20,620)	(23,347)
<b>Balance at end of year</b>	<b>142,380</b>	<b>91,175</b>

# Notes to the Financial Report

For the Year Ended 30 June 2015

## Note 17 Trade and other receivables (cont)

### c) Ageing of individually impaired Receivables

At balance date, other debtors representing financial assets with a nominal value of \$142,380 (2013/14: \$91,175) were impaired. The amount of the provision raised against these debtors was \$142,380 (2013/14: \$91,175). They 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:

	2015 \$	2014 \$
Current (not yet due)	2,079	799
Past due by up to 30 days	1,019	752
Past due between 31 and 60 days	1,317	1,182
Past due between 61 and 90 days	1,351	2,920
Past due by more than 90 days	136,614	85,522
<b>Total trade and other receivables</b>	<b>142,380</b>	<b>91,175</b>

## Note 18 Financial assets

### Current

Term deposits (with maturity terms greater than 90 days)	-	4,668,841
<b>Total financial assets</b>	<b>-</b>	<b>4,668,841</b>

## Note 19 Inventories

Inventories held for distribution	36,619	41,493
Inventories held for resale	26,867	27,024
Tower Hill Estate	78,173	69,149
<b>Total inventories</b>	<b>141,659</b>	<b>137,666</b>

## Note 20 Other assets

### Current

Prepayments	102,258	89,880
Accrued income	35,130	97,582
<b>Total current assets</b>	<b>137,388</b>	<b>187,462</b>

### Non-current

Other	50,000	50,000
<b>Total non-current assets</b>	<b>50,000</b>	<b>50,000</b>
<b>Total other assets</b>	<b>187,388</b>	<b>237,462</b>



# Notes to the Financial Report

For the Year Ended 30 June 2015

## Note 21 Property, infrastructure, plant and equipment

Land and Buildings	Note	Land - freehold	Land under roads	Land - other controlled	Total Land	Buildings - freehold	Buildings - other controlled	Total Buildings	Total Property
At fair value 1 July 2014		18,979,882	35,945,354	7,817,700	<b>62,742,936</b>	61,315,955	46,533,167	<b>107,849,122</b>	<b>170,592,058</b>
Accumulated depreciation at 1 July 2014		-	-	-	-	(36,121,892)	(37,667,031)	<b>(73,788,923)</b>	<b>(73,788,923)</b>
		<b>18,979,882</b>	<b>35,945,354</b>	<b>7,817,700</b>	<b>62,742,936</b>	<b>25,194,063</b>	<b>8,866,136</b>	<b>34,060,199</b>	<b>96,803,135</b>
<b>Movements in fair value</b>									
Acquisition of assets at fair value		-	11,073	-	<b>11,073</b>	640,504	142,128	<b>782,632</b>	<b>793,705</b>
Fair value of assets disposed		(40,349)	-	(20,000)	<b>(60,349)</b>	(432,732)	(12,118)	<b>(444,850)</b>	<b>(505,199)</b>
Transfers		-	-	-	-	12,991	(251,486)	<b>(238,495)</b>	<b>(238,495)</b>
		<b>(40,349)</b>	<b>11,073</b>	<b>(20,000)</b>	<b>(49,276)</b>	<b>220,763</b>	<b>(121,476)</b>	<b>99,287</b>	<b>50,011</b>
<b>Movements in accumulated depreciation</b>									
Depreciation and amortisation	13	-	-	-	-	(546,807)	(288,273)	<b>(835,080)</b>	<b>(835,080)</b>
Accumulated depreciation of disposals		-	-	-	-	404,857	11,839	<b>416,696</b>	<b>416,696</b>
Transfers		-	-	-	-	307,187	215,016	<b>522,203</b>	<b>522,203</b>
		-	-	-	-	<b>165,237</b>	<b>(61,418)</b>	<b>103,819</b>	<b>103,819</b>
At fair value 30 June 2015		18,939,533	35,956,427	7,797,700	<b>62,693,660</b>	61,536,718	46,411,691	<b>107,948,409</b>	<b>170,642,069</b>
Accumulated depreciation at 30 June 2015		-	-	-	-	(35,956,655)	(37,728,449)	<b>(73,685,104)</b>	<b>(73,685,104)</b>
		<b>18,939,533</b>	<b>35,956,427</b>	<b>7,797,700</b>	<b>62,693,660</b>	<b>25,580,063</b>	<b>8,683,242</b>	<b>34,263,305</b>	<b>96,956,965</b>

# Notes to the Financial Report

For the Year Ended 30 June 2015

## Note 21 Property, infrastructure, plant and equipment (cont)

Plant and Equipment	Note	Plant machinery and equipment	Fixtures fittings and furniture	Computers and telecomm's	Total plant and equipment
At fair value 1 July 2014		10,853,766	1,616,882	1,109,358	<b>13,580,006</b>
Accumulated depreciation at 1 July 2014		(7,767,501)	(1,072,130)	(894,420)	<b>(9,734,051)</b>
		<b>3,086,265</b>	<b>544,752</b>	<b>214,938</b>	<b>3,845,955</b>
<b>Movements in fair value</b>					
Acquisition of assets at fair value		1,397,937	168,716	44,239	<b>1,610,892</b>
Fair value of assets disposed		(1,087,205)	-	(5,333)	<b>(1,092,538)</b>
Transfers		-	43,223	(3,500)	<b>39,723</b>
		<b>310,732</b>	<b>211,939</b>	<b>35,406</b>	<b>558,077</b>
<b>Movements in accumulated depreciation</b>					
Depreciation and amortisation	13	(992,031)	(132,046)	(106,934)	<b>(1,231,011)</b>
Accumulated depreciation of disposals		844,568	-	5,333	<b>849,901</b>
Transfers		-	(17,759)	1,870	<b>(15,889)</b>
		<b>(147,463)</b>	<b>(149,805)</b>	<b>(99,731)</b>	<b>(396,999)</b>
At fair value 30 June 2015		11,164,498	1,828,821	1,144,764	<b>14,138,083</b>
Accumulated depreciation at 30 June 2015		(7,914,964)	(1,221,935)	(994,151)	<b>(10,131,050)</b>
		<b>3,249,534</b>	<b>606,886</b>	<b>150,613</b>	<b>4,007,033</b>

# Notes to the Financial Report

For the Year Ended 30 June 2015

## Note 21 Property, infrastructure, plant and equipment (cont)

	Note	Sealed roads	Unsealed roads	Kerb and channel	Footpaths and cycleways	Drainage	Waste management	Recreation, leisure and community facilities	Parks, open space and streetscapes	Other Infrastructure	Total Infrastructure
<b>Infrastructure</b>											
At fair value 1 July 2014		167,482,197	116,215,608	17,737,740	17,555,215	49,531,663	5,978,641	-	-	27,833,736	<b>402,334,800</b>
Accumulated depreciation at 1 July 2014		(40,817,550)	(18,163,960)	(9,187,094)	(7,146,516)	(18,220,339)	(4,368,522)	-	-	(11,812,285)	<b>(109,716,266)</b>
		<b>126,664,647</b>	<b>98,051,648</b>	<b>8,550,646</b>	<b>10,408,699</b>	<b>31,311,324</b>	<b>1,610,119</b>	<b>-</b>	<b>-</b>	<b>16,021,451</b>	<b>292,618,534</b>
<b>Movements in fair value</b>											
Acquisition of assets at fair value		5,033,304	719,712	246,597	428,243	794,424	-	367,662	353,613	146,622	<b>8,090,177</b>
Revaluation increments/decrements	27	37,926,595	4,520,016	5,674,456	4,065,286	4,138,682	-	(5,399,900)	-	91,186	<b>51,016,321</b>
Fair value of assets disposed		(150,633)	-	(107,160)	(34,850)	(4,835)	-	(30,383)	(14,014)	(9,813)	<b>(351,688)</b>
Impairment losses recognised in operating result		-	-	-	-	-	-	-	(296,928)	-	<b>(296,928)</b>
Transfers		848,202	-	42,782	50,305	103,413	-	13,656,783	5,828,583	(19,348,740)	<b>1,181,328</b>
		<b>43,657,468</b>	<b>5,239,728</b>	<b>5,856,675</b>	<b>4,508,984</b>	<b>5,031,684</b>	<b>-</b>	<b>8,594,162</b>	<b>5,871,254</b>	<b>(19,120,745)</b>	<b>59,639,210</b>
<b>Movements in accumulated depreciation</b>											
Depreciation and amortisation	13	(1,881,420)	(1,774,423)	(265,566)	(234,452)	(616,789)	(230,536)	(221,798)	(261,088)	(213,774)	<b>(5,699,846)</b>
Revaluation increments/decrements	27	(13,243,076)	(1,341,952)	(3,388,053)	(2,923,586)	(1,604,570)	-	2,893,350	-	(27,096)	<b>(19,634,983)</b>
Accumulated depreciation of disposals		112,988	-	64,195	16,387	3,572	-	18,505	12,410	1,597	<b>229,654</b>
Impairment losses recognised in operating result		-	-	-	-	-	-	-	(81,112)	-	<b>(81,112)</b>
Transfers		(145,974)	-	-	-	-	-	(8,189,020)	(1,904,006)	9,732,686	<b>(506,314)</b>
		<b>(15,157,482)</b>	<b>(3,116,375)</b>	<b>(3,589,424)</b>	<b>(3,141,651)</b>	<b>(2,217,787)</b>	<b>(230,536)</b>	<b>(5,498,963)</b>	<b>(2,233,796)</b>	<b>9,493,413</b>	<b>(25,692,601)</b>
At fair value 30 June 2015		211,139,665	121,455,336	23,594,415	22,064,199	54,563,347	5,978,641	8,594,162	5,871,254	8,712,991	<b>461,974,010</b>
Accumulated depreciation at 30 June 2015		(55,975,032)	(21,280,335)	(12,776,518)	(10,288,167)	(20,438,126)	(4,599,058)	(5,498,963)	(2,233,796)	(2,318,872)	<b>(135,408,867)</b>
		<b>155,164,633</b>	<b>100,175,001</b>	<b>10,817,897</b>	<b>11,776,032</b>	<b>34,125,221</b>	<b>1,379,583</b>	<b>3,095,199</b>	<b>3,637,458</b>	<b>6,394,119</b>	<b>326,565,143</b>

# Notes to the Financial Report

For the Year Ended 30 June 2015

## Note 21 Property, infrastructure, plant and equipment (cont)

Cultural and Heritage Assets	Note	Artworks	Library collection	Pioneer Settlement vehicles and vessels	Pioneer Settlement site exhibits	Pioneer Settlement buildings	Total Cultural and Heritage Assets	Works In Progress	Total property, infrastructure, plant and equipment
At fair value 1 July 2014		1,581,000	1,676,274	4,909,800	1,976,160	10,000,798	20,144,032	1,425,082	608,075,978
Accumulated depreciation at 1 July 2014		(58,277)	(1,200,699)	(155,611)	(62,656)	(7,849,435)	(9,326,678)	-	(202,565,918)
		1,522,723	475,575	4,754,189	1,913,504	2,151,363	10,817,354	1,425,082	405,510,060
<b>Movements in fair value</b>									
Acquisition of assets at fair value		12,950	117,125	-	-	351,913	481,988	3,526,466	14,503,228
Revaluation increments/decrements	27	-	-	-	-	-	-	-	51,016,321
Fair value of assets disposed		-	(151,703)	-	-	(177,353)	(329,056)	(118,287)	(2,396,768)
Impairment losses recognised in operating result		-	-	-	-	-	-	-	(296,928)
Transfers		-	-	-	-	1,695	1,695	(984,251)	-
		12,950	(34,578)	-	-	176,255	154,627	2,423,928	62,825,853
<b>Movements in accumulated depreciation</b>									
Depreciation and amortisation	13	(15,811)	(76,929)	(49,097)	(19,762)	(50,966)	(212,565)	-	(7,978,502)
Revaluation increments/decrements	27	-	-	-	-	-	-	-	(19,634,983)
Accumulated depreciation of disposals		-	151,703	-	-	158,313	310,016	-	1,806,267
Impairment losses recognised in operating result		-	-	-	-	-	-	-	(81,112)
Transfers		-	-	-	-	-	-	-	-
		(15,811)	74,774	(49,097)	(19,762)	107,347	97,451	-	(25,888,330)
At fair value 30 June 2015		1,593,950	1,641,696	4,909,800	1,976,160	10,177,053	20,298,659	3,849,010	670,901,831
Accumulated depreciation at 30 June 2015		(74,088)	(1,125,925)	(204,708)	(82,418)	(7,742,088)	(9,229,227)	-	(228,454,248)
		1,519,862	515,771	4,705,092	1,893,742	2,434,965	11,069,432	3,849,010	442,447,583

# Notes to the Financial Report

For the Year Ended 30 June 2015

## Note 21 Property, infrastructure, plant and equipment (cont)

### Valuation of property assets

#### Land – freehold and other controlled

Land assets are valued using the market based direct comparison method. Under this valuation method, the assets are compared to recent comparable sales or sales of comparable assets which are considered to have nominal or no added improvement value.

For land assets, an independent valuation was performed by Mr Franz J Turzi, Dip.Agr.Sc. AAPI (VAL) Certified Practising Valuer - State of Victoria of Franz J Turzi and Associates Pty Ltd. Valuation of the assets was determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the asset being valued. From the sales analysed, an appropriate rate per square metre has been applied to the subject asset. The effective date of the valuation is 30 June 2014.

To the extent that land – freehold assets do not contain significant, unobservable adjustments; these assets are classified as Level 2 under the market based direct comparison approach.

For land – other controlled assets, the market based direct comparison method is also used, however the valuation is adjusted to reflect the specialised nature of the assets being valued. An adjustment is made to reflect a restriction on the sale or use of an asset by Council. The adjustment is an allowance made to reflect the difference in value between unrestricted assets and those held by the Council which are impacted by external restraints on their use. These restrictions on use therefore contain significant unobservable adjustments; therefore these assets are classified as Level 3 fair value measurements.

#### Land under roads

Land under roads 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.

#### Buildings – freehold and other controlled

Building assets are valued using the depreciated replacement cost method. This cost represents the replacement cost of the building/component after applying depreciation rates on a useful life basis. Replacement costs relate to costs to replace the property to an “as new” standard. Economic obsolescence has also been factored into the depreciated replacement cost calculation.

Where it has not been possible to examine hidden works such as structural frames and floors, the use of reasonable materials and methods of construction have been assumed bearing in mind the age and nature of the building. The estimated cost of reconstruction including structure services and finishes, also factors in any heritage classifications as applicable.

Building assets contain significant unobservable adjustments; therefore these assets are classified as Level 3.

Valuation of Council buildings was performed by qualified independent valuer Mr Franz J Turzi, Dip.Agr.Sc. AAPI (VAL) Certified Practising Valuer - State of Victoria of Franz J Turzi and Associates Pty Ltd. The effective date of the valuation is 30 June 2014.

Details of the Council’s land and buildings and information about the fair value hierarchy as at 30 June 2015 are as follows:

	Level 1	Level 2	Level 3
Land – freehold	-	18,939,533	-
Land under roads	-	-	35,956,427
Land – other controlled	-	-	7,797,700
Buildings – freehold	-	-	25,580,063
Buildings – other controlled	-	-	8,683,242
<b>Total land and buildings</b>	<b>-</b>	<b>18,939,533</b>	<b>78,017,432</b>

### Description of significant unobservable inputs into level 3 valuations

Land and buildings	Valuation technique	Significant unobservable inputs	Sensitivity
Land under roads	Market based direct comparison approach	Extent and impact of restriction of use.	Increase or decrease in the extent of restriction would result in a significantly lower or higher fair value.
Land – other controlled	Market based direct comparison approach	Extent and impact of restriction of use.	Increase or decrease in the extent of restriction would result in a significantly lower or higher fair value.

# Notes to the Financial Report

For the Year Ended 30 June 2015

## Note 21 Property, infrastructure, plant and equipment (cont)

Land and buildings	Valuation technique	Significant unobservable inputs	Sensitivity
Building assets	Depreciated replacement cost	Direct cost per square metre.  Useful life of buildings. Useful life of buildings range from 10 to 100 years.	Increase or decrease in the direct cost per square metre adjustment would result in a significantly higher or lower fair value.  Increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower fair value.

### Valuation of Infrastructure assets

Infrastructure assets are valued using the depreciated replacement cost method. This cost represents the replacement cost of the asset after applying depreciation rates on a useful life basis. Replacement costs relate to costs to replace the asset to an "as new" standard. Economic obsolescence has also been factored into the depreciated replacement cost calculation.

Where it has not been possible to examine hidden works such as underground pipes or structural frames and floors, the use of reasonable materials and methods of construction have been assumed bearing in mind the age and nature of the asset. The estimated cost of reconstruction including structure services and finishes, also factors in any heritage classifications as applicable.

Infrastructure assets contain significant unobservable adjustments; therefore these assets are classified as Level 3.

Valuation of sealed roads, unsealed roads and drainage was performed by Council Officer Mr Andrew Bruggy, BE(Civil) GCert BA. The effective date of the valuation is 30 June 2015.

Valuation of kerb and channel was performed by Council Officer Mr Roger Lambert, BE(Civil). The effective date of the valuation is 30 June 2015.

Valuation of footpaths was performed by Council Officer Mr Roger Lambert, BE(Civil). The effective date of the valuation is 30 June 2015.

Valuation of waste management assets was performed by Council Officer Mr Roger Lambert, BE(Civil). The effective date of the valuation is 30 June 2015.

Valuation of other recreation, leisure and community facilities was performed by Council Officer Mr Roger Lambert, BE(Civil). The effective date of the valuation is 30 June 2015.

Valuation of parks, open spaces and streetscapes was performed by Council Officer Mr Roger Lambert, BE(Civil). The effective date of the valuation is 30 June 2015.

Valuation of other infrastructure assets was performed by Council Officer Mr Roger Lambert, BE(Civil). The effective date of the valuation is 30 June 2015.

There were no changes in valuation techniques throughout the period to 30 June 2015.

For all assets measured at fair value, the current use is considered the highest and best use.

Details of the Council's infrastructure assets and information about the fair value hierarchy as at 30 June 2015 are as follows:

	Level 1	Level 2	Level 3
Sealed roads	-	-	155,164,633
Unsealed roads	-	-	100,175,001
Kerb and channel	-	-	10,817,897
Footpaths and cycleways	-	-	11,776,032
Drainage	-	-	34,125,221
Waste management	-	-	1,379,583
Recreation, leisure and community facilities	-	-	3,095,199
Parks, open spaces and streetscapes	-	-	3,637,458
Other infrastructure	-	-	6,394,119
<b>Total infrastructure</b>	<b>-</b>	<b>-</b>	<b>326,565,143</b>

# Notes to the Financial Report

For the Year Ended 30 June 2015

## Note 21 Property, infrastructure, plant and equipment (cont)

Infrastructure	Valuation technique	Significant unobservable inputs	Sensitivity
Sealed roads	Depreciated replacement cost	<p>Cost per unit. Formation \$6.00 Pavement \$15.00 - \$37.00 Spray seal \$7.38 Asphalt \$33.00 Based on 2014/15 revaluation.</p> <p>Useful life of sealed road components. Formation 100 years Pavement 60 years Spray seal 15 years Asphalt 20 years Life assessed at revaluation.</p>	<p>Increase or decrease in the cost per unit would result in a significantly higher or lower fair value.</p> <p>Increase or decrease in the estimated useful life would result in a significantly higher or lower fair value.</p>
Unsealed roads	Depreciated replacement cost	<p>Cost per unit. Natural surface \$4 Gravel surface \$12 Based on 2014/15 revaluation</p> <p>Useful life of unsealed road components. Natural surface 100 years Gravel surface 30 years Life assessed at revaluation.</p>	<p>Increase or decrease in the cost per unit would result in a significantly higher or lower fair value.</p> <p>Increase or decrease in the estimated useful life would result in a significantly higher or lower fair value.</p>
Kerb and channel	Depreciated replacement cost	<p>Cost per unit. Unit rate \$72 - \$95 Based on 2014/15 revaluation.</p> <p>Useful life of kerb and channel assets. Useful life of kerb and channel assets is 25-50 years. Life assessed at revaluation.</p>	<p>Increase or decrease in the cost per unit would result in a significantly higher or lower fair value.</p> <p>Increase or decrease in the estimated useful life would result in a significantly higher or lower fair value.</p>
Footpaths	Depreciated replacement cost	<p>Cost per unit. Unit rates range from \$15 - \$200 Based on 2014/15 revaluation.</p> <p>Useful life of footpath assets Useful life of footpath assets are 20 – 50 years Life assessed at revaluation.</p>	<p>Increase or decrease in the cost per unit would result in a significantly higher or lower fair value.</p> <p>Increase or decrease in the estimated useful life would result in a significantly higher or lower fair value.</p>
Drainage	Depreciated replacement cost	<p>Cost per unit. Pipes \$84 - \$1,256 Culverts \$314 - \$3,500 Open drains \$75 - \$2,000 Pits \$2,750 - \$5,830 Pump stations \$46,200 - \$726,000 Drainage basins \$13 - \$24 Based on 2014/15 revaluation.</p> <p>Useful life of drainage components. Pipes 75 years Culverts 80 years Open drains 76 years Pits 60 years Pump stations 78 years Drainage basins 80 years Life assessed at revaluation.</p>	<p>Increase or decrease in the cost per unit would result in a significantly lower or higher fair value.</p> <p>Increase or decrease in the estimated useful life would result in a significantly lower or higher fair value.</p>

# Notes to the Financial Report

For the Year Ended 30 June 2015

## Note 21 Property, infrastructure, plant and equipment (cont)

Infrastructure	Valuation technique	Significant unobservable inputs	Sensitivity
Waste management	Depreciated replacement cost	Direct cost per square metre.  Useful life of waste management cells. Useful life of waste management assets range from 10 to 35 years. Life assessed at revaluation.	Increase or decrease in the direct cost per square metre adjustment would result in a significantly higher or lower fair value.  Increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower fair value.
Recreation, leisure and community facilities	Depreciated replacement cost	Direct cost per square metre. Direct cost per unit.  Useful life of recreation, leisure and community facilities. Recreation, leisure and community facilities have a useful life of 10 to 90 years. Life assessed at revaluation.	Increase or decrease in the direct cost per square metre or cost per unit adjustment would result in a significantly higher or lower fair value.  Increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower fair value.
Parks, open spaces and streetscapes	Depreciated replacement cost	Direct cost per square metre. Direct cost per unit.  Useful life of parks, open spaces and streetscape items. Parks, open spaces and streetscape items have a useful life of 10 to 60 years. Life assessed at revaluation.	Increase or decrease in the direct cost per square metre or cost per unit adjustment would result in a significantly higher or lower fair value.  Increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower fair value.
Other infrastructure	Depreciated replacement cost	Direct cost per square metre. Direct cost per unit.  Useful life of other infrastructure items. Other infrastructure items have a useful life of 10 years. Life assessed at revaluation.	Increase or decrease in the direct cost per square metre or cost per unit adjustment would result in a significantly higher or lower fair value.  Increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower fair value.

### Cultural and heritage assets

#### Artworks

Artworks are valued using the market based direct comparison method. Under this valuation method, the assets are compared to recent comparable sales or sales of comparable assets which are considered to have nominal or no added improvement value.

Valuation of Council's permanent artwork collection was prepared in 2010 by Mr Warren Joel, Managing Director of Leonard Joel Australia, South Yarra, Victoria. Valuation of the assets was determined by analysing comparable sales of an artist's work, knowledge of the collections history and condition of the collection. The effective date of the valuation is 30 June 2011.

Artwork assets contain significant, unobservable adjustments; therefore these assets are classified as Level 3 fair value measurements.

#### Pioneer Settlement vehicles and vessels and site exhibits

Pioneer Settlement vehicles and vessels and site exhibits are valued using the market based direct comparison method. Under this valuation method, the assets are compared to recent comparable sales or sales of comparable assets which are considered to have nominal or no added improvement value.

Valuation of Pioneer Settlement vehicles and vessels and site exhibit assets was conducted by qualified independent valuer Mr David Freeman, member of Auctioneers and Valuers Association of Australia, and Chief Executive Officer of



# Notes to the Financial Report

For the Year Ended 30 June 2015

## Note 21 Property, infrastructure, plant and equipment (cont)

Amanda Adams Auctions, Bulleen, Victoria. The valuation is based on average market realisation prices that should be obtained if the items were sold via private treaty or auction sales. The effective date of the valuation is 30 June 2011.

Pioneer Settlement vehicles and vessels and site exhibit assets contain significant, unobservable adjustments; therefore these assets are classified as Level 3 fair value measurements.

### Pioneer Settlement buildings

Pioneer Settlement building assets are valued using the depreciated replacement cost method. This cost represents the replacement cost of the building/component after applying depreciation rates on a useful life basis. Replacement costs relate to costs to replace the property to an "as new" standard. Economic obsolescence has also been factored into the depreciated replacement cost calculation.

Where it has not been possible to examine hidden works such as structural frames and floors, the use of reasonable materials and methods of construction have been assumed bearing in mind the age and nature of the building. The estimated cost of reconstruction including structure services and finishes, also factors in any heritage classifications as applicable.

Building assets contain significant unobservable adjustments; therefore these assets are classified as Level 3.

Details of the Council's cultural and heritage assets and information about the fair value hierarchy as at 30 June 2015 are as follows:

	Level 1	Level 2	Level 3
Artworks	-	-	1,519,862
Pioneer Settlement vehicles and vessels	-	-	4,705,092
Pioneer Settlement site exhibits	-	-	1,893,742
Pioneer Settlement buildings	-	-	2,434,965
<b>Total cultural and heritage</b>	<b>-</b>	<b>-</b>	<b>10,553,661</b>

Cultural and heritage	Valuation technique	Significant unobservable inputs	Sensitivity
Artworks	Market based direct comparison approach	Artist history. Rarity of item. Historical significance.	If there are events that determine certain pieces of the collection to be of historical significance, if the artist has works that have increased in popularity or the item is considered to be rare and in demand, this would result in a higher fair value.
Pioneer Settlement – vehicles and vessels	Market based direct comparison approach	Rarity of item. Historical significance.	Increase or decrease in the rarity or historical significance /interest would result in a significantly higher or lower fair value.
Pioneer Settlement – site exhibits	Market based direct comparison approach	Rarity of item. Historical significance.	Increase or decrease in the rarity or historical significance /interest would result in a significantly higher or lower fair value.
Pioneer Settlement – buildings	Depreciated replacement cost	Direct cost per square metre.  Useful life of buildings. Useful life of buildings range from 10 to 100 years.	Increase or decrease in the direct cost per square metre adjustment would result in a significantly higher or lower fair value.  Increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower fair value.

# Notes to the Financial Report

For the Year Ended 30 June 2015

## Note 22 Intangible assets

	2015 \$	2014 \$
Water rights	720,384	726,016
<b>Total intangible assets</b>	<b>720,384</b>	<b>726,016</b>
<b>Gross carrying amount – Water rights</b>		
Balance at beginning of financial year	726,016	768,000
Acquisitions	-	-
Asset revaluation movement	(5,632)	(41,984)
<b>Balance at end of financial year</b>	<b>720,384</b>	<b>726,016</b>

## Note 23 Trade and other payables

Accrued expenses	1,318,678	894,678
Salaries and wages	89,747	651,879
Trade payables	316,409	356,707
<b>Total trade and other payables</b>	<b>1,724,834</b>	<b>1,903,264</b>

## Note 24 Trust funds and deposits

Refundable deposits	122,230	113,058
Fire services levy	25,577	8,548
Retention amounts	286,014	266,537
<b>Total trust funds and deposits</b>	<b>433,821</b>	<b>388,143</b>

### *Purpose and nature of items*

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

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

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

## Note 25 Provisions

	Annual leave \$	Long service leave \$	Landfill restoration \$	Total \$
<b>2015</b>				
Balance at beginning of the financial year	1,606,510	3,323,093	1,417,985	6,347,588
Additional provisions	1,416,893	512,821	-	1,929,714
Amounts used	(1,431,591)	(273,405)	-	(1,704,996)
Increase in the discounted amount arising because of time and the effect of any change in the discount rate	-	-	33,621	33,621
<b>Balance at the end of the financial year</b>	<b>1,591,812</b>	<b>3,562,509</b>	<b>1,451,606</b>	<b>6,605,927</b>
<b>2014</b>				
Balance at beginning of the financial year	1,587,665	3,256,544	1,404,854	6,249,063
Additional provisions	1,315,570	334,887	-	1,650,457
Amounts used	(1,296,725)	(268,338)	(26,976)	(1,592,039)
Increase in the discounted amount arising because of time and the effect of any change in the discount rate	-	-	40,107	40,107
<b>Balance at the end of the financial year</b>	<b>1,606,510</b>	<b>3,323,093</b>	<b>1,417,985</b>	<b>6,347,588</b>

# Notes to the Financial Report

For the Year Ended 30 June 2015

## Note 25 Provisions (cont)

	2015 \$	2014 \$
<b>(a) Employee benefits</b>		
<b>Current provisions expected to be wholly settled within 12 months</b>		
Annual leave	1,323,208	1,376,338
Long service leave	193,959	189,003
<b>Total Current provisions expected to be wholly settled within 12 months</b>	<b>1,517,167</b>	<b>1,565,341</b>
<b>Current provisions expected to be wholly settled after 12 months</b>		
Annual leave	268,604	230,172
Long service leave	3,060,454	2,859,438
<b>Total current provisions expected to be wholly settled after 12 months</b>	<b>3,329,058</b>	<b>3,089,610</b>
<b>Total current provisions</b>	<b>4,846,225</b>	<b>4,654,951</b>
<b>Non-current</b>		
Long service leave	308,096	274,652
<b>Total long service leave</b>	<b>308,096</b>	<b>274,652</b>
Aggregate carrying amount of employee provisions:		
Current	4,846,225	4,654,951
Non-current	308,096	274,652
	<b>5,154,321</b>	<b>4,929,603</b>

The following assumptions were adopted in measuring the present value of employee benefits:

Weighted average increase in employee costs	4.44%	4.44%
Weighted average discount rates	1.42%	1.30%
Weighted average settlement period	15 years	15 years

### (b) Landfill restoration

Under the Environmental Protection Act 1970, Council is obligated to restore the Swan Hill & Robinvale Landfill sites to EPA Standards. The forecast life of both sites is based on current estimates of remaining capacity and the forecast rate of infill. The provision for landfill restoration has been calculated based on the present value of the expected cost of works to be undertaken. The expected cost of works has been calculated by an independent assessor and is based on current understanding of work required to reinstate the site to a suitable standard. Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs.

Council does not expect to receive reimbursement from a third party.

### Non-current

Landfill remediation provision	1,451,606	1,417,985
Total provisions		
<b>Current</b>	<b>4,846,225</b>	<b>4,654,951</b>
<b>Non-current</b>	<b>1,759,702</b>	<b>1,692,637</b>
<b>Total provisions</b>	<b>6,605,927</b>	<b>6,347,588</b>

# Notes to the Financial Report

For the Year Ended 30 June 2015

## Note 26 Interest-bearing loans and borrowings

	2015 \$	2014 \$
<b>Current</b>		
Finance leases	-	52,284
Borrowings – secured	765,397	870,240
<b>Total current</b>	<b>765,397</b>	<b>922,524</b>
<b>Non-current</b>		
Borrowings – secured	7,775,427	3,745,824
<b>Total non-current</b>	<b>7,775,427</b>	<b>3,745,824</b>
<b>Total interest-bearing loans and borrowings</b>	<b>8,540,824</b>	<b>4,668,348</b>
Security for borrowings – bank loans are secured over the general rates of Council.		
a) The maturity profile for Council's borrowings is:		
Not later than one year	765,397	922,524
Later than one year and not later than five years	2,522,615	3,288,012
Later than five years	5,252,812	457,812
<b>Total</b>	<b>8,540,824</b>	<b>4,668,348</b>
b) The maturity profile for Council's finance lease liabilities is:		
Not later than one year	-	52,284
Later than one year and not later than five years	-	-
Later than five years	-	-
<b>Total</b>	<b>-</b>	<b>52,284</b>
Minimum future lease payments		
Less future finance charges	-	-
<b>Present value of minimum lease payments</b>	<b>-</b>	<b>52,284</b>
c) Aggregate carrying amount of interest-bearing loans and borrowings:		
Current	<b>765,397</b>	<b>922,524</b>
Non-current	<b>7,775,427</b>	<b>3,745,824</b>
<b>Total interest-bearing loans and borrowings</b>	<b>8,540,824</b>	<b>4,668,348</b>

# Notes to the Financial Report

For the Year Ended 30 June 2015

## Note 27 Reserves

Asset revaluation reserve	Balance at beginning of reporting period \$	Increment (decrement) \$	Transfers \$	Balance at end of reporting period \$
<b>2015</b>				
<b>Property</b>				
Land	14,686,816	-	-	14,686,816
Land under roads	1,685,384	-	-	1,685,384
Buildings	15,051,575	-	-	15,051,575
	<b>31,423,775</b>	<b>-</b>	<b>-</b>	<b>31,423,775</b>
<b>Infrastructure</b>				
Sealed roads	46,707,885	24,683,519	-	71,391,404
Unsealed roads	19,130,053	3,178,064	-	22,308,117
Kerb and channel	7,220,451	2,286,403	-	9,506,854
Footpaths	5,186,767	1,141,700	-	6,328,467
Drainage	13,113,341	2,534,112	-	15,647,453
Recreation, leisure and community facilities	-	(2,506,550)	4,418,703	1,912,153
Other infrastructure	6,277,782	64,090	(4,418,703)	1,923,169
	<b>97,636,279</b>	<b>31,381,338</b>	<b>-</b>	<b>129,017,617</b>
<b>Cultural and heritage assets</b>				
Artworks	1,477,603	-	-	1,477,603
Pioneer Settlement	5,997,702	-	-	5,997,702
	<b>7,475,305</b>	<b>-</b>	<b>-</b>	<b>7,475,305</b>
<b>Water rights</b>				
	83,261	(5,632)	-	77,629
<b>Total asset revaluation reserve</b>	<b>136,618,620</b>	<b>31,375,706</b>	<b>-</b>	<b>167,994,326</b>
<b>2014</b>				
<b>Property</b>				
Land	14,068,307	618,509	-	14,686,816
Land under roads	1,685,384	-	-	1,685,384
Buildings	16,262,606	(1,211,031)	-	15,051,575
	<b>32,016,297</b>	<b>(592,522)</b>	<b>-</b>	<b>31,423,775</b>
<b>Infrastructure</b>				
Sealed roads	47,430,912	(723,027)	-	46,707,885
Unsealed roads	19,046,144	83,909	-	19,130,053
Kerb and channel	7,220,451	-	-	7,220,451
Footpaths	5,186,767	-	-	5,186,767
Drainage	11,980,757	1,132,584	-	13,113,341
Recreation, leisure and community facilities	-	-	-	-
Other infrastructure	6,277,782	-	-	6,277,782
	<b>97,142,813</b>	<b>493,466</b>	<b>-</b>	<b>97,636,279</b>
<b>Cultural and heritage assets</b>				
Artworks	1,477,603	-	-	1,477,603
Pioneer Settlement	6,818,824	(821,122)	-	5,997,702
	<b>8,296,427</b>	<b>(821,122)</b>	<b>-</b>	<b>7,475,305</b>
<b>Water rights</b>				
	125,245	(41,984)	-	83,261
<b>Total asset revaluation reserve</b>	<b>137,580,782</b>	<b>(962,162)</b>	<b>-</b>	<b>136,618,620</b>

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

# Notes to the Financial Report

For the Year Ended 30 June 2015

## Note 28 Reconciliation of cash flows from operating activities to surplus (deficit)

	2015 \$	2014 \$
Surplus for the year	6,489,532	756,580
Depreciation/amortisation	7,978,502	7,814,778
Profit on disposal of property, plant and equipment, infrastructure	(92,686)	(7,594)
Assets written off / asset adjustments	629,545	1,378,022
Works-in-progress expensed from prior year(s)	118,287	-
Contributions – non monetary assets	(142,903)	(284,788)
Reallocation of borrowing costs to financing activities	396,083	361,084
Reallocation of non-cash finance sources – landfills	(33,621)	(13,131)
<i>Change in assets and liabilities:</i>		
Increase in trade and other receivables	(91,954)	(171,260)
Decrease in other assets	50,074	84,288
Decrease in trade and other payables	(297,808)	(375,480)
Decrease in other liabilities	-	(191,380)
(Increase/decrease in inventories)	(3,993)	21,801
Increase in provisions	258,339	98,525
<b>Net cash provided by operating activities</b>	<b>15,257,397</b>	<b>9,471,445</b>

## Note 29 Reconciliation of cash and cash equivalents

Cash and cash equivalents (see note 16)	15,539,398	5,985,020
Less bank overdraft	-	-
<b>Total reconciliation of cash and cash equivalents</b>	<b>15,539,398</b>	<b>5,985,020</b>

## Note 30 Financing arrangements

Bank overdraft	-	-
Used facilities	-	-
<b>Unused facilities</b>	<b>-</b>	<b>-</b>

# Notes to the Financial Report

For the Year Ended 30 June 2015

## Note 31 Commitments

The Council has entered into the following commitments:

2015	Not later than 1 year \$	Later than 1 year and not later than 2 years \$	Later than 2 years and not later than 5 years \$	Later than 5 years \$	Total \$
<b>Operating</b>					
Annual earthworks & plant hire - landfills	60,000	20,000	-	-	80,000
Cartage	350,000	-	-	-	350,000
Cleaning of Council buildings, public toilets & BBQs	688,000	706,940	726,380	748,170	2,869,490
Design & supervision Tower Hill	131,261	26,862	-	-	158,123
Essential safety measures	27,748	27,748	-	-	55,496
Internal audit services	15,000	-	-	-	15,000
Kerbside waste collection & recycle waste	832,275	853,082	-	-	1,685,357
Home care services	78,565	-	-	-	78,565
Management & operation of the PS Pyap	160,000	160,000	-	-	320,000
Management of landfills	631,613	647,403	-	-	1,279,016
Pest control treatment services	17,812	4,453	-	-	22,265
Provision of security services	16,262	-	-	-	16,262
Review & development of Council's youth strategy	40,000	-	-	-	40,000
Rural land use strategy	82,021	-	-	-	82,021
Supply of outdoor & works staff uniforms	15,000	7,500	-	-	22,500
Telecommunications services & hardware	545,000	545,000	-	-	1,090,000
Professional services – planning	2,500	-	-	-	2,500
<b>Total Operating</b>	<b>3,693,057</b>	<b>2,998,988</b>	<b>726,380</b>	<b>748,170</b>	<b>8,166,595</b>
<b>Capital</b>					
Sealed roads	2,145,896	1,450,000	-	-	3,595,896
Heartbeat of the Murray Multimedia Show	1,813,034	1,208,691	-	-	3,021,725
Unsealed roads	824,568	700,000	700,000	-	2,224,568
Heartbeat of the Murray Amphitheatre Stage 1	89,565	-	-	-	89,565
Drainage	140,249	-	-	-	140,249
Recreation, leisure and community facilities	108,420	-	-	-	108,420
Plant & equipment	735,052	-	-	-	735,052
<b>Total Capital</b>	<b>5,856,784</b>	<b>3,358,691</b>	<b>700,000</b>	<b>-</b>	<b>9,915,475</b>

# Notes to the Financial Report

For the Year Ended 30 June 2015

## Note 31 Commitments (cont)

2014	Not later than 1 year \$	Later than 1 year and not later than 2 years \$	Later than 2 years and not later than 5 years \$	Later than 5 years \$	Total \$
<b>Operating</b>					
Annual support & upgrade charge – CACP	26,378	-	-	-	26,378
CACP review	55,000	-	-	-	55,000
Cartage	350,000	350,000	-	-	700,000
Cleaning of Council buildings, public toilets & BBQ's	672,000	688,000	706,940	726,380	2,793,320
Corporate solution	120,197	120,197	120,197	-	360,591
Home maintenance services	260,000	-	-	-	260,000
Internal audit services	15,000	15,000	15,000	-	45,000
Kerbside waste collection & operation of recyclable waste transfer station	810,000	832,275	853,082	-	2,495,357
Maintenance & servicing of essential safety measures	59,538	-	-	-	59,538
Management & operation of Council leisure & aquatic centres	798,000	-	-	-	798,000
Operation of PS Pyap	160,000	160,000	160,000	-	480,000
Pest control treatment services	17,812	17,812	-	-	35,624
Robinvale CBD & Swan Hill Riverside public places recycling	31,064	-	-	-	31,064
Security services	48,310	-	-	-	48,310
Strengthening Swan Hill region's retail industry	33,000	-	-	-	33,000
Supply & maintenance of photocopiers	120,000	-	-	-	120,000
Supply of outdoor & work staff uniforms	30,000	15,000	-	-	45,000
Telecommunications & data	545,000	545,000	545,000	-	1,635,000
Tree maintenance contracts	320,000	-	-	-	320,000
Valuation services - 2012 & 2014 general valuations	142,152	-	-	-	142,152
Waste management services Robinvale landfill	210,000	225,750	231,394	-	667,144
Waste management services Swan Hill and rural landfills	395,000	405,863	416,009	-	1,216,872
<b>Total Operating</b>	<b>5,218,451</b>	<b>3,374,897</b>	<b>3,047,622</b>	<b>726,380</b>	<b>12,367,350</b>
<b>Capital</b>					
Buildings	641,545	-	-	-	641,545
Library stock	10,000	-	-	-	10,000
Recreation, leisure and community facilities	241,102	-	-	-	241,102
Drainage	210,266	-	-	-	210,266
Plant & equipment	69,848	-	-	-	69,848
Parks, open spaces and streetscapes	188,876	-	-	-	188,876
Sealed roads	1,451,807	-	-	-	1,451,807
<b>Total Capital</b>	<b>2,813,444</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,813,444</b>



# Notes to the Financial Report

For the Year Ended 30 June 2015

## Note 32 Operating leases

	2015	2014
	\$	\$
<b>Operating lease commitments</b>		
At the reporting date, the Council had the following obligations under non-cancellable operating leases for the lease of equipment and land and buildings for use within Council's activities (these obligations are not recognised as liabilities):		
Not later than one year	389,123	370,317
Later than one year and not later than five years	1,505,872	1,513,721
Later than five years	921,043	1,439,640
<b>Total operating lease commitments</b>	<b>2,816,038</b>	<b>3,323,678</b>

## Note 33 Contingent liabilities and contingent assets

### Contingent liabilities

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

### Funding arrangements

Swan Hill Rural 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.

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

Net investment returns	7.50% pa
Salary information	4.25% pa
Price inflation (CPI)	2.75% pa.

Vision Super has advised that the estimated VBI at June 2015 was 105.8%.

The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the actuarial investigation determined the defined benefit category was in a satisfactory financial position and that no 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 most recent full actuarial investigation conducted by the Fund's Actuary as at 30 June 2014, Swan Hill Rural 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 2015, this rate was 9.5% of members' salaries. This rate will increase in line with any increase to the Superannuation Guarantee (SG) contribution rate.

In addition, Swan Hill Rural 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.

#### 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 on the above requirement, the Fund's participating employers (including Swan Hill Rural 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.

# Notes to the Financial Report

For the Year Ended 30 June 2015

## Note 33 Contingent liabilities and contingent assets (cont)

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.

### Latest actuarial investigation surplus amounts

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

- A VBI surplus of \$77.1 million; and
- A total service liability surplus of \$236 million.

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2014.

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

Swan Hill Rural City Council was notified of the results of the actuarial investigation during January 2015.

### Superannuation contributions

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

Scheme	Type of scheme	Rate	2015 \$	2014 \$
Vision Super	Defined benefits	9.5%	\$380,818	\$413,780
Vision Super	Accumulation	9.5%	\$1,807,458	\$1,668,281

There were \$67,047 contributions outstanding and no loans issued from or to the above schemes as at 30 June 2015.

The expected contributions to be paid to the defined benefit category of Vision Super for the year ending 30 June 2016 is \$350,678.

### Contingent assets

Council had no contingent assets at balance date (2013/14, \$0).

## Note 34 Financial Instruments

### (a) Objectives and policies

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

### (b) Market Risk

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

#### Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Our interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which exposes us to fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Council has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating rate.

# Notes to the Financial Report

For the Year Ended 30 June 2015

## Note 34 Financial Instruments (cont)

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

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

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

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

### (c) Credit risk

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

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

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

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

We may also be subject to credit risk for transactions which are not included in the balance sheet, such as when we provide a guarantee for another party. Details of our contingent liabilities are disclosed in Note 33.

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

### (d) Liquidity risk

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

To help reduce these risks Council:

- have 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 33, 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 1.0% and -1.0% in market interest rates (AUD) from year-end rates of 1.9%.

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.

# Notes to the Financial Report

For the Year Ended 30 June 2015

## Note 35 Related party transactions

### (i) Responsible Persons

Names of persons holding the position of a Responsible Person at Swan Hill Rural City Council at any time during the year are:-

<b>Councillors</b>	Mayor Michael Adamson Councillor John Katis Councillor Greg Cruickshank Councillor Gary Norton Councillor Jessie Kiley Councillor Les McPhee Councillor Jim Crowe
<b>Chief Executive Officer</b>	Dean Miller

### (ii) Remuneration of Responsible Persons

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

Income Range	2015	2014
\$20,000 - \$29,999	4	5
\$30,000 - \$39,999	2	1
\$50,000 - \$59,999	1	-
\$60,000 - \$69,999	-	1
\$210,000 - \$219,999	-	1
\$220,000 - \$229,999	1	-
	<b>8</b>	<b>8</b>
Total remuneration for the reporting year for Responsible Persons included above, amounted to:	\$437,884	\$424,168

### (iii) Retirement Benefits

No retirement benefits have been made by the Council to a Responsible Person. (2013/14, \$0)

### (iv) Loans

No loans have been made, guaranteed or secured by the Council to a Responsible Person during the reporting year (2013/14, \$0).

### (v) Other Transactions

Councillor Greg Cruickshank operates Greg Cruickshank Photographics which Council has dealt with under normal business terms during 2014/15. Total transactions for the 2014/15 year = \$2,324 (2013/14, \$1,355).

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 (2013/14, \$0).

### (vi) Senior Officers Remuneration

A Senior Officer other than a Responsible Person is an officer of Council who has management responsibilities and reports directly to the Chief Executive Officer or whose total annual remuneration exceeds \$136,000.

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

Income Range	2015	2014
< \$136,000	-	1
\$179,000 - \$179,999	1	2
\$180,000 - \$189,999	1	1
\$190,000 - \$199,999	2	-
	<b>4</b>	<b>4</b>
Total remuneration for the reporting year for Senior Officers included above amounted to:	\$745,103	\$668,450

## Note 36 Events occurring after balance date

No matters or circumstances have arisen since the end of the reporting period which significantly affect or may significantly affect the operations of the Council, the results of those operations or the state of affairs at the Council in future financial years.

# 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 (Financing and Reporting) Regulations 2004, Australian Accounting Standards and other mandatory professional reporting requirements.

**David C Lenton CPA**  
**Principal Accounting Officer**

**Dated:**

In our opinion the accompanying Financial Statements present fairly the financial transactions of the Swan Hill Rural City Council for the year ended 30 June 2015, and of the financial position of the Council at that date.

At the date of signing, we are not aware of any circumstances which would render any particulars of the Financial Statements to be misleading or inaccurate.

We have been authorised by the Council on 16 September 2015 to certify the Financial Statements in their final form.

**Councillor (Mayor)**

**Dated:**

**Councillor (Deputy Mayor)**

**Dated:**

**Dean Miller**  
**Chief Executive Officer**

**Dated:**