



GREATER SHEPPARTON CITY COUNCIL  
ANNUAL FINANCIAL REPORT

*For the Year Ended 30 June 2015*

DRAFT

**Greater Shepparton City Council**  
**Financial Report**  
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**Comprehensive Income Statement  
For the Year Ended 30 June 2015**

	Note	2015 \$	2014 \$
<b>Income</b>			
Rates and charges	3	63,779,711	60,284,470
Statutory fees and fines	4	2,026,029	1,893,184
User fees	5	19,732,500	19,181,336
Grants - operating	6	29,170,289	18,999,560
Grants - capital	6	1,910,676	5,670,007
Contributions - monetary	7	2,259,432	2,745,823
Contributions - non monetary	7	13,607,192	2,604,328
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	8	105,840	421,698
Share of net profits/(losses) of associates and joint ventures	16	131,196	65,241
Other income	9	1,865,236	1,951,947
<b>Total income</b>		<b>134,588,101</b>	<b>113,817,594</b>
<b>Expenses</b>			
Employee costs	10	(42,222,309)	(40,642,772)
Materials and services	11	(52,608,918)	(41,017,645)
Bad and doubtful debts	12	(224,242)	(114,116)
Depreciation and amortisation	13	(22,728,072)	(21,176,669)
Borrowing costs	14	(1,123,275)	(1,464,839)
Other expenses	15	(8,099,873)	(4,281,323)
<b>Total expenses</b>		<b>(127,006,689)</b>	<b>(108,397,364)</b>
<b>Surplus/(deficit) for the year</b>		<b>7,581,412</b>	<b>5,420,230</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)	28	(1,791,530)	173,150,651
Share of other comprehensive income of associates and joint ventures	16	-	2,266
<b>Total comprehensive result</b>		<b>5,789,882</b>	<b>178,573,147</b>

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

**Balance Sheet**  
**As at 30 June 2015**

		2015	2014
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	17	18,302,549	27,435,485
Trade and other receivables	18	5,260,957	5,452,511
Other financial assets	19	25,100,000	16,500,000
Inventories	20	93,670	106,323
Other assets	21	1,131,987	1,461,072
<b>Total current assets</b>		<b><u>49,889,163</u></b>	<b><u>50,955,391</u></b>
<b>Non-current assets</b>			
Investments in associates and joint ventures	16	1,513,596	1,382,400
Property, infrastructure, plant and equipment	22	1,007,143,983	998,617,026
Intangible assets	23	1,013,338	1,046,471
<b>Total non-current assets</b>		<b><u>1,009,670,917</u></b>	<b><u>1,001,045,897</u></b>
<b>Total assets</b>		<b><u>1,059,560,080</u></b>	<b><u>1,052,001,288</u></b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	24	8,680,085	10,900,346
Trust funds and deposits	25	2,748,204	2,774,369
Provisions	26	9,323,920	8,648,527
Interest-bearing loans and borrowings	27	489,696	457,675
<b>Total current liabilities</b>		<b><u>21,241,905</u></b>	<b><u>22,780,917</u></b>
<b>Non-current liabilities</b>			
Provisions	26	4,720,584	926,896
Interest-bearing loans and borrowings	27	13,868,708	14,354,474
<b>Total non-current liabilities</b>		<b><u>18,589,292</u></b>	<b><u>15,281,370</u></b>
<b>Total liabilities</b>		<b><u>39,831,197</u></b>	<b><u>38,062,287</u></b>
<b>Net assets</b>		<b><u>1,019,728,883</u></b>	<b><u>1,013,939,001</u></b>
<b>Equity</b>			
Accumulated surplus		323,881,554	316,300,142
Reserves	28	695,847,329	697,638,859
<b>Total Equity</b>		<b><u>1,019,728,883</u></b>	<b><u>1,013,939,001</u></b>

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

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

	Note	Total \$	Accumulated Surplus \$	Revaluation Reserve \$
<b>2015</b>				
Balance at beginning of the financial year		1,013,939,001	316,300,142	697,638,859
Surplus/(deficit) for the year		7,581,412	7,581,412	-
Net asset revaluation increment/(decrement)	28	(1,791,530)	-	(1,791,530)
<b>Balance at end of the financial year</b>		<b>1,019,728,883</b>	<b>323,881,554</b>	<b>695,847,329</b>
<b>2014</b>				
Balance at beginning of the financial year		835,365,854	310,877,646	524,488,208
Surplus/(deficit) for the year		5,422,496	5,422,496	-
Recognition of Land Under Roads for the first time	1(b), 28	171,750,083	-	171,750,083
Net asset revaluation increment/(decrement)	28	1,400,568	-	1,400,568
<b>Balance at end of the financial year</b>		<b>1,013,939,001</b>	<b>316,300,142</b>	<b>697,638,859</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		63,779,711	60,491,408
Statutory fees and fines		2,026,029	1,893,184
User fees		20,496,661	17,648,125
Grants - operating		29,170,289	18,999,560
Grants - capital		1,910,676	5,670,007
Contributions - monetary		2,281,796	2,745,823
Interest received		1,865,236	1,172,591
Trust funds and deposits taken		-	156,656
Other receipts		-	572,418
Net GST refund/payment		1,378	3,380
Employee costs		(41,617,234)	(40,128,613)
Materials and services		(51,726,845)	(37,951,133)
Trust funds and deposits repaid		(26,165)	-
<b>Net cash provided by/(used in) operating activities</b>	29	<b><u>28,161,532</u></b>	<b><u>31,273,406</u></b>
<b>Cash flows from investing activities</b>			
Payments for property, infrastructure, plant and equipment	22	(27,462,150)	(24,571,465)
Proceeds from sale of property, infrastructure, plant and equipment		344,702	625,947
Payments for investments		(8,600,000)	(12,500,000)
<b>Net cash provided by/(used in) investing activities</b>		<b><u>(35,717,448)</u></b>	<b><u>(36,445,518)</u></b>
<b>Cash flows from financing activities</b>			
Finance costs		(1,123,275)	(1,164,839)
Repayment of borrowings		(453,745)	(413,065)
<b>Net cash provided by/(used in) financing activities</b>		<b><u>(1,577,020)</u></b>	<b><u>(1,577,904)</u></b>
Net increase (decrease) in cash and cash equivalents		(9,132,936)	(6,750,016)
Cash and cash equivalents at the beginning of the financial year		27,435,485	34,185,501
<b>Cash and cash equivalents at the end of the financial year</b>	30	<b><u>18,302,549</u></b>	<b><u>27,435,485</u></b>

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		26,559	137,012
Land improvements		4,817,330	1,968,573
<b>Total land</b>		<b>4,843,889</b>	<b>2,105,586</b>
Buildings		4,357,488	1,757,903
<b>Total buildings</b>		<b>4,357,488</b>	<b>1,757,903</b>
<b>Total property</b>		<b>9,201,377</b>	<b>3,863,489</b>
<b>Plant and equipment</b>			
Plant, machinery and equipment		1,825,662	2,639,509
Fixtures, fittings and furniture		356,223	407,949
Computers and telecommunications		766,238	785,696
Art collection and regalia		168,669	117,510
<b>Total plant and equipment</b>		<b>3,116,792</b>	<b>3,950,665</b>
<b>Infrastructure</b>			
Roads		10,597,568	13,086,672
Bridges		119,930	111
Footpaths and cycleways		636,314	570,648
Drainage		1,498,810	2,700,993
Recreational, leisure and community facilities		1,015,133	425,980
Waste management		926,041	266,830
Parks, open space and streetscapes		201,575	327,651
Aerodromes		123,535	11,782
Other infrastructure		25,075	81,940
<b>Total infrastructure</b>		<b>15,143,981</b>	<b>17,472,607</b>
<b>Total capital works expenditure</b>		<b>27,462,150</b>	<b>25,286,760</b>
<b>Represented by:</b>			
New asset expenditure		8,602,159	6,893,983
Asset renewal expenditure		16,748,148	13,134,915
Asset upgrade expenditure		2,111,843	5,257,862
<b>Total capital works expenditure</b>		<b>27,462,150</b>	<b>25,286,760</b>

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

## Introduction

The Greater Shepparton City Council was established by an Order of the Governor in Council on 17th November 1994 and is a body corporate. The Council's main office is located at 90 Welsford Street Shepparton.

## Statement of Compliance

This financial report 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. The general purpose financial report complies with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, the *Local Government Act 1989*, and the *Local Government (Finance 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 notes 1 (f & 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

#### *AASB 1051 Land Under Roads*

In December 2007 AASB 1051 Land Under Roads was issued with the operative date for this standard being 1 July 2008. At the adoption of the standard, Council had elected not to recognise as an asset, Land Under Roads acquired before 1 July 2008, but to recognise Land Under Roads acquired after 1 July 2008 at cost in accordance with AASB 116 Property, Plant and Equipment.

In July 2011 the Department of Planning and Community Development issued a recommendation that all councils recognise Land Under Roads pre 1 July 2008 at fair value along with all Land Under Roads aquired from 1 July 2008. This recommendation was to be adopted no later than the 2014/2015 financial year. In December 2014 the Department of Transport, Planning and Local Infrastructure extended the transition period for recognition and measurement of Land Under Roads to the 2017/2018 financial year.

Council has elected to adopt the recommendation in the 2014/2015 financial year which reflect the fair value of all land under roads controlled by Council, and comparative figures have been adjusted accordingly. The effected reported balances at 30 June 2014 and restated balances as at 1 July 2014 are shown in Note 1(y).



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

**c) Committees of Management**

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

**d) Accounting for investments in associates**

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

**(e) Revenue recognition**

*Rates and charges*

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

*Statutory fees and fines*

Statutory fees and fines (including parking 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 and contributions*

Grant income is recognised when Council obtains control of the contribution. This is normally obtained upon their receipt or upon earlier notification that a grant has been secured (through the generation of an invoice) 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.

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

*Sale of property, infrastructure plant or equipment*

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

*Interest and rents*

Interest and rents are recognised on a proportional basis when the payment is due, the value of the payment is notified, or the payment is received, whichever first occurs.

*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.

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

**(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 an impairment has occurred.

**(i) Other financial assets**

Financial assets are valued at fair value, being market value, at balance date. Any unrealised gains and losses on holdings at balance date are recognised as either a revenue or expense. Council's other financial assets comprise term deposits with a maturity date in excess of 90 days.

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

**(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 are measured at the lower of cost and net realisable value.

**(k) Recognition and measurement of assets**

*Acquisition*

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

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

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

*Revaluation*

Subsequent to the initial recognition of assets, non-current physical assets are measured at their fair value, being the amount for which the assets could be exchanged between knowledgeable willing parties in an arms length transaction. 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.

In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 3 to 5 years. The valuation is performed either by experienced council officers or independent experts.

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

*Land under roads*

Council recognises land under roads it controls at fair value. Refer to note 1(b).

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

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

Buildings, land improvements, plant and equipment, infrastructure, heritage assets, 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 infrastructure assets have separate identifiable components that are subject to regular replacement, these components are assigned distinct useful lives and/or residual values and a separate depreciation rate is determined for each component.

Road earthworks are not depreciated.

Art collection and Regalia are not depreciated.

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

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

	Depreciation Period	Threshold Limit \$
<b>Property</b>		
Buildings and Land improvements		
Land	-	10,000
Land improvements	15 to 40 years	10,000
Land under roads	-	2,000
Buildings*	40 years	10,000
Heritage assets		
Heritage assets	40 years	10,000
<b>Plant and equipment</b>		
Plant, machinery and equipment	5 to 15 years	2,000
Furniture, equipment and computers	3 to 30 years	500
Art collection and regalia	-	3,000
<b>Infrastructure</b>		
Roads		
Road pavements and seals	12 to 60 years	20,000
Road substructure	53 to 60 years	20,000
Road kerb, channel and minor culverts	60 to 90 years	5,000
Bridges deck	50 to 80 years	20,000
Footpaths	10 to 60 years	2,000
Bike paths	10 to 65 years	2,000
Drainage	50 to 90 years	3,000
Naturestrip trees	50 years	3,000
Regulatory signs	7 to 35 years	3,000
Street furniture	5 to 50 years	1,500
Intangible assets		1,000

\*Prior to 2014/2015 buildings were depreciated between 60 to 100 years. After reviewing the factors used in determining the useful life of an asset (see paragraph 56 of AASB 116) Council elected to adopt a period of 40 years as per the independent valuation. The table below shows the impact of the change in depreciation rate.

Asset	60 to 100 Years Depreciation	40 Years Depreciation
Buildings	2,206,914	4,563,966

A number of depreciation rates disclosed have changed from those disclosed in the previous year's financial report. These changes were applicable to the 2013/2014 financial year and as such are already included in the comparative figures.

(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.

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

(n) 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 25).

(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 any borrowing costs to be capitalised.

(r) Employee costs and benefits

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

*Wages and salaries, and annual leave*

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

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

*Long service leave*

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

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

The components of this current liability are measured at :

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

Non-current liability - conditional LSL representing less than 7 years service 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. Gain or loss following revaluation of the present value of non-current LSL liability due to changes in bond interest rates is recognised as an other economic flow.

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

*Classification of employee benefits*

An employee benefit liability is classified as a current liability if the Council does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the period. This would include all annual leave and unconditional long service leave entitlements.

*Superannuation*

The superannuation expense for the reporting year is the amount of the statutory contribution the Council makes to the superannuation plan which provides benefits to its employees. In addition Council may, periodically be required to contribute to the defined benefits schemes for current and former employees. Details of these arrangements are recorded in note 34.

**(s) Landfill rehabilitation provision**

Council is obligated to restore the Cosgrove Landfill site 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 maintenance, closure and restoration has been calculated based on Environmental Protection Authority modelling and 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.

**(t) Leases**

*Operating leases*

Lease payments for operating leases are recognised as an expense in the years in which they are incurred as this reflects the pattern of benefits derived by the Council.

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

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

(v) 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 inclusive of the GST payable.

(w) Pending accounting standards

Certain new Australian Accounting Standards 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 into future reporting periods.

(x) 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.

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

(y) Accounting adjustments to prior periods

*Existing assets not previously recognised.*

Non-current assets not previously recognised are classified as though they had always been recognised by an adjustment through equity and a restatement of the previous year's comprehensive income statement if applicable.

During the 2014/15 financial year Council revalued existing land under road assets and other land under road assets not previously recognised (see note 1(b)) as at 30 June 2014. The below table shows the adjustments that have been made to the 2013/14 balances.

Refer Note 22

Asset Class	2013/14	Restated
Property (Land Under Roads)	3,703,939	175,454,022
Equity	842,188,918	1,013,939,001

**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 10 percent and \$100k 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 6 August, 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*.

	Budget 2015 \$	Actual 2015 \$	Variance 2015 \$	Ref
<b>a) Income and Expenditure</b>				
<b>Income</b>				
Rates and charges	63,938,109	63,779,711	(158,398)	
Statutory fees and fines	4,559,552	2,026,029	(2,533,523)	1
User fees	16,120,921	19,732,500	3,611,579	2
Grants - operating	22,113,535	29,170,289	7,056,754	3
Grants - capital	3,999,600	1,910,676	(2,088,924)	4
Contributions - monetary	3,053,988	2,259,432	(794,556)	5
Contributions - non monetary	3,000,000	13,607,192	10,607,192	6
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	20,000	105,840	85,840	
Share of net profits/(losses) of associates and joint ventures	-	131,196	131,196	
Other income	2,306,506	1,865,236	(441,270)	7
<b>Total income</b>	<b>119,112,211</b>	<b>134,588,101</b>	<b>15,475,890</b>	
<b>Expenses</b>				
Employee costs	42,997,642	42,222,309	775,333	
Materials and services	44,300,381	52,622,291	(8,321,910)	8
Bad and doubtful debts	154,000	224,242	(70,242)	
Depreciation and amortisation	21,013,353	22,728,072	(1,714,719)	
Borrowing costs	1,127,033	1,123,275	3,758	
Other expenses	276,033	8,086,500	(7,810,467)	9
<b>Total expenses</b>	<b>109,868,442</b>	<b>127,006,689</b>	<b>(17,138,247)</b>	
<b>Surplus/(deficit) for the year</b>	<b>9,243,769</b>	<b>7,581,412</b>	<b>(1,662,357)</b>	

**(i) Explanation of material variations**

Variance Ref	Item	Explanation
1	Statutory fees and fines	Under budget largely due to the reallocation of parking fees revenue from Statutory fees and fines to User fees \$1.28m.
2	User fees	More than budget as per above. Also increased revenue of \$350k due to volume increase in Saleyards throughput.
3	Grants - operating	More than budget by \$7.1m largely due to the early receipt of 50% of 2015/2016 Federal Financial Assistance Grant.
4	Grants - capital	Less than budget by \$2.1m largely due to the delayed receipt of grants for the Greater Shepparton Regional Sports Precinct \$2.9m. These are budgeted to be received in the 2015/2016 financial year.
5	Contributions - monetary	Less than budget by \$795k largely due to contributions received from developers which are often difficult to predict.
6	Contributions - non monetary	More than budget by \$10.6m largely due to contributed assets, including developer contributions, which are difficult to predict.
7	Other income	Less than budget by \$441k due to the reallocation of some classes of other income to monetary contributions.
8	Materials and services	More than budget by \$8.3m largely due to provision for future Cosgrove 3 landfill repairs and maintenance expenses \$4.0m, Mooroopna West Building Better Regional Cities rebates of \$2.0m and GSGA street lighting project \$1.5m.
9	Other expenses	Over budget by \$7.8m largely due to write down of replaced assets and works in progress of \$7.2m.



Note 2 Budget comparison (cont)

	Budget 2015 \$	Actual 2015 \$	Variance 2015 \$	Ref
<b>b) Capital Works</b>				
<b>Property</b>				
Land	1,800,000	26,559	(1,773,441)	1
Land improvements	8,253,000	4,817,330	(3,435,670)	2
<b>Total Land</b>	<b>10,053,000</b>	<b>4,843,889</b>	<b>(5,209,111)</b>	
Buildings	7,438,000	4,357,488	(3,080,512)	3
<b>Total Buildings</b>	<b>7,438,000</b>	<b>4,357,488</b>	<b>(3,080,512)</b>	
<b>Total Property</b>	<b>17,491,000</b>	<b>9,201,377</b>	<b>(8,289,623)</b>	
<b>Plant and Equipment</b>				
Plant, machinery and equipment	3,308,000	1,825,662	(1,482,338)	4
Fixtures, fittings and furniture	628,000	524,892	(103,108)	5
Computers and telecommunications	1,401,000	766,238	(634,762)	6
<b>Total Plant and Equipment</b>	<b>5,337,000</b>	<b>3,116,792</b>	<b>(2,220,208)</b>	
<b>Infrastructure</b>				
Roads	9,789,000	10,597,568	808,568	
Bridges	300,000	119,930	(180,070)	7
Footpaths and cycleways	420,000	636,314	216,314	8
Drainage	885,000	1,498,810	613,810	9
Recreational, leisure and community facilities	1,645,000	1,015,133	(629,867)	10
Waste management	1,045,000	926,041	(118,959)	11
Parks, open space and streetscapes	250,000	201,575	(48,425)	
Aerodromes	193,000	123,535	(69,465)	
Other infrastructure	62,000	25,075	(36,925)	
<b>Total Infrastructure</b>	<b>14,589,000</b>	<b>15,143,981</b>	<b>554,981</b>	
<b>Total Capital Works Expenditure</b>	<b>37,417,000</b>	<b>27,462,150</b>	<b>(9,954,850)</b>	
<b>Represented by:</b>				
New asset expenditure	15,175,000	8,602,159	(6,572,841)	
Asset renewal expenditure	18,412,500	16,748,148	(1,664,352)	
Asset expansion expenditure	-	-	-	
Asset upgrade expenditure	3,829,500	2,111,843	(1,717,657)	
<b>Total Capital Works Expenditure</b>	<b>37,417,000</b>	<b>27,462,150</b>	<b>(9,954,850)</b>	

Note 2 Budget comparison (cont)

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Land	Less than budget by \$1.8m largely due to the acquisition of land for Cosgrove 3 landfill \$1.8m being deferred to the 2015/2016 financial year.
2	Land Improvements	Less than budget by \$3.4m which is largely due to the Greater Shepparton Regional Sports Precinct \$3.7m. Most of this unspent budget has been considered for re-budget in the 2015/2016 financial year.
3	Buildings	Less than budget by \$3.1m which is largely due to Katandra West Community Centre \$1.3m, Aquamoves Indoor Wet Area Change Rooms \$485k, Mooroopna Community Store Shed \$235k, and Tatura Park Outdoor Arena Roof \$232k. Most of this unspent budget has been considered for re-budget in the 2015/2016 financial year.
4	Plant, machinery and equipment	Less than budget by \$1.5m which is solely due to Plant Purchases. The useful life of several large items of plant were reviewed and extended, which lead to the replacement of these items of plant being deferred to future financial years.
5	Fixtures, fittings and furniture	Less than budget by \$103k which is largely due to the Saleyards Water Main Relocation. Expenses for this project have been recorded in the Income Statement as an expense under Materials & Consumables due to a reclassification of the works from capital to operating.
6	Computers and telecommunications	Less than budget by \$635k which is largely due to the deferral of new computer purchases until the 2015/2016 financial year.
7	Bridges	Less than budget by \$180k which is due to the deferral of some bridge renewals. Most of this unspent budget has been considered for re-budget in the 2015/2016 financial year.
8	Footpaths and cycleways	More than budget by \$216k which is largely due to Murchison Rail Trail \$187k and Asset Preservation Footpath Renewals \$37k. These works were originally budgeted for the 2013/2014 financial year and completed during the 2014/2015 financial year.
9	Drainage	More than budget by \$614k which is largely due to Mooroopna West Growth Corridor Flood Mitigation works \$694k. These works are difficult to predict as they largely dependant on contributing developer requirements and timeframes.
10	Recreational, leisure and community facilities	Less than budget by \$630k which is largely due to Aquamoves Carpark Redevelopment \$356k and Mooroopna Recreation Reserve Upgrade \$317k. Most of this unspent budget has been considered for re-budget in the 2015/2016 financial year.
11	Waste management	Less than budget by \$119k largely due to works impacted by deferral of acquisition of land for Cosgrove 3 landfill.

	2015	2014
	\$	\$
<b>Note 3 Rates and charges</b>		
Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The CIV of a property is its market value, which takes into account the land and all improvements fixed to the land.		
The valuation base used to calculate general rates for 2014/15 was \$8.92 billion (2013/14 \$8.78 billion).		
Residential	33,379,723	31,453,629
Commercial	9,338,102	10,559,114
Industrial	4,759,342	4,962,290
Farm/Rural residential	6,160,725	5,745,267
Waste Services charges	7,700,800	7,564,170
Supplementary rates and rate adjustments	2,441,019	-
<b>Total rates and charges</b>	<b>63,779,711</b>	<b>60,284,470</b>

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 Jan 2014 and the valuation will be first applied in the rating year commencing 1 July 2014.

**Note 4 Statutory fees and fines**

Infringements and costs	708,077	682,785
Court recoveries	21,921	26,340
Fees - ticket machines	315,129	311,144
Fees - parking meters	968,112	866,118
Permits	12,790	6,797
<b>Total statutory fees and fines</b>	<b>2,026,029</b>	<b>1,893,184</b>

**Note 5 User fees**

Aged and Disability services	588,637	624,936
Animal Control	650,228	652,066
Aquatic Facilities	2,815,368	2,813,214
Arts and Culture	730,025	767,118
Children's Services	2,011,323	1,940,224
Development Facilities	1,368,364	1,644,634
Environmental Health	339,459	327,833
Financial Services	960,290	1,100,280
Miscellaneous	928,809	423,968
Private Works	399,837	669,852
Recreational Facilities	1,368,521	759,159
Saleyards	1,984,755	1,570,011
Tourism	310,761	922,465
Waste Management	5,276,123	4,965,576
<b>Total user fees</b>	<b>19,732,500</b>	<b>19,181,336</b>

	2015 \$	2014 \$
<b>Note 6 Grants</b>		
Grants were received in respect of the following :		
<b>Summary of grants</b>		
Commonwealth funded grants	22,423,476	13,988,799
State funded grants	8,657,489	10,680,768
<b>Total</b>	<b>31,080,965</b>	<b>24,669,567</b>
<b>Operating Grants</b>		
<i>Recurrent - Commonwealth Government</i>		
Victoria Grants Commission	17,274,971	5,633,952
Children's Services	2,442,892	2,161,517
Aged & Disability Services	452,387	289,779
<i>Recurrent - State Government</i>		
Aged & Disability Services	3,157,114	3,200,868
Children's Services	1,685,411	2,244,991
Art and Culture	169,033	188,000
Economic Development	135,000	150,000
Environmental Health	163,202	99,889
Emergency Management	146,106	145,706
Other	68,022	186,376
<b>Total recurrent operating grants</b>	<b>25,694,138</b>	<b>14,301,078</b>
<i>Non-recurrent - Commonwealth Government</i>		
Environmental planning	511,926	233,544
Other	192,112	-
<i>Non-recurrent - State Government</i>		
Recreation and Parks	4,062	730,930
Youth and Children's Services	1,307,739	1,123,465
Infrastructure	2,179	1,105,870
Emergency Management	846,760	432,278
Arts and Culture	282,622	313,497
Active Living	145,930	294,584
Community Development	117,950	230,086
Other	64,871	234,228
<b>Total non-recurrent operating grants</b>	<b>3,476,151</b>	<b>4,698,482</b>
<b>Total operating grants</b>	<b>29,170,289</b>	<b>18,999,560</b>
<b>Capital Grants</b>		
<i>Recurrent - Commonwealth Government</i>		
Roads to recovery	1,479,188	1,719,010
<b>Total recurrent capital grants</b>	<b>1,479,188</b>	<b>1,719,010</b>
<i>Non-recurrent - Commonwealth Government</i>		
Environment	-	2,087,283
Settlement and housing	-	1,432,396
Community life	70,000	317,273
Economic development	-	114,045
<i>Non-recurrent - State Government</i>		
Buildings	248,421	-
Other	113,067	-
<b>Total non-recurrent capital grants</b>	<b>431,488</b>	<b>3,950,997</b>
<b>Total capital grants</b>	<b>1,910,676</b>	<b>5,670,007</b>
<b>Conditions on grants</b>		
Grants recognised as revenue during the year that were obtained on condition that they be expended in a specified manner that had not occurred at balance date were:	6,052,405	3,550,466
Grants which were recognised as revenue in prior years and were expended during the current year in the manner specified by the grantor were:	3,833,533	8,160,305
Net increase/(decrease) in restricted assets resulting from grant revenues for the year:	<b>2,218,872</b>	<b>(4,609,839)</b>

	2015	2014
	\$	\$
<b>Note 7 Contributions</b>		
Monetary	2,259,432	2,745,823
Non-monetary	13,607,192	2,604,328
<b>Total contributions</b>	<b>15,866,624</b>	<b>5,350,151</b>
<i>Contributions of non monetary assets were received in relation to the following asset classes.</i>		
Land	3,276,339	503,946
Infrastructure	10,330,853	2,100,382
<b>Note 8 Net gain/(loss) on disposal of property, infrastructure, plant and equipment</b>		
Proceeds of sale	344,702	625,946
Write down value of assets disposed	(238,862)	(204,248)
<b>Total net gain/(loss) on disposal of property, infrastructure, plant and equipment</b>	<b>105,840</b>	<b>421,698</b>
<b>Note 9 Other income</b>		
Interest	1,338,101	1,379,529
Other rent	527,135	572,418
<b>Total other income</b>	<b>1,865,236</b>	<b>1,951,947</b>
<b>Note 10 (a) Employee costs</b>		
Wages and salaries	37,861,120	36,572,919
WorkCover	557,858	559,179
Superannuation	3,588,531	3,327,290
Fringe benefits tax	214,800	183,384
<b>Total employee costs</b>	<b>42,222,309</b>	<b>40,642,772</b>
<b>Note 10 (b) Superannuation</b>		
Council made contributions to the following funds:		
<b>Defined benefit fund</b>		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	191,821	295,614
	<u>191,821</u>	<u>295,614</u>
Employer contributions payable at reporting date.	2,580	2,931
<b>Accumulation funds</b>		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	3,387,284	2,902,221
Employer contributions - other funds	9,426	129,455
	<u>3,396,710</u>	<u>3,031,676</u>
Employer contributions payable at reporting date.		
Council account for its obligations under the defined benefit fund as if it was a defined contribution plan. The reason for this is that the fund manager, Vision Super, is unable to provide accurate information to each employer in a timely manner. Additional information about Council's exposure in relation to the defined benefit fund is detailed at note 34.		

	2015	2014
	\$	\$
<b>Note 11 Materials and services</b>		
Materials and services	17,283,332	13,838,804
Contract payments	14,233,960	11,990,125
Building maintenance	3,093,324	2,074,130
General maintenance	3,106,417	1,490,206
Utilities	3,142,891	3,100,902
Mooroopna West Growth Corridor rebates	4,920,000	-
Office administration	2,249,774	2,801,866
Information technology	1,764,313	1,376,010
Insurance	908,947	1,506,305
Consultants	1,905,960	2,839,297
<b>Total materials and services</b>	<b>52,608,918</b>	<b>41,017,645</b>
<b>Note 12 Bad and doubtful debts</b>		
Parking fine debtors	206,226	101,477
Rates debtors	10,037	-
Other debtors	7,979	12,639
<b>Total bad and doubtful debts</b>	<b>224,242</b>	<b>114,116</b>
<b>Note 13 Depreciation and amortisation</b>		
Property	5,461,394	3,695,396
Plant and equipment	2,249,502	2,731,999
Infrastructure	15,017,176	14,749,274
<b>Total depreciation and amortisation</b>	<b>22,728,072</b>	<b>21,176,669</b>
<i>Refer to note 22 for a more detailed breakdown of depreciation and amortisation charges.</i>		
<b>Note 14 Borrowing costs</b>		
Interest - Borrowings	1,123,275	1,164,839
<b>Total borrowing costs</b>	<b>1,123,275</b>	<b>1,164,839</b>
<b>Note 15 Other expenses</b>		
Auditor remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	65,526	61,500
Councillor allowances	231,703	204,279
Write off of replaced assets	7,789,271	3,934,257
Write down of intangible assets	13,373	81,287
<b>Total other expenses</b>	<b>8,099,873</b>	<b>4,281,323</b>

	2015	2014
	\$	\$
<b>Note 16 Investment in associates, joint arrangements and subsidiaries</b>		
<b>a) Investments in associates</b>		
Investments in associates accounted for by the equity method are:		
- Goulburn Valley Regional Library Corporation	1,513,596	1,382,400
<b>Goulburn Valley Regional Library Corporation</b>		
<i>Background</i>		
The Goulburn Valley Regional Library Corporation is an entity which has been established to serve three northern Victorian councils; the Greater Shepparton City Council, Moira Shire Council and the Strathbogie Shire Council. Each Council has two representatives on the Board of the Corporation.		
Each of the member Councils contributes financially to the operation of the Corporation based on the ratio of their population base. Contribution payments are considered a 'fee for service' on a commercial basis and are relative to the services the Corporation provides. The amount of financial contribution does not bring with it any additional voting rights or influence on the library activities and therefore no greater power or control.		
<b>Fair value of Council's investment in Goulburn Valley Regional Library Corporation</b>	<b>1,513,596</b>	<b>1,382,400</b>
<b>Council's share of accumulated surplus/(deficit)</b>		
Council's share of accumulated surplus/(deficit) at start of year	(497,788)	(563,029)
Reported surplus/(deficit) for year	131,196	65,241
Council's share of accumulated surplus/(deficit) at end of year	<b>(366,592)</b>	<b>(497,788)</b>
<b>Council's share of reserves</b>		
Council's share of reserves at start of year	1,382,400	1,380,134
Transfers (to) from reserves	-	2,266
Council's share of reserves at end of year	<b>1,382,400</b>	<b>1,382,400</b>
<b>Movement in carrying value of specific investment</b>		
Carrying value of investment at start of year	1,382,400	1,314,893
Share of surplus/(deficit) for year	131,196	65,241
Share of asset revaluation	-	2,266
<b>Carrying value of investment at end of year</b>	<b>1,513,596</b>	<b>1,382,400</b>

	2015	2014
	\$	\$
<b>Note 17 Cash and cash equivalents</b>		
Cash on hand	8,900	8,700
Cash at bank	13,289,535	5,154,377
Term deposits	5,004,114	22,272,408
	<u>18,302,549</u>	<u>27,435,485</u>
Councils cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:		
- Trust funds and deposits (Note 25)	2,748,204	2,774,369
Total restricted funds	<u>2,748,204</u>	<u>2,774,369</u>
Total unrestricted cash and cash equivalents	<u>15,554,345</u>	<u>24,661,116</u>

**Intended allocations**

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

- Cash held to fund carried forward capital works	2,734,393	7,909,575
- Funds held on a statutory basis	1,848,779	2,080,623
- Funds held on behalf of Shepparton Arts Museum	-	559,560
Total funds subject to intended allocations	<u>4,583,172</u>	<u>9,990,198</u>

**Note 18 Trade and other receivables**

**Current**

Rates debtors	3,478,564	3,604,371
Parking infringement debtors	345,237	412,835
Provision for doubtful debts - parking infringements	(101,386)	(95,689)
Other debtors	1,568,542	1,560,994
Provision for doubtful debts - other debtors	(30,000)	(30,000)
<b>Total current trade and other receivables</b>	<u>5,260,957</u>	<u>5,452,511</u>

**a) Ageing of Receivables**

At balance date other debtors representing financial assets were past due but not impaired. These amounts relate to a number of independent customers for whom there is no recent history of default. The ageing of the Council's trade & other receivables (excluding statutory receivables) was:

Current (not yet due)	1,413,610	2,315,651
Past due by up to 30 days	54,833	52,082
Past due between 31 and 180 days	76,202	79,599
Total trade & other receivables	<u>1,544,645</u>	<u>2,447,332</u>

**b) Movement in provisions for doubtful debts**

Balance at the beginning of the year	(30,000)	(30,000)
New Provisions recognised during the year	(7,979)	(12,639)
Amounts already provided for and written off as uncollectible	7,979	12,639
Balance at end of year	<u>(30,000)</u>	<u>(30,000)</u>

**c) Ageing of individually impaired Receivables**

At balance date, other debtors representing financial assets with a nominal value of \$33,995 (2014: \$31,000) were impaired. The amount of the provision raised against these debtors was \$30,000 (2014: \$30,000). 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:

Past due between 31 and 180 days	33,995	31,000
Total trade & other receivables	<u>33,995</u>	<u>31,000</u>



	2015	2014
<b>Note 19 Other financial assets</b>	\$	\$
Term deposits	25,100,000	16,500,000
<b>Total other financial assets</b>	<u>25,100,000</u>	<u>16,500,000</u>
<b>Note 20 Inventories</b>		
Inventories held for distribution	93,670	106,323
<b>Total inventories</b>	<u>93,670</u>	<u>106,323</u>
<b>Note 21 Other assets</b>		
Prepayments	725,462	479,329
Accrued income	321,367	916,338
Intangible Assets held for sale within 12 months	85,158	65,405
<b>Total other assets</b>	<u>1,131,987</u>	<u>1,461,072</u>

**Note 22 Property, infrastructure plant and equipment**

	Note	* Land - specialised	Land - non specialised	Land improvements	Total Land	Heritage Buildings	Buildings - specialised	Total Buildings	Work In Progress	Total Property
<b>Land and Buildings</b>										
At fair value 1 July 2014		175,454,022	100,283,386	31,574,649	307,312,057	3,905,122	176,899,687	180,804,809	8,673,894	496,790,760
Accumulated depreciation at 1 July 2014		-	-	(7,493,118)	(7,493,118)	(1,264,108)	(69,536,974)	(70,801,082)	-	(78,294,200)
		<b>175,454,022</b>	<b>100,283,386</b>	<b>24,081,531</b>	<b>299,818,939</b>	<b>2,641,014</b>	<b>107,362,713</b>	<b>110,003,727</b>	<b>8,673,894</b>	<b>418,496,560</b>
<b>Movements in fair value</b>										
Acquisition of assets at fair value		-	-	2,531,680	2,531,680	-	2,124,033	2,124,033	5,854,976	10,510,689
Gifted Assets at fair value		3,056,817	170,675	47,848	3,275,340	-	-	-	-	3,275,340
Revaluation increments/decrements		-	13,222,672	(19,469,509)	(6,246,837)	(141,586)	14,188,304	14,046,718	-	7,799,881
Fair value of assets disposed		-	-	(202,000)	(202,000)	-	(345,700)	(345,700)	-	(547,700)
Write off of works in progress		-	-	-	-	-	-	-	(3,170,021)	(3,170,021)
Transfers		-	-	1,408,681	1,408,681	-	488,727	488,727	(1,877,450)	19,958
		<b>3,056,817</b>	<b>13,393,347</b>	<b>(15,683,300)</b>	<b>766,864</b>	<b>(141,586)</b>	<b>16,455,364</b>	<b>16,313,778</b>	<b>807,505</b>	<b>17,888,147</b>
<b>Movements in accumulated depreciation</b>										
Depreciation and amortisation		-	-	(604,510)	(604,510)	(73,376)	(4,783,508)	(4,856,884)	-	(5,461,394)
Accumulated depreciation of disposals		-	-	82,160	82,160	-	262,093	262,093	-	344,253
Impairment losses recognised in operating result		-	-	-	-	-	(2,354)	(2,354)	-	(2,354)
Revaluation increments/decrements		-	-	3,152,320	3,152,320	(219,542)	(7,550,144)	(7,769,686)	-	(4,617,366)
		-	-	<b>2,629,970</b>	<b>2,629,970</b>	<b>(292,918)</b>	<b>(12,073,913)</b>	<b>(12,366,831)</b>	-	<b>(9,736,861)</b>
At fair value 30 June 2015		178,510,839	113,676,733	15,891,349	308,078,921	3,763,536	193,355,051	197,118,587	9,481,399	514,678,907
Accumulated depreciation at 30 June 2015		-	-	(4,863,148)	(4,863,148)	(1,557,026)	(81,610,887)	(83,167,913)	-	(89,031,061)
		<b>178,510,839</b>	<b>113,676,733</b>	<b>11,028,201</b>	<b>303,215,773</b>	<b>2,206,510</b>	<b>111,744,164</b>	<b>113,950,674</b>	<b>9,481,399</b>	<b>426,647,846</b>

\* Council's land under roads has been classified as specialised land. Refer to note 1(b).

**Note 22 Property, infrastructure plant and equipment (cont'd)**

<b>Plant and Equipment</b>	<b>Note</b>	<b>Plant machinery and equipment</b>	<b>Fixtures fittings and furniture</b>	<b>Art Collection &amp; Regalia</b>	<b>Work In Progress</b>	<b>Total plant and equipment</b>
At fair value 1 July 2014		13,262,617	18,036,047	14,990,861	-	46,289,525
Accumulated depreciation at 1 July 2014		(6,678,313)	(12,356,518)	-	-	(19,034,831)
		<b>6,584,304</b>	<b>5,679,529</b>	<b>14,990,861</b>	-	<b>27,254,694</b>
<b>Movements in fair value</b>						
Acquisition of assets at fair value		1,682,364	891,119	45,942	410,163	3,029,588
Revaluation increments/decrements		-	-	2,165,042	-	2,165,042
Fair value of assets disposed		(1,091,834)	(510)	(2,600)	-	(1,094,944)
Impairment losses recognised in operating result		(32,912)	-	-	-	(32,912)
Transfers		-	577,747	-	(577,747)	-
		<b>557,618</b>	<b>1,468,356</b>	<b>2,208,384</b>	<b>167,584</b>	<b>4,066,774</b>
<b>Movements in accumulated depreciation</b>						
Depreciation and amortisation		(1,219,537)	(1,029,965)	-	-	(2,249,502)
Accumulated depreciation of disposals		879,646	255	-	-	879,901
Impairment losses recognised in operating result		18,975	-	-	-	18,975
		<b>(320,916)</b>	<b>(1,029,710)</b>	-	-	<b>(1,350,626)</b>
At fair value 30 June 2015		13,820,235	19,504,403	17,199,245	167,584	50,356,299
Accumulated depreciation at 30 June 2015		(6,999,229)	(13,386,228)	-	-	(20,385,457)
		<b>6,821,006</b>	<b>6,118,175</b>	<b>17,199,245</b>	<b>167,584</b>	<b>29,970,842</b>

**Note 22 Property, infrastructure, plant and equipment (cont'd)**

Infrastructure	Note	Roads	Bridges	Footpaths and cycleways	Drainage	Other Infrastructure	Work in Progress	Total Infrastructure
At fair value 1 July 2014		608,423,698	29,812,739	60,366,399	108,070,301	11,477,587	9,599,011	827,749,735
Accumulated depreciation at 1 July 2014		(197,154,103)	(12,462,228)	(20,149,681)	(39,149,927)	(5,968,024)	-	(274,883,963)
		<b>411,269,595</b>	<b>17,350,511</b>	<b>40,216,718</b>	<b>68,920,374</b>	<b>5,509,563</b>	<b>9,599,011</b>	<b>552,865,772</b>
<b>Movements in fair value</b>								
Acquisition of assets at fair value		8,652,420	119,804	611,018	1,248,222	78,100	3,212,309	13,921,873
Gifted Assets at fair value		4,950,631	-	1,340,470	3,957,426	83,326	-	10,331,853
Revaluation increments/decrements		(49,783,561)	(3,571,616)	3,488,545	13,922,037	371,738	-	(35,572,857)
Fair value of assets disposed		(5,456,378)	(2,406,478)	(436,410)	(45,530)	(153,187)	-	(8,497,983)
Transfers		323,898	-	89,506	702,618	214,042	(1,341,472)	(11,408)
		<b>(41,312,990)</b>	<b>(5,858,290)</b>	<b>5,093,129</b>	<b>19,784,773</b>	<b>594,019</b>	<b>1,870,837</b>	<b>(19,828,522)</b>
<b>Movements in accumulated depreciation</b>								
Depreciation and amortisation		(11,839,539)	(365,560)	(1,043,353)	(1,282,155)	-	-	(15,017,176)
Accumulated depreciation of disposals		2,509,890	1,307,625	151,064	20,191	80,328	-	4,069,098
Revaluation increments/decrements		39,784,485	3,536,185	(10,760,391)	(5,957,080)	1,832,924	-	28,436,123
		<b>30,454,836</b>	<b>4,478,250</b>	<b>(11,652,660)</b>	<b>(7,219,044)</b>	<b>1,426,683</b>	<b>-</b>	<b>17,488,045</b>
At fair value 30 June 2015		567,110,708	23,954,449	65,459,528	127,855,074	12,071,606	11,469,848	807,921,213
Accumulated depreciation at 30 June 2015		(166,699,267)	(7,983,978)	(31,802,361)	(46,368,971)	(4,541,341)	-	(257,395,918)
		<b>400,411,441</b>	<b>15,970,471</b>	<b>33,657,167</b>	<b>81,486,103</b>	<b>7,530,265</b>	<b>11,469,848</b>	<b>550,525,295</b>
<b>Totals</b>								<b>1,007,143,983</b>

**Summary**

At fair value 30 June 2015	1,372,956,419
Accumulated depreciation at 30 June 2015	(365,812,436)
<b>Total property, infrastructure, plant and equipment</b>	<b>1,007,143,983</b>

**Note 22 Property, infrastructure, plant and equipment cont'd**

*Valuation of land and buildings*

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

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

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

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

	Level 1	Level 2	Level 3
Land	-	170,675	113,506,058
Specialised land	-	-	178,510,839
Land improvements	-	2,579,528	8,448,673
Heritage buildings	-	-	2,206,510
Buildings	-	2,124,033	109,620,131
<b>Total</b>	-	<b>4,874,236</b>	<b>412,292,211</b>

*Valuation of plant and equipment*

Valuation of plant, machinery and equipment and fixtures, fittings and furniture are recorded at fair value being historical cost less accumulated depreciation as at balance date.

Valuation of art works has been undertaken by two Australian Government approved, certified, independent valuers - Margaret Rich Art Valuations and Warren Joel Auction & Valuation Services.

The valuation of art works is at fair value, being market value based on the estimated price that would be received in selling the asset. In determining fair value due consideration has been given to auction records of similar art works, valuations held by commercial galleries and historical valuations.

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

	Level 1	Level 2	Level 3
Plant machinery & equipment	-	6,821,006	-
Fixtures fittings & furniture	-	6,118,175	-
Art collection & regalia	-	-	17,199,245
<b>Total</b>	-	<b>12,939,181</b>	<b>17,199,245</b>

**Note 22 Property, infrastructure, plant and equipment cont'd**

*Valuation of infrastructure*

Valuation of infrastructure assets (excluding Major Culverts) has been determined in accordance with an internal valuation undertaken by the Team Leader Strategic Assets.

Valuation of infrastructure assets (Major Culverts) has been determined in accordance with an independent valuation undertaken by Sterling Group Consultants Pty Ltd.

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

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

	Level 1	Level 2	Level 3
Roads	-	-	400,411,441
Bridges	-	-	15,970,471
Footpaths and cycleways	-	-	33,657,166
Drainage	-	-	81,486,103
Other infrastructure	-	-	7,530,265
<b>Total</b>	-	-	<b>539,055,447</b>

*Description of significant unobservable inputs into level 3 fair value.*

**Specialised land and land under roads** is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 5% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$0.05 and \$834.54 per square metre.

**Specialised buildings** are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs is calculated on a square metre basis and ranges from \$150 to \$15,000 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and set to 40 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

**Infrastructure assets** are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 7 years to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

	2015 \$	2014 \$
<b>Note 23 Intangible assets</b>		
Parkside Gardens	1,013,338	1,046,471
Total intangible assets	<u>1,013,338</u>	<u>1,046,471</u>
	<b>Parkside Gardens</b>	
	<b>\$</b>	
<b>Gross carrying amount</b>		
Balance at 1 July 2013	1,127,756	
Sales of housing blocks	(16,130)	
Revaluation of holdings	(65,155)	
Balance at 1 July 2014	1,046,471	
Revaluation of holdings	(33,133)	
Balance at 30 June 2015	<u>1,013,338</u>	
Net book value at 30 June 2014	<u>1,046,471</u>	
Net book value at 30 June 2015	<u>1,013,338</u>	
<b>Note 24 Trade and other payables</b>		
Trade payables	1,669,231	3,406,695
Net GST payable	1,378	-
Accrued expenses	7,009,476	7,493,651
<b>Total trade and other payables</b>	<u>8,680,085</u>	<u>10,900,346</u>
<b>Note 25 Trust funds and deposits</b>		
Refundable deposits	1,807,497	1,540,568
Fire services levy	377,311	694,217
Retention amounts	439,848	328,482
Other refundable deposits	123,548	211,102
<b>Total trust funds and deposits</b>	<u>2,748,204</u>	<u>2,774,369</u>
<i>Purpose and nature of items</i>		
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 26 Provisions**

	Landfill restoration \$	Annual Leave \$	Long Service Leave \$	Total \$
<b>2015</b>				
Balance at beginning of the financial year	-	3,135,776	6,439,647	9,575,423
Additional provisions	4,029,330	3,199,648	1,185,176	8,414,154
Amounts used	-	(2,931,432)	(613,113)	(3,544,545)
Decrease in the discounted amount arising because of time and the effect of any change in the discount rate	-	(66,810)	(333,718)	(400,528)
<b>Balance at the end of the financial year</b>	<b>4,029,330</b>	<b>3,337,182</b>	<b>6,677,992</b>	<b>14,044,504</b>
<b>2014</b>				
Balance at beginning of the financial year	-	3,044,575	6,285,276	9,329,851
Additional provisions	-	3,004,665	731,249	3,735,914
Amounts used	-	(2,913,464)	(576,878)	(3,490,342)
<b>Balance at the end of the financial year</b>	<b>-</b>	<b>3,135,776</b>	<b>6,439,647</b>	<b>9,575,423</b>

	2015 \$	2014 \$
<b>(a) Employee provisions</b>		
<b>Current provisions expected to be wholly settled within 12 months</b>		
Annual leave	2,591,227	2,477,101
Long service leave	1,246,645	1,520,968
	<b>3,837,872</b>	<b>3,998,069</b>
<b>Current provisions expected to be wholly settled after 12 months</b>		
Annual leave	745,955	658,675
Long service leave	4,740,093	3,991,783
	<b>5,486,048</b>	<b>4,650,458</b>
Total current provisions	<b>9,323,920</b>	<b>8,648,527</b>
<b>Non-current</b>		
Annual leave	-	-
Long service leave	691,254	926,896
<b>Total non-current provisions</b>	<b>691,254</b>	<b>926,896</b>
Aggregate carrying amount of employee provisions:		
Current	9,323,920	8,648,527
Non-current	691,254	926,896
<b>Total aggregate carrying amount of employee provisions</b>	<b>10,015,174</b>	<b>9,575,423</b>

The following assumptions were adopted in measuring the present value of employee benefits:		
Weighted average increase in employee costs	3.05%	3.50%
Weighted average discount rates	2.48%	3.08%

**(b) Land fill restoration**

Current	-	-
Non-current	4,029,330	-
	<b>4,029,330</b>	<b>-</b>
<b>Total Provisions</b>		
Current	9,323,920	8,648,527
Non-current	4,720,584	926,896
	<b>14,044,504</b>	<b>9,575,423</b>



	2015	2014
	\$	\$
<b>Note 27 Interest-bearing loans and borrowings</b>		
<b>Current</b>		
Borrowings - secured	489,696	457,675
	<u>489,696</u>	<u>457,675</u>
<b>Non-current</b>		
Borrowings - secured	13,868,708	14,354,474
	<u>13,868,708</u>	<u>14,354,474</u>
<b>Total</b>	<u>14,358,404</u>	<u>14,812,149</u>

Borrowings are secured over general rates as per *Local Government Act* - Section 148 (1) (a).

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

Not later than one year	489,696	457,675
Later than one year and not later than five years	2,379,065	2,207,807
Later than five years	11,489,643	12,146,667
	<u>14,358,404</u>	<u>14,812,149</u>

Note 28 Reserves

	Balance at beginning of reporting period	Increment (decrement)	Balance at end of reporting period
	\$	\$	\$
<b>Asset revaluation reserves</b>			
<b>2015</b>			
<b>Property</b>			
Land under roads	171,750,083	-	171,750,083
Land	62,808,232	13,110,726	75,918,958
Land Improvements	(1,101,329)	(16,317,189)	(17,418,518)
Buildings	18,008,714	6,386,624	24,395,338
	<u>251,465,700</u>	<u>3,180,161</u>	<u>254,645,861</u>
<b>Plant &amp; Equipment</b>			
Artwork & Regalia	11,351,012	2,165,042	13,516,054
	<u>11,351,012</u>	<u>2,165,042</u>	<u>13,516,054</u>
<b>Infrastructure</b>			
Roads	350,674,370	(7,136,733)	343,537,637
Bridges	17,826,478	-	17,826,478
Footpaths and cycleways	33,335,296	-	33,335,296
Drainage	31,855,019	-	31,855,019
Other infrastructure	1,130,984	-	1,130,984
	<u>434,822,147</u>	<u>(7,136,733)</u>	<u>427,685,414</u>
<b>Total asset revaluation reserves</b>	<b><u>697,638,859</u></b>	<b><u>(1,791,530)</u></b>	<b><u>695,847,329</u></b>
<b>2014</b>			
<b>Property</b>			
Land under roads	-	171,750,083	171,750,083
Land	62,808,232	-	62,808,232
Land Improvements	(1,101,329)	-	(1,101,329)
Buildings	18,008,714	-	18,008,714
	<u>79,715,617</u>	<u>171,750,083</u>	<u>251,465,700</u>
<b>Plant &amp; Equipment</b>			
Artwork & Regalia	11,300,082	50,930	11,351,012
	<u>11,300,082</u>	<u>50,930</u>	<u>11,351,012</u>
<b>Infrastructure</b>			
Roads	349,324,732	1,349,638	350,674,370
Bridges	17,826,478	-	17,826,478
Footpaths and cycleways	33,335,296	-	33,335,296
Drainage	31,855,019	-	31,855,019
Other infrastructure	1,130,984	-	1,130,984
	<u>433,472,509</u>	<u>1,349,638</u>	<u>434,822,147</u>
<b>Total asset revaluation reserves</b>	<b><u>524,488,208</u></b>	<b><u>173,150,651</u></b>	<b><u>697,638,859</u></b>

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

	2015 \$	2014 \$
<b>Note 29 Reconciliation of cash flows from operating activities to surplus/(deficit)</b>		
Surplus/(deficit) for the year	7,581,412	5,420,230
Depreciation/amortisation and infrastructure write off	30,517,343	21,176,669
(Profit)/loss on disposal of property, infrastructure, plant and equipment	(105,840)	(421,698)
Finance Costs	1,123,275	1,164,839
Contributions - Non-monetary assets	(13,607,192)	(2,604,328)
Share of net (profits)/losses of associates and joint ventures	(131,196)	(65,241)
<b>Change in assets and liabilities:</b>		
(Increase)/decrease in trade and other receivables	191,554	104,083
(Increase)/decrease in prepayments	(246,133)	(56,541)
(Increase)/decrease in inventories	12,653	(3,204)
Increase/(decrease) in accrued income	594,971	69,767
Increase/(decrease) in trade and other payables	(2,220,261)	3,111,985
Increase/(decrease) in other liabilities	(479,910)	(463,467)
Increase/(decrease) in provisions	1,131,899	245,572
Increase/(decrease) in landfill provisions	3,337,182	-
(Increase)/decrease in other assets	461,775	3,594,740
Net cash provided by/(used in) operating activities	<u>28,161,532</u>	<u>31,273,406</u>
<b>Note 30 Reconciliation of cash and cash equivalents</b>		
Cash and cash equivalents (see note 17)	<u>18,302,549</u>	<u>27,435,485</u>
	<u>18,302,549</u>	<u>27,435,485</u>
<b>Note 31 Financing arrangements</b>		
Bank overdraft	200,000	280,500
Used facilities	(30,000)	(78,237)
Unused facilities	<u>170,000</u>	<u>202,263</u>

**Note 32 Commitments**

The Council has entered into the following commitments

2015	Not later than 1	Later than 1 year	Later than 2 years	Later than 5	Total
	year	and not later than 2 years	and not later than 5 years	years	
	\$	\$	\$	\$	\$
<b>Operating</b>					
Recycling	559,500	-	-	-	559,500
Garbage collection	2,248,000	-	-	-	2,248,000
Open space management	731,064	607,426	631,723	-	1,970,213
Consultancies	666,184	128,660	39,775	-	834,619
Home care services	2,209,451	2,159,451	6,478,353	2,159,451	13,006,706
Cleaning contracts for council buildings	19,722	-	-	-	19,722
Meals for delivery	420,000	420,000	1,260,000	420,000	2,520,000
Community funding	-	-	-	-	-
<b>Total</b>	<b>6,853,921</b>	<b>3,315,537</b>	<b>8,409,851</b>	<b>2,579,451</b>	<b>21,158,760</b>
<b>Capital</b>					
Buildings	2,827,833	165,000	-	-	2,992,833
Roads	942,599	-	-	-	942,599
Drainage	85,206	-	-	-	85,206
Plant and equipment	-	-	-	-	-
<b>Total</b>	<b>3,855,638</b>	<b>165,000</b>	<b>-</b>	<b>-</b>	<b>4,020,638</b>

2014	Not later than 1	Later than 1 year	Later than 2 years	Later than 5	Total
	year	and not later than 2 years	and not later than 5 years	years	
	\$	\$	\$	\$	\$
<b>Operating</b>					
Recycling	689,000	-	-	-	689,000
Garbage collection	2,756,000	458,000	-	-	3,214,000
Open space management	860,431	626,600	1,669,004	-	3,156,035
Consultancies	65,000	-	-	-	65,000
Home care services	1,870,421	1,834,603	-	-	3,705,024
Cleaning contracts for council buildings	22,177	-	-	-	22,177
Meals for delivery	450,000	463,500	-	-	913,500
Community funding	140,000	140,000	-	-	280,000
<b>Total</b>	<b>6,853,029</b>	<b>3,522,703</b>	<b>1,669,004</b>	<b>-</b>	<b>12,044,736</b>
<b>Capital</b>					
Buildings	1,288,385	-	-	-	1,288,385
Roads	870,330	-	-	-	870,330
Drainage	404,732	-	-	-	404,732
Plant and equipment	1,179,930	-	-	-	1,179,930
<b>Total</b>	<b>3,743,377</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,743,377</b>

	2015	2014
	\$	\$
<b>Note 33 Operating leases</b>		
<b>(a) Operating lease commitments</b>		
At the reporting date, the Council had the following obligations under non-cancellable operating leases for the lease of equipment and land and buildings for use within Council's activities (these obligations are not recognised as liabilities):		
Not later than one year	389,178	402,022
Later than one year and not later than five years	419,341	577,139
Later than five years	-	-
	808,519	979,161
<b>(b) Operating lease receivables</b>		
The Council has entered into commercial property leases on its investment property, consisting of surplus freehold office complexes. These properties held under operating leases have remaining non-cancellable lease terms of between 1 and 10 years. All leases include a CPI based revision of the rental charge annually.		
Future minimum rentals receivable under non-cancellable operating leases are as follows:		
Not later than one year	230,153	224,214
Later than one year and not later than five years	457,828	646,434
Later than five years	36,885	20,296
	724,866	890,944

**Note 34 Contingent liabilities and contingent assets**

**Contingent liabilities**

**(i) Contingent liabilities arising from public liabilities**

As a local authority with ownership of numerous parks, reserves, roads and other land holdings, the council carries a \$400 million Public and Products Liability Insurance that has an excess payment of \$20,000 per claim on this policy. Any exposure to the Council from insurable incidents allegedly arising out of negligent management of its assets has a maximum liability of the excess payment on any single claim. MAV Insurance – Liability Mutual Insurance (LMI) is the Council's primary insurer and under the terms and conditions of the 2015/2016 policy the Council has made the insurer aware of any pending or existing claims. Financial outcomes pertaining to claims are unpredictable and are an estimate only. Payments for Public Liability claims are limited to the excess amount or part thereof.

**(ii) Contingent liabilities arising from professional indemnity**

As a local authority with statutory regulatory responsibilities, including the issuing of permit approvals, the Council can be exposed to claims and demands for damages allegedly arising due to advice given by Council Officers. The Council carries \$300 million Professional Indemnity Insurance that has an excess payment of \$20,000 per claim on this policy. The maximum liability for the Council in any single insurable claim is the extent of its excess payment. MAV Insurance – Liability Mutual Insurance (LMI) is Council's primary insurer and under the terms and conditions of the 2015/2016 policy the Council has made the insurer aware of any pending or existing claims.

**(iii) Contingent liabilities arising from Cosgrove Landfill Financial Assurance**

Council has a responsibility under the Environment and Protection Act 1970, for rehabilitation, site aftercare and remedial action at its landfill site at Cosgrove. While rehabilitation and site after care is funded through the annual budget, the EPA requires a financial assurance to meet the potential costs should Council neglect their responsibility for closure. As it is not possible to accurately calculate the cost of such a contingent event, the EPA has derived a formula to calculate the required landfill financial operational assurance. Using this model, Council has recognised a contingent liability of \$493k at 30 June 2015 (\$978k at 2013/14).

**(iv) Contingent liabilities arising from defined benefits superannuation scheme (refer Vision Super website for more details)**

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.

**Note 34 Contingent liabilities and contingent assets (cont'd)**

**Funding arrangements**

Council makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund'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 Council is a contributing employer was 103.4%. To determine the VBI, the fund Actuary used the following long-term assumptions:

- Net investment returns 7.5% pa
- Salary information 4.25% pa
- Price inflation (CPI) 2.75% pa.

Vision Super has advised that the VBI at 30 June 2015 is 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, 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, 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 based on the above requirement, the Fund's participating employers (including Council) are required to make an employer contribution to cover the shortfall.

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

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

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

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

**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 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.

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

**Superannuation contributions**

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

Scheme	Type of scheme	Rate	2015 \$'000	2014 \$'000
Vision Super	Defined benefits	9.50%	192	296
Vision Super	Accumulation	9.50%	3,387	2,902
Other Funds than Vision Super	Accumulation	9.50%	9	129

There were no 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 approximately \$190k.

**Contingent assets**

(i) Contingent assets arising from subdivisions

As at the reporting date there were a number of subdivisions in progress throughout the municipality and on completion the Council will receive ownership of the infrastructure associated with those subdivisions. Valuations are determined at the time of handover.

**Note 35 Financial Instruments**

**(a) Objectives and policies**

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

**(b) Market risk**

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

**Interest rate risk**

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Our interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which exposes us to fair value interest rate risk. Council does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Council has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating rate.

Investment of surplus funds is made with approved financial institutions under the *Local Government Act 1989*. We manage interest rate risk by following Council's Investment and Cash Management Policy adopted 19 August 2014.

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 only invest surplus funds with financial institutions which have a recognised credit rating specified in our investment policy. The policy also prescribes individual institution investment limits as well as maximum investment proportions based on credit ratings.

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 (ratepayers) 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 34.

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

**(d) Liquidity risk**

Liquidity risk includes the risk that, as a result of our operational liquidity requirements, or if we do 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's investment and cash management policy gives greater focus on the preservation of capital and liquidity of cash flow over investment return. Council also has readily accessible standby facilities and other funding arrangements in place and monitors budget to actual performance on a regular basis.

As part of its long term financial planning, Council sets 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 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 27.

**Note 35 Financial Instruments (cont)**

**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 (Base rates are sourced from Reserve Bank of Australia):

A parallel shift of +1.5% and -0.5% in market interest rates (AUD) from year-end rates of 2.0% (2013/14, 3.5%).

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



**Note 36 Related party transactions**

**(i) Responsible Persons**

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

**Councillors** Dennis Patterson (Mayor from November 2014)  
Jenny Houlihan (Mayor until November 2014)  
Michael Polan  
Kevin Ryan  
Les Oroszvary  
Fern Summer  
Dinny Adem

**Chief Executive Officer** Gavin Cator

**(ii) Remuneration of Responsible Persons**

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

	2015 No.	2014 No.
\$1 - \$9,999	-	1
\$10,000 - \$19,999	-	1
\$20,000 - \$29,999	5	5
\$40,000 - \$49,999	1	-
\$50,000 - \$59,999	1	-
\$70,000 - \$79,999	-	1
\$260,000 - \$269,999	-	1
\$280,000 - \$289,999	1	-
	<u>8</u>	<u>9</u>

Total Remuneration for the reporting year for Responsible Persons included above amounted to:

\$	514,727	\$	472,866
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**(iii) Senior Officers Remuneration**

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

- a) has management responsibilities and reports directly to the Chief Executive; or
- b) whose total annual remuneration exceeds \$136,000.

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

Income Range:	2015 No.	2014 No.
Less than \$119,999	2	2
\$120,000 - \$129,999	1	-
\$130,000 - \$139,999	2	3
\$160,000 - \$169,999	-	1
\$170,000 - \$179,999	1	-
\$180,000 - \$189,999	2	2
	<u>8</u>	<u>8</u>

Total Remuneration for the reporting year for Senior Officers included above, amounted to:

\$	1,152,639	\$	1,174,230
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**Note 36 Related party transactions (cont'd)**

(iv) **Responsible persons retirement benefits**

During 2014/15 Council recorded a provision of \$390k relating to employee entitlements for the retirement of responsible persons and senior officers. (2013/14, Nil).

(v) **Loans to responsible persons**

No amount of loans have been made, guaranteed or secured by the council to a responsible person of the council, or a related party of a responsible person during the reporting period (2013/14, Nil).

(vi) **Transactions with responsible persons**

There were no transactions with responsible persons during the reporting period or the prior reporting period.

**Note 37 Events occurring after balance date**

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

## Certification of the Financial Statements

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

Matthew Jarvis CPA  
Principal Accounting Officer

Date : 22-Sep-15  
Shepparton

In our opinion the accompanying financial statements present fairly the financial transactions of the Greater Shepparton City Council for the year ended 30 June 2015 and the financial position of the Council as at that date.

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

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

Dennis Patterson (Mayor)  
Councillor

Date : 22-Sep-15  
Shepparton

Fern Summer (Deputy Mayor)  
Councillor

Date : 22-Sep-15  
Shepparton

Johann Rajaratnam  
Acting Chief Executive Officer

Date : 22-Sep-15  
Shepparton

