

AGENDA

SPECIAL MEETING OF COUNCIL

Tuesday, 20 September 2016

To be held Swan Hill Region
Information Centre, Downstairs
Conference Room
Commencing at 1pm

COUNCIL:

Cr LT McPhee – Mayor

Cr JN Katis

Cr GW Norton

Cr GI Cruickshank

Cr JA Kiley

Cr JB Crowe

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SECTION A – PROCEDURAL MATTERS

- **Open**
- **Acknowledgement to Country**
- **Prayer**
- **Apologies**

SECTION B – REPORTS

B.16.119 IN-PRINCIPLE ADOPTION OF FINANCIAL AND PERFORMANCE STATEMENTS

Responsible Officer: Director Corporate Services
File Number: 42-01-00
Attachments: 1 Annual Financial Report

Declarations of Interest:

David Lenton - as the responsible officer, I declare that I have no disclosable interests in this matter.

Summary

The Local Government Act requires that Council adopt its Annual Statements incorporating the General Purpose Financial Statements, and Performance Statement “in principle” prior to the Auditor General issuing an Audit opinion on the Statements. Officers have prepared a draft set of Statements, ready for “in principle adoption”, and request that Council adopt these Statements “in principle”.

Discussion

Officers have been working for some weeks to prepare Council’s annual Statutory Statements, incorporating the General Purpose Financial Statements and Performance Statement for 2015/16. A draft set of these statements has been prepared and presented for Audit.

Council’s Audit Committee met to review the Draft Statements on 15 September 2016. The Audit Committee recommended that Council adopt the statements “in-principle”. Accordingly, as required under the Local Government Act these draft statements are attached and are presented to Council for “in-principle” adoption.

The Auditor General and Local Government Victoria both accept that adoption is “in-principle” and is therefore not seen as a certification by Council as to the complete accuracy of the information being adopted.

It is anticipated that the final audit process will be completed by late September, at which time the Statements will be available for signing by the two appointed Councillors. The Statements can then be included in the Annual Report.

A formal advertising process will then take place, with the Annual Report being adopted at a Special Meeting of Council, to be arranged for late October 2016.

Consultation

The statements form part of the Annual Report which will be advertised prior to adoption.

Financial Implications

Not applicable.

Social Implications

Not applicable.

Economic Implications

Not applicable.

Environmental Implications

Not applicable.

Risk Management Implications

Failure to adopt the Statement 'in-principle' will contravene the Local Government Act.

Council Plan Strategy Addressed

Councillor and Staff accountability - We will represent the interests of our community and will conduct our affairs openly and with integrity, reflecting high levels of good governance.

Options

Failure to adopt the statements "in-principle" will delay the audit of the statements and may put Council outside the deadline for lodgement of the Annual report with the Local Government minister, which is 30 September 2016.

Recommendation

That Council adopt "in-principle" the Draft General Purpose Financial Statement and Performance Statement for the 2015/16 financial year as presented.

Swan Hill Rural City Council
ANNUAL FINANCIAL REPORT

For the Year Ended 30 June 2016

**Swan Hill Rural City Council
Financial Report
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**Comprehensive Income Statement
For the Year Ended 30 June 2016**

	Note	2016 \$	2015 \$
Income			
Rates and charges	3	25,036,684	24,177,723
Statutory fees and fines	4	824,128	934,412
User fees	5	5,384,379	5,031,249
Grants - operating	6	9,789,837	17,219,703
Grants - capital	6	6,900,231	3,719,965
Contributions - monetary	7	1,328,086	1,248,034
Contributions - non monetary	7	156,605	142,903
Net gain on disposal of property, infrastructure, plant and equipment	8	176,224	92,686
Other income	9	2,520,702	2,263,562
Total income		<u>52,116,876</u>	<u>54,830,237</u>
Expenses			
Employee costs	10	19,127,104	18,941,031
Materials and services	11	20,216,948	19,402,409
Bad and doubtful debts	12	6,665	54,453
Depreciation and amortisation	13	8,729,954	7,978,502
Borrowing costs	14	428,530	396,083
Other expenses	15	1,579,387	1,568,227
Total expenses		<u>50,088,588</u>	<u>48,340,705</u>
Surplus for the year		<u>2,028,288</u>	<u>6,489,532</u>
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation (decrement)/increment	27	(5,448,102)	31,375,706
Total comprehensive result		<u>(3,419,814)</u>	<u>37,865,238</u>

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

Balance Sheet
As at 30 June 2016

	Note	2016 \$	2015 \$
Assets			
Current assets			
Cash and cash equivalents	16	8,559,256	15,539,398
Trade and other receivables	17	2,884,251	1,968,480
Other financial assets	18	6,059,869	-
Inventories	19	165,818	141,659
Other assets	20	179,432	137,388
Total current assets		<u>17,848,626</u>	<u>17,786,925</u>
Non-current assets			
Trade and other receivables	17	32,675	40,766
Property, infrastructure, plant and equipment	21	439,879,781	442,447,583
Other assets	20	50,000	50,000
Intangible assets	22	1,433,600	720,384
Total non-current assets		<u>441,396,056</u>	<u>443,258,733</u>
Total assets		<u>459,244,682</u>	<u>461,045,658</u>
Liabilities			
Current liabilities			
Trade and other payables	23	3,166,919	1,724,834
Trust funds and deposits	24	422,108	433,821
Provisions	25	5,345,263	4,846,225
Interest-bearing loans and borrowings	26	759,498	765,397
Total current liabilities		<u>9,693,788</u>	<u>7,770,277</u>
Non-current liabilities			
Provisions	25	1,721,068	1,759,702
Interest-bearing loans and borrowings	26	7,509,388	7,775,427
Total non-current liabilities		<u>9,230,456</u>	<u>9,535,129</u>
Total liabilities		<u>18,924,244</u>	<u>17,305,406</u>
Net assets		<u>440,320,438</u>	<u>443,740,252</u>
Equity			
Accumulated surplus		277,774,214	275,745,926
Reserves	27	162,546,224	167,994,326
Total Equity		<u>440,320,438</u>	<u>443,740,252</u>

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

**Statement of Changes in Equity
For the Year Ended 30 June 2016**

	Note	2016		
		Total \$	Accumulated Surplus \$	Revaluation Reserve \$
Balance at beginning of the financial year		443,740,252	275,745,926	167,994,326
Surplus/(deficit) for the year		2,028,288	2,028,288	-
Net asset revaluation increment/(decrement)	27	(5,448,102)	-	(5,448,102)
Balance at end of the financial year		440,320,438	277,774,214	162,546,224

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

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

Statement of Cash Flows
For the Year Ended 30 June 2016

	Note	2016 Inflows/ (Outflows) \$	2015 Inflows/ (Outflows) \$
Cash flows from operating activities			
Rates and charges		25,100,211	23,895,847
Statutory fees and fines		824,128	934,412
User fees		4,847,158	5,683,390
Grants - operating		11,158,283	17,293,678
Grants - capital		7,014,473	3,834,207
Contributions - monetary		1,460,895	1,372,837
Interest received		549,168	566,006
Other receipts		2,040,257	1,713,287
Net GST refund		2,338,666	2,304,597
Employee costs		(18,836,726)	(19,503,879)
Materials and services		(23,577,038)	(22,082,651)
Other payments		(793,136)	(754,334)
Net cash provided by operating activities	28	<u>12,126,339</u>	<u>15,257,397</u>
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment	21	(12,757,551)	(14,211,707)
Proceeds from sale of property, infrastructure, plant and equipment		411,407	363,454
(Payments for)/proceeds from sale of investments		(6,059,869)	4,668,841
Net cash used in investing activities		<u>(18,406,013)</u>	<u>(9,179,412)</u>
Cash flows from financing activities			
Finance costs		(428,530)	(448,367)
Proceeds from borrowings		500,000	4,795,000
Repayment of borrowings		(771,938)	(870,240)
Net cash (used in)/provided by financing activities		<u>(700,468)</u>	<u>3,476,393</u>
Net (decrease)/increase in cash and cash equivalents		(6,980,142)	9,554,378
Cash and cash equivalents at the beginning of the financial year		15,539,398	5,985,020
Cash and cash equivalents at the end of the financial year	16	<u>8,559,256</u>	<u>15,539,398</u>
Financing arrangements	29		
Restrictions on cash assets	16		

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

**Statement of Capital Works
For the Year Ended 30 June 2016**

	2016	2015
	\$	\$
Property		
Buildings	980,477	795,985
Total property	<u>980,477</u>	<u>795,985</u>
Plant and equipment		
Plant, machinery and equipment	1,139,793	1,397,937
Fixtures, fittings and furniture	238,417	2,070,533
Computers and telecommunications	316,901	44,239
Total plant and equipment	<u>1,695,111</u>	<u>3,512,709</u>
Infrastructure		
Sealed roads	5,037,278	6,356,442
Unsealed roads	1,387,841	751,328
Footpaths and cycleways	562,401	404,852
Drainage	385,634	979,919
Recreational, leisure and community facilities	2,041,381	466,820
Waste management	-	109,451
Parks, open space and streetscapes	336,693	373,970
Other infrastructure	331,359	146,622
Total infrastructure	<u>10,082,587</u>	<u>9,589,404</u>
Cultural and heritage		
Library collection	121,849	110,314
Pioneer Settlement buildings	-	351,913
Total cultural and heritage	<u>121,849</u>	<u>462,227</u>
Total capital works expenditure	<u>12,880,024</u>	<u>14,360,325</u>
Represented by:		
New asset expenditure	4,782,739	5,832,904
Asset renewal expenditure	6,502,650	7,090,730
Asset upgrade expenditure	1,594,635	1,436,691
Total capital works expenditure	<u>12,880,024</u>	<u>14,360,325</u>

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

Notes to the Financial Report For the Year Ended 30 June 2016

Introduction

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

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

Statement of compliance

These financial statements are a general purpose financial report that consists of a Comprehensive Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, Statement of Capital Works and Notes accompanying these financial statements. The general purpose financial report complies with the Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1989, and the Local Government (Planning and Reporting) Regulations 2014.

Note 1 Significant accounting policies

(a) Basis of accounting

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

Judgments, 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 judgments are based on professional judgment 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. Judgments and assumptions made by management in the application of AAS's that have significant effects on the financial statements and estimates relate to:

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 1 (l))
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 1 (m))
- the determination of employee provisions (refer to Note 1 (r))
- the determination of landfill provisions (refer to Note 1 (s))

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) Changes in accounting policies

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

(c) Principles of consolidation

The consolidated financial statements of Council incorporate all entities controlled by Council as at 30 June 2016, and their income and expenses for that part of the reporting period in which control existed.

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

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

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

Entities consolidated into Council include:

- There are no entities to consolidate into Council

**Notes to the Financial Report
For the Year Ended 30 June 2016**

Note 1 Significant accounting policies (cont.)

(d) Committees of management

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

(e) Revenue recognition

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

Rates and Charges

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

Statutory fees and fines

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

User fees

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

Grants

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

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

Contributions

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

Sale of property, infrastructure, plant and equipment

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

Interest

Interest is recognised as it is earned.

Other Income

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

**Notes to the Financial Report
For the Year Ended 30 June 2016**

Note 1 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

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

(j) Inventories

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

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

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

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

**Notes to the Financial Report
For the Year Ended 30 June 2016**

Note 1 Significant accounting policies (cont.)

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

Acquisition

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

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

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

Revaluation

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

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use of an asset result in changes to the permissible or practical highest and best use of the asset. Further details regarding the fair value hierarchy are disclosed at Note 21 Property, infrastructure, plant and equipment.

In addition, Council undertakes a formal revaluation of land, buildings, infrastructure and cultural and heritage assets on a regular basis ranging from 2 to 8 years. The valuation is performed either by experienced council officers or independent experts.

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

Land under roads

Council recognises land under roads it controls at fair value.

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

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

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

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

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

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

**Notes to the Financial Report
For the Year Ended 30 June 2016**

Note 1 Significant accounting policies (cont.)

(m) Depreciation and amortisation of property, infrastructure plant and equipment and intangibles (cont'd)

<i>Asset recognition thresholds and depreciation periods</i>	Depreciation Period	Threshold Limit \$
Property		
land	-	1
land improvements	10 to 100 years	1
land under roads	-	1
Buildings		
buildings	30 to 100 years	10,000
building improvements	30 to 100 years	10,000
leasehold improvements	5 to 15 years	10,000
Plant and Equipment		
plant, machinery and equipment		
- large plant	5 to 10 years	2,500
- small plant	2 to 4 years	2,500
fixtures, fittings and furniture	5 years	2,500
computers and telecommunications	3 years	1,500
Infrastructure		
sealed road formation and earthworks	100 years	10,000
sealed road pavements	60 to 80 years	10,000
sealed road seals	15 to 80 years	10,000
road ancillary assets	30 to 100 years	10,000
unsealed road natural surface	-	10,000
unsealed road gravel surface	100 years	10,000
kerb and channel	25 to 50 years	10,000
footpaths and cycleways	20 to 50 years	10,000
drainage	20 to 80 years	10,000
recreational, leisure and community facilities	10 to 90 years	10,000
waste management	10 years	10,000
parks, open space and streetscapes	10 to 60 years	10,000
other infrastructure	10 years	10,000
Cultural and heritage		
artworks	100 years	1
library books	5 to 100 years	1
Pioneer Settlement		
- vehicles and vessels	100 years	5,000
- site exhibits	100 years	5,000
- buildings	100 years	10,000

(n) Repairs and maintenance

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

(o) Impairment of assets

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

**Notes to the Financial Report
For the Year Ended 30 June 2016**

Note 1 Significant accounting policies (cont.)

(p) Trust funds and deposits

Amounts received as deposits and retention amounts controlled by Council are recognised as trust funds until they are returned, transferred in accordance with the purpose of the receipt, or forfeited (refer to Note 24).

(q) Borrowings

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

The classification depends on the nature and purpose of the interest bearing liabilities. The Council determines the classification of its interest bearing liabilities at initial recognition.

Borrowing costs

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

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

(r) Employee costs and benefits

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

Wages and salaries and annual leave

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

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

Long service leave

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

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

The components of this current liability are measured at :

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

Classification of employee costs

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

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

**Notes to the Financial Report
For the Year Ended 30 June 2016**

Note 1 Significant accounting policies (cont.)

(s) Landfill rehabilitation provision

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

(t) Leases

Finance leases

Council does not currently have any finance leases.

Operating leases

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

Leasehold improvements

Leasehold improvements are recognised at cost and are amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter. At balance date, leasehold improvements are amortised over a 5 to 15 year period.

(u) Goods and Services Tax (GST)

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

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

(v) Financial guarantees

Financial guarantee contracts are not recognised as a liability in the balance sheet unless the lender has exercised their right to call on the guarantee or Council has other reasons to believe that it is probable that the right will be exercised. Details of guarantees that Council has provided, that are not recognised in the balance sheet, are disclosed at Note 33 contingent liabilities and contingent assets.

(w) Contingent assets and contingent liabilities and commitments

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

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

(x) Pending accounting standards

Certain new AAS's have been issued that are not mandatory for the 30 June 2016 reporting period. Council has assessed these pending standards and has identified that no material impact will flow from the application of these standards in future reporting periods.

(y) Rounding

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

**Notes to the Financial Report
For the Year Ended 30 June 2016**

Note 2 Budget comparison

The budget comparison notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variances. Council has adopted a materiality threshold of the lower of 10 percent or \$1,000,000 where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures detailed below are those adopted by Council on 23 June 2015. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for income and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term.

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

(a) Income and Expenditure

	Budget 2016 \$	Actual 2016 \$	Variance 2016 \$	Ref
Income				
Rates and charges	25,033,000	25,036,684	3,684	
Statutory fees and fines	1,097,000	824,128	(272,872)	1
User fees	5,428,000	5,384,379	(43,621)	
Grants - operating	13,891,000	9,789,837	(4,101,163)	2
Grants - capital	6,455,000	6,900,231	445,231	
Contributions - monetary	388,000	1,328,086	940,086	3
Contributions - non monetary	-	156,605	156,605	4
Net gain on disposal of property, infrastructure, plant and equipment	146,000	176,224	30,224	5
Other income	2,955,000	2,520,702	(434,298)	6
Total income	55,393,000	52,116,876	(3,276,124)	
Expenses				
Employee costs	20,018,000	19,127,104	890,896	
Materials and services	19,392,000	20,216,948	(824,948)	
Bad and doubtful debts	1,000	6,665	(5,665)	7
Depreciation and amortisation	8,052,000	8,729,954	(677,954)	
Borrowing costs	443,000	428,530	14,470	
Other expenses	960,000	1,579,387	(619,387)	8
Total expenses	48,866,000	50,088,588	(1,222,588)	
Surplus/(deficit) for the year	6,527,000	2,028,288	(4,498,712)	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Statutory fees and fines	The budget for statutory fees and fines included \$280,000 for car parking fees. These have been reclassified into the user fees line item.
2	Grants - operating	The budget allowed for \$6,172,665 from the Victorian Grants Commission. Council was prepaid \$3,090,753 of these funds in June 2015.
3	Contributions - monetary	A contribution received for the Tower Hill development of \$998,817 was budgeted as other income.
4	Contributions - non monetary	Additions to the Pioneer Settlement site exhibits collection were recognised. These were not allowed for in the budget.
5	Net gain on disposal of assets	Additional profit was made on the sale of plant and equipment.
6	Other income	As per Item 3, a contribution for the Tower Hill Development was budgeted as other income but reported as Contributions - monetary. An additional \$529,000 was received for Tower Hill land sales and WorkCover reimbursements were \$57,000 above budget.
7	Bad and doubtful debts	An increase in outstanding infringement debts required a higher than forecast provision for doubtful debts.
8	Other expenses	Asset write offs/adjustments of \$571,626 occurred during 2015/16 which had not been forecast.

**Notes to the Financial Report
For the Year Ended 30 June 2016**

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

	Budget 2016 \$	Actual 2016 \$	Variance 2016 \$	
Property				
Land	600,000	-	(600,000)	1
Buildings	541,000	980,477	439,477	2
Total Property	<u>1,141,000</u>	<u>980,477</u>	<u>(160,523)</u>	
Plant and Equipment				
Plant, machinery and equipment	1,696,000	1,139,793	(556,207)	3
Fixtures, fittings and furniture	-	238,417	238,417	4
Computers and telecommunications	170,000	316,901	146,901	5
Total Plant and Equipment	<u>1,866,000</u>	<u>1,695,111</u>	<u>(170,889)</u>	
Infrastructure				
Sealed roads	3,724,000	5,037,278	1,313,278	6
Unsealed roads	1,046,000	1,387,841	341,841	7
Footpaths and cycleways	185,000	562,401	377,401	8
Drainage	28,000	385,634	357,634	9
Recreational, leisure and community facilities	529,000	2,041,381	1,512,381	10
Waste management	200,000	-	(200,000)	11
Parks, open space and streetscapes	2,016,000	336,693	(1,679,307)	12
Other infrastructure	577,000	331,359	(245,641)	
Total Infrastructure	<u>8,305,000</u>	<u>10,082,587</u>	<u>1,777,587</u>	
Cultural and heritage				
Heritage and culture	2,061,000	-	(2,061,000)	13
Library collection	133,000	121,849	(11,151)	
Total Plant and Equipment	<u>2,194,000</u>	<u>121,849</u>	<u>(2,072,151)</u>	
Total Capital Works Expenditure	<u>13,506,000</u>	<u>12,880,024</u>	<u>(625,976)</u>	
Represented by:				
New asset expenditure	4,565,000	4,782,739	217,739	
Asset renewal expenditure	8,360,000	6,502,650	(1,857,350)	
Asset upgrade expenditure	581,000	1,594,635	1,013,635	
Total Capital Works Expenditure	<u>13,506,000</u>	<u>12,880,024</u>	<u>(625,976)</u>	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Land	The budget was for the construction of Tower Hill Estate stage 9. These funds were spent on the construction of roads, drains and footpaths within the estate and are included in the appropriate category below.
2	Buildings	The amphitheatre for the Heartbeat of the Murray (\$628,000) had been forecast in Heritage and Culture.
3	Plant, machinery and equipment	The budget had allowed for the replacement of a truck and trailer for the road construction programs. The truck is on order and will be delivered in the first half of 2016/17.
4	Fixtures, fittings and furniture	Fixtures and fittings for the Heartbeat of the Murray experience had been forecast in the Heritage and Culture asset category.
5	Computers and telecommunications	An additional \$260,000 was allocated to this asset category for the purchase of equipment to run the Heartbeat of the Murray experience. The forecast for this was in the Heritage and Culture category.
6	Sealed roads	Road construction works at Tower Hill had been budgeted in the land category. Council received additional Roads to Recovery funding.
7	Unsealed roads	Additional Roads to Recovery funding received by Council
8	Footpaths and cycleways	New footpaths at Tower Hill (\$120,000) had been forecast in the Land category and the Riverfront shared path costing \$211,000 had been forecast in parks, open space and streetscapes.
9	Drainage	Drainage works at Tower Hill had been forecast in the Land category.
10	Recreational, leisure and community facilities	The Chisholm Reserve Drag Strip was budgeted to be completed in 2014/15, but project delays deferred the works to 2015/16.
11	Waste management	These funds were for the construction of a transfer station at the Swan Hill Landfill. The project was completed, but the assets were capitalised within the other infrastructure asset category.
12	Parks, open space and streetscapes	The majority of this budget was for the development of the Swan Hill Riverfront Masterplan. \$1.1 million of this budget is being carried forward and used to complete future works.
13	Heritage and culture	The budget allowed \$2,052,650 for the Heartbeat of the Murray experience. As mentioned above, most of these funds were capitalised into other asset categories (Refer Ref. 2,4 and 5).

**Notes to the Financial Report
For the Year Ended 30 June 2016**

	2016	2015
	\$	\$
Note 3 Rates and charges		
Council uses Capital Improved Value as the basis of valuation of all properties within the municipal district. The Capital Improved Value of a property is the value of its Land, Buildings and Improvements.		
The valuation base used to calculate general rates for 2015/16 was \$3,320 million (2014/15 \$3,288 million).		
Residential	9,680,513	9,362,266
Commercial	1,739,270	1,655,283
Industrial	753,408	716,993
Farm/rural	9,690,836	9,414,751
Supplementary rates and rate adjustments	91,444	75,724
Garbage charge	2,789,958	2,683,222
Special marketing rates	346,663	339,014
Other	18,311	(31,580)
Abandonments	(73,719)	(37,950)
Total rates and charges	<u>25,036,684</u>	<u>24,177,723</u>
The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2014, and the valuation was first applied in the rating year commencing 1 July 2014.		
Note 4 Statutory fees and fines		
Infringements and costs	76,160	43,330
Building and planning fees	411,869	429,772
Valuation data fees	18,103	108,214
Animal registration/release fees	140,815	139,435
Health registration fees	125,895	147,910
Other fees and fines	51,286	65,751
Total statutory fees and fines	<u>824,128</u>	<u>934,412</u>
Note 5 User fees		
Aged and health services	924,269	863,554
Administration fees	851,104	784,224
Child care/children's programs	262,216	289,662
Parking	264,281	267,571
Sales - admissions	942,768	742,065
Sales - merchandise, catering, other sales	319,281	323,842
Hire & leasing fees	679,418	669,124
Livestock exchange	637,923	631,449
Tourism & economic development	-	48,322
Other fees and charges	503,119	411,436
Total user fees	<u>5,384,379</u>	<u>5,031,249</u>

**Notes to the Financial Report
For the Year Ended 30 June 2016**

	2016 \$	2015 \$
Note 6 Grants		
Grants were received in respect of the following :		
Summary of grants		
Commonwealth funded grants	9,553,466	14,902,592
State funded grants	7,136,602	6,037,076
Total grants received	<u>16,690,068</u>	<u>20,939,668</u>
Operating Grants		
Recurrent - Commonwealth Government		
Commonwealth Government - health and aged care	3,164,115	4,144,431
Victoria Grants Commission - general purpose	2,051,906	6,205,895
Victoria Grants Commission - local roads	1,013,197	3,091,447
Family day care	339,304	361,928
Out of school hours care	104,494	118,891
Recurrent - State Government		
Employment subsidies	2,300	7,000
Public health	24,511	19,802
Home and community care	1,412,827	1,376,776
Art gallery and performing arts	150,000	150,000
School crossing supervisors	22,874	-
Libraries	190,696	187,654
Maternal and child health	300,194	304,426
Other	119,694	135,413
Total recurrent operating grants	<u>8,896,112</u>	<u>16,103,663</u>
Non-recurrent - State Government		
Community projects	308,260	409,875
Environmental protection	92,000	80,000
Emergency management/response	-	141,627
Library services	3,860	7,010
Indigenous affairs	50,500	121,400
Cultural and heritage	84,617	96,392
Economic development	44,095	94,014
Home and community care	76,246	2,200
Recreation	61,797	-
Family and children	171,550	148,290
Other	800	15,232
Total non-recurrent operating grants	<u>893,725</u>	<u>1,116,040</u>
Total operating grants	<u>9,789,837</u>	<u>17,219,703</u>
Capital Grants		
Recurrent - Commonwealth Government		
Roads to recovery	2,880,450	980,000
Recurrent - State Government		
Country roads and bridges	-	1,000,000
Total recurrent capital grants	<u>2,880,450</u>	<u>1,980,000</u>
Non-recurrent - State Government		
Roads	60,470	30,000
Footpaths and cycleways	97,000	-
Parks, playgrounds and street beautification	1,640,514	1,615,314
Art and heritage	2,007,408	7,513
Waste management	152,834	50,519
Other	61,555	36,619
Total non-recurrent capital grants	<u>4,019,781</u>	<u>1,739,965</u>
Total capital grants	<u>6,900,231</u>	<u>3,719,965</u>
Unspent grants received on condition that they be spent in a specific manner		
Balance at start of year	4,108,583	2,394,145
Received during the financial year and remained unspent at balance date	723,355	3,798,853
Received in prior years and spent during the financial year	(3,882,488)	(2,084,415)
Balance at year end	<u>949,450</u>	<u>4,108,583</u>

**Notes to the Financial Report
For the Year Ended 30 June 2016**

	2016	2015
	\$	\$
Note 7 Contributions		
Monetary	1,328,086	1,248,034
Non-monetary	156,605	142,903
Total contributions	<u>1,484,691</u>	<u>1,390,937</u>
<i>Contributions of non monetary assets were received in relation to the following asset classes.</i>		
Land under roads	-	11,073
Buildings	-	31,810
Roads	-	56,869
Footpaths and cycleways	-	23,391
Artwork	-	12,950
Library books	5,405	6,810
Pioneer Settlement site exhibits	151,200	-
Total non-monetary contributions	<u>156,605</u>	<u>142,903</u>
Note 8 Net gain on disposal of property, infrastructure, plant and equipment		
Proceeds of sale	411,407	363,454
Written down value of assets disposed	(235,183)	(270,768)
Total net gain on disposal of property, infrastructure, plant and equipment	<u>176,224</u>	<u>92,686</u>
Note 9 Other income		
Interest	549,168	566,006
Reimbursements	282,399	262,739
Tower Hill land sales	1,549,182	1,286,203
Less - Tower Hill costs of goods sold	(79,739)	(27,526)
Other	219,692	176,140
Total other income	<u>2,520,702</u>	<u>2,263,562</u>
Note 10 (a) Employee costs		
Wages and salaries	15,469,835	15,015,075
WorkCover	611,195	808,400
Agency staff	556,498	528,097
Long service leave	597,663	702,798
Staff training	181,629	151,628
Superannuation	1,539,486	1,526,290
Fringe benefits tax	70,374	72,187
Other	100,424	136,556
Total employee costs	<u>19,127,104</u>	<u>18,941,031</u>
Note 10 (b) Superannuation		
Council made contributions to the following funds:		
Defined benefit fund		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	197,348	211,351
	<u>197,348</u>	<u>211,351</u>
Employer contributions payable at reporting date.	-	-
Accumulation funds		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	1,342,138	1,265,709
	<u>1,342,138</u>	<u>1,265,709</u>
Employer contributions payable at reporting date.	-	49,230
Refer to note 32 for further information relating to Council's superannuation obligations.		

Notes to the Financial Report
For the Year Ended 30 June 2016

	2016	2015
	\$	\$
Note 11 Materials and services		
Contract payments	8,380,260	6,375,208
Aged and community care agency payments	3,451,518	4,599,738
Community grants sponsorship and contributions	1,260,340	1,314,335
Building maintenance	704,252	677,183
General maintenance	1,511,975	1,700,358
Utilities	1,520,745	1,567,820
Office administration	789,860	560,266
Information technology	474,625	528,015
Insurance	596,486	639,995
Consultants	617,069	469,958
Other materials and services	909,818	969,533
Total materials and services	20,216,948	19,402,409
Note 12 Bad and doubtful debts		
Parking fine debtors	26,948	30,695
Rates debtors	(6,754)	(3,811)
Private schemes	-	(14,254)
Other debtors	(13,529)	41,823
Total bad and doubtful debts	6,665	54,453
Note 13 Depreciation and amortisation		
Property	780,982	835,080
Plant and equipment	1,229,847	1,231,011
Infrastructure	6,500,416	5,699,846
Cultural and heritage assets	218,709	212,565
Total depreciation and amortisation	8,729,954	7,978,502
<i>Refer to note 21 for a more detailed breakdown of depreciation and amortisation charges.</i>		
Note 14 Borrowing costs		
Interest - Borrowings	428,530	383,449
Interest - finance leases	-	12,634
Total borrowing costs	428,530	396,083
Note 15 Other expenses		
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	46,250	39,000
Auditors' remuneration - internal	10,097	24,074
Auditor's remuneration - other	302	2,305
Vehicle registrations	87,770	87,543
Bank charges	60,404	63,518
Asset write offs/adjustments	571,626	584,777
Legal costs	83,851	53,961
Fire services levy	65,014	61,514
Councillors' allowances	228,674	225,434
Operating lease rentals	379,285	378,607
Other	46,114	47,494
Total other expenses	1,579,387	1,568,227

**Notes to the Financial Report
For the Year Ended 30 June 2016**

	2016	2015
	\$	\$
Note 16 Cash and cash equivalents		
Cash on hand	10,745	7,545
Cash at bank	3,220,832	7,380,027
Term deposits	5,327,679	8,151,826
	<u>8,559,256</u>	<u>15,539,398</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 24)	422,108	433,821
Total restricted funds	422,108	433,821
Total unrestricted cash and cash equivalents	<u>8,137,148</u>	<u>15,105,577</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 and major projects	3,317,205	1,882,820
- Unspent conditional grants received	949,450	3,798,853
- Landfill rehabilitation and development	2,226,315	1,916,750
Total funds subject to intended allocations	<u>6,492,970</u>	<u>7,598,423</u>
Refer also to Note 18 for details of other financial assets held by Council.		
Note 17 Trade and other receivables		
Current		
Rates debtors	1,097,621	1,161,148
Provision for doubtful debts - rates debtors	(3,607)	(10,360)
Private scheme debtors	9,462	20,495
Net GST receivable	196,809	296,895
Infringement debtors	136,692	107,912
Provision for doubtful debts - infringements	(100,523)	(84,993)
Other debtors	1,581,853	524,410
Provision for doubtful debts - other debtors	(34,056)	(47,027)
Total current trade and other receivables	<u>2,884,251</u>	<u>1,968,480</u>
Non-current		
Private scheme debtors	32,675	40,766
Total non-current trade and other receivables	<u>32,675</u>	<u>40,766</u>
Total trade and other receivables	<u>2,916,926</u>	<u>2,009,246</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)	747,890	392,554
Past due between 31 and 180 days	772,958	90,066
Past due between 181 and 365 days	20,412	9,071
Past due by more than 1 year	40,593	32,719
Total trade & other receivables	<u>1,581,853</u>	<u>524,410</u>
(b) Movement in provisions for doubtful debts		
Balance at the beginning of the year	(47,027)	(20,066)
New Provisions recognised during the year	(7,729)	(48,896)
Amounts already provided for and written off as uncollectible	10,859	2,940
Amounts provided for but recovered during the year	9,841	18,995
Balance at end of year	<u>(34,056)</u>	<u>(47,027)</u>
(c) Ageing of individually impaired Receivables		
At balance date, other debtors representing financial assets with a nominal value of \$34,056 (2015: \$47,027) were impaired. The amount of the provision raised against these debtors was \$34,056 (2015: \$47,027). 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		
Current (not yet due)	-	-
Past due between 31 and 180 days	2,192	418
Past due between 181 and 365 days	4,171	1,276
Past due by more than 1 year	27,693	45,333
Total trade & other receivables	<u>34,056</u>	<u>47,027</u>

**Notes to the Financial Report
For the Year Ended 30 June 2016**

	2016	2015
	\$	\$
Note 18 Other financial assets		
Term deposits	6,059,869	-
Total other financial assets	6,059,869	-
Note 19 Inventories		
Inventories held for distribution	54,401	36,619
Inventories held for sale	22,833	26,867
Tower Hill estate	88,584	78,173
Total inventories	165,818	141,659
Note 20 Other assets		
Current		
Prepayments	97,168	102,258
Accrued income	82,264	35,130
Total current other assets	179,432	137,388
Non-current		
Other	50,000	50,000
Total non-current other assets	50,000	50,000
Total other assets	229,432	187,388

Notes to the Financial Report
For the Year Ended 30 June 2016

Note 21 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	At Fair Value 30 June 2016	Accumulated Depreciation	WDV 30 June 2016	At Fair Value 30 June 2015	Accumulated Depreciation	WDV 30 June 2015
Land	60,296,494	-	60,296,494	62,693,660	-	62,693,660
Buildings	104,877,709	(69,797,656)	35,080,053	107,948,409	(73,685,104)	34,263,305
Plant and Equipment	16,699,751	(10,542,098)	6,157,653	14,138,083	(10,131,050)	4,007,033
Infrastructure	478,614,652	(150,710,826)	327,903,826	461,974,010	(135,408,867)	326,565,143
Cultural and heritage	16,877,261	(7,280,175)	9,597,086	20,298,659	(9,229,227)	11,069,432
Work in progress	844,669	-	844,669	3,849,010	-	3,849,010
	<u>678,210,536</u>	<u>(238,330,755)</u>	<u>439,879,781</u>	<u>670,901,831</u>	<u>(228,454,248)</u>	<u>442,447,583</u>

Summary of Work in Progress

	Opening WIP	Additions	Transfers	Write Offs	Closing WIP
Buildings	45,163	67,552	(45,163)	-	67,552
Plant and Equipment	1,901,817	-	(1,901,817)	-	-
Infrastructure	1,902,030	486,483	(1,586,086)	(25,310)	777,117
Total	<u>3,849,010</u>	<u>554,035</u>	<u>(3,533,066)</u>	<u>(25,310)</u>	<u>844,669</u>

**Notes to the Financial Report
For the Year Ended 30 June 2016**

Note 21 Property, infrastructure, plant and equipment (cont'd)

	Land - specialised	Land - non specialised	Total Land	Buildings - specialised	Buildings - non specialised	Total Buildings	Total Property	Work In Progress
Land and Buildings								
At fair value 1 July 2015	59,520,260	3,173,400	62,693,660	101,751,618	6,196,791	107,948,409	170,642,069	45,163
Accumulated depreciation at 1 July 2015	-	-	-	(72,200,832)	(1,484,272)	(73,685,104)	(73,685,104)	-
	59,520,260	3,173,400	62,693,660	29,550,786	4,712,519	34,263,305	96,956,965	45,163
Movements in fair value								
Acquisition of assets at fair value	-	-	-	853,156	104,932	958,088	958,088	67,552
Revaluation increments/(decrements)	(2,569,480)	570,200	(1,999,280)	640,495	(1,947,791)	(1,307,296)	(3,306,576)	-
Fair value of assets disposed	(392,886)	(5,000)	(397,886)	(1,623,287)	-	(1,623,287)	(2,021,173)	-
Transfers	-	-	-	(1,098,205)	-	(1,098,205)	(1,098,205)	(45,163)
	(2,962,366)	565,200	(2,397,166)	(1,227,841)	(1,842,859)	(3,070,700)	(5,487,866)	22,389
Movements in accumulated depreciation								
Depreciation and amortisation	-	-	-	(669,268)	(111,714)	(780,982)	(780,982)	-
Revaluation increments/(decrements)	-	-	-	(638,746)	1,595,986	957,240	957,240	-
Accumulated depreciation of disposals	-	-	-	1,504,481	-	1,504,481	1,504,481	-
Transfers	-	-	-	2,206,709	-	2,206,709	2,206,709	-
	-	-	-	2,403,176	1,484,272	3,887,448	3,887,448	-
At fair value 30 June 2016	56,557,894	3,738,600	60,296,494	100,523,777	4,353,932	104,877,709	165,174,203	67,552
Accumulated depreciation at 30 June 2016	-	-	-	(69,797,656)	-	(69,797,656)	(69,797,656)	-
	56,557,894	3,738,600	60,296,494	30,726,121	4,353,932	35,080,053	95,376,547	67,552

Notes to the Financial Report
For the Year Ended 30 June 2016

Note 21 Property, infrastructure, plant and equipment (cont'd)

	Plant machinery and equipment	Fixtures fittings and furniture	Computers and telecommis	Total plant and equipment	Work in Progress
Plant and Equipment					
At fair value 1 July 2015	11,164,498	1,828,821	1,144,764	14,138,083	1,901,817
Accumulated depreciation at 1 July 2015	(7,914,964)	(1,221,935)	(994,151)	(10,131,050)	-
	3,249,534	606,886	150,613	4,007,033	1,901,817
Movements in fair value					
Acquisition of assets at fair value	1,139,793	2,140,234	316,901	3,596,928	-
Fair value of assets disposed	(908,211)	(13,157)	(113,892)	(1,035,260)	-
Transfers	-	-	-	-	(1,901,817)
	231,582	2,127,077	203,009	2,561,668	(1,901,817)
Movements in accumulated depreciation					
Depreciation and amortisation	(1,030,686)	(123,147)	(76,014)	(1,229,847)	-
Accumulated depreciation of disposals	691,750	13,157	113,892	818,799	-
Transfers	-	-	-	-	-
	(338,936)	(109,990)	37,878	(411,048)	-
At fair value 30 June 2016	11,396,080	3,955,898	1,347,773	16,699,751	-
Accumulated depreciation at 30 June 2016	(8,253,900)	(1,331,925)	(956,273)	(10,542,098)	-
	3,142,180	2,623,973	391,500	6,157,653	-

**Notes to the Financial Report
For the Year Ended 30 June 2016**

Note 21 Property, infrastructure, plant and equipment (cont'd)

	Sealed roads	Unsealed roads	Footpaths and cycleways	Drainage	Recreational, leisure and community	Waste management	Parks open spaces and streetscapes	Other infrastructure	Total Infrastructure	Work In Progress
Infrastructure										
At fair value 1 July 2015	234,734,080	121,455,336	22,064,199	54,563,347	8,594,162	5,978,641	5,871,254	8,712,991	461,974,010	1,902,030
Accumulated depreciation at 1 July 2015	(88,751,550)	(21,280,335)	(10,288,167)	(20,438,126)	(5,498,963)	(4,599,056)	(2,233,796)	(2,318,872)	(135,408,867)	-
	165,982,530	100,175,001	11,776,032	34,125,221	3,095,199	1,379,583	3,637,458	6,394,119	326,565,143	1,902,030
Movements in fair value										
Acquisition of assets at fair value	4,784,037	1,414,153	559,628	231,772	3,356,400	96,419	420,943	415,257	11,278,609	486,483
Revaluation increments/(decrements)	(94,309)	-	2,333,641	-	-	-	-	-	2,239,332	(25,310)
Fair value of assets disposed	(241,791)	-	-	-	3,904	-	-	60,588	3,364,492	(1,586,086)
Transfers	-	-	-	-	-	-	-	-	-	(1,124,913)
	4,447,937	1,414,153	2,893,269	231,772	3,360,304	96,419	3,720,943	475,845	16,640,642	-
Movements in accumulated depreciation										
Depreciation and amortisation	(2,662,571)	(2,034,947)	(284,725)	(628,570)	(184,909)	(230,536)	(293,050)	(181,208)	(6,500,416)	-
Revaluation increments/(decrements)	(1,289,450)	(4,555,626)	130,783	-	-	-	-	-	(5,714,293)	-
Accumulated depreciation of disposals	194,815	-	-	-	(3,650)	-	(3,221,700)	(56,715)	(3,282,065)	-
Transfers	(3,757,206)	(6,590,473)	(153,942)	(628,570)	(188,559)	(230,536)	(3,514,750)	(237,923)	(15,301,959)	-
	239,182,017	122,869,489	24,957,468	54,795,119	11,954,466	6,075,060	9,592,197	9,188,836	478,614,652	777,117
At fair value 30 June 2016	(72,508,756)	(27,870,808)	(10,442,109)	(21,066,696)	(5,687,522)	(4,829,594)	(5,748,546)	(2,556,795)	(150,710,826)	-
Accumulated depreciation at 30 June 2016	166,673,261	94,998,681	14,515,359	33,728,423	6,266,944	1,245,466	3,843,651	6,632,041	327,903,826	777,117

**Notes to the Financial Report
For the Year Ended 30 June 2016**

Note 21 Property, infrastructure, plant and equipment (cont'd)

	Artworks	Library collection	Pioneer Settlement vehicles and vessels	Pioneer Settlement site exhibits	Pioneer Settlement buildings	Total cultural and heritage
Cultural and heritage						
At fair value 1 July 2015	1,593,950	1,641,696	4,909,800	1,976,160	10,177,053	20,298,659
Accumulated depreciation at 1 July 2015	(74,088)	(1,125,925)	(204,708)	(82,418)	(7,742,088)	(9,229,227)
	1,519,862	515,771	4,705,092	1,893,742	2,434,965	11,069,432
Movements in fair value						
Acquisition of assets at fair value	-	127,254	73,500	77,700	-	278,454
Revaluation increments/(decrements)	-	-	(643,000)	32,250	(747,699)	(1,358,449)
Fair value of assets disposed	-	(70,765)	(600)	(3,750)	-	(75,115)
Transfers	-	-	-	-	(2,266,288)	(2,266,288)
	-	56,489	(570,100)	106,200	(3,013,987)	(3,421,398)
Movements in accumulated depreciation						
Depreciation and amortisation	(15,939)	(93,824)	(47,198)	(20,015)	(41,733)	(218,709)
Revaluation increments/(decrements)	-	-	237,411	95,411	688,607	1,021,429
Accumulated depreciation of disposals	-	70,765	29	181	-	70,975
Transfers	(15,939)	(23,059)	190,242	75,577	1,722,231	1,949,052
	1,593,950	1,698,185	4,339,700	2,082,360	7,163,066	16,877,261
	(90,027)	(1,148,984)	(14,466)	(6,841)	(6,019,857)	(7,280,175)
At fair value 30 June 2016	1,503,923	549,201	4,325,234	2,075,519	1,143,209	9,597,086

**Notes to the Financial Report
For the Year Ended 30 June 2016**

Note 21 Property, infrastructure, plant and equipment cont'd

Valuation of land and buildings

Valuation of land and buildings were undertaken by a qualified independent valuer Benjamin Sawyer AAPI Reg. 63163. The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

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

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

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

	Level 1	Level 2	Level 3
	\$	\$	\$
Land	-	3,738,600	-
Land - specialised	-	-	56,557,894
Buildings	-	4,353,932	-
Buildings - specialised	-	-	30,726,121
Total	-	8,092,532	87,284,015

Valuation of infrastructure

Valuation of infrastructure assets has been determined by applying the most recent unit rates as calculated from a sample of internal and external projects as at 30 June 2016 for sealed roads, unsealed roads and footpaths. All other infrastructure asset valuations have been determined by applying the unit rates as calculated from a sample of internal and external projects as at 30 June 2015.

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

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

	Level 1	Level 2	Level 3
	\$	\$	\$
Sealed roads	-	-	166,673,261
Unsealed roads	-	-	94,998,681
Footpaths and cycleways	-	-	14,515,359
Drainage	-	-	33,728,423
Recreational, leisure and community facilities	-	-	6,266,944
Waste management	-	-	1,245,466
Parks, open spaces and streetscapes	-	-	3,843,651
Other infrastructure	-	-	6,632,041
Total	-	-	327,903,826

**Notes to the Financial Report
For the Year Ended 30 June 2016**

Note 21 Property, infrastructure, plant and equipment cont'd

Valuation of cultural and heritage assets

Artworks

Valuation of artwork assets has been determined in accordance with an independent valuation undertaken by Warren Joel Auction and Valuation Services. The effective date of the valuation was 30 June 2011.

Valuation of the assets was determined by analysing comparable sales of an artist's work, knowledge of the collections history and condition of the collection.

Pioneer Settlement

Valuation of Pioneer Settlement vehicles and vessels and site exhibit assets was conducted by qualified independent valuer Mr David Freeman, member of Auctioneers and Valuers Association of Australia, and Chief Executive Officer of Amanda Adams Auctions, Bulleen, Victoria. The valuation is based on average market realisation prices that should be obtained if the items were sold via private treaty or auction sales. The effective date of the valuation is 30 June 2011.

Valuation of land and buildings were undertaken by a qualified independent valuer Benjamin Sawyer AAPI Reg. 63163. The valuation is at fair value based on replacement cost less accumulated depreciation as at the date of valuation.

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

	Level 1	Level 2	Level 3
	\$	\$	\$
Artworks	-	-	1,503,923
Pioneer Settlement vehicles and vessels	-	-	4,325,234
Pioneer Settlement site exhibits	-	-	2,075,519
Pioneer Settlement buildings	-	-	1,143,209
Total	-	-	9,047,885

2016
\$

2015
\$

Description of significant unobservable inputs into

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 25% and 75% for specialised land and between 85% and 95% for land under roads. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$0.10 and \$450 per square metre.

56,557,894

59,520,260

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 cost is calculated on a square metre basis. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 10 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 buildings are sensitive to changes in expectations or requirements that could either shorten or extend their useful lives.

30,726,121

29,550,786

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 0 years to 108 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.

327,903,826

326,565,143

**Notes to the Financial Report
For the Year Ended 30 June 2016**

	2016	2015
	\$	\$
<p>Artwork assets are valued based on the market based direct comparison approach. Significant unobservable inputs include the rarity of the item, historical significance and the history of the artist. If there are events that determine certain pieces of the collection to be of historical significance, if the artist has works that have increased in popularity or the item is considered to be rare and in demand, this would result in a higher fair value.</p>	1,503,923	1,519,862
<p>Pioneer Settlement vehicles and vessels and site exhibit assets are valued based on the market based direct comparison approach. Significant unobservable inputs include the rarity of the item and historical significance. If there are events that determine certain pieces of the collection to be of historical significance or the item is considered to be rare and in demand, this would result in a higher fair value.</p>	6,400,753	6,598,834
<p>Pioneer Settlement 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 cost is calculated on a square metre basis. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 1 year to 56 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 their useful lives.</p>	1,143,209	2,434,965
<p>Reconciliation of specialised land</p>		
Land under roads	34,142,112	35,956,426
Crown Land	7,521,700	7,521,700
Parks, reserves, land for community use	14,894,082	16,042,134
Total specialised land	56,557,894	59,520,260

**Notes to the Financial Report
For the Year Ended 30 June 2016**

	2016	2015
	\$	\$
Note 22 Intangible assets		
Water rights	1,433,600	720,384
Total intangible assets	<u>1,433,600</u>	<u>720,384</u>
Gross carrying amount		
Balance at beginning of financial year	720,384	726,016
Acquisitions	-	-
Asset revaluation movement	713,216	(5,632)
Balance at end of financial year	<u>1,433,600</u>	<u>720,384</u>

Details of the Swan Hill Rural City Council's water rights and information about the fair value hierarchy as at 30 June 2016 are as follows:

	Level 1	Level 2	Level 3
	\$	\$	\$
Water rights	-	1,433,600	-
Total	<u>-</u>	<u>1,433,600</u>	<u>-</u>

Water rights are valued at current market rates. The valuation is based on market transactions being the trading of water shares within the relevant water trading region. Prices are sourced from Waterfind Australia for water traded within the Torrumbarry Irrigation Area.

Note 23 Trade and other payables

Trade payables	342,354	316,409
Salaries and wages	369,637	89,747
Accrued expenses	1,160,457	1,318,678
SupportFirst - aged care	1,294,471	-
Total trade and other payables	<u>3,166,919</u>	<u>1,724,834</u>

Note 24 Trust funds and deposits

Refundable deposits	162,800	122,230
Fire services levy	30,316	25,577
Retention amounts	228,992	286,014
Total trust funds and deposits	<u>422,108</u>	<u>433,821</u>

Purpose and nature of items

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

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.

**Notes to the Financial Report
For the Year Ended 30 June 2016**

Note 25 Provisions

	Annual leave	Long service leave	Landfill restoration	Total
2016	\$	\$	\$	\$
Balance at beginning of the financial year	1,591,812	3,562,509	1,451,606	6,605,927
Additional provisions	1,138,432	444,190	96,419	1,679,041
Amounts used	(1,046,217)	(297,242)	-	(1,343,459)
Increase in the discounted amount arising because of time and the effect of any change in the discount rate	-	-	124,822	124,822
Balance at the end of the financial year	<u>1,684,027</u>	<u>3,709,457</u>	<u>1,672,847</u>	<u>7,066,331</u>
2015				
Balance at beginning of the financial year	1,606,510	3,323,093	1,417,985	6,347,588
Additional provisions	1,416,893	512,821	-	1,929,714
Amounts used	(1,431,591)	(273,405)	-	(1,704,996)
Increase in the discounted amount arising because of time and the effect of any change in the discount rate	-	-	33,621	33,621
Balance at the end of the financial year	<u>1,591,812</u>	<u>3,562,509</u>	<u>1,451,606</u>	<u>6,605,927</u>

	2016 \$	2015 \$
(a) Employee provisions		
Current provisions expected to be wholly settled within 12 months		
Annual leave	1,143,610	1,323,208
Long service leave	116,774	193,959
	<u>1,260,384</u>	<u>1,517,167</u>
Current provisions expected to be wholly settled after 12 months		
Annual leave	540,417	268,604
Long service leave	3,284,552	3,060,454
	<u>3,824,969</u>	<u>3,329,058</u>
Total current employee provisions	<u>5,085,353</u>	<u>4,846,225</u>
Non-current		
Long service leave	308,130	308,096
Total non-current employee provisions	<u>308,130</u>	<u>308,096</u>
Aggregate carrying amount of employee provisions:		
Current	5,085,353	4,846,225
Non-current	308,130	308,096
Total aggregate carrying amount of employee provisions	<u>5,393,483</u>	<u>5,154,321</u>

(b) Land fill restoration

Current	259,910	-
Non-current	1,412,938	1,451,606
	<u>1,672,848</u>	<u>1,451,606</u>

Total Provisions

Current	<u>5,345,263</u>	<u>4,846,225</u>
Non-current	<u>1,721,068</u>	<u>1,759,702</u>
	<u>7,066,331</u>	<u>6,605,927</u>

**Notes to the Financial Report
For the Year Ended 30 June 2016**

	2016	2015
	\$	\$
Note 26 Interest-bearing loans and borrowings		
Current		
Borrowings - secured (1)	759,498	765,397
	<u>759,498</u>	<u>765,397</u>
Non-current		
Borrowings - secured (1)	7,509,388	7,775,427
	<u>7,509,388</u>	<u>7,775,427</u>
Total	<u>8,268,886</u>	<u>8,540,824</u>
 (1) Borrowings are secured by Swan Hill Rural City Council General Rate.		
The maturity profile for Council's borrowings is:		
Not later than one year	759,498	765,397
Later than one year and not later than five years	2,105,350	2,522,615
Later than five years	5,404,038	5,252,812
	<u>8,268,886</u>	<u>8,540,824</u>

**Notes to the Financial Report
For the Year Ended 30 June 2016**

Note 27 Reserves

	Balance at beginning of reporting period	Increment (decrement)	Transfers	Balance at end of reporting period
	\$	\$	\$	\$
Asset revaluation reserves				
2016				
Property				
Land	16,372,200	(1,999,280)	-	14,372,920
Buildings	15,051,575	(350,056)	-	14,701,519
	<u>31,423,775</u>	<u>(2,349,336)</u>	<u>-</u>	<u>29,074,439</u>
Infrastructure				
Sealed roads	80,898,258	(1,383,759)	-	79,514,499
Unsealed Roads	22,308,117	(4,555,626)	-	17,752,491
Footpaths and cycleways	6,328,467	2,464,424	-	8,792,891
Drainage	15,647,453	-	-	15,647,453
Recreational, leisure and community facilities	1,912,153	-	-	1,912,153
Other infrastructure	1,923,169	-	-	1,923,169
	<u>129,017,617</u>	<u>(3,474,961)</u>	<u>-</u>	<u>125,542,656</u>
Cultural and heritage assets				
Artwork	1,477,603	-	-	1,477,603
Pioneer Settlement	5,997,702	(337,020)	-	5,660,682
	<u>7,475,305</u>	<u>(337,020)</u>	<u>-</u>	<u>7,138,285</u>
Water Rights				
	77,629	713,215	-	790,844
Total asset revaluation reserves	<u>167,994,326</u>	<u>(5,448,102)</u>	<u>-</u>	<u>162,546,224</u>
2015				
Property				
Land	16,372,200	-	-	16,372,200
Buildings	15,051,575	-	-	15,051,575
	<u>31,423,775</u>	<u>-</u>	<u>-</u>	<u>31,423,775</u>
Infrastructure				
Sealed roads	53,928,336	26,969,922	-	80,898,258
Unsealed Roads	19,130,053	3,178,064	-	22,308,117
Footpaths and cycleways	5,186,767	1,141,700	-	6,328,467
Drainage	13,113,341	2,534,112	-	15,647,453
Recreational, leisure and community facilities	-	(2,506,550)	4,418,703	1,912,153
Other infrastructure	6,277,782	64,090	(4,418,703)	1,923,169
	<u>97,636,279</u>	<u>31,381,338</u>	<u>-</u>	<u>129,017,617</u>
Cultural and heritage assets				
Artwork	1,477,603	-	-	1,477,603
Pioneer Settlement	5,997,702	-	-	5,997,702
	<u>7,475,305</u>	<u>-</u>	<u>-</u>	<u>7,475,305</u>
Water Rights				
	83,261	(5,632)	-	77,629
Total asset revaluation reserves	<u>136,618,620</u>	<u>31,375,706</u>	<u>-</u>	<u>167,994,326</u>

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

**Notes to the Financial Report
For the Year Ended 30 June 2016**

	2016	2015
	\$	\$
Note 28 Reconciliation of cash flows from operating activities to surplus		
Surplus for the year	2,028,288	6,489,532
Depreciation/amortisation	8,729,954	7,978,502
Profit on disposal of property, infrastructure, plant and equipment	(176,224)	(92,686)
Assets written off / asset adjustments	652,911	629,545
Works in progress expensed from prior year(s)	25,310	118,287
Contributions - Non-monetary assets	(156,605)	(142,903)
Reallocation of borrowing costs to financing activities	428,530	396,083
Non-cash - landfills provision movement	(221,241)	(33,621)
Change in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(907,680)	(91,954)
(Increase)/decrease in other assets	(42,045)	50,074
Increase/(decrease) in trade and other payables	1,328,897	(297,808)
(Increase)/decrease in inventories	(24,159)	(3,993)
Increase/(Decrease) in provisions	460,403	258,339
Net cash provided by operating activities	<u>12,126,339</u>	<u>15,257,397</u>
Note 29 Financing arrangements		
Credit card facilities	98,000	88,000
Loans and borrowings	8,268,886	8,540,824
Total facilities	<u>8,366,886</u>	<u>8,628,824</u>
Used facilities	8,279,345	8,553,785
Unused facilities	<u>87,541</u>	<u>75,039</u>

Notes to the Financial Report
For the Year Ended 30 June 2016

Note 30 Commitments

The Council has entered into the following commitments

2016	Not later	Later than 1	Later than 2	Later than	Total
	than 1 year	year and not	years and	5 years	
	\$	later than 2	not later than	5 years	\$
		years	5 years		
		\$	\$	\$	\$
Operating					
Annual earthworks & plant hire - landfills	20,000	-	-	-	20,000
Cleaning of Council buildings, public toilets BBQs	688,000	706,940	726,380	748,170	2,869,490
Electoral Services	126,938	-	-	-	126,938
Environmental management	359,700	380,000	400,000	420,000	1,559,700
Essential safety measures	27,748	-	-	-	27,748
Internal audit services	15,000	15,000	-	-	30,000
Kerbside waste collection & recycle waste	832,275	853,082	-	-	1,685,357
Management & operation of the PS Pyap	160,000	160,000	-	-	320,000
Management of landfills	631,613	647,403	-	-	1,279,016
Materials and supplies	420,000	420,000	20,000	-	860,000
Pest control treatment services	4,453	-	-	-	4,453
Professional services	398,745	127,540	87,627	-	613,912
Provision of security services	16,262	4,100	-	-	20,362
Recreation, leisure and community facilities	1,001,964	670,052	1,406,116	-	3,078,132
Rural land use strategy	82,021	-	-	-	82,021
Telecommunication services	545,000	-	-	-	545,000
Total	5,329,719	3,984,117	2,640,123	1,168,170	13,122,129
Capital					
Buildings	172,590	-	-	-	172,590
Plant and equipment	238,619	-	-	-	238,619
Sealed roads	1,950,000	2,660,469	1,210,469	-	5,820,938
Unsealed roads	824,568	700,000	-	-	1,524,568
Total	3,185,777	3,360,469	1,210,469	-	7,756,715

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

**Notes to the Financial Report
For the Year Ended 30 June 2016**

	2016	2015
	\$	\$
Note 31 Operating leases		
(a) Operating lease commitments		
At the reporting date, the Council had the following obligations under non-cancellable operating leases for the lease of equipment and land and buildings for use within Council's activities (these obligations are not recognised as liabilities):		
Not later than one year	380,220	389,123
Later than one year and not later than five years	1,217,260	1,505,872
Later than five years	829,436	921,043
	<u>2,426,916</u>	<u>2,816,038</u>
(b) Operating lease receivables		
The Council has entered into commercial property leases on its investment property, consisting of surplus freehold office complexes. These properties held under operating leases have remaining non-cancellable lease terms of between 1 and 10 years. All leases include a CPI based revision of the rental charge annually.		
Future minimum rentals receivable under non-cancellable operating leases are as follows:		
Not later than one year	72,324	76,101
Later than one year and not later than five years	115,992	112,839
Later than five years	74,654	77,807
	<u>262,970</u>	<u>266,747</u>

Note 32 Superannuation

Council makes all of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. Obligations for contributions to the Fund are recognised as an expense in the Comprehensive Income Statement when they are made or due.

Accumulation

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

Defined Benefit

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

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

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 Actuary.

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

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

**Notes to the Financial Report
For the Year Ended 30 June 2016**

Note 32 Superannuation (cont'd)

Vision Super has advised that the estimated VBI at 30 June 2016 was 102.0%. The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 2015 interim actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

Employer contributions**Regular contributions**

On the basis of the results of the 2015 interim actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2016, this rate was 9.5% of members' salaries (9.5% in 2014/2015). This rate will increase in line with any increase to the 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 an 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.

2015 Interim actuarial investigation surplus amounts

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

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

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2015. The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses. Council was notified of the 30 June 2015 VBI during August 2015.

Future superannuation contributions

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2017 is \$221,694.

Note 33 Contingent liabilities and contingent assets

Council has obligations under a defined benefit superannuation scheme that may result in the need to make additional contributions to the scheme, matters relating to this potential obligation are outlined in Note 32. 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.

**Notes to the Financial Report
For the Year Ended 30 June 2016**

Note 34 Financial instruments**(a) Objectives and policies**

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

(b) Market risk

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

Interest rate risk

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

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

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

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

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

(c) Credit risk

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

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

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

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

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

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

**Notes to the Financial Report
For the Year Ended 30 June 2016**

Note 34 Financial instruments (cont'd)**(d) Liquidity risk**

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

To help reduce these risks Council:

- have a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- have readily accessible standby facilities and other funding arrangements in place;
- have a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments;
- monitor budget to actual performance on a regular basis; and
- set limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

The Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed on the face of the balance sheet and the amounts related to financial guarantees disclosed in Note 33, and is deemed insignificant based on prior periods' data and current assessment of risk.

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

With the exception of borrowings, all financial liabilities are expected to be settled within normal terms of trade. Details of the maturity profile for borrowings are disclosed at Note 26.

(e) Fair value

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

Fair value hierarchy

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

(f) Sensitivity disclosure analysis

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

- A parallel shift of + 1.00% and - 1.00% in market interest rates (AUD) from year-end rates of 1.75%.

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

**Notes to the Financial Report
For the Year Ended 30 June 2016**

Note 35 Related party transactions

(i) Responsible Persons

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

Councillors	Mayor Les McPhee Councillor Greg Cruickshank Councillor Gary Norton Councillor Michael Adamson (resigned 31/05/2016) Councillor John Katis Councillor Jessie Kiley Councillor Jim Crowe
Chief Executive Officer	John McLinden (Commenced 21/03/2016 to current) Ian Couper (Acting CEO) (12/11/2015 to 20/03/2016) David Lenton (Acting CEO) (17/10/2015 to 11/11/2015) Dean Miller (01/07/2015 to 16/10/2015)

(ii) Remuneration of Responsible Persons

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

	2016	2015
	No.	No.
\$20,000 - \$29,999	4	4
\$30,000 - \$39,999	2	2
\$50,000 - \$59,999	1	1
\$70,000 - \$79,999	1	-
\$90,000 - \$99,999	1	-
\$210,000 - \$219,999	1	-
\$220,000 - \$229,999	-	1
	10	8

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

\$602,907	\$437,884
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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 \$139,000

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

	2016	2015
	No.	No.
Income Range		
<\$139,000	2	-
\$139,000 - \$149,999	3	3
\$150,000 - \$159,999	1	-
\$160,000 - \$169,999	1	1
\$170,000 - \$179,999	-	1
\$180,000 - \$189,999	1	1
\$190,000 - \$199,999	1	2
	9	8

Total Remuneration for the reporting year for Senior Officers included above,

\$1,305,012	\$1,330,895
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(iv) Responsible persons retirement benefits

No retirement benefits have been made by the Council to a Responsible Person (2014/15, \$0).

**Notes to the Financial Report
For the Year Ended 30 June 2016**

Note 35 Related party transactions (cont'd)

(v) Loans to responsible persons

No loans have been made, guaranteed or secured by the Council to a Responsible Person during the reporting year (2014/15, \$0).

(vi) Transactions with responsible persons

Councillor Greg Cruickshank owns and operates Greg Cruickshank Photographics which Council has dealt with under normal business terms during 2015/16.

Total transactions for the 2015/16 year = \$2,336 (2014/15 year = \$2,324)

Note 36 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.

David C Lenton CPA
Principal Accounting Officer

Date : <Date>
Swan Hill Rural City Council

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

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

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

Mr Les McPhee
Councillor (Mayor)
Date : <Date>
Swan Hill Rural City Council

Mr Gary Norton
Councillor
Date : <Date>
Swan Hill Rural City Council

John McLinden
Chief Executive Officer
Date : <Date>
Swan Hill Rural City Council

