



2014-15 Financial Report

(incorporating Quarterly Financial Report No. 4)

Presented by Tim Pallas MP
Treasurer of the State of Victoria

The Secretary
Department of Treasury and Finance
1 Treasury Place
Melbourne Victoria 3002
Australia
Telephone: +61 3 9651 5111
Facsimile: +61 3 9651 2062
dtf.vic.gov.au

Authorised by the Victorian Government
1 Treasury Place, Melbourne, 3002

Printed by On Demand, Port Melbourne

© State of Victoria 2015



This work, *2014-15 Financial Report (incorporating Quarterly Financial Report No. 4)* is licensed under a Creative Commons Attribution 4.0 Australia licence. You are free to re-use the work under that licence, on the condition that you credit the State of Victoria (Department of Treasury and Finance) as author and comply with the other licence terms. The licence does not apply to any images, photographs or branding, including the Victorian Coat of Arms, the Victorian Government logo and the Department of Treasury and Finance logo.

Copyright queries may be directed to
IPpolicy@dtf.vic.gov.au

ISSN 2204-7166

Published November 2015
Printed on recycled paper

Financial Report

(incorporating Quarterly Financial Report No. 4)

2014-15



Presented by

Tim Pallas MP

Treasurer of the State of Victoria
for the information of Honourable Members

Ordered to be printed

November 2015

TABLE OF CONTENTS

Chapter 1 – Foreword	1
Purpose	1
Economic context.....	1
Fiscal outcomes.....	2
Chapter 2 – General government sector outcome.....	3
Fiscal objectives	3
Financial performance	5
Financial position	8
Cash flows	9
Infrastructure investment.....	10
Chapter 3 – State of Victoria outcome	13
Financial performance.....	13
Operating statement.....	14
Financial position	17
Cash flows	19
Financial sustainability (non-financial public sector).....	19
Chapter 4 – Annual Financial Report.....	21
Report of the Auditor General	22
Notes to the financial statements	30
Chapter 5 – Supplementary Uniform Presentation Framework tables	205
The accrual Government Finance Statistics presentation	205
Generally accepted accounting principles/Government Finance Statistics harmonisation	205
Victoria’s 2014-15 Loan Council Allocation	212
Appendix A – General government sector quarterly financial report.....	215
Appendix B – <i>Financial Management Act 1994</i> – Compliance index	219
Appendix C – Scope and style conventions	223

CHAPTER 1 – FOREWORD

PURPOSE

The *2014-15 Financial Report* presents the consolidated financial outcomes for the State of Victoria, including the general government sector, the public non-financial corporations sector and the public financial corporations sector.

This chapter outlines the economic and fiscal context for the State's financial performance and position, and summarises the 2014-15 results. Chapter 2 analyses the results for the general government sector, comparing them with the revised estimates for the year presented in the *2015-16 Budget*. Chapter 3 presents the 2014-15 results for the State of Victoria.

Chapter 4 contains the audited financial statements as required under the *Financial Management Act 1994*. These are presented in line with applicable Australian accounting standards and pronouncements, in particular AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. Chapter 5 provides supplementary information required under the Uniform Presentation Framework, as agreed under the Australian Loan Council arrangements. Appendix A includes the Quarterly Financial Report for the general government sector as required by Section 26 of the *Financial Management Act 1994*.

ECONOMIC CONTEXT

Victoria's economy grew steadily in 2014-15 as the national economy transitioned from the previous impetus provided by the mining investment boom, and local activity benefited from a lower exchange rate.

State final demand grew by 2.7 per cent in 2014-15. This growth was underpinned by improved household consumption, dwelling construction and business investment. It reflected the low interest rate environment, as well as rising property and stock prices through much of the year.

Demand for new housing also increased in the year, consistent with rising property prices. Residential building remained at elevated levels throughout the year, with further strong activity in inner city apartment construction. As a result, dwelling investment rose by 6.7 per cent in 2014-15.

Business investment activity strengthened in 2014-15 driven by strong increases in non-dwelling construction.

Victorian employment rose by 2.1 per cent in 2014-15, above the national average of 1.2 per cent, recording the strongest outcome since 2010-11. While Victoria's unemployment rate was higher on average in 2014-15 relative to the previous year, this was consistent with the national trend. Further, the unemployment rate fell from 6.9 per cent to 6.0 per cent over the year, throughout which Victoria retained the highest labour force participation rate of the non-mining states.

Population growth was strong over the year to March 2015, with positive net inflows from all other states.

The exchange rate continued to decline, providing relief to Victorian exporters and import-competing industries.

Victoria has maintained its triple-A credit rating with a stable outlook from both of the major international credit rating agencies, the only state to have done so since the global financial crisis in 2008. Victoria continues to forecast strong surpluses every year over the budget and forward estimates.

FISCAL OUTCOMES

The net result from transactions for the general government sector was a surplus of \$1.2 billion in 2014-15, \$0.3 billion higher than the revised estimate for the year.

Total revenue from transactions for the general government sector for the year was \$53.8 billion, which was marginally above the revised estimate and \$1.4 billion higher than 2013-14. State taxation revenue was \$18.3 billion in 2014-15, consistent with the revised 2014-15 estimate and \$1.4 billion more than in 2013-14. This was mainly due to increases in land transfer duty (\$771 million) on the back of continued strength in the property market throughout 2014-15 and increased motor vehicle taxes reflecting the increase in light vehicle registration fees (\$221 million). In addition, payroll tax collections increased by \$186 million, reflecting annual growth in employment and wage rates.

Grants revenue for the general government sector was consistent with revised budget expectations.

Total expenses for the general government sector for the year were \$52.6 billion, consistent with the revised 2014-15 estimate and \$2.2 billion more than in 2013-14. This is largely due to changes in the timing and profile of Commonwealth grants for on-passing, and increased government service delivery in health, police and correctional services and salary growth consistent with wages policy.

The general government sector's infrastructure investment program in 2014-15 was \$4.9 billion, with the majority invested in the transport, health and education sectors.

Net debt for the general government sector of \$22.3 billion at 30 June 2015 was \$1.1 billion higher than the revised estimate mainly due to increased spending on the Government's infrastructure program and finalisation of the agreement with the East West Link consortium.

CHAPTER 2 – GENERAL GOVERNMENT SECTOR OUTCOME

- The Government delivered an operating surplus for 2014-15 of \$1.2 billion. Victoria continues to forecast strong surpluses every year over the budget and forward estimates.
- Both total revenue and expenditure for the year were in line with the 2014-15 revised estimates.
- General government net infrastructure investment was \$4.9 billion for 2014-15, exceeding the revised budget estimate of \$4.4 billion.
- Net debt for the general government sector was \$22.3 billion at 30 June 2015. This was \$1.1 billion higher than the revised budget estimate due to higher spending on the Government's infrastructure program and finalisation of the agreement with the East West Link consortium.
- On 28 August 2015, Standard & Poor's re-affirmed Victoria's triple-A credit rating, citing 'the State's very strong financial management and economy'. Victoria has a triple-A credit rating with a stable outlook from both major international credit rating agencies.

FISCAL OBJECTIVES

The Government outlined its fiscal strategy and objectives as part of the *2015-16 Budget*, including achieving net operating surpluses that are consistent with sustainable levels of debt.

The 2014-15 results are consistent with the Government's fiscal objectives and strategy. The Government is implementing its election commitments while delivering a strong operating surplus.

Fiscal aggregates are useful for assessing the impact of the financial transactions of government and its controlled agencies on the economy. These measures, derived from the audited financial statements in Chapter 4, are shown in Table 2.1.

Table 2.1: Key fiscal aggregates for the general government sector^(a)

	(\$ million)		
	2013-14 actual	2014-15 actual	2014-15 revised
Operating statement aggregates			
Net result from transactions – net operating balance	1 980	1 214	883
Net result	766	749	532
Net lending/(borrowing) ^(b)	1 354	922	1 058
Comprehensive result – total change in net worth	6 741	7 857	3 558
Cash surplus/(deficit)	216	(177)	694
Balance sheet aggregates			
Net worth	128 477	136 335	131 989
Net financial worth	21 976	27 390	20 863
Net financial liabilities	53 893	54 791	59 584
Net debt	21 175	22 327	21 240

Source: Department of Treasury and Finance

Notes:

(a) Certain 2013-14 comparative figures have been restated. See Chapter 4, Note 37.

(b) The 2014-15 revised estimate measure has been restated to reflect more current information.

The **net result from transactions** surplus of \$1.2 billion is \$331 million higher than the revised 2014-15 estimate, mainly due to higher than expected revenue. The decrease of \$766 million when compared to the previous year is mainly due to higher expenditure on service delivery across government, and the net impact of the cancellation of the East West Link project, offset by higher taxation revenue. These movements are outlined later in this chapter.

The **net result** is a further measure of financial performance for the period, including the impact of financial market movements on the valuation of assets and liabilities. The 2014-15 net result was consistent with the revised budget.

The **net lending** measure broadly reflects the net impact of the general government sector on the economy and financial markets, including the impact of operating and capital investing transactions. The net lending for 2014-15 of \$922 million was in line with the revised estimates.

The 2014-15 **comprehensive result – total change in net worth** was \$1.1 billion higher than 2013-14, primarily driven by the revaluation of road assets in the year and favourable re-measurements of superannuation defined benefit plans relative to 2013-14. The impact of the re-measurements is also the reason for the increase from revised budget.

The **cash deficit** position in 2014-15 reflects the sum of net cash flows from operating and capital investing activities. This was primarily due to the Commonwealth bringing forward its payment for the East West Link project from 2014-15 to 2013-14 and finalisation of the agreement with the East West Link consortium, including \$339 million for the bid process, design and pre-construction and a further \$81 million of fees incurred to establish the Project Co credit facility.

Net worth is a measure of economic wealth and is equal to net assets outlined in Table 2.4. The movement between years mainly reflects the increase in the investment of the general government in other sectors. The increase from both the previous year and revised budget is primarily due to the revaluation of rail and port assets, in line with the relevant reporting requirements. This is also the reason for the year-on-year movement in **net financial worth**, which is equal to total financial assets less total liabilities.

Net financial liabilities are total liabilities less financial assets (excluding investments in other sector entities). Net financial liabilities were \$54.8 billion as at 30 June 2015, decreasing by \$4.8 billion compared to the revised budget primarily due to an increase in the bond yields that are used in the measurement of the superannuation liability.

Net debt is gross debt less liquid financial assets. The increase in net debt year-on-year was mainly driven by additional borrowings required to finance the Government's significant infrastructure program. The drivers of the change since the revised budget are consistent with the drivers of the movement in the cash surplus/deficit aggregate.

FINANCIAL PERFORMANCE

Table 2.2 shows an operating surplus of \$1.2 billion in 2014-15 compared with the revised 2014-15 estimate of \$883 million.

Table 2.2: Summary of operating statement

(\$ million)

	2014-15 actual	2014-15 revised	Revised variance	% revised variance	2013-14 actual ^(a)
Revenue from transactions					
Taxation revenue	18 339	18 274	65	0.4	16 901
Interest revenue	827	825	2	0.3	831
Dividends and income tax equivalent and rate equivalent revenue	1 113	1 025	87	8.5	446
Sales of goods and services	6 482	6 525	(43)	(0.7)	6 725
Grant revenue	24 503	24 584	(81)	(0.3)	25 145
Other revenue	2 508	2 309	200	8.7	2 317
Total revenue from transactions	53 772	53 542	230	0.4	52 365
Expenses from transactions					
Employee expenses	18 834	18 478	356	1.9	18 004
Superannuation interest expense	1 038	1 038	..	..	1 075
Other superannuation	1 978	1 864	114	6.1	1 843
Depreciation	2 425	2 497	(72)	(2.9)	2 404
Interest expense	2 102	2 103	(1)	..	2 138
Other operating expenses	17 651	18 459	(808)	(4.4)	17 360
Grant expense	8 529	8 220	309	3.8	7 561
Total expenses from transactions	52 558	52 659	(101)	(0.2)	50 385
Net result from transactions – net operating balance	1 214	883	331	37.5	1 980
Total other economic flows included in net result	(465)	(351)	(114)	32.5	(1 214)
Net result	749	532	217	40.8	766

Note:

(a) Certain 2013-14 comparative figures have been restated. See Chapter 4, Note 37.

Revenue

Total revenue from transactions for the year was \$53.8 billion, which was within 0.4 per cent of the revised estimate and \$1.4 billion (2.7 per cent) higher than the previous year.

Table 2.3 shows that State taxation revenue in 2014-15 was consistent with the revised estimate. The small increase was due to stronger than expected collections of employers' payroll and labour force taxes (\$43 million) due to an increase in aggregate hours worked, along with higher collections received from the increased landfill levy rates and volumes as classified under other taxes (\$23 million).

Taxation revenue increased by \$1.4 billion compared to 2013-14. This was mainly due to increases in land transfer duty (\$771 million) on the back of continued strength in the property market throughout 2014-15 and motor vehicle taxes reflecting the increase in light vehicle registration fees (\$221 million). In addition, payroll tax collections have increased by \$186 million, reflecting annual wage growth rates.

Table 2.3: Taxation

(\$ million)

	2014-15 actual	2014-15 revised	Revised variance	% change
Taxes on employers' payroll and labour force	5 135	5 092	43	0.9
Taxes on immovable property				
Land tax	1 753	1 796	(43)	(2.4)
Fire services property levy	588	586	3	0.5
Congestion levy	111	122	(11)	(9.0)
Metropolitan improvement levy	153	146	7	4.7
Total taxes on immovable property	2 604	2 649	(44)	(1.7)
Financial and capital transactions				
Land transfer duty	4 938	4 886	52	1.1
Other property duties	2	2	..	..
Financial accommodation levy	105	129	(25)	(19.2)
Growth areas infrastructure contribution	129	103	26	25.5
Total financial and capital transactions	5 174	5 120	54	1.1
Total taxes on property	7 778	7 769	9	0.1
Taxes on the provision of goods and services				
Gambling taxes				
Public lotteries	401	408	(7)	(1.7)
Electronic gaming machines	1 059	1 067	(8)	(0.8)
Casino	217	211	6	2.9
Racing	82	82	..	..
Other	22	23	(1)	(2.8)
Total gambling taxes	1 781	1 791	(10)	(0.6)
Levies on statutory corporations	112	112	..	..
Taxes on insurance	1 088	1 097	(9)	(0.9)
Total taxes on the provision of goods and services	2 980	3 000	(20)	(0.7)
Taxes on the use of goods and performance of activities				
Motor vehicle taxes				
Vehicle registration fees	1 396	1 393	3	0.2
Duty on vehicle registrations and transfers	720	715	5	0.7
Total motor vehicle taxes	2 117	2 108	8	0.4
Liquor licence fees	23	23	..	(0.2)
Other	306	283	23	8.2
Total taxes on the use of goods and performance of activities	2 445	2 413	32	1.3
Total taxation revenue	18 339	18 274	65	0.4

Dividends, income tax and rate equivalent revenue was \$87 million (8.5 per cent) higher than the revised estimate. This reflects a higher than expected income tax payable from WorkSafe Victoria due to a stronger than expected financial performance in the year.

Compared to the same time last year, dividends, income tax and rate equivalent revenue increased by \$667 million, to \$1.1 billion. This is mainly due to the interim dividends from WorkSafe Victoria and the Transport Accident Commission paid in 2014-15 rather than in 2013-14 (\$404 million) and dividends received from the State Electricity Commission of Victoria and Melbourne Water in 2014-15 totalling \$121 million.

Revenue from the sales of goods and services of \$6.5 billion was consistent with the revised budget estimate and \$243 million (3.6 per cent) lower than in 2013-14. The year-on-year decrease primarily relates to the change in public transport fare revenue sharing arrangements with Metro Trains and Yarra Trams following the full roll-out of the *myki* ticketing system.

Other revenue in 2014-15 was around \$200 million higher than both the previous year and the revised budget estimate, with both variances driven by higher revenue than anticipated in hospitals and health services, due to higher commercial activity from a variety of sources.

Expenses

Total general government sector expenses for 2014-15 were in line with expectations, being within 0.2 per cent of the revised estimate in the *2015-16 Budget*. When compared with the previous year, total expenses increased by \$2.2 billion (4.3 per cent).

Employee expenses for 2014-15 were higher than anticipated in the revised budget (\$356 million or 1.9 per cent) and 4.6 per cent higher than in 2013-14. Compared to the revised budget, this is largely due to higher than expected activity in health agencies and hospitals. Compared to the previous year, this is due to increased government service delivery in health, police and correctional services as well as salary growth consistent with wages policy.

Other superannuation expense for 2014-15 was \$114 million higher than expected in the revised budget due to increased employer contributions to defined contribution plans. This expense was \$135 million higher than in 2013-14 due to a combination of higher employer contributions to defined benefit plans along with higher service costs on defined benefit plans as a result of the fall in bond yields.

Other operating expenses for 2014-15 were \$17.7 billion, \$808 million (4.4 per cent) lower than the revised budget and \$291 million (1.7 per cent) higher than in 2013-14. The reason for the decrease from the revised budget was largely attributable to the deferral of the Victorian Training Guarantee subsidy funding to 2015-16 and deferral of various health and human services' initiatives into 2015-16. The increase since 2013-14 reflects additional spending on service delivery, such as meeting demand growth in health and human services as well as the impact of the cancellation of the East West Link project.

Compared with 2013-14, grants and other transfer expense was \$968 million (12.8 per cent) higher in 2014-15 due to some Commonwealth government financial assistance and road grant payments being passed onto local governments (\$444 million) and non-government schools grants (\$238 million) being brought forward from the 2015-16 year.

Other economic flows included in the net result

The net result differs from the net result from transactions due to other economic flows, which includes various revaluation gains and losses recognised for the period.

The net result from transactions is the Government's net surplus measure for the purposes of its fiscal strategy.

Other economic flows included in the net result for 2014-15 totalled a net loss of \$465 million, \$114 million more than the revised budget, mainly driven by the revaluation of employee provisions reflecting increased bond rate movements.

FINANCIAL POSITION

Table 2.4 shows the general government sector net assets increased by \$7.9 billion (6.1 per cent) to \$136.3 billion in the 2014-15 financial year. This was \$4.3 billion (3.3 per cent) higher than expected in the 2014-15 revised budget. The main drivers are provided below.

Table 2.4: Summary balance sheet

	(\$ million)				
	2014-15 actual	Revised variance	2014-15 revised	Actual movement	2013-14 actual ^(a)
Assets					
Financial assets	17 859	285	17 574	669	17 190
Non-financial assets	108 944	(2 181)	111 126	2 443	106 501
Investment in other sector entities					
Public non-financial corporations	78 972	1 235	77 737	5 998	72 973
Public financial corporations	3 210	500	2 710	313	2 896
Total assets	208 985	(162)	209 146	9 424	199 561
Liabilities					
Superannuation	25 947	(4 806)	30 752	(306)	26 253
Borrowings	34 069	736	33 333	1 115	32 954
Other liabilities	12 635	(437)	13 072	758	11 877
Total liabilities	72 650	(4 507)	77 158	1 567	71 083
Net assets	136 335	4 346	131 989	7 857	128 477

Note:

(a) Certain 2013-14 June comparative figures have been restated. See Chapter 4, Note 37.

Assets

Financial assets in Table 2.4 include cash, investments, loans and placements. The value of financial assets held by the general government sector was relatively constant with a slight increase of \$0.7 billion to \$17.9 billion during the financial year. The actual outcome was also in line with revised estimates.

Non-financial assets increased by \$2.4 billion during the year, which is mainly due to the revaluation of road assets and investments in the infrastructure program.

General government investments in other sector entities increased by \$6.3 billion in the year. This mainly reflected the revaluation of rail and port assets, in line with the relevant reporting requirements.

Liabilities

Total liabilities as at 30 June 2015 were \$4.5 billion lower than the 2014-15 revised budget. This decrease was largely attributable to a reduction in the value of the superannuation liability as a result of an increase in the bond yields that underlie the key valuation assumptions. The superannuation liability also decreased during 2014-15 due to favourable changes in demographic assumptions.

Total liabilities increased by \$1.6 billion to \$72.7 billion in 2014-15, mainly as a result of increased borrowings contributing towards financing the Government's infrastructure program.

CASH FLOWS

Table 2.5 outlines the use of cash resources. It summarises cash generated through the operations of Victorian government departments and other general government sector agencies, and how the cash is invested in fixed assets.

A detailed cash flow statement is provided in Chapter 4.

Table 2.5: Application of cash resources

(\$ million)

	2014-15 <i>actual</i>	2014-15 <i>revised</i>
Net result from transactions – net operating balance	1 214	883
Add back: Non-cash revenues and expenses (net) ^(a)	2 605	3 469
Net cash flows from operating activities	3 819	4 352
Less:		
Net investment in fixed assets		
Expenditure on approved projects	5 252	4 738
Sale of non-financial assets	398	360
Net investment in fixed assets	4 854	4 378
Finance leases	99	36
Other investment activities (net)	19	3
Decrease/(increase) in net debt	(1 153)	(65)

Source: Department of Treasury and Finance

Note:

(a) Includes depreciation and movements in liabilities such as superannuation and employee benefits.

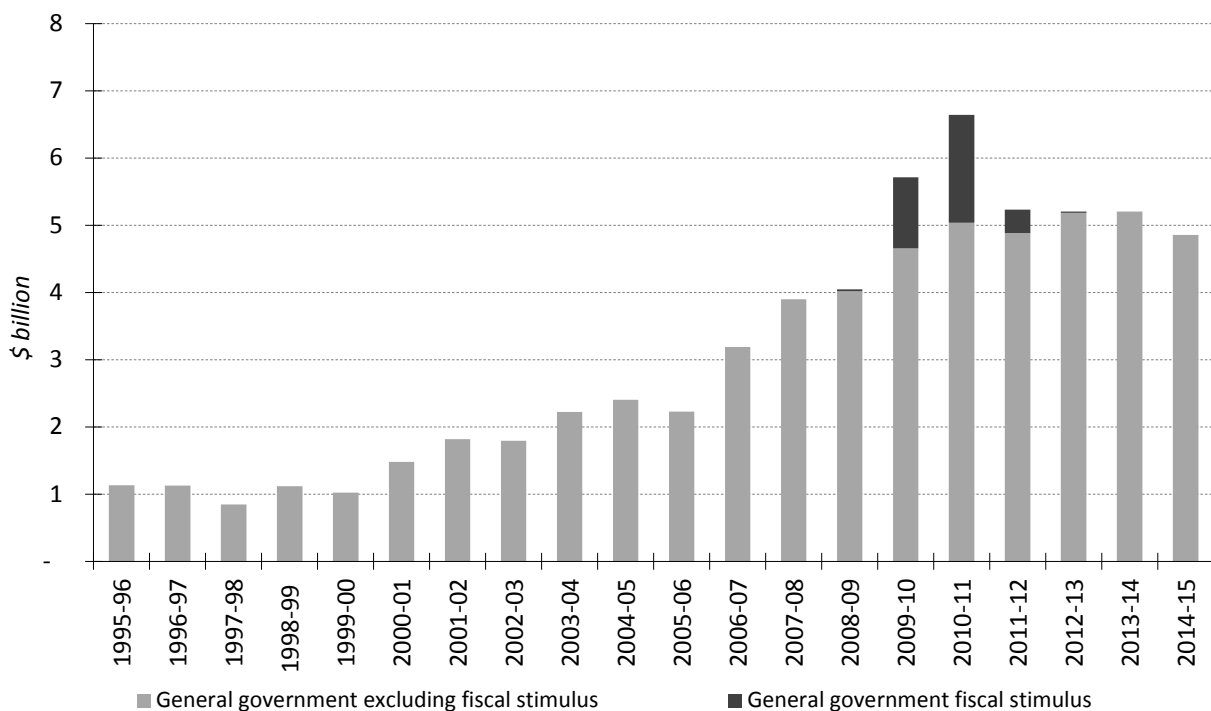
INFRASTRUCTURE INVESTMENT

Infrastructure enables high-quality services to be delivered to the community. It has a significant impact on state and national productivity and has the ability to generate significant direct and indirect employment, and wider economic benefits.

The general government sector's infrastructure investment program in 2014-15, which included capital purchases by the general government sector and contributions by the general government sector to other sectors of government for capital purposes (net of asset sales), was \$4.9 billion. This represents a \$476 million increase compared to the revised budget, with the majority invested in the transport, health and education sectors.

Chart 2.1 shows the trend in net infrastructure investment by the general government sector since 1995-96.

Chart 2.1: Net infrastructure investment ^{(a) (b)}



Notes:

- (a) Fiscal stimulus infrastructure investment ceased in 2013-14. The fiscal stimulus package included infrastructure investment under Social Housing and Building the Education Revolution programs for which the State of Victoria received funding from the Commonwealth.
- (b) Note that the net infrastructure investment is distinct from the Government's infrastructure investment aggregate, which includes estimated cash flows for Partnership Victoria projects.

For the 2014-15 year, the Government undertook the following infrastructure projects as shown in the scorecard below.

The Government's infrastructure scorecard 2014-15

Major projects completed during the year include:

- Koo Wee Rup bypass;
- M80 upgrade (Edgars Road to Plenty Road);
- Regional Rail Link; and
- Shrine Galleries of Remembrance.

Major projects in progress include:

- new Bendigo Hospital;
- Box Hill Hospital redevelopment;
- CityLink-Tulla widening project – Tullamarine freeway widening;
- Melbourne Metro Rail Project
- Melbourne Wholesale Markets redevelopment;
- Monash Children's Hospital;
- M80 upgrade (EJ Whitten Bridge to Sunshine Avenue);
- new trains, trams and associated infrastructure for Melbourne commuters;
- Princes Highway duplication project – Winchelsea to Colac;
- Princes Highway East – Traralgon to Sale duplication;
- Ravenhall Prison;
- Melbourne Park redevelopment;
- regional rolling stock;
- Royal Victorian Eye and Ear Hospital;
- State Coronial Services Centre;
- Level Crossings Removal Program;
- Victorian Comprehensive Cancer Centre; and
- Western Highway duplication – Ballarat to Stawell.

Major projects that commenced procurement in 2014-15 include:

- New schools public private partnerships (PPP).

CHAPTER 3 – STATE OF VICTORIA OUTCOME

- The State's financial position remains in a strong and sustainable position, with net assets of \$140 billion at 30 June 2015. The balance sheet of the State was strengthened during 2014-15 by a \$5.7 billion operating cash flow surplus.
- The **net result from transactions** for the State of Victoria in 2014-15 was a deficit of \$611 million, a reduction on the previous year's surplus of \$788 million. The difference was mainly due to the early unexpected receipt of Commonwealth grants revenue in 2013-14.
- The **net result** for the State for 2014-15 was a surplus of \$50.7 million. This included significant gains in the value of the State's financial assets, which were mainly driven by favourable conditions in global equity markets.

This chapter sets out the financial results for the State of Victoria for 2014-15.

The State comprises the general government sector, which has been discussed in Chapter 2, the public non-financial corporations (PNFC) sector and the public financial corporations (PFC) sector.

The PFC and PNFC sectors, which are discussed in this chapter, comprise a wide range of entities that generally provide goods and services on a commercial basis, primarily funded from user charges and fees.

When considering the State of Victoria results, it should be noted that transactions between the sectors are eliminated in arriving at the consolidated position. These eliminations mean that the State of Victoria result is not necessarily the sum of results and variations from each individual sector.

The full financial statements for the State of Victoria are provided in Chapter 4. Sector contributions to the State's outcome are also shown.

FINANCIAL PERFORMANCE

Table 3.1 summarises the operating performance for the State of Victoria. This table shows that the State recorded a **net deficit from transactions** of \$611 million in 2014-15 compared to a surplus of \$788 million in 2013-14. This result reflects:

- a \$1.2 billion surplus within the general government sector (discussed in the preceding chapter);
- a \$162 million deficit within the PNFC sector; and
- a \$892 million deficit within the PFC sector.

The **net result** for the State is a surplus of \$50.7 million after including other economic flows. This outcome is explained below.

OPERATING STATEMENT

Table 3.1: 2014-15 summary operating statement – State of Victoria

(\$ million)

	2015 actual	2015 revised	Revised variance	% Revised variance	2014 actual
Revenue from transactions					
Taxation revenue	17 936.0	17 847.2	88.8	0.5	16 490.4
Interest revenue	979.9	739.9	240.0	32.4	938.6
Dividends and income tax equivalent and rate equivalent revenue ^(a)	767.5	779.3	(11.8)	(1.5)	842.2
Sales of goods and services	13 906.3	13 855.6	50.7	0.4	14 233.3
Grant revenue	24 376.7	24 470.1	(93.4)	(0.4)	25 019.1
Other revenue	3 087.6	2 810.9	276.7	9.8	2 750.2
Total revenue from transactions	61 054.0	60 503.0	551.0	0.9	60 273.8
Expenses from transactions					
Employee expenses	19 833.8	19 476.4	357.4	1.8	19 029.7
Net superannuation interest expense ^(a)	1 040.8	1 038.0	2.8	0.3	1 077.3
Other superannuation ^(a)	2 102.8	1 974.6	128.2	6.5	1 965.6
Depreciation ^(a)	4 453.7	4 527.4	(73.7)	(1.6)	4 334.1
Interest expense	2 867.3	2 865.7	1.6	0.1	2 954.4
Grant expense	5 821.8	5 574.4	247.4	4.4	5 040.1
Other operating expenses	25 544.4	26 404.9	(860.5)	(3.3)	25 084.9
Total expenses from transactions^(a)	61 664.7	61 861.4	(196.7)	(0.3)	59 486.2
Net result from transactions – net operating balance^(a)	(610.7)	(1 358.4)	747.7	(55.0)	787.6
Total other economic flows included in net result^(a)	661.4	(254.1)	915.5	(360.3)	864.3
Net result^(a)	50.7	(1 612.5)	1 663.2	(103.1)	1 651.9

Source: Department of Treasury and Finance

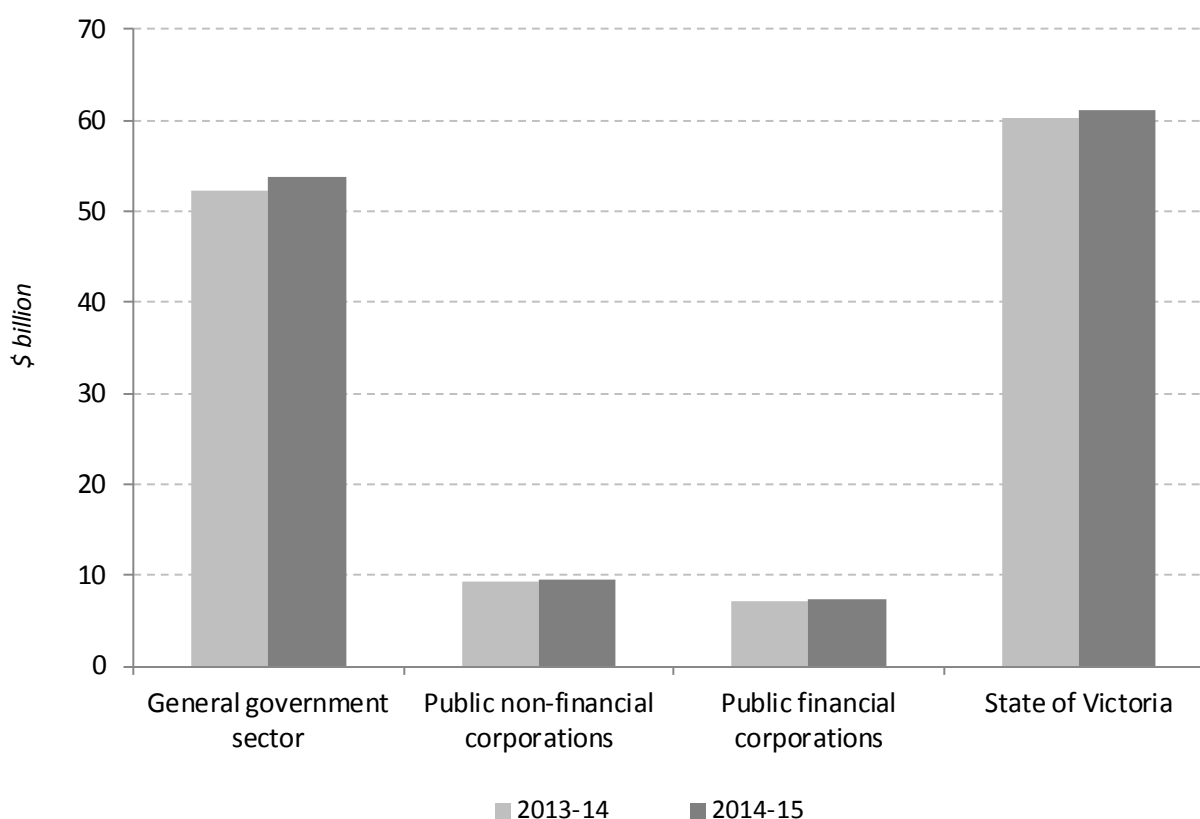
Note:

(a) Certain June 2014 comparative figures have been restated.

Revenue

Total State revenue increased by 1.3 per cent during 2014-15 to \$61 billion. This was \$551 million higher than the revised estimate reflected in the *2015-16 Budget*. The general government sector, accounts for 88 per cent of the total State revenue. The increase in taxation receipts in the general government sector was the main contributor towards increased State revenue. The performance of the general government sector is discussed in Chapter 2.

Chart 3.1: Revenue contributions by sector



Source: Department of Treasury and Finance

Note: The State of Victoria will not equal the sum of the general government, PNFC and PFC sectors due to inter-sector eliminations

Within the PNFC sector, total revenue increased by 2 per cent to \$9.5 billion during 2014-15, \$176 million more than estimated in the *2015-16 Budget* and a \$186 million increase from 2013-14. The increase since 2013-14 largely reflects:

- increases in farebox revenue, increased patronage for V/Line services and increased grant funding for new services;
- higher state grant revenue for Victrack; and
- increased revenue from developer activity for the metropolitan water entities.

In the PFC sector, revenue increased by 1.3 per cent to \$7.3 billion during 2014-15, \$260 million higher than estimated in the *2015-16 Budget* and a \$94 million increase from 2013-14. The increase since 2013-14 includes steady growth in premium revenue for both the Transport Accident Commission (TAC) and Victorian WorkCover Authority (WorkSafe) reflecting a combination of factors, including scheduled increases in premium rates, growth in the number of vehicles (affecting TAC) and statewide remuneration (affecting WorkSafe).

The PFC sector also benefited from stronger investment returns due to favourable conditions in global equity markets, with TAC and WorkSafe recording a return of about 11.7 per cent on their investment portfolios.

Expenses

Total State expenses increased by 3.7 per cent during 2014-15 to \$61.7 billion, \$197 million lower than forecast in the *2015-16 Budget* and \$2.2 billion higher than in 2013-14.

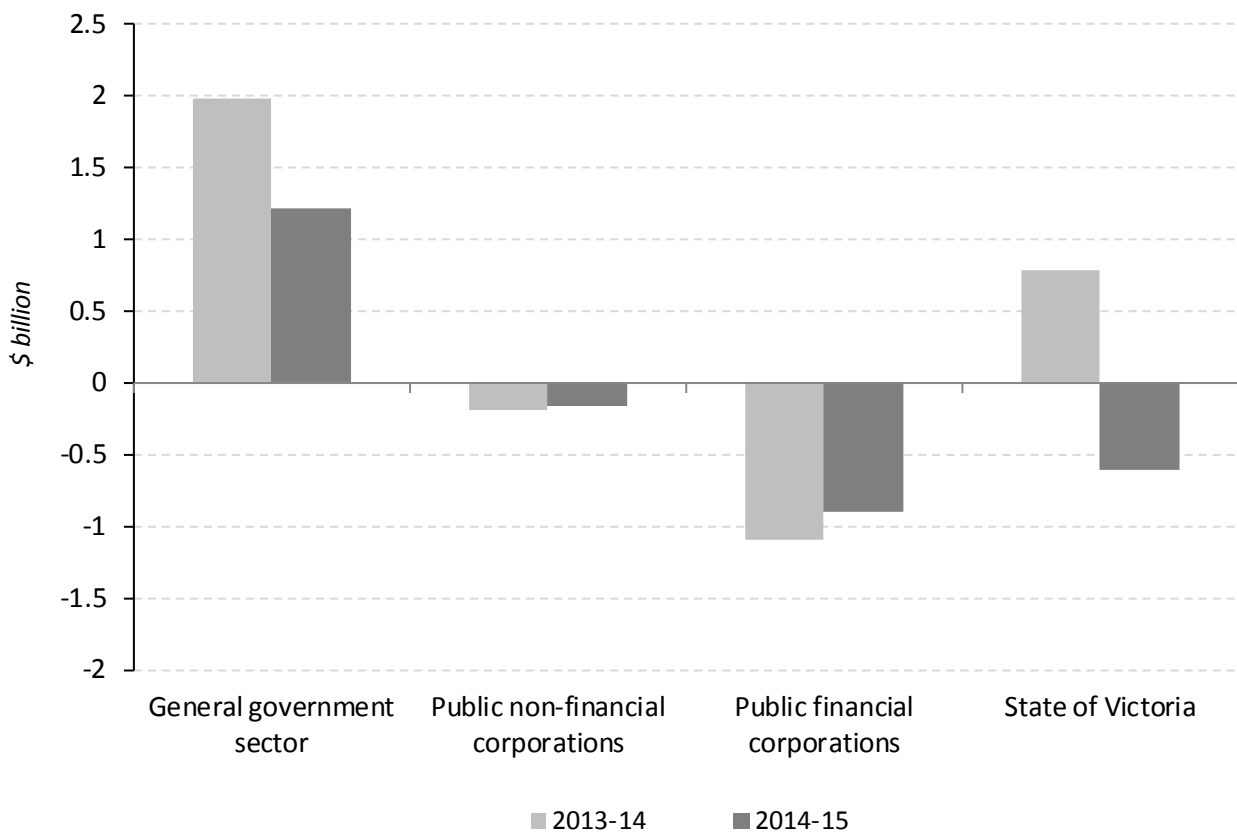
In the PNFC sector, total expenses increased by 1.7 per cent to \$9.6 billion, \$45 million lower than the revised budget estimates and \$165 million higher than 2013-14. The increase since 2013-14 was mainly driven by employee expenses, other operating expenses and depreciation expenses.

Within the PFC sector, total expenses increased by 2.2 per cent compared to the *2015-16 Budget*, and was \$108.4 million lower than in 2013-14. The decrease in expenses since 2013-14 was mainly driven by decreases in employee expenses, interest expenses and other property expenses.

Net result from transactions

As shown in Chart 3.2, the PNFC sector recorded a \$162 million net deficit from transactions in 2014-15, improving slightly on the \$184 million deficit in 2013-14. This reflects improved performance from the metropolitan water businesses resulting mainly from higher developer revenue.

Chart 3.2: Net result from transactions by sector



Source: Department of Treasury and Finance

Note: The State of Victoria will not equal the sum of the general government, PNFC and PFC sectors due to inter-sector eliminations

The PFC sector recorded a net deficit from transactions of \$892.4 million in 2014-15 compared to a \$1.1 billion deficit in 2013-14. Care needs to be taken in interpreting this result as it should be noted that it excludes gains in the value of investment portfolios of the insurance agencies which will be used to fund their claims liabilities. These are included in the net result which is discussed in the next section.

Net result

At the consolidated State level, the net result for 2014-15 was a surplus of \$50.7 million.

The difference between the net result and the net result from transactions comprises 'other economic flows' and includes the impact of valuation movements and actuarial assumptions on the State's financial assets and liabilities including investments used to fund the State's insurance and superannuation liabilities. As a result, the net result is considered a more meaningful measure of the expected operating position of the State.

Other economic flows contributed \$661 million towards the State's net result; these mainly comprised:

- stronger investment returns for the State's insurance agencies, attributed to the favourable conditions in global equity markets, with TAC and WorkSafe recording returns of 11.7 per cent on average; and
- offset by net losses arising from valuation changes on the State's insurance and external borrowing liabilities.

FINANCIAL POSITION

As shown in table 3.2, the State's net assets increased during 2014-15 by \$7.8 billion to \$140 billion at 30 June 2015. This mainly reflects revaluation gains in non-financial assets driven by the PNFC sector.

Table 3.2: Summary balance sheet – State of Victoria^(a)

(\$ billion)

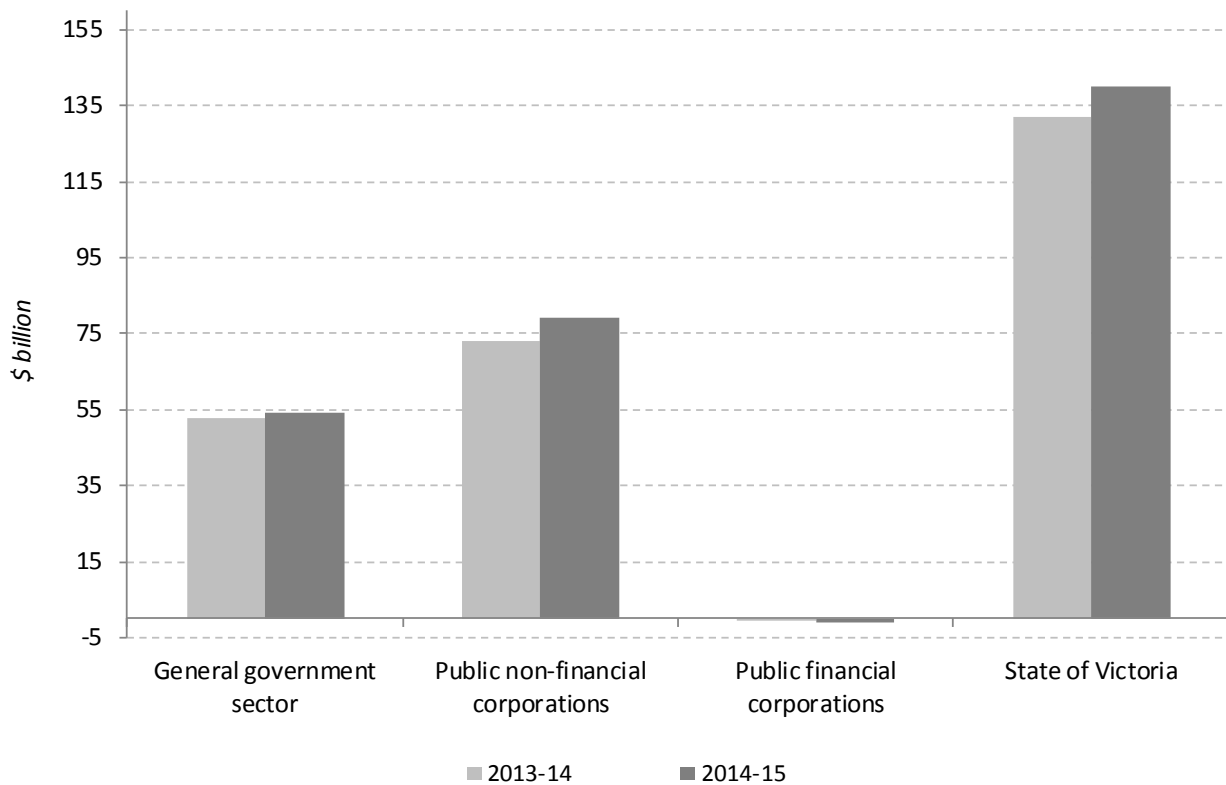
	2015 actual	Revised variance	2015 revised	Actual movement	2014 actual
Assets					
Financial assets	49.8	1.5	48.3	2.0	47.8
Non-financial assets	210.0	(2.2)	212.2	8.1	201.9
Total assets	259.8	(0.7)	260.5	10.1	249.7
Liabilities					
Superannuation	26.0	(4.8)	30.8	(0.3)	26.3
Borrowings	51.7	..	51.7	0.3	51.3
Other liabilities	42.2	(1.1)	43.3	2.2	40.0
Total liabilities	119.9	(5.9)	125.8	2.3	117.6
Net assets	139.9	5.2	134.7	7.8	132.1

Source: Department of Treasury and Finance

Note:

(a) June 2014 comparative figures have been restated. See Chapter 4, Note 37.

Chart 3.3: Net assets by sector as at 30 June



Source: Department of Treasury and Finance

Notes:

(a) General government net assets excludes investments in other sector entities

(b) The State of Victoria will not equal the sum of the general government, PNFC and PFC sectors due to inter-sector eliminations

As shown in Chart 3.3, net assets have increased by \$7.8 billion during 2014-15 driven largely by the general government sector and the PNFC sector. The general government sector is discussed in Chapter 2.

Non-financial assets increased by \$8.1 billion and included a \$5.9 billion increase in the PNFC sector, attributed to Victoria's large infrastructure program, and an upwards revaluation in fixed assets particularly in the transport and port sectors.

The net asset position of the PFC sector declined by \$482 million to a negative \$794 million at 30 June 2015. This is primarily driven by the impact of lower interest rates on the valuation of financial liabilities of the Treasury Corporation of Victoria (TCV) and the State's insurance agencies.

The valuation impact on TCV's liabilities arises because the majority of TCV's assets are loans to Government clients which are measured at book value rather than market value, whereas its liabilities are reported at market value. This creates a valuation difference between TCV's assets and liabilities when reported in the PFC sector. This difference is ultimately eliminated when TCV's loans to Government clients are eliminated on consolidation of the whole of State accounts. This is not reflected in TCV's accounts where both assets and liabilities are reported at market value.

CASH FLOWS

After excluding non-cash items such as asset revaluations and depreciation, the change in operating receipts and payments for the State are broadly in line with the same factors that underpinned the income and expense movements discussed earlier in this chapter.

Infrastructure investment

Total infrastructure investment for the State comprised of \$4.9 billion invested by the general government sector (discussed in Chapter 2) and \$2 billion invested by the PNFC sector, particularly in the water and transport sectors.

Key projects in the PNFC sector included finalising Regional Rail Link, purchasing additional rolling stock, commencing Melbourne Metro rail project and the augmentation, upgrade and renewal of water and sewer assets, including Goulburn-Murray Water's Connections project, which will connect irrigators to a modernised main system of irrigation channels.

FINANCIAL SUSTAINABILITY (NON-FINANCIAL PUBLIC SECTOR)

The sustainability of the non-financial public sector (NFPS) is significant for the State's credit rating. The NFPS comprises the general government sector and the PNFC sector. The credit rating agencies consider the level of net debt, net financial liabilities and the State's capacity to service these liabilities.

As shown in Table 3.3, NFPS net debt increased by \$622 million in 2014-15 to \$36.5 billion, an increase of 1.7 per cent compared with the previous year, and \$403 million higher than the revised estimate of \$36 billion. However the ratio of net NFPS debt to gross state product (GSP) has fallen from 10.3 per cent to 10.1 per cent.

Table 3.3: Non-financial public sector net debt and net financial liabilities as at 30 June 2015

	(\$ million)				
	2015 actual	Revised variance	2015 revised	Actual movement	2014 actual
Assets					
Cash and deposits	5 373.5	(120.5)	5 494.0	(193.1)	5 566.7
Advances paid	89.2	4.9	84.3	3.1	86.1
Investments, loans and placements	4 395.3	273.3	4 122.0	380.0	4 015.3
Total	9 858.0	157.7	9 700.3	189.9	9 668.1
Liabilities					
Deposits held and advances received	636.8	147.3	489.5	95.2	541.5
Borrowings	45 769.4	413.0	45 356.4	717.0	45 052.5
Total	46 406.2	560.3	45 845.9	812.2	45 594.0
Net debt	36 548.2	402.6	36 145.6	622.3	35 925.9
Superannuation	25 988.4	(4 813.1)	30 801.5	(312.8)	26 301.2
Net debt plus superannuation liabilities	62 536.6	(4 410.5)	66 947.1	309.5	62 227.1
Other liabilities (net)	5 692.0	(1 528.5)	7 220.5	(425.0)	6 117.0
Net financial liabilities	68 228.6	(5 939.0)	74 167.6	(115.5)	68 344.1
	(per cent)				
Net debt to GSP	10.1		9.9		10.3
Net debt plus superannuation liabilities to GSP	17.2		18.4		17.8
Net financial liabilities to GSP	18.8		20.4		19.5

Source: Department of Treasury and Finance

Indicators of financial condition

Table 3.4 shows some key financial indicators for the NFPS and are important benchmarks of the NFPS sustainability.

The operating cash flow surplus to revenue ratio has declined in 2014-15 compared to 2013-14, mainly due to finalisation of the agreement with the East West Link consortium and the early unexpected receipt of Commonwealth grants revenue in 2013-14.

Gross debt to revenue has fallen since 2012-13 while interest expense to revenue has stabilised since 2012-13.

Table 3.4: Indicators of financial condition for NFPS

	<i>(per cent)</i>						
	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>
Operating cash flow surplus to revenue	6.8	9.8	8.6	7.6	4.9	10.0	9.1
Gross debt to revenue ^(a)	43.8	48.6	57.2	66.5	86.5	81.5	81.0
Interest expense to revenue	2.7	2.9	3.3	3.8	4.8	5.0	4.9

Source: Department of Treasury and Finance

Note:

(a) Gross debt comprises borrowings and deposits held and advances received.

CHAPTER 4 – ANNUAL FINANCIAL REPORT

This chapter contains the audited 2014-15 financial report for the State of Victoria and the Victorian general government sector.

REPORT OF THE AUDITOR GENERAL



Victorian Auditor-General's Office

Level 24, 35 Collins Street
Melbourne VIC 3000
Telephone 61 3 8601 7000
Facsimile 61 3 8601 7010
Email comments@audit.vic.gov.au
Website www.audit.vic.gov.au

INDEPENDENT AUDITOR'S REPORT

To the Treasurer

The Financial Report

The accompanying financial report for the year ended 30 June 2015 of the State of Victoria (the State) and the Victorian General Government Sector has been audited. The Annual Financial Report comprises a consolidated comprehensive operating statement, consolidated balance sheet, consolidated cash flow statement, consolidated statement of changes in equity, notes comprising a summary of significant accounting policies and other explanatory information contained in Chapter 4 of the Annual Financial Report, and the certification by the Treasurer and the Department of Treasury and Finance. The financial report is the consolidated financial statements of the State, comprising the State of Victoria and the Victorian General Government Sector and the entities they controlled at the year's end or from time to time during the financial year as disclosed in Note 42 to the consolidated financial statements.

The original General Government Sector budget estimates disclosed in Note 32 were subject to a review by my office as required by Section 16B of the *Audit Act 1994* upon which I issued an unqualified review report on 1 May 2015.

The Treasurer's Responsibility

The Treasurer of Victoria is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the manner and form of the financial statements determined by the Treasurer of Victoria as required by the *Financial Management Act 1994*, and for such internal control as the Treasurer determines is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entities' preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the consolidated entities' internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Treasurer of Victoria, as well as evaluating the overall presentation of the financial report.

Auditing in the Public Interest

Report of the Auditor General (*continued*)

Independent Auditor's Report (*continued*)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

Basis for Qualified Opinion – East West Link project funding

As set out in Note 1(B) and the Certification by the Treasurer and Department of Treasury and Finance, the State has not recognised a liability for the return of the funding associated with the East West Link project.

During May 2015, after the cancellation of the East West Link project by the State Government, the Commonwealth Government formally requested the return of these funds, consistent with the provisions of the relevant Memorandum of Understanding for the Project and the *Nation Building Program (National Land Transport) Act 2009*. The Commonwealth Government can also reduce future funding to Victoria for other projects to recover these funds, should they not be repaid.

The State has not recorded a liability in the consolidated balance sheet or an expense in the consolidated comprehensive operating statement to account for the requirement to return the funds. This is a departure from *AASB 1004 Contributions*, which requires that a liability and an expense be recognised because the conditions of the grant will not be met and the funds are required to be returned, and consequently a departure from *AASB 137 Provisions, Contingent Liabilities and Contingent Assets*.

The failure to recognise a liability and an expense means that:

- expenses from transactions in the consolidated comprehensive operating statement are understated for the State of Victoria and the Victorian General Government Sector by \$1 500 million
- the net results from transactions in the consolidated comprehensive operating statement are overstated for the State of Victoria and the Victorian General Government Sector by \$1 500 million. The comprehensive results are also overstated by the same amount
- other provisions and total liabilities are both understated for the State of Victoria and the Victorian General Government Sector by \$1 500 million and
- the accumulated surplus and net assets for the State of Victoria and the Victorian General Government Sector are overstated by \$1 500 million.

Consequently, the government's key financial measure of a net result from transactions for the Victorian General Government Sector of a net operating surplus of at least \$100 million has not been achieved. The net result from transactions for the Victorian General Government Sector, after adjustment for this matter, is a deficit of \$286 million.

Report of the Auditor General (*continued*)

Independent Auditor's Report (*continued*)

Basis for Qualified Opinion – Property, plant and equipment at the Department of Education and Training

Land, buildings, infrastructure, plant and equipment includes \$16 832 million reported by the Department of Education and Training as at 30 June 2015. This Department has not maintained proper accounts and records to support its property, plant and equipment balance as well as related financial statement line items, which is a breach of the *Financial Management Act 1994*. Consequently this has prevented me from obtaining sufficient appropriate audit evidence. As a result, I am unable to determine whether any adjustments may have been necessary to the following financial statement line items:

- Land, buildings, infrastructure, plant and equipment of \$16 832 million out of a total of \$107 586 million for the General Government Sector and \$206 972 million for the State of Victoria
- Reserves of \$7 382 million out of a total of \$90 496 million for the General Government Sector and \$78 630 million for the State of Victoria.

The inability to obtain sufficient appropriate audit evidence for the Department of Education and Training's property, plant and equipment balances also means I am unable to determine whether any other adjustments to the consolidated comprehensive operating statement, consolidated balance sheet, consolidated statement of changes in equity and the consolidated cash flow statement were necessary.

Qualified Opinion

In my opinion, except for the effect on the financial report of the matters described in the Basis for Qualified Opinion paragraphs above, the financial report presents fairly, in all material respects, the consolidated financial positions of the State of Victoria and the General Government Sector as at 30 June 2015 and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the manner and form of the financial statements determined by the Treasurer of Victoria in accordance with the *Financial Management Act 1994*.



Dr Peter Frost
Acting Auditor-General

MELBOURNE
30 October 2015

Certification by the Treasurer and the Department of Treasury and Finance

The *Annual Financial Report* has been prepared by the Department of Treasury and Finance through the consolidation of financial information provided by the Victorian public sector reporting entities listed herein.

In our opinion, the *Annual Financial Report*, which comprises of the consolidated comprehensive operating statement, consolidated balance sheet, consolidated cash flow statement, consolidated statement of changes in equity, and notes to the financial statements of the State and the Victorian general government sector as at 30 June 2015:

- (a) presents fairly the State and the Victorian general government sector's financial positions as at 30 June 2015 and their financial performance and cash flows for the financial year ended on that date; and
- (b) has been prepared in accordance with Australian Accounting Standards and pronouncements, in particular AASB 1049 *Whole of Government and General Government Sector Financial Reporting* and the financial reporting requirements contained in Part 5 of the *Financial Management Act 1994*.

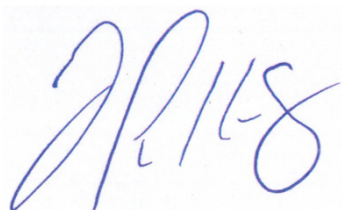
At the time of signing, we are not aware of any circumstances which would render any particulars included in the *Annual Financial Report* to be misleading or inaccurate.

Accounting for the East West Link project funding

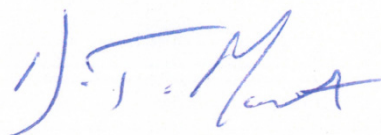
Particular attention is drawn to Note 1(B) to the Annual Financial Report which describes the judgments made supporting the basis of accounting adopted for the \$1.5 billion contribution previously provided by the Commonwealth Government towards the former East West Link project. The contribution was received by the State in 2013-14 and recorded as 'income from transactions' in that year.

Following the election in November 2014, the new Victorian Government confirmed that the East West Link project would not proceed and that the State would not return the \$1.5 billion to the Commonwealth Government. The State subsequently sought independent legal and accounting advice on the appropriate accounting treatment for this transaction in the 2014-15 financial year. This advice concluded that the State is not required to recognise a liability under Australian Accounting Standards AASB 1004 *Contributions* and AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* as there is no present obligation on the State to return the funding previously received for the project.

On this basis, the State is of the view that there is no present obligation on the State to return the funding as at 30 June 2015 and therefore no liability or expense has been recognised by the State in relation to this transaction.



Tim Pallas MP
Treasurer



David Martine
Secretary

Authorised for issue on:
28 October 2015

Consolidated comprehensive operating statement for the financial year ending 30 June

(\$ million)

	Notes	State of Victoria		General government sector	
		2015	2014 ^(a)	2015	2014 ^(a)
Revenue from transactions					
Taxation revenue	3	17 936.0	16 490.4	18 338.7	16 900.9
Interest revenue		979.9	938.6	827.1	831.2
Dividends and income tax equivalent and rate equivalent revenue	4	767.5	842.2	1 112.7	445.9
Sales of goods and services	5	13 906.3	14 233.3	6 482.2	6 724.8
Grant revenue	6	24 376.7	25 019.1	24 502.8	25 144.9
Other revenue	7	3 087.6	2 750.2	2 508.5	2 316.9
Total revenue from transactions		61 054.0	60 273.8	53 772.0	52 364.7
Expenses from transactions					
Employee expenses		19 833.8	19 029.7	18 834.3	18 004.1
Net superannuation interest expense	8	1 040.8	1 077.3	1 038.0	1 074.7
Other superannuation	8	2 102.8	1 965.6	1 978.0	1 843.1
Depreciation	9	4 453.7	4 334.1	2 425.4	2 403.7
Interest expense	10	2 867.3	2 954.4	2 102.4	2 138.5
Grant expense	11	5 821.8	5 040.1	8 529.1	7 560.6
Other operating expenses	12	25 544.4	25 084.9	17 650.8	17 360.1
Total expenses from transactions	13	61 664.7	59 486.2	52 558.0	50 384.9
Net result from transactions – net operating balance		(610.7)	787.6	1 214.0	1 979.8
Other economic flows included in net result					
Net gain/(loss) on disposal of non-financial assets	14	8.8	(12.7)	32.1	(25.0)
Net gain/(loss) on financial assets or liabilities at fair value		1 229.5	1 159.0	53.1	52.6
Share of net profit/(loss) from associates/joint venture entities		(29.8)	108.1	(2.6)	..
Other gains/(losses) from other economic flows	15	(547.1)	(390.1)	(547.9)	(1 241.6)
Total other economic flows included in net result		661.4	864.3	(465.2)	(1 214.1)
Net result		50.7	1 651.9	748.8	765.7
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus		7 404.3	4 945.9	2 524.4	1 963.2
Remeasurement of superannuation defined benefits plans	8	556.3	(266.1)	551.3	(290.4)
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	19	..	..	4 225.6	3 813.8
Other movements in equity		(175.5)	574.5	(148.4)	494.2
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value		(9.8)	(8.6)	(44.6)	(5.2)
Total other economic flows – other comprehensive income		7 775.2	5 245.7	7 108.3	5 975.7
Comprehensive result – total change in net worth		7 826.0	6 897.6	7 857.1	6 741.4
KEY FISCAL AGGREGATES ^(a)					
Net operating balance		(610.7)	787.6	1 214.0	1 979.8
Less: Net acquisition of non-financial assets from transactions	2	1 807.8	2 774.5	292.3	625.8
Net lending/(borrowing)		(2 418.5)	(1 986.9)	921.7	1 353.9

The accompanying notes form part of these financial statements.

Note:

(a) June 2014 comparative figures have been restated. See Note 37.

Consolidated balance sheet as at 30 June

(\$ million)

	Notes	State of Victoria			General government sector		
		2015	2014 ^(a)	2013 ^(a)	2015	2014 ^(a)	2013 ^(a)
Assets							
Financial assets							
Cash and deposits	30(a)	6 521.1	8 282.0	6 252.9	4 281.7	4 582.2	3 962.0
Advances paid	16	121.4	1 795.1	1 727.3	4 571.8	4 586.9	4 626.8
Receivables	17	6 789.2	6 396.5	7 402.9	5 555.3	4 940.6	5 061.0
Investments, loans and placements	16	34 317.1	29 755.3	26 128.7	3 405.9	3 036.3	3 383.4
Investments accounted for using the equity method	18	2 020.8	1 555.1	1 666.1	44.6	44.1	49.4
Investments in other sector entities	19	..	..	..	82 181.0	75 869.2	69 714.8
Total financial assets		49 769.6	47 784.1	43 177.7	100 040.3	93 059.4	86 797.4
Non-financial assets							
Inventories	20	709.9	785.4	871.0	144.5	159.8	192.1
Non-financial assets held for sale	21	205.2	161.9	173.0	175.3	137.8	142.1
Land, buildings, infrastructure, plant and equipment	22	206 972.9	198 491.7	191 409.7	107 586.4	104 998.8	102 740.8
Other non-financial assets	23	2 127.3	2 458.1	2 053.1	1 038.3	1 204.8	954.3
Total non-financial assets		210 015.3	201 897.1	194 506.8	108 944.5	106 501.3	104 029.2
Total assets	24	259 784.9	249 681.2	237 684.5	208 984.7	199 560.6	190 826.7
Liabilities							
Deposits held and advances received		2 320.0	2 070.7	2 088.9	517.8	426.5	449.0
Payables	25	7 590.9	7 540.5	8 030.5	5 704.3	5 554.8	5 791.7
Borrowings	26	51 687.7	51 345.3	47 437.0	34 069.0	32 953.6	31 345.3
Employee benefits	27	6 075.9	5 708.4	5 595.8	5 605.3	5 266.0	5 180.0
Superannuation	8	25 988.4	26 301.2	25 804.1	25 946.6	26 252.9	25 721.2
Other provisions	28	26 212.8	24 631.8	23 542.4	807.4	629.4	603.3
Total liabilities		119 875.7	117 597.9	112 498.8	72 650.2	71 083.2	69 090.5
Net assets		139 909.2	132 083.2	125 185.7	136 334.5	128 477.4	121 736.2
Accumulated surplus/(deficit)	29	61 228.8	45 435.9	42 802.2	45 788.5	43 634.6	42 411.9
Reserves	29	78 630.4	86 597.3	82 333.5	90 496.0	84 792.8	79 274.4
Non-controlling interest	29	50.0	50.0	50.0	50.0	50.0	50.0
Net worth		139 909.2	132 083.2	125 185.7	136 334.5	128 477.4	121 736.2
FISCAL AGGREGATES							
Net financial worth		(70 106.1)	(69 813.9)	(69 321.0)	27 390.1	21 976.2	17 707.0
Net financial liabilities		70 106.1	69 813.9	69 321.0	54 791.0	53 893.1	52 007.8
Net debt		13 048.1	13 583.6	15 417.1	22 327.4	21 174.6	19 822.1

The accompanying notes form part of these financial statements.

Note:

(a) Certain 30 June 2014 comparative figures and 1 July 2013 opening balances have been restated. See note 37.

Consolidated cash flow statement for the financial year ended 30 June

(\$ million)

	Notes	State of Victoria		General government sector	
		2015	2014	2015	2014
Cash flows from operating activities					
Receipts					
Taxes received		18 013.1	16 308.9	18 415.8	16 719.4
Grants		24 362.7	25 045.5	24 499.1	25 140.4
Sales of goods and services ^(a)		15 325.1	15 898.4	7 001.8	7 381.1
Interest received		865.6	853.9	812.3	807.8
Dividends and income tax equivalent and rate equivalent receipts ^(b)		767.8	842.1	1 014.8	591.8
Other receipts		2 337.3	2 151.9	1 983.7	1 803.8
Total receipts^(b)		61 671.6	61 100.7	53 727.5	52 444.2
Payments					
Payments for employees		(19 593.2)	(18 924.3)	(18 619.4)	(17 926.6)
Superannuation		(2 900.2)	(2 812.0)	(2 771.1)	(2 676.5)
Interest paid		(2 881.7)	(2 895.8)	(2 062.2)	(2 081.6)
Grants and subsidies		(5 746.6)	(5 037.3)	(8 563.8)	(7 647.0)
Goods and services ^(a)		(23 835.5)	(23 756.8)	(16 834.8)	(16 949.4)
Other payments		(1 061.9)	(818.3)	(1 057.1)	(1 220.6)
Total payments		(56 018.9)	(54 244.5)	(49 908.4)	(48 501.7)
Net cash flows from operating activities^(b)	30(b)	5 652.6	6 856.2	3 819.1	3 942.5
Cash flows from investing activities					
Cash flows from investments in non-financial assets					
Purchases of non-financial assets ^(b)	24	(6 615.6)	(7 334.7)	(4 393.7)	(3 997.3)
Sales of non-financial assets		595.0	496.4	397.7	270.9
Net cash flows from investments in non-financial assets		(6 020.6)	(6 838.3)	(3 996.0)	(3 726.4)
Cash flows from investments in financial assets for policy purposes^(b)					
Cash inflows		2 143.7	992.5	360.6	3.2
Cash outflows		(548.8)	(958.5)	(1 218.7)	(1 481.5)
Net cash flows from investments in financial assets for policy purposes		1 595.0	34.0	(858.1)	(1 478.3)
Cash flows from investments in financial assets for liquidity management purposes^{(b)(c)(d)}					
Cash inflows		22 658.0	11 287.4	890.9	1 122.5
Cash outflows		(25 102.2)	(13 057.3)	(1 260.9)	(709.3)
Net cash flows from investments in financial assets for liquidity management purposes		(2 444.1)	(1 769.8)	(370.1)	413.1
Net cash flows from investing activities^(b)		(6 869.8)	(8 574.1)	(5 224.2)	(4 791.5)
Cash flows from financing activities					
Advances received		44.7	31.0	..	..
Advances repaid		(5.5)	(0.6)	..	..
Advances received (net) ^(c)		39.2	30.4	..	..
Borrowings received		262.5	4 427.0	1 306.3	2 851.3
Borrowings repaid		(1 065.7)	(665.4)	(292.9)	(1 359.5)
Net borrowings ^(c)		(803.1)	3 761.7	1 013.4	1 491.8
Deposits received		668.1	441.6	430.8	373.1
Deposits repaid		(458.0)	(490.4)	(339.6)	(395.8)
Deposits received (net) ^(c)		210.0	(48.7)	91.3	(22.7)
Other financing inflows		..	3.0	..	..
Other financing outflows		..	..	..	..
Other financing (net) ^(c)		..	3.0	..	..
Net cash flows from financing activities		(553.8)	3 746.3	1 104.6	1 469.2
Net increase/(decrease) in cash and cash equivalents		(1 771.0)	2 028.4	(300.5)	620.2
Cash and cash equivalents at beginning of the financial year		8 281.3	6 252.9	4 582.2	3 962.0
Cash and cash equivalents at end of the financial year^(e)	30(a)	6 510.3	8 281.3	4 281.7	4 582.2
FISCAL AGGREGATES					
Net cash flows from operating activities ^(b)		5 652.6	6 856.2	3 819.1	3 942.5
Net cash flows from investments in non-financial assets ^(b)		(6 020.6)	(6 838.3)	(3 996.0)	(3 726.4)
Cash surplus/(deficit)^(b)		(368.0)	17.9	(176.9)	216.1

The accompanying notes form part of these financial statements.

Notes:

(a) These items are inclusive of goods and services tax.

(b) June 2014 comparative figures have been restated. See Note 37.

(c) In accordance with AASB 107, Treasury Corporation of Victoria is not required to gross up their cash flow information for whole of government consolidation purposes. The net cash movements for Treasury Corporation Victoria have been added to cash inflows or outflows for both financial years ended 30 June 2015 and 30 June 2014.

(d) The cash flows resulting from schools' investments in financial assets for liquidity management purposes are reported on a net basis, with the net cash movement added to cash inflows or outflows.

(e) Cash and cash equivalents at the end of the reporting period does not equal cash and deposits on the balance sheet. This is due to overdrafts being included in the cash flow statement balances. See Note 30(a).

Consolidated statement of changes in equity for the financial year ending 30 June

(\$ million)

<i>State of Victoria</i>	<i>Accumulated surplus/(deficit)</i>	<i>Non-controlling Interest</i>	<i>Non-financial assets revaluation surplus^(a)</i>	<i>Other reserves</i>	<i>Total</i>	
2015						
Balance at 1 July 2014 ^(b)	45 435.9	50.0	85 436.7	1 160.5	132 083.2	
Net result for the year	50.7	..	..	..	50.7	
Other comprehensive income for the year	330.6	..	7 404.3	40.4	7 775.2	
Transfer to accumulated surplus ^(c)	15 411.6	..	(15 411.6)	..	..
Total equity as at 30 June 2015	61 228.8	50.0	77 429.5	1 200.9	139 909.2	
2014						
Balance at 1 July 2013 ^(b)	42 802.2	50.0	80 775.7	1 557.6	125 185.7	
Net result for the year ^(b)	1 651.9	..	..	..	1 651.9	
Other comprehensive income for the year ^(b)	697.0	..	4 945.9	(397.1)	5 245.7	
Transfer to accumulated surplus ^(c)	284.8	..	(284.8)	..	..
Total equity as at 30 June 2014 ^(b)	45 435.9	50.0	85 436.7	1 160.5	132 083.2	
<i>General government sector</i>	<i>Accumulated surplus/(deficit)</i>	<i>Non-controlling Interest</i>	<i>Non-financial assets revaluation surplus^(a)</i>	<i>Investment in other sector entities revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
2015						
Balance at 1 July 2014	43 634.6	50.0	41 965.2	42 187.3	640.3	128 477.4
Net result for the year	748.8	..	..	..	..	748.8
Other comprehensive income for the year	270.4	..	2 524.4	4 225.6	87.9	7 108.3
Transfer to accumulated surplus ^(c)	1 134.7	..	(1 134.7)	..	..	..
Total equity as at 30 June 2015	45 788.5	50.0	43 354.8	46 413.0	728.2	136 334.5
2014						
Balance at 1 July 2013 ^(b)	42 411.9	50.0	40 286.8	38 373.5	613.9	121 736.2
Net result for the year ^(b)	765.7	..	..	..	..	765.7
Other comprehensive income for the year ^(b)	172.3	..	1 963.2	3 813.8	26.4	5 975.7
Transfer to accumulated surplus ^(c)	284.8	..	(284.8)	..	..	..
Total equity as at 30 June 2014 ^(b)	43 634.6	50.0	41 965.2	42 187.3	640.3	128 477.4

The accompanying notes form part of these financial statements

Notes:

(a) Non-financial assets revaluation surplus relates to revaluation of land, buildings, infrastructure, plant and equipment.

(b) June 2014 comparative figures have been restated. See Note 37.

(c) Transfer of reserves to accumulated surplus for ceased departments as part of the announced machinery of government changes effective from 1 January 2015. See Note 42.

NOTES TO THE FINANCIAL STATEMENTS

Note 1:	Summary of significant accounting policies	31
Note 2:	Disaggregated information	58
Note 3:	Taxation revenue.....	66
Note 4:	Dividends and income tax equivalent and rate equivalent revenue	67
Note 5:	Sales of goods and services	68
Note 6:	Grant revenue	68
Note 7:	Other revenue	68
Note 8:	Superannuation.....	69
Note 9:	Depreciation.....	74
Note 10:	Interest expense.....	74
Note 11:	Grant expense	74
Note 12:	Other operating expenses.....	75
Note 13:	Expenses by government purpose and by department	75
Note 14:	Net gain/(loss) on disposal of non-financial assets.....	76
Note 15:	Other gains/(losses) from other economic flows.....	77
Note 16:	Advances paid and investments, loans and placements.....	77
Note 17:	Receivables.....	78
Note 18:	Joint ventures.....	80
Note 19:	Investments in other sector entities	84
Note 20:	Inventories.....	84
Note 21:	Non-financial assets held for sale	85
Note 22:	Land, buildings, infrastructure, plant and equipment	87
Note 23:	Other non-financial assets	98
Note 24:	Assets classified by government purpose classification and department	100
Note 25:	Payables.....	102
Note 26:	Borrowings	102
Note 27:	Employee benefits and on-costs	103
Note 28:	Other provisions	104
Note 29:	Reserves, accumulated surplus/(deficit) and non-controlling interests	106
Note 30:	Cash flow information.....	109
Note 31:	Reconciliations	110
Note 32:	Explanations of material variances between budget and actual outcomes	114
Note 33:	Financial instruments	123
Note 34:	Commitments.....	145
Note 35:	Contingent assets and contingent liabilities (State of Victoria)	149
Note 36:	Funds under management	155
Note 37:	Restatement of 2013-14 balances and impact on 2014-15 balances	156
Note 38:	Subsequent events	162
Note 39:	Public account disclosure	163
Note 40:	Glossary of technical terms	193
Note 41:	Government purpose classification	198
Note 42:	Controlled entities.....	200

Note 1: Summary of significant accounting policies

This Annual Financial Report presents the audited general purpose consolidated financial statements of the State of Victoria (the State) and the Victorian general government sector for the year ended 30 June 2015. The report provides users with information about the Government's stewardship of the resources entrusted to it.

(A) Statement of compliance

These general purpose financial statements have been prepared in the manner and form determined by the Treasurer in accordance with the *Financial Management Act 1994* and applicable Australian Accounting Standards (AASs), which include Interpretations issued by the Australian Accounting Standards Board (AASB). In particular, they are presented in a manner consistent with the requirements of AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Where appropriate, those AASs paragraphs applicable to not-for-profit entities have been applied.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Except where noted in Note 1(F), the accounting policies applied are also consistent with those applied for the *2014-15 Budget*, subject to the latter report being prospective in nature and requiring application of estimation techniques to future amounts.

The Government Finance Statistics (GFS) information included in this report is based on the GFS manual published by the Australian Bureau of Statistics (ABS) (refer to Note 1(E)).

To gain a better understanding of the terminology and key aggregates used in these financial statements, a glossary of terms can be found in Note 40 *Glossary of technical terms* and Note 41 *Government purpose classification*.

The annual financial statements were authorised for issue by the Treasurer of Victoria on 28 October 2015.

(B) Basis of accounting, preparation and measurement

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

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

In 2013-14 the State received \$1.5 billion from the Commonwealth Government as a contribution towards the former East West Link project. This was recorded as income from transactions in the year. Following the election in November 2014, the new Victorian Government confirmed that the East West Link project would not proceed and that it would not return the \$1.5 billion to the Commonwealth Government. The State subsequently sought independent legal and accounting advice on the appropriate accounting treatment for this transaction in the 2014-15 financial year. This advice has concluded that the State is not required to recognise a liability under Australian Accounting Standards AASB 1004 *Contributions* and AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* as there is no present obligation on the State to return the funding previously received for the project. On this basis, no liability or expense has been recognised by the State in relation to this transaction.

Note 1: Summary of significant accounting policies (continued)

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in applying AASs 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(M));
- superannuation expense and liability (refer to Note 1(H), Note 1(N) and Note 8 *Superannuation*);
- actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 1(N));
- provisions for outstanding insurance claims (refer to Note 1(N) and Note 28 *Other provisions*); and
- equities and managed investment schemes classified at level 3 of the fair value hierarchy (refer to Note 33(m)).

These financial statements are in Australian dollars, and historical cost convention is used except for:

- general government sector investments in other sector entities which are measured at net asset value;
- non-financial physical assets which, subsequent to acquisition, are measured at a revalued amount being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair value;
- productive trees in commercial native forests, which are measured at their fair value less costs to sell;
- derivative financial instruments, managed investment schemes, certain debt securities and investment properties after initial recognition, which are measured at fair value with changes reflected in the consolidated comprehensive operating statement (fair value through profit and loss);
- certain liabilities, most notably unfunded superannuation and insurance claim provisions, which are subject to an actuarial assessment; and
- available-for-sale investments which are measured at fair value with movements reflected in 'Other economic flows – other comprehensive income'.

(C) Reporting entity

The State of Victoria reporting entity, includes government departments, public non-financial corporations (PNFCs), public financial corporations (PFCs) and other government-controlled entities (refer to Note 42 *Controlled entities*). The State and most of its subsidiary entities are not-for-profit entities. These entities are classified into sectors according to the System of National Accounts described below.

System of National Accounts

(i) General government

The Victorian general government sector includes all government departments, offices and other bodies engaged in providing services free of charge or at prices significantly below their cost of production. The general government sector is not a separate entity but represents a sector within the State of Victoria reporting entity, and is reported in accordance with AASB 1049.

The primary function of entities within the general government sector is to provide public services (outputs), which are mainly non-market in nature for the collective consumption of the community, and involve the transfer or redistribution of revenue, which is financed mainly through taxes and other compulsory levies.

Note 1: Summary of significant accounting policies (continued)

(ii) Public non-financial corporations

The primary function of entities in the government PNFC sector is to provide goods and services in a competitive market that is non-regulatory and non-financial in nature. Such entities are financed mainly through sales to the consumer of these goods and services.

(iii) Public financial corporations

The government-controlled PFC sector comprises entities engaged primarily in providing financial intermediation services or auxiliary financial services and which have one or more of the following characteristics:

- they perform a central borrowing function;
- they provide insurance services;
- they accept call, term or savings deposits; or
- they have the ability to incur liabilities and acquire financial assets in the market on their own account.

Disaggregated information about these sectors is presented in Note 2 *Disaggregated information*. This information is provided because there are differences between general government activities and those of the public sector entities in the PNFC and the PFC sectors. Disclosing this information assists users of the financial statements to determine the effects of differing activities on the financial position of the State. It also assists users to identify the resources used in providing a range of goods and services, and the extent to which the State has recovered the costs of those resources from revenues attributable to those activities.

(D) Basis of consolidation

In accordance with AASB 1049 and AASB 10 *Consolidated Financial Statements*:

- The consolidated financial statements of the State incorporate assets and liabilities of all reporting entities that are controlled by the State as at 30 June 2015 and the revenue and expenses of entities controlled by the State for the part of the reporting period in which control existed. In accordance with the new 'control' criteria in AASB 10 effective from 2014-15, the State has reviewed the existing arrangements to determine if there are any additional entities that need to be consolidated into the State. The State has concluded that there has been no significant change arising from the new control criteria on the State's consolidated group.
- The consolidated financial statements of the Victorian general government sector incorporate assets and liabilities, revenue and expenses of entities classified as general government. Entities in the PNFC and PFC sectors are not consolidated into the financial statements of the general government sector, but are accounted for as equity investments measured at the Government's proportional share of the carrying amount of net assets of the PNFC and PFC sector entities before consolidation eliminations. Where the carrying amount of the entity's net assets before consolidation eliminations of an entity within the sectors is less than zero, the amount is not included at the general government sector, but the net liabilities will be consolidated at the State level. Any change in the carrying amount of the investment from period to period is accounted for as if the change in carrying amount is a change in fair value and accounted for in a manner consistent with AASB 139 *Financial Instruments: Recognition and Measurement*.

Entities which are not controlled by the State, including local government authorities, universities and denominating hospitals, are not consolidated into the financial statements for the State.

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

Note 1: Summary of significant accounting policies (continued)

In preparing consolidated financial statements for reporting the State and the Victorian general government sector, all material transactions and balances between consolidated government controlled entities are eliminated.

Although certain entities prepare their audited financial statements on a calendar year basis, their information on transactions and balances supplied for consolidation purposes reflect adjusted audited figures that relate to the following financial year ending 30 June.

Consistent with the requirements of AASB 1004, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the revenues and expenses of the relevant sectors of government.

Significant entities consolidated by the State are shown in Note 42 *Controlled entities*.

Funds held in trust

The State has responsibility for transactions and balances relating to trust funds held on behalf of third parties external to the State, such as the funds managed by the Senior Master of the Supreme Court on behalf of people with a legal disability. The funds managed on behalf of third parties are not recognised in these financial statements as they are managed on a fiduciary and custodial basis, and therefore are not controlled by the State. Funds under management are reported in Note 36 *Funds under management* and within Note 39 *Public account disclosure*.

(E) Scope and presentation of financial statements

Consolidated comprehensive operating statement

Revenues and expenses in the consolidated comprehensive operating statement are classified according to whether or not they arise from 'Transactions' or 'Other economic flows'. This classification is consistent with that required under AASB 1049.

'Transactions' and 'Other economic flows' are defined in *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2005* and *Amendments to Australian System of Government Finance Statistics* (ABS Catalogue No. 5514.0) (the GFS Manual).

'Transactions' are those economic flows that are considered to arise as a result of policy decisions, usually interactions between two entities by mutual agreement, and also flows within an entity, such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the Government and taxpayers. 'Transactions' can be cash or in kind (e.g. assets provided/given free of charge or for nominal consideration).

The net result is equivalent to profit or loss derived in accordance with AASs.

'Other economic flows' are changes arising from market remeasurements. They include:

- gains and losses from disposals of non-financial physical assets;
- revaluations and impairments of non-financial physical and intangible assets;
- remeasurement arising from defined benefit superannuation plans;
- fair value changes of financial instruments and agricultural assets; and
- depletion of natural assets (non-produced) from their use or removal.

Note 1: Summary of significant accounting policies (continued)

Note 31 *Reconciliations* identifies and reconciles unconverged differences between GFS and the AASs.

Key fiscal aggregates presented in the statement are:

- net result from transactions – net operating balance;
- comprehensive result – total change in net worth; and
- net lending/(borrowing).

Consolidated balance sheet

Assets and liabilities are presented in a manner consistent with the GFS Manual and the *Uniform Presentation Framework 2008*.

Current and non-current assets and liabilities are disclosed in the notes, where relevant. In general, non-current assets or liabilities are expected to be recovered or settled more than 12 months after the reporting period, except for the provisions of employee benefits, which are classified as current liabilities if the State does not have the unconditional right to defer the settlement of the liabilities within 12 months after the end of the reporting period.

Key fiscal aggregates presented are:

- net financial worth;
- net financial liabilities; and
- net debt.

Consolidated cash flow statement

Cash flows are classified according to whether they arise from operating activities, investing activities, or financing activities. This classification is consistent with the requirements under AASB 107 *Statement of Cash Flows*.

Investing activities are split between investment for liquidity management purposes and for policy purposes.

For cash flow statement presentation purposes, cash and cash equivalents include bank overdrafts, which are included as current borrowings on the balance sheet.

The key fiscal aggregate presented is the cash surplus/(deficit).

Consolidated statement of changes in equity

The statement of changes in equity presents reconciliations of non-owner and owner changes in equity from opening balances at the beginning of the reporting period to the closing balances at the end of the reporting period. It also shows separately changes due to amounts recognised in 'Comprehensive result' and amounts related to 'Transactions with owners in their capacity as owners'.

Rounding

All amounts in the financial statements have been rounded to the nearest \$100 000 except in Note 39 which is rounded to the nearest \$1 000.

Note 1: Summary of significant accounting policies (continued)

(F) Changes in accounting policies

Superannuation

Revised AASB 119 *Employee Benefits* was applicable for the first time in the 2013-14 financial year. This revised standard requires an entity to make a reliable estimate of the ultimate cost to the entity of the defined benefit schemes in estimating the net defined benefit superannuation liability.

The State previously used a 'net tax' approach in estimating the net defined benefit superannuation liability with the expected tax payable on contributions being offset by the tax credits expected to be generated from superannuation plan assets. This approach was adopted due to the fact that the investment income on these assets is largely tax exempt and franking credits received on the investment income are expected to be available to offset the taxes payable on contributions, which in turn reduces the ultimate cost of funding the State's defined benefit schemes.

However, under the revised standard, the State notes that there are differing views regarding the treatment of expected franking credits from superannuation plan assets. Following a review of broader industry practice, including that of other jurisdictions, the State has changed its accounting policy such that the calculation of the tax liability no longer allows for the fact that taxes payable will ultimately be offset by franking credits. This change in policy will better facilitate inter-jurisdictional comparisons. Future franking credits and other tax offsets will be incorporated as part of the return on assets each year and recognised accordingly as they arise.

This change in accounting policy has been applied retrospectively, resulting in adjustments to the 2013-14 comparative information. Please refer to Note 37 *Restatement of 2013-14 balances and impact on 2014-15 balances* for the detailed adjustments, including the financial impact of this change for the 2014-15 reporting period.

Valuation of school building assets

During the financial year, the State made a change in its accounting policy for the valuation of school building assets. The State previously adjusted for economic obsolescence in the valuation of its school building assets where floor space was assessed to be permanently in excess of teaching requirements by reference to long-term enrolment data. Noting the lack of specific and definitive guidance in the application of the concept of economic obsolescence required by the relevant Australian Accounting Standard AASB 13 *Fair Value Measurement*, the State no longer includes an adjustment for economic obsolescence in measuring the fair value of its school assets that are still in use in providing core services or ancillary community use. This records school building assets at current replacement cost.

This change in accounting policy has been applied retrospectively, resulting in adjustments to the 2013-14 comparative information. Please refer to Note 37 for the detailed adjustments, including the financial impact of this change for the 2014-15 reporting period.

(G) Revenue from transactions

Revenue from transactions is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured at fair value.

Taxation revenue

State taxation revenue is recognised upon the earlier of either the receipt by the State of a taxpayer's self-assessment or the time when the taxpayer's obligation to pay arises, pursuant to the issue of an assessment.

Note 1: Summary of significant accounting policies (*continued*)

Upfront concession fees, such as those for toll roads and gambling licence fees, are recognised progressively over the term of the applicable concession.

Interest revenue

Interest revenue includes interest received on bank term deposits and other investments and the unwinding over time of the discount on financial assets. Interest revenue is recognised using the effective interest method which allocates the interest over the relevant period.

Net realised and unrealised gains and losses on the revaluation of investments do not form part of revenue from transactions, but are reported either as part of revenue from other economic flows in the net result or as unrealised gains or losses taken direct to equity, forming part of the total change in net worth in the comprehensive result.

Dividends and income tax equivalent and rate equivalent revenue

General government sector dividends, income tax equivalent and rate equivalent revenue, represents revenue received from other sectors of government. Such revenue for the general government sector is recognised when the right to receive the payment is established, and is eliminated on consolidation into the financial statements of the State.

Dividends earned from non-state sources are also reflected in the financial statements.

Sales of goods and services

Revenue from supply of services

Revenue from the supply of services is recognised by reference to the stage of completion of the services being performed. The revenue is recognised when:

- the amount of the revenue, stage of completion and transaction costs incurred can be reliably measured; and
- it is probable that the economic benefits associated with the transaction will flow to the entity.

Under the stage of completion method, revenue is recognised by reference to labour hours supplied or to labour hours supplied as a percentage of total services to be performed in each annual reporting period.

Revenue from the sale of goods

Revenue from the sale of goods is recognised when:

- the State no longer has any of the significant risks and rewards of ownership of the goods transferred to the buyer;
- the State no longer has continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- the amount of revenue, and the costs incurred or to be incurred in respect of the transactions, can be reliably measured; and
- it is probable that the economic benefits associated with the transaction will flow to the State.

Sale of goods and services includes regulatory fees which are recognised at the time the regulatory fee is billed.

Note 1: Summary of significant accounting policies (continued)

Grant revenue

Revenue from grants is recognised when the State obtains control over the contribution.

Grants mainly comprise contributions provided by the Commonwealth to assist the State in meeting general or specific service delivery obligations, primarily for the purpose of aiding in the financing of the operations of the recipient, capital purposes and/or for on passing to other recipients. Grants also include grants from other jurisdictions.

Other revenue

Other revenue includes non-property rental, fines, assets received free of charge, royalties, donations and other miscellaneous non-operating revenue.

Contributions of resources received free of charge or for nominal consideration are recognised at fair value when the State obtains control over them, irrespective of whether these contributions are subject to restrictions or conditions over their use. Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not received as a donation.

(H) Expenses from transactions

Expenses from transactions are recognised as they are incurred, and reported in the financial year to which they relate.

Employee expenses

Refer to Note 1(N).

Superannuation interest expense and other superannuation expenses

The superannuation expense from transactions is determined on the following basis:

- for defined contribution (i.e. accumulation) superannuation plans, the associated expense reflects the employer contributions that are paid or payable in respect of employees who are members of these plans during the reporting period; and
- for defined benefit plans, the superannuation expense reflects the employer financed component of defined benefits that is expected to accrue over the reporting period (i.e. service cost), along with the superannuation interest expense.

Depreciation

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets (excluding items under operating leases, assets held for sale, land and investment properties) that have finite useful lives are depreciated. Depreciation is generally calculated on a straight line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. Refer to Note 1(M) for the depreciation policy for leasehold improvements.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate.

Note 1: Summary of significant accounting policies (*continued*)

The following are typical estimated useful lives for the different asset classes for current and prior years.

<i>Asset</i>	<i>Useful life</i>
Buildings	20 to 100 years
Leasehold buildings	2 to 60 years
Infrastructure systems:	
– water infrastructure – storage facilities	25 to 300 years
– water infrastructure – other	25 to 100 years
– rail infrastructure	2 to 50 years
– other infrastructure	10 to 32 years
Plant, equipment and vehicle (incl. leased assets)	3 to 10 years
Road and road networks (incl. bridges)	60 to 90 years
Cultural assets (with finite useful lives)	100 years
Intangible produced assets:	
– capitalised software development costs	3 to 5 years

Land, earthworks, land under declared roads, and core cultural assets, which are considered to have an indefinite life, are not depreciated. Depreciation is not recognised in respect of these assets because their service potential has not, in any material sense, been consumed during the reporting period.

Intangible produced assets with finite useful lives are depreciated as an expense from transactions on a systematic (typically straight line) basis over the asset's useful life. Depreciation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

All intangible assets are tested for impairment whenever there is an indication that the asset may be impaired (refer to Note 1(I)).

The consumption of intangible non-produced assets with finite useful lives is not classified as a transaction, but as amortisation and included in the net result as an other economic flow.

Intangible assets with indefinite useful lives are not depreciated or amortised, but are tested annually for impairment.

Interest expense

Interest expense represents costs incurred in connection with borrowings. It includes interest on advances, loans, overdrafts, bonds and bills, deposits, interest components of finance lease repayments, and amortisation of discounts or premiums in relation to borrowings.

Refer to Note 10 *Interest expense*.

Grant expense

Grants and other transfers to third parties are recognised as an expense in the reporting period in which they are paid or payable. They include transactions such as: grants, subsidies, personal benefit payments made to individuals; other transfer payments made to local government, non-government schools and community groups; and for the general government sector, grants and transfer payments to PNFCs and PFCs.

Note 1: Summary of significant accounting policies (continued)

Other operating expenses

Other operating expenses generally represent the day-to-day running costs incurred in normal operations and includes:

- supplies and services costs which are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when distributed; and
- bad and doubtful debts.

(I) Other economic flows

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions.

Other economic flows included in net result

Net gain/(loss) on disposal of non-financial assets

Any gain or loss on the disposal of non-financial assets is recognised at the date of disposal and is determined after deducting from the proceeds the carrying value of the asset at that time.

Net gain/(loss) on financial assets or liabilities at fair value

Net gain/(loss) on financial instruments

Net gain/(loss) on financial instruments includes:

- realised and unrealised gains and losses from revaluations of financial instruments at fair value through profit or loss;
- impairment and reversal of impairment for financial instruments at amortised cost; and
- disposal of financial assets and derecognition of financial liabilities.

Revaluations of financial instruments at fair value through profit or loss

Refer to Note 1(K).

Other gains/(losses) from other economic flows

Other gains/(losses) from other economic flows include the gains or losses from:

- the revaluation of the present value of the long service leave liability due to changes in the bond interest rates; and
- valuation changes associated with the indemnity for the electricity supply arrangements to the aluminium smelter at Portland.

Impairment of non-financial assets

Goodwill and intangible assets with indefinite useful lives (and intangible assets not yet available for use) are tested annually for impairment (as described below) and whenever there is an indication that the asset may be impaired.

All other assets are assessed annually for indications of impairment, except for:

- inventories (refer Note 1(M));
- non-financial physical assets held for sale (refer Note 1(M));
- certain biological assets related to agricultural activity (refer Note 1(M));
- investment properties that are measured at fair value (refer Note 1(M)); and
- assets arising from construction contracts (refer Note 1(M)).

Note 1: Summary of significant accounting policies (continued)

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off as an other economic flow, except to the extent that the write down can be debited to an asset revaluation surplus amount applicable to that class of asset.

If there is an indication that there has been a change in the estimate of an asset's recoverable amount since the last impairment loss was recognised, the carrying amount would be increased to its recoverable amount. This reversal of the impairment loss occurs only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

It is deemed that, in the event of the loss or destruction of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

Refer to Note 1(M) in relation to the recognition and measurement of non-financial physical assets.

Other economic flows – other comprehensive income

Remeasurements of the net superannuation liability

Remeasurements of the net superannuation liability comprise:

- actuarial gains and losses which reflect the change in the defined benefit obligation that has arisen due to differences between actual outcomes and the assumptions used to calculate the superannuation expense from transactions; and
- the return on plan assets, excluding amounts included in the net superannuation interest expense.

The effect of any change in actuarial assumptions during the period is also included and the associated net actuarial gains or losses are fully recognised, as other comprehensive income, in the period in which they occur.

(J) Measurement of fair values

In accordance with AASB 13 *Fair Value Measurement*, the State determines the policies and procedures for both financial and non-financial assets and liabilities that are measured at fair value, including:

- financial assets and liabilities at fair value through profit and loss (refer to Note 1(K));
- available-for-sale financial assets (refer to Note 1(K));
- land, buildings, infrastructure, plant and equipment (refer to Note 1(M));
- investment properties (refer to Note 1(M)); and
- biological assets (refer to Note 1(M)).

Note 1: Summary of significant accounting policies (continued)

For the purpose of fair value disclosures, the State 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, 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.

In addition, the State determines whether transfers have occurred between levels in the hierarchy by reassessing 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.

(K) Financial instruments

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the State's activities, certain financial assets and financial liabilities arise under statute rather than a contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*. For example, statutory receivables arising from taxes, fines and penalties do not meet the definition of financial instruments as they do not arise under contract. However, guarantees issued on behalf of the State are financial instruments because although authorised under statute, the terms and conditions for each financial guarantee may vary and are subject to an agreement.

Where relevant, for note disclosure purposes, a distinction has been made between those financial assets and financial liabilities that meet the definition of financial instruments in accordance with AASB 132 and those that do not.

The following refers to financial instruments unless otherwise stated.

Categories of non-derivative financial instruments

Loans and receivables

Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Loans and receivables category includes cash and deposits, term deposits with maturity greater than three months, trade receivables, loans and other receivables, but not statutory receivables.

Available-for-sale financial assets

Available-for-sale financial instrument assets are those designated as available-for-sale or not classified in any other category of financial instrument asset. Available-for-sale category includes certain equity investments and those debt securities that are designated as available-for-sale.

Such assets are initially recognised at fair value. Subsequent to initial recognition, they are measured at fair value with gains and losses arising from changes in fair value, recognised in 'Other economic flows – other comprehensive income' until the investment is disposed. Movements resulting from impairment and foreign currency changes are recognised in the net result as other economic flows. On disposal, the cumulative gain or loss previously recognised in 'Other economic flows – other comprehensive income' is transferred to other economic flows in the net result.

Fair value is determined in the manner described in Note 33 *Financial instruments*.

Note 1: Summary of significant accounting policies (*continued*)

Held to maturity financial assets

If the State has the intent and ability to hold nominated investments to maturity, then such financial assets may be classified as held to maturity. The held to maturity category includes certain term deposits and debt securities for which the State intends to hold to maturity. Held to maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held to maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

The State makes limited use of this classification because any sale or reclassification of more than an insignificant amount of held to maturity investments not close to their maturity, would result in the whole category being reclassified as available-for-sale. The State would also be prevented from classifying investment securities as held to maturity for the current and the following two financial years.

Financial assets and liabilities at fair value through profit and loss

Financial assets are categorised as fair value through profit or loss at trade date if they are classified as held for trading or designated as such upon initial recognition. Financial instrument assets are designated at fair value through profit or loss on the basis that the financial assets form part of a group of financial assets that are managed by the State based on their fair values, and have their performance evaluated in accordance with documented risk management and investment strategies.

The State's public borrowings, mainly raised through the Treasury Corporation of Victoria, are designated at fair value through profit or loss on trade date on the basis that the financial liability forms a group of financial liabilities, which are managed on a fair value basis in accordance with documented risk strategies.

Financial instruments at fair value through profit or loss are initially measured at fair value and attributable transaction costs are expensed as incurred. Subsequently, any changes in fair value are recognised in the net result as other economic flows. Any dividend or interest on a financial asset is recognised in the net result from transactions.

Financial assets and liabilities at fair value through profit or loss include the majority of the State's equity investments, debt securities, and borrowings.

Financial liabilities at amortised cost

Financial instrument liabilities are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest bearing liability, using the effective interest rate method (refer to Note 26).

Financial instrument liabilities measured at amortised cost include all of the State's payables, deposits held and advances received, and interest bearing arrangements other than those designated at fair value through profit or loss.

Derivative financial instruments

Derivative financial instruments are classified as held for trading financial assets and liabilities, except for derivatives held by insurance entities which are designated at fair value. They are initially recognised at fair value on the date on which a derivative contract is entered into. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in the fair value of derivatives after initial recognition, are recognised in the consolidated comprehensive operating statement as an other economic flow included in the net result.

Note 1: Summary of significant accounting policies (*continued*)

Offsetting financial instruments

A master netting arrangement or similar arrangement can be set up with counterparties where required by general market practice. To the extent that these arrangements meet the criteria for offsetting in the consolidated balance sheet, they are reported on a net basis.

Financial instrument assets and liabilities are offset, with the net amount reported in the consolidated balance sheet only where there is a currently legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Some master netting arrangements do not result in an offset of balance sheet assets and liabilities. Where the State does not have a legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as default, insolvency or bankruptcy, they are reported on a gross basis.

Reclassification of financial instruments

Subsequent to initial recognition and under rare circumstances, non-derivative financial instruments assets that have been designated at fair value through profit or loss upon recognition, may be reclassified out of the fair value through profit or loss category, if they are no longer held for the purpose of selling or repurchasing in the near-term.

Financial instrument assets that meet the definition of loans and receivables may be reclassified out of the fair value through profit and loss category into the loans and receivables category, where they would have met the definition of loans and receivables had they not been required to be classified as fair value through profit and loss. In these cases, the financial instrument assets may be reclassified out of the fair value through profit and loss category, if there is the intention and ability to hold them for the foreseeable future or until maturity.

Available-for-sale financial instrument assets that meet the definition of loans and receivables may be reclassified into the loans and receivables category if there is the intention and ability to hold them for the foreseeable future or until maturity.

(L) Financial assets

Cash and deposits

Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank, deposits at call and those highly liquid investments with an original maturity of three months or less, which are held for the purpose of meeting short-term cash commitments rather than for investment purposes, and which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Advances paid

Advances paid represent inter sector loans and advances, initially measured at fair value and subsequently measured at amortised cost, made by the Victorian general government sector to the PNFC and PFC sectors, for policy rather than liquidity management purposes. They exclude equity contributions, and are eliminated on consolidation of the State's position.

Note 1: Summary of significant accounting policies (continued)

Receivables

Receivables consist of:

- contractual receivables, such as debtors in relation to goods and services, loans to third parties and accrued investment revenue; and
- statutory receivables, such as taxes, fines and goods and services tax (GST) input tax credits recoverable.

Contractual receivables are classified as financial instruments and categorised as loans and receivables (refer to Note 1(K) for recognition and measurement). Statutory receivables are recognised and measured similarly to contractual receivables, but are not classified as financial instruments because they do not arise from a contract.

Receivables are subject to impairment testing as described below. A provision for doubtful receivables is recognised when there is objective evidence that the debts may not be collected, and bad debts are written off when identified.

Investments, loans and placements

Investments are classified in the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held to maturity; and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Any dividend or interest earned on the financial asset is recognised in the consolidated comprehensive operating statement as a transaction.

Investments accounted for using the equity method

Associates are those entities over which the State exercises significant influence, but not control.

Investments in associates are accounted for in the consolidated financial statements using the equity method. Under this method, the State's share of the post-acquisition profits or losses of associates is recognised in the net result as other economic flows. The share of post-acquisition movements in revaluation surpluses and any other reserves is recognised in both the comprehensive operating statement and the statement of changes in equity. The cumulative post-acquisition movements are adjusted against the cost of the investment.

Joint ventures are joint arrangements whereby the State or a subsidiary entity and one or more other parties that have joint control of the arrangements have rights to the net assets of the arrangements. Joint control only exists when decisions about the relevant activity require the unanimous consent of the parties sharing control (the venturers).

In accordance with AASB 11 *Joint Arrangements*, interests in joint ventures are accounted for in the consolidated financial statements using the equity method, as applied to investments in associates.

Note 1: Summary of significant accounting policies (*continued*)

Investments in joint operations

In respect of its interest in joint operations, the State recognises in the consolidated financial statements:

- its assets, including its share of jointly controlled assets;
- its liabilities, including its share of any liabilities that it had incurred;
- its revenue from the sale of its share of the output from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

Investments in other sector entities

Refer to Note 1(D).

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the State retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the State has transferred its rights to receive cash flows from the asset and either:
 - (a) has transferred substantially all the risks and rewards of the asset; or
 - (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the State has retained substantially all the risks and rewards and not transferred control, the asset is recognised to the extent of the State's continuing involvement in the asset.

Impairment of financial assets

At the end of each reporting period, the State assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

Receivables are assessed for bad and doubtful debts on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off by mutual consent and the allowance for doubtful receivables are classified as other economic flows in the net result.

The amount of the allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 *Impairment of Assets*.

Note 1: Summary of significant accounting policies (continued)

(M) Non-financial physical assets

Inventories

Inventories include goods and other property held either for sale, or for distribution at zero or nominal cost, or for consumption in the ordinary course of business operations.

Inventories held for distribution are measured at cost, adjusted for any loss of service potential. 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.

Cost includes an appropriate portion of fixed and variable overhead expenses. Cost is assigned to land held for sale (undeveloped, under development and developed) and to other high value, low volume inventory items on a specific identification of cost basis. Cost for all other inventory is measured on the basis of weighted average cost.

Bases used in assessing loss of service potential for inventories held for distribution include current replacement cost and technical or functional obsolescence. Technical obsolescence occurs when an item still functions for some or all of the tasks it was originally acquired to do, but no longer matches existing technologies. Functional obsolescence occurs when an item no longer functions the way it did when it was first acquired.

Non-financial physical assets held for sale

Non-financial physical assets (including disposal group 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 asset is available for immediate use in the current condition; and
- the sale is highly probable and the asset's sale is expected to be completed within 12 months from the date of classification.

These non-financial physical assets, related liabilities and financial assets are measured at the lower of carrying amount and fair value less costs to sell, and are not subject to depreciation or amortisation.

Land, buildings, infrastructure, plant and equipment

All non-financial physical assets are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition.

The initial cost for non-financial physical assets under a finance lease (refer to Note 1(O)) is measured at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

Non-financial physical assets, including national parks, other Crown land and heritage assets, are measured at fair value with regard to the property's highest and best use after due consideration is made for any legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset. Theoretical opportunities that may be available in relation to the asset are not taken into account until it is virtually certain that the restrictions will no longer apply. Therefore, unless otherwise disclosed, the current use of these non-financial physical assets will be their highest and best uses.

Note 1: Summary of significant accounting policies (*continued*)

The fair value of cultural assets and collections, heritage assets and other non-financial physical assets (including Crown land and infrastructure assets) that the State intends to preserve because of their unique historical, cultural or environmental attributes, is measured at the replacement cost of the asset less, where applicable, accumulated depreciation (calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset) and any accumulated impairment. These policies and any legislative limitations and restrictions imposed on their use and/or disposal may impact their fair value.

Road network assets (including earthworks of the declared road networks) are measured at fair value, determined by reference to the asset's depreciated replacement cost.

Land under declared roads acquired prior to 1 July 2008 is measured at fair value. Land under declared roads acquired on or after 1 July 2008 is measured initially at cost of acquisition and subsequently at fair value. The fair value methodology applied by the Valuer-General Victoria is based on discounted site values for relevant municipal areas applied to land area under the arterial road network, including related reservations.

Infrastructure assets of water, rail and port authorities within the PNFC sector are measured at fair value.

The fair value of infrastructure systems and plant, equipment and vehicles, is normally determined by reference to the asset's depreciated replacement cost, or where the infrastructure is held by a for profit entity, the fair value may be derived from estimates of the present value of future cash flows.

Certain assets are acquired under finance leases, which may form part of a service concession arrangement. Refer to Notes 1(Q) and 1(S) for more information.

The cost of constructed non-financial physical assets includes the cost of all materials used in construction, direct labour on the project, and an appropriate proportion of variable and fixed overheads.

For the accounting policy on impairment of non-financial physical assets, refer to impairment of non-financial assets under Note 1(I).

Leasehold improvements

The cost of leasehold improvements is capitalised as an asset and depreciated over the shorter of the remaining term of the lease or the estimated useful life of the improvements.

Revaluations of non-financial physical assets

Non-financial physical assets are measured on a cyclical basis in accordance with the Financial Reporting Directions (FRDs) issued by the Minister for Finance. A full revaluation normally occurs every five years, based upon the asset's government purpose classification (refer to Note 41), but may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are generally used to conduct these scheduled revaluations. Certain infrastructure assets are revalued using specialised advisors. Any interim revaluations are determined in accordance with the requirements of the FRDs.

Revaluation increases or decreases arise from differences between an asset's carrying value and fair value.

Note 1: Summary of significant accounting policies (continued)

Net revaluation increases (where the carrying amount of a class of assets is increased as a result of a revaluation) are recognised in 'Other economic flows – other comprehensive income' and accumulated in equity under the asset revaluation surplus. However, the net revaluation increase is recognised in the net result to the extent that it reverses a net revaluation decrease in respect of the same class of property, plant and equipment previously recognised as an expense (other economic flows) in the net result.

Net revaluation decreases are recognised in 'Other economic flows – other comprehensive income' to the extent that a credit balance exists in the asset revaluation surplus in respect of the same class of property, plant and equipment. Otherwise, the net revaluation decreases are recognised immediately as other economic flows in the net result. The net revaluation decrease recognised in 'Other economic flows – other comprehensive income' reduces the amount accumulated in equity under the asset revaluation surplus.

Revaluation increases and decreases relating to individual assets within a class of property, plant and equipment, are offset against one another within that class but are not offset in respect of assets in different classes. Any asset revaluation surplus is not normally transferred to accumulated funds on derecognition of the relevant asset.

Other non-financial assets

Where an asset is received for no or nominal consideration the cost is the asset's fair value at the date of acquisition.

Intangible assets

Purchased intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the State.

When the recognition criteria in AASB 138 *Intangible Assets* are met, internally generated intangible assets are recognised and measured at cost less accumulated amortisation and impairment.

Refer to Note 1(H) for the policy on the depreciation of produced intangible assets, amortisation of non-produced intangible assets and Note 1(I) for impairment of intangible assets.

Investment properties

Investment properties represent properties held to earn rentals or for capital appreciation, or both. Investment properties exclude properties held to meet service delivery objectives of the State.

Investment properties are initially recognised at cost. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the State.

Subsequent to initial recognition at cost, investment properties are revalued to fair value with changes in the fair value recognised as other economic flows in the comprehensive operating statement in the period that they arise. These properties are neither depreciated nor tested for impairment. Fair values are determined based on a market comparable approach that reflects recent transaction prices for similar properties.

Rental revenue from the leasing of investment properties is recognised in the comprehensive operating statement on a straight line basis over the lease term.

Note 1: Summary of significant accounting policies (continued)

Biological assets

Productive trees in commercial native forests and breeding livestock are recognised as biological assets. These biological assets are measured at fair value less costs to sell and are revalued at 30 June each year.

For breeding livestock, fair value is based on the amount that could be expected to be received from the disposal of livestock with similar attributes.

For productive trees, revaluation to fair value is determined using a discounted cash flow method based on expected net future cash flows, discounted by a current market determined rate. After harvest, productive trees are treated as inventories (refer to Note 1(M)).

An increase or decrease in the fair value of these biological assets is recognised in the consolidated comprehensive operating statement as an 'Other economic flow'.

Other assets

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

(N) Liabilities

Deposits held and advances received

Deposits held include deposits, security deposits, and trust fund provisions held on behalf of public or private sector bodies. Advances received include loans and other repayable funds from public sector bodies for policy purposes.

Deposits held and advances received are categorised as financial liabilities at amortised cost (refer to Note 1(K)).

Payables

Payables consist of:

- contractual payables, such as accounts payable, and unearned revenue liability including deferred revenue from concession notes. Accounts payable represent liabilities for goods and services provided to the State prior to the end of the financial year that are unpaid, and arise when the State becomes obliged to make future payments in respect of the purchase of those goods and services; and
- statutory payables, such as GST and fringe benefits tax payables.

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost (refer to Note 1(K)). Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

Note 1: Summary of significant accounting policies (continued)

Borrowings

The State (consistent with the relevant paragraphs of AASB 123 *Borrowing Costs* for not-for-profit public sector entities) recognises borrowing costs immediately as an expense, even where they are directly attributable to the acquisition, construction or production of a qualifying asset.

All interest bearing liabilities are initially recognised at the fair value of the consideration received less directly attributable transaction costs. The measurement basis subsequent to initial recognition depends on whether the State has categorised its interest bearing liabilities as either financial liabilities designated at fair value through profit or loss, or financial liabilities at amortised cost. The classification depends on the nature and purpose of the interest bearing liabilities. The State determines the classification of its interest bearing liabilities at initial recognition.

Employee benefits and on costs

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave (LSL) for services rendered to the reporting date.

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave are recognised in the provision for employee benefits, classified as current liabilities, because the State does not have an unconditional right to defer settlements of these liabilities.

(ii) Long service leave

Liability for LSL is recognised in the provision for employee benefits.

Unconditional LSL is disclosed in the notes to the financial statements as a current liability, even where the State does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- undiscounted value – if the State expects to wholly settle within 12 months; or
- present value – if the State does not expect to wholly settle within 12 months.

Conditional LSL is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL liability is measured at present value.

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an other economic flow in the net result.

(iii) On costs

Employee benefits on costs such as payroll tax, workers compensation and superannuation are recognised separately from the provision for employee benefits.

Note 1: Summary of significant accounting policies (*continued*)

Superannuation

Defined benefit superannuation plans provide benefits based on years of service and final average salary. At each reporting date, a liability or asset in respect of defined benefit superannuation obligations is recognised. This is measured as the difference between the present value of accrued liabilities at the reporting date and the net market value of the superannuation plan's assets at that date.

The present value of accrued liabilities is based upon future payments which are expected to arise due to membership of the superannuation plan up to the reporting date, taking into account the taxes payable by the plan. Consideration is given to expected future salary levels and the experience of employee departures. In accordance with prevailing accounting standards, expected future payments are discounted to present values using rates applying to long-term Commonwealth Government Bonds. Furthermore, the inflation assumption is based upon the relationship between nominal and index linked bond yields of similar duration. This approach ensures that the inflation assumption reflects market expectations and is compatible with the market-based discount rate that is used to value the outstanding liability.

Other provisions

Other provisions are recognised when the State has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be received from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Other provisions include a liability for outstanding insurance claims, which is independently assessed by actuaries. This liability covers claims reported but not yet paid, claims incurred but not yet reported, and the anticipated costs of settling those claims. Due to the inherent uncertainty in the estimate of the outstanding insurance claims, a risk margin is included. The risk margin is set to increase the probability that the liability estimate will be sufficient.

The actuaries take into account projected inflation and other factors to arrive at expected future payments. These are then discounted at the reporting date using a market determined, risk-free discount rate.

Onerous contracts

An onerous contract is considered to exist when the unavoidable cost of meeting the contractual obligations exceeds the estimated economic benefits to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the estimated economic benefits to be received.

The State's major onerous contractual obligation is for the supply of electricity to the aluminium smelter at Portland. A yearly review of the contract is undertaken to remeasure the liability, taking into account the effects of market changes during the year relating to the National Electricity Market and assumptions including aluminium prices, with reference to electricity prices.

Note 1: Summary of significant accounting policies (*continued*)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised as an 'Other economic flow' in the consolidated comprehensive operating statement.

(O) Leases

A lease is a right to use an asset for an agreed period of time in exchange for payment.

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership. Leases of infrastructure, property, plant and equipment are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership from the lessor to the lessee. All other leases are classified as operating leases.

Finance leases

State as lessor

Amounts due from lessees under finance leases are recorded as receivables. Finance lease receivables are initially recorded at amounts equal to the present value of the minimum lease payments receivable plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term. Finance lease receipts are apportioned between periodic interest revenue and reduction of the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

State as lessee

At the commencement of the lease term, finance leases are initially recognised as assets and liabilities at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. The leased asset is accounted for as a non-financial physical asset and depreciated over the shorter of the estimated useful life of the asset or the term of the lease.

Minimum finance lease payments are apportioned between the reduction of the outstanding lease liability and the periodic finance expense, which is calculated using the interest rate implicit in the lease and charged directly to the consolidated comprehensive operating statement. Contingent rentals associated with finance leases are recognised as an expense in the period in which they are incurred.

Note 1: Summary of significant accounting policies (continued)

Operating leases

State as lessor

Rental revenue from operating leases is recognised on a straight line basis over the term of the relevant lease.

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

In the event that lease incentives are given to the lessee, the aggregate cost of incentives are recognised as a reduction of rental revenue over the lease term on a straight line basis, unless another systematic basis is more representative of the time pattern over which the economic benefit of the leased asset is diminished.

State as lessee

Operating lease payments, including any contingent rentals, are recognised as an expense from transactions in the consolidated comprehensive operating statement on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset is not recognised in the balance sheet.

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

In the event that lease incentives are received to enter into operating leases, the aggregate benefit of incentives are recognised as a reduction of rental expense over the lease term on a straight line basis, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(P) Budgetary information for the Victorian general government sector

Note 32 presents the original and revised published budget estimates for the Victorian general government sector, and explains material variances between the budget estimates and actual outcomes as presented in these annual financial statements.

(Q) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to Note 34 *Commitments*) at their nominal value and inclusive of the GST payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the consolidated balance sheet.

(R) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed by way of a note (refer to Note 35 *Contingent assets and contingent liabilities (State of Victoria)*), and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

Note 1: Summary of significant accounting policies (continued)

(S) Service concession arrangements

The State sometimes enters into certain arrangements with private sector participants to design and construct or upgrade assets used to provide public services. These arrangements are typically complex and usually include the provision of operational and maintenance services for a specified period of time. These arrangements are often referred to as either public private partnerships (PPPs) or service concession arrangements (SCAs).

These SCAs usually take one of two main forms. In the more common form, the State pays the operator over the period of the arrangement, subject to specified performance criteria being met. At the date of commitment to the principal provisions of the arrangement, these estimated periodic payments are allocated between a component related to the design and construction or upgrading of the asset and components related to the ongoing operation and maintenance of the asset. The former component is accounted for as a lease payment in accordance with the lease policy (see Note 1(O)). The remaining components are accounted for as commitments for operating costs which are expensed in the comprehensive operating statement as they are incurred.

The other, less common form of SCA, is one in which the State grants to an operator, for a specified period of time, the right to collect fees from users of the SCA asset, in return for which the operator constructs the asset and has the obligation to supply agreed upon services, including maintenance of the asset for the period of the concession. These private sector entities typically lease land, and sometimes state works, from the State and construct infrastructure. At the end of the concession period, the land and state works, together with the constructed facilities, will be returned to the State.

Such service concession arrangements include the CityLink network, which has a nominal term of 34.5 years expiring 15 January 2035 and EastLink, which is also a tollway, with a nominal term of 35 years expiring 30 November 2043.

There is currently no authoritative accounting guidance applicable to grantors (the State) on the recognition and measurement of the right of the State to receive assets from such concession arrangements. Due to the lack of such guidance, there has been no change to existing policy and those assets are not currently recognised.

(T) Accounting for the goods and services tax

Revenues, expenses and assets are recognised net of the amount of associated GST, except where the GST incurred is not recoverable from the taxation authority. In this case the GST payable is recognised as part of the cost of acquisition of an asset or part of an item of expense.

Receivables and payables are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as an operating cash flow.

Commitments and contingent assets and liabilities are also stated inclusive of GST.

Note 1: Summary of significant accounting policies (continued)

(U) Foreign currency balances/transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign monetary items existing at the end of the reporting period are translated at the closing rate at the date of the end of the reporting period. Non-monetary assets carried at fair value that are denominated in foreign currencies are translated to the functional currency at the rates prevailing at the date when the fair value was determined.

Foreign currency translation differences are recognised in other economic flows in the consolidated comprehensive operating statement and accumulated in a separate component of equity, in the period in which they arise.

(V) Australian Accounting Standards issued that are not yet effective

The following relevant AASs have been issued by the AASB but are not yet effective. They become effective for the first consolidated financial statements for reporting periods commencing after the operative dates stated as follows:

- AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities* is operative for reporting period commencing 1 July 2016, but is available for early adoption. This standard provides scope-limited relief for not-for-profit public sector entities from making certain specified disclosures about the fair value measurement of assets within the scope of AASB 116 *Property, Plant and Equipment*. The State has elected to early adopt AASB 2015-7 for the 2014-15 reporting period.
- AASB 9 *Financial Instruments*, operative for reporting periods beginning from 1 January 2018. This standard simplifies requirements for the classification and measurement of financial assets, and provide a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred. The State is reviewing its existing policies to make changes as required.
- AASB 15 *Revenue from Contracts with Customers*, operative for reporting periods commencing 1 January 2018. AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the State's financial statements, the impact of which is still being assessed. The Standard will also require additional disclosures about performance obligations and explanations for any significant judgements made.
- AASB 124 *Related Party Disclosures*, operative for reporting periods commencing 1 July 2016. This standard extends the scope of related party disclosures to not-for-profit public sector entities, which will result in more disclosures in relation to the key management personnel and related party transactions at the State level.

Several other amending standards have been issued that are applicable for future reporting periods, which have insignificant impacts on public sector reporting.

At this stage, there is no intention to early adopt the above accounting standards, except for AASB 2015-7.

Note 1: Summary of significant accounting policies *(continued)*

(W) Events after the reporting period

Assets, liabilities, revenues or expenses arise from past transactions or other past events. Adjustments are made to amounts recognised in the financial statements for events, which occur after the reporting period and before the date the statements are authorised for issue, where those events provide information about conditions which existed at the reporting date. If required, note disclosure is made about events that occur between the end of the reporting period and the date the statements are authorised for issue where the events relate to conditions which arose after the reporting period that are considered to be of material interest (refer to Note 38 *Subsequent events*).

Note 2: Disaggregated information

Disaggregated operating statement for the financial year ended 30 June

(\$ million)

	General government sector		Public non-financial corporations	
	2015	2014 ^(a)	2015	2014 ^(a)
Revenue from transactions				
Taxation revenue	18 338.7	16 900.9	..	..
Interest revenue	827.1	831.2	46.2	56.4
Dividends and income tax equivalent and rate equivalent revenue	1 112.7	445.9	24.9	15.5
Sales of goods and services	6 482.2	6 724.8	6 017.6	6 090.9
Grant revenue	24 502.8	25 144.9	2 784.4	2 646.4
Other revenue	2 508.5	2 316.9	611.8	489.1
Total revenue from transactions	53 772.0	52 364.7	9 484.9	9 298.4
Expenses from transactions				
Employee expenses	18 834.3	18 004.1	1 076.7	1 058.7
Net superannuation interest expense	1 038.0	1 074.7	2.8	2.7
Other superannuation	1 978.0	1 843.1	102.2	98.8
Depreciation	2 425.4	2 403.7	1 978.4	1 887.3
Interest expense	2 102.4	2 138.5	1 175.9	1 171.5
Grant expense	8 529.1	7 560.6	270.2	271.7
Other operating expenses	17 650.8	17 360.1	4 903.8	4 818.3
Other property expenses	..	..	136.8	173.1
Total expenses from transactions	52 558.0	50 384.9	9 646.8	9 482.2
Net result from transactions – net operating balance	1 214.0	1 979.8	(161.9)	(183.8)
Other economic flows included in net result				
Net gain/(loss) on disposal of non-financial assets	32.1	(25.0)	(23.6)	12.8
Net gain/(loss) on financial assets or liabilities at fair value	53.1	52.6	27.9	(116.0)
Share of net profit/(loss) from associates/joint venture entities	(2.6)	..	(7.7)	118.8
Other gains/(losses) from other economic flows	(547.9)	(1 241.6)	115.5	245.1
Total other economic flows included in net result	(465.2)	(1 214.1)	112.1	260.7
Net result	748.8	765.7	(49.8)	76.9
Other economic flows – other comprehensive income				
Items that will not be reclassified to net result				
Changes in non-financial assets revaluation surplus	2 524.4	1 963.2	3 862.2	2 821.9
Remeasurement of superannuation defined benefits plans	551.3	(290.4)	5.0	24.3
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	4 225.6	3 813.8	..	..
Other movements in equity	(148.4)	494.2	(4.6)	34.3
Items that may be reclassified subsequently to net result				
Net gain/(loss) on financial assets at fair value	(44.6)	(5.2)	34.8	(3.4)
Total other economic flows – other comprehensive income	7 108.3	5 975.7	3 897.5	2 877.2
Comprehensive result – total change in net worth	7 857.1	6 741.4	3 847.7	2 954.1
FISCAL AGGREGATES ^(a)				
Net operating balance	1 214.0	1 979.8	(161.9)	(183.8)
Net acquisition of non-financial assets from transactions				
Purchases of non-financial assets (including change in inventories)	4 393.7	3 997.3	2 210.8	3 300.1
Less: Sales of non-financial assets	(397.7)	(270.9)	(196.0)	(206.4)
Less: Depreciation and amortisation ^(a)	(2 425.4)	(2 403.7)	(1 978.4)	(1 887.3)
Plus: Other movements in non-financial assets	(1 278.3)	(696.8)	1 519.1	967.1
Less: Net acquisition of non-financial assets from transactions	292.3	625.8	1 555.6	2 173.6
Net lending/(borrowing)	921.7	1 353.9	(1 717.5)	(2 357.4)

Note:

(a) June 2014 comparative figures have been restated. See Note 37.

<i>Public financial corporations</i>		<i>Inter-sector eliminations</i>		<i>State of Victoria</i>	
2015	2014 ^(a)	2015	2014 ^(a)	2015	2014 ^(a)
..	..	(402.7)	(410.5)	17 936.0	16 490.4
2 549.8	2 498.9	(2 443.2)	(2 448.0)	979.9	938.6
723.8	805.5	(1 093.8)	(424.7)	767.5	842.2
4 020.1	3 895.3	(2 613.7)	(2 477.8)	13 906.3	14 233.3
..	..	(2 910.5)	(2 772.2)	24 376.7	25 019.1
20.7	20.5	(53.3)	(76.2)	3 087.6	2 750.2
7 314.3	7 220.1	(9 517.2)	(8 609.4)	61 054.0	60 273.8
276.6	309.9	(353.8)	(343.1)	19 833.8	19 029.7
..	..	..	..	1 040.8	1 077.3
22.6	23.6	..	..	2 102.8	1 965.6
50.0	43.1	..	..	4 453.7	4 334.1
2 032.1	2 092.4	(2 443.2)	(2 447.9)	2 867.3	2 954.4
..	..	(2 977.5)	(2 792.3)	5 821.8	5 040.1
5 638.8	5 507.4	(2 648.9)	(2 601.0)	25 544.4	25 084.9
186.7	338.7	(323.4)	(511.8)	..	..
8 206.8	8 315.2	(8 746.8)	(8 696.1)	61 664.7	59 486.2
(892.4)	(1 095.0)	(770.4)	86.7	(610.7)	787.6
0.2	(0.4)	..	..	8.8	(12.7)
1 148.5	1 222.4	..	..	1 229.5	1 159.0
..	..	(19.5)	(10.7)	(29.8)	108.1
173.2	547.7	(287.9)	58.8	(547.1)	(390.1)
1 322.0	1 769.6	(307.4)	48.1	661.4	864.3
429.5	674.5	(1 077.8)	134.8	50.7	1 651.9
..	(12.9)	1 017.6	173.7	7 404.3	4 945.9
..	..	..	..	556.3	(266.1)
..	..	(4 225.6)	(3 813.8)	..	..
(267.9)	12.4	245.3	33.5	(175.5)	574.5
..	..	..	..	(9.8)	(8.6)
(267.9)	(0.5)	(2 962.7)	(3 606.6)	7 775.2	5 245.7
161.7	674.0	(4 040.5)	(3 471.8)	7 826.0	6 897.6
(892.4)	(1 095.0)	(770.4)	86.7	(610.7)	787.6
31.7	37.3	(20.6)	..	6 615.6	7 334.7
(1.3)	(19.0)	..	..	(595.0)	(496.4)
(50.0)	(43.1)	..	..	(4 453.7)	(4 334.1)
..	..	..	..	240.8	270.4
(19.6)	(24.9)	(20.6)	..	1 807.8	2 774.5
(872.9)	(1 070.1)	(749.8)	86.7	(2 418.5)	(1 986.9)

Note 2: Disaggregated information (continued)

Disaggregated balance sheet as at 30 June

(\$ million)

	General government sector			Public non-financial corporations		
	2015	2014 ^(a)	2013 ^(a)	2015	2014 ^(a)	2013 ^(a)
Assets						
Financial assets						
Cash and deposits	4 281.7	4 582.2	3 962.0	1 091.9	984.5	797.9
Advances paid	4 571.8	4 586.9	4 626.8	54.3	53.9	50.4
Receivables	5 555.3	4 940.6	5 061.0	1 361.3	1 443.6	1 312.3
Investments, loans and placements	3 405.9	3 036.3	3 383.4	989.4	979.0	1 056.2
Loans receivable from non-financial public sector ^(b)	..	..	..	..	..	..
Investments accounted for using equity method	44.6	44.1	49.4	1 564.9	1 243.2	1 319.2
Investments in other sector entities	82 181.0	75 869.2	69 714.8	..	..	..
Total financial assets	100 040.3	93 059.4	86 797.4	5 061.9	4 704.2	4 536.0
Non-financial assets						
Inventories	144.5	159.8	192.1	565.4	625.6	678.9
Non-financial assets held for sale	175.3	137.8	142.1	29.9	23.1	4.5
Land, buildings, infrastructure, plant and equipment	107 586.4	104 998.8	102 740.8	99 306.9	93 410.2	88 605.2
Other non-financial assets	1 038.3	1 204.8	954.3	1 324.8	1 302.5	1 080.2
Total non-financial assets	108 944.5	106 501.3	104 029.2	101 227.0	95 361.4	90 368.7
Total assets	208 984.7	199 560.6	190 826.7	106 288.9	100 065.6	94 904.7
Liabilities						
Deposits held and advances received	517.8	426.5	449.0	425.1	401.5	420.0
Payables	5 704.3	5 554.8	5 791.7	1 663.4	1 645.7	1 568.6
Borrowings	34 069.0	32 953.6	31 345.3	15 934.1	16 369.6	16 249.7
Employee benefits	5 605.3	5 266.0	5 180.0	379.5	354.6	326.4
Superannuation	25 946.6	26 252.9	25 721.2	41.8	48.3	83.0
Other provisions	807.4	629.4	603.3	8 873.5	8 272.7	8 491.5
Total liabilities	72 650.2	71 083.2	69 090.5	27 317.4	27 092.4	27 139.2
Net assets^(c)	136 334.5	128 477.4	121 736.2	78 971.5	72 973.2	67 765.5
Accumulated surplus/(deficit)	45 788.5	43 634.6	42 411.9	4 429.8	5 094.5	5 088.6
Reserves	90 496.0	84 792.8	79 274.4	74 541.7	67 878.7	62 676.9
Non-controlling interest	50.0	50.0	50.0	..	..	..
Net worth^(c)	136 334.5	128 477.4	121 736.2	78 971.5	72 973.2	67 765.5
FISCAL AGGREGATES						
Net financial worth	27 390.1	21 976.2	17 707.0	(22 255.5)	(22 388.3)	(22 603.2)
Net financial liabilities	54 791.0	53 893.1	52 007.8	22 255.5	22 388.3	22 603.2
Net debt	22 327.4	21 174.6	19 822.1	14 223.5	14 753.8	14 765.3

Notes:

(a) Certain 30 June 2014 and 1 July 2013 comparative figures have been restated. See note 37.

(b) Loans receivable from the non-financial public sector are reported at amortised cost.

(c) The net assets and net worth of the public financial corporations sector incorporates the impact of Treasury Corporation of Victoria's external loan liabilities being reported at market value while the corresponding assets, that is lending to the non-financial public sector, being reported at amortised cost. This mismatch has contributed to the negative net asset position of the sector.

<i>Public financial corporations</i>			<i>Inter-sector eliminations</i>			<i>State of Victoria</i>		
2015	2014 ^(a)	2013 ^(a)	2015	2014 ^(a)	2013 ^(a)	2015	2014 ^(a)	2013 ^(a)
4 719.1	5 691.4	4 158.4	(3 571.5)	(2 976.1)	(2 665.4)	6 521.1	8 282.0	6 252.9
45.7	1 727.9	1 674.5	(4 550.4)	(4 573.7)	(4 624.4)	121.4	1 795.1	1 727.3
1 600.9	1 432.1	2 653.3	(1 728.3)	(1 419.8)	(1 623.7)	6 789.2	6 396.5	7 402.9
32 121.6	27 458.3	24 096.1	(2 199.8)	(1 718.3)	(2 407.1)	34 317.1	29 755.3	26 128.7
36 047.9	35 585.9	33 501.6	(36 047.9)	(35 585.9)	(33 501.6)	..	..	..
..	..	..	411.3	267.8	297.4	2 020.8	1 555.1	1 666.1
..	..	..	(82 181.0)	(75 869.2)	(69 714.8)	..	..	..
74 535.1	71 895.7	66 083.9	(129 867.7)	(121 875.2)	(114 239.6)	49 769.6	47 784.1	43 177.7
..	..	..	..	..	..	709.9	785.4	871.0
..	1.0	26.4	..	..	..	205.2	161.9	173.0
79.6	82.7	63.8	..	..	..	206 972.9	198 491.7	191 409.7
1 036.2	1 104.8	1 710.2	(1 272.0)	(1 154.1)	(1 691.6)	2 127.3	2 458.1	2 053.1
1 115.8	1 188.5	1 800.4	(1 272.0)	(1 154.1)	(1 691.6)	210 015.3	201 897.1	194 506.8
75 650.9	73 084.2	67 884.3	(131 139.7)	(123 029.3)	(115 931.1)	259 784.9	249 681.2	237 684.5
6 744.8	5 926.9	5 986.4	(5 367.6)	(4 684.3)	(4 766.5)	2 320.0	2 070.7	2 088.9
1 718.8	1 496.0	1 829.7	(1 495.6)	(1 155.9)	(1 159.6)	7 590.9	7 540.5	8 030.5
42 720.9	42 221.5	38 303.9	(41 036.2)	(40 199.4)	(38 461.9)	51 687.7	51 345.3	47 437.0
91.2	87.8	89.5	..	..	..	6 075.9	5 708.4	5 595.8
..	..	..	..	..	..	25 988.4	26 301.2	25 804.1
25 169.4	23 664.4	22 527.5	(8 637.4)	(7 934.6)	(8 079.9)	26 212.8	24 631.8	23 542.4
76 445.0	73 396.6	68 737.1	(56 536.9)	(53 974.3)	(52 467.9)	119 875.7	117 597.9	112 498.8
(794.0)	(312.3)	(852.8)	(74 602.8)	(69 055.1)	(63 463.2)	139 909.2	132 083.2	125 185.7
(1 008.6)	(749.2)	(1 765.4)	12 019.1	(2 544.0)	(2 932.8)	61 228.8	45 435.9	42 802.2
214.5	436.9	912.6	(86 621.9)	(66 511.1)	(60 530.4)	78 630.4	86 597.3	82 333.5
..	..	..	..	..	..	50.0	50.0	50.0
(794.0)	(312.3)	(852.8)	(74 602.8)	(69 055.1)	(63 463.2)	139 909.2	132 083.2	125 185.7
(1 909.9)	(1 500.9)	(2 653.2)	(73 330.8)	(67 900.9)	(61 771.6)	(70 106.1)	(69 813.9)	(69 321.0)
1 909.9	1 500.9	2 653.2	(8 850.2)	(7 968.3)	(7 943.2)	70 106.1	69 813.9	69 321.0
(23 468.5)	(22 315.1)	(19 140.3)	(34.2)	(29.8)	(30.0)	13 048.1	13 583.6	15 417.1

Note 2: Disaggregated information (continued)

Disaggregated cash flow statement for the financial year ended 30 June

(\$ million)

	General government sector		Public non-financial corporations	
	2015	2014	2015	2014
Cash flows from operating activities				
Receipts				
Taxes received	18 415.8	16 719.4	..	..
Grants	24 499.1	25 140.4	2 870.1	2 810.3
Sales of goods and services ^(a)	7 001.8	7 381.1	6 736.4	6 659.2
Interest received	812.3	807.8	37.3	49.3
Dividends and income tax equivalent and rate equivalent receipts ^(b)	1 014.8	591.8	25.1	15.6
Other receipts	1 983.7	1 803.8	295.8	131.6
Total receipts ^(b)	53 727.5	52 444.2	9 964.8	9 666.0
Payments				
Payments for employees	(18 619.4)	(17 926.6)	(1 053.7)	(1 029.9)
Superannuation	(2 771.1)	(2 676.5)	(106.5)	(111.9)
Interest paid	(2 062.2)	(2 081.6)	(1 158.4)	(1 127.8)
Grants and subsidies	(8 563.8)	(7 647.0)	(68.7)	(129.9)
Goods and services ^{(a)(b)}	(16 834.8)	(16 949.4)	(3 954.4)	(3 884.7)
Other payments	(1 057.1)	(1 220.6)	(1 967.5)	(1 484.3)
Total payments	(49 908.4)	(48 501.7)	(8 309.1)	(7 768.6)
Net cash flows from operating activities ^(b)	3 819.1	3 942.5	1 655.6	1 897.3
Cash flows from investing activities				
Purchases of non-financial assets ^(b)	(4 393.7)	(3 997.3)	(2 210.8)	(3 300.1)
Sales of non-financial assets	397.7	270.9	196.0	206.4
Cash flows from investments in non-financial assets	(3 996.0)	(3 726.4)	(2 014.9)	(3 093.8)
Cash flows from investments in financial assets for policy purposes ^(b)				
Cash inflows	360.6	3.2	62.1	182.5
Cash outflows	(1 218.7)	(1 481.5)	(26.5)	(82.9)
Net cash flows from investments in financial assets for policy purposes	(858.1)	(1 478.3)	35.7	99.7
Cash flows from investments in financial assets for liquidity management purposes ^{(b)(c)(d)}				
Cash inflows	890.9	1 122.5	242.1	384.2
Cash outflows	(1 260.9)	(709.3)	(145.0)	(463.3)
Net cash flows from investments in financial assets for liquidity management purposes	(370.1)	413.1	97.2	(79.1)
Net cash flows from investing activities ^(b)	(5 224.2)	(4 791.5)	(1 882.0)	(3 073.2)
Cash flows from financing activities				
Advances received	..	..	16.5	1.9
Advances repaid	..	..	(1.8)	(0.6)
Advances received (net) ^(c)	..	..	14.6	1.3
Borrowings received	1 306.3	2 851.3	736.5	847.9
Borrowings repaid	(292.9)	(1 359.5)	(1 211.5)	(720.1)
Net borrowings ^(c)	1 013.4	1 491.8	(475.1)	127.8
Deposits received	430.8	373.1	60.5	47.8
Deposits repaid	(339.6)	(395.8)	(51.5)	(67.6)
Deposits received (net) ^(c)	91.3	(22.7)	8.9	(19.8)
Other financing inflows	..	..	1 001.9	1 511.0
Other financing outflows	..	..	(215.9)	(258.7)
Other financing (net) ^(c)	..	..	786.0	1 252.4
Net cash flows from financing activities	1 104.6	1 469.2	334.5	1 361.7
Net increase/(decrease) in cash and cash equivalents	(300.5)	620.2	108.1	185.8
Cash and cash equivalents at beginning of the financial year	4 582.2	3 962.0	983.7	797.9
Cash and cash equivalents at end of the financial year ^(e)	4 281.7	4 582.2	1 091.8	983.7
FISCAL AGGREGATES				
Net cash flows from operating activities ^(b)	3 819.1	3 942.5	1 655.6	1 897.3
Dividends paid	..	..	(255.5)	(84.5)
Net cash flows from investments in non-financial assets ^(b)	(3 996.0)	(3 726.4)	(2 014.9)	(3 093.8)
Cash surplus/(deficit) ^(b)	(176.9)	216.1	(614.7)	(1 280.9)

Notes:

(a) These items are inclusive of goods and services tax.

(b) June 2014 comparative figures have been restated. See Note 37.

(c) In accordance with AASB 107, Treasury Corporation of Victoria is not required to gross up their cash flow information for whole of government consolidation purposes. The net cash movements for Treasury Corporation Victoria have been added to cash inflows or outflows for both financial years ended 30 June 2015 and 30 June 2014.

(d) The cash flows resulting from schools' investments in financial assets for liquidity management purposes are reported on a net basis, with the net cash movement added to cash inflows or outflows.

(e) Cash and cash equivalents at the end of the reporting period does not equal cash and deposits on the balance sheet. This is due to overdrafts being included in the cash flow statement balances. See Note 30(a).

<i>Public financial corporations</i>		<i>Inter-sector eliminations</i>		<i>State of Victoria</i>	
2015	2014	2015	2014	2015	2014
..	..	(402.7)	(410.5)	18 013.1	16 308.9
..	0.1	(3 006.5)	(2 905.3)	24 362.7	25 045.5
4 442.2	4 277.2	(2 855.3)	(2 419.0)	15 325.1	15 898.4
2 465.6	2 428.6	(2 449.6)	(2 431.7)	865.6	853.9
723.8	805.5	(995.9)	(570.8)	767.8	842.1
51.6	285.7	6.2	(69.2)	2 337.3	2 151.9
7 683.1	7 797.0	(9 703.8)	(8 806.5)	61 671.6	61 100.7
(273.9)	(310.8)	353.8	343.1	(19 593.2)	(18 924.3)
(22.6)	(23.6)	..	..	(2 900.2)	(2 812.0)
(2 110.8)	(2 118.1)	2 449.6	2 431.7	(2 881.7)	(2 895.8)
..	..	2 885.9	2 739.6	(5 746.6)	(5 037.3)
(4 257.3)	(3 922.8)	1 211.1	1 000.1	(23 835.5)	(23 756.8)
(22.9)	(20.9)	1 985.7	1 907.4	(1 061.9)	(818.3)
(6 687.5)	(6 396.1)	8 886.1	8 421.9	(56 018.9)	(54 244.5)
995.7	1 400.9	(817.8)	(384.6)	5 652.6	6 856.2
(31.7)	(37.3)	20.6	..	(6 615.6)	(7 334.7)
1.3	19.0	..	..	595.0	496.4
(30.4)	(18.2)	20.6	..	(6 020.6)	(6 838.3)
1 767.7	812.3	(46.7)	(5.5)	2 143.7	992.5
(346.0)	(866.4)	1 042.5	1 472.3	(548.8)	(958.5)
1 421.6	(54.1)	995.8	1 466.8	1 595.0	34.0
22 005.5	10 564.1	(480.5)	(783.4)	22 658.0	11 287.4
(25 056.1)	(14 046.3)	1 359.8	2 161.6	(25 102.2)	(13 057.3)
(3 050.6)	(3 482.2)	879.3	1 378.2	(2 444.1)	(1 769.8)
(1 659.4)	(3 554.4)	1 895.7	2 845.0	(6 869.8)	(8 574.1)
64.1	55.9	(35.8)	(26.8)	44.7	31.0
(30.3)	(25.2)	26.6	25.2	(5.5)	(0.6)
33.8	30.7	(9.2)	(1.6)	39.2	30.4
78.3	4 163.2	(1 858.5)	(3 435.4)	262.5	4 427.0
(649.4)	(283.7)	1 088.2	1 697.9	(1 065.7)	(665.4)
(571.1)	3 879.5	(770.3)	(1 737.5)	(803.1)	3 761.7
934.9	25.2	(758.1)	(4.5)	668.1	441.6
(150.8)	(115.4)	83.9	88.4	(458.0)	(490.4)
784.0	(90.2)	(674.2)	83.9	210.0	(48.7)
..	..	(1 001.9)	(1 508.0)	..	3.0
(566.2)	(133.5)	782.2	392.2	..	..
(566.2)	(133.5)	(219.8)	(1 115.9)	..	3.0
(319.5)	3 686.5	(1 673.4)	(2 771.1)	(553.8)	3 746.3
(983.2)	1 533.0	(595.4)	(310.7)	(1 771.0)	2 028.4
5 691.4	4 158.4	(2 976.1)	(2 665.4)	8 281.3	6 252.9
4 708.2	5 691.4	(3 571.5)	(2 976.1)	6 510.3	8 281.3
995.7	1 400.9	(817.8)	(384.6)	5 652.6	6 856.2
(566.2)	(136.0)	821.7	220.5	..	..
(30.4)	(18.2)	20.6	..	(6 020.6)	(6 838.3)
399.1	1 246.7	24.5	(164.0)	(368.0)	17.9

Note 2: Disaggregated information (continued)**Disaggregated statement of changes in equity for the financial year ended 30 June**

(\$ million)

2015	Accumulated surplus/(deficit)	Contribution by owners	Non-controlling Interest	Non-financial assets revaluation surplus ^(a)	Investment in other sector entities revaluation surplus	Other reserves	Total
General government sector							
Balance at 1 July 2014 ^(b)	43 634.6	..	50.0	41 965.2	42 187.3	640.3	128 477.4
Net result for the year	748.8	..	..	..	..	..	748.8
Other comprehensive income for the year	270.4	..	..	2 524.4	4 225.6	87.9	7 108.3
Transfer to accumulated surplus ^(c)	1 134.7	..	..	(1 134.7)	..	..	..
Transactions with owners in their capacity as owners	..	..	..	..	..	..	..
Total equity as at 30 June 2015	45 788.5	..	50.0	43 354.8	46 413.0	728.2	136 334.5
PNFC sector							
Balance at 1 July 2014	5 094.5	32 963.0	..	34 576.1	..	339.6	72 973.2
Net result for the year	(49.8)	..	..	..	..	..	(49.8)
Other comprehensive income for the year	(62.5)	..	..	3 862.2	..	97.7	3 897.5
Transfer to accumulated surplus ^(c)	(297.0)	14 573.8	..	(14 276.8)	..	..	..
Dividends paid	(255.5)	..	..	..	..	..	(255.5)
Transactions with owners in their capacity as owners	..	2 406.1	..	..	..	..	2 406.1
Total equity as at 30 June 2015	4 429.8	49 942.9	..	24 161.5	..	437.3	78 971.5
PFC sector							
Balance at 1 July 2014	(749.2)	254.3	..	2.1	..	180.6	(312.3)
Net result for the year	429.5	..	..	..	..	..	429.5
Other comprehensive income for the year	(122.6)	..	..	..	..	(145.2)	(267.9)
Dividends paid	(566.2)	..	..	..	..	..	(566.2)
Transactions with owners in their capacity as owners	..	(77.1)	..	..	..	..	(77.1)
Total equity as at 30 June 2015	(1 008.6)	177.1	..	2.1	..	35.3	(794.0)
Eliminations	12 019.1	(50 120.0)	..	9 911.1	(46 413.0)	..	(74 602.8)
Total State of Victoria	61 228.8	..	50.0	77 429.5	..	1 200.9	139 909.2

Notes:

(a) Non-financial assets revaluation surplus relates to revaluation of land, buildings, infrastructure, plant and equipment.

(b) June 2014 comparative figures have been restated. See Note 37.

(c) Transfer of reserves to accumulated surplus for ceased departments as part of the announced machinery of government changes effective from 1 January 2015. See Note 42.

Note 2: Disaggregated information (continued)**Disaggregated statement of changes in equity for the financial year ended 30 June (continued)**

(\$ million)

2014	Accumulated surplus/(deficit)	Contribution by owners	Non-controlling Interest	Non-financial assets revaluation surplus ^(a)	Investment in other sector entities revaluation surplus	Other reserves	Total
General government sector							
Balance at 1 July 2013 ^(b)	42 411.9	..	50.0	40 286.8	38 373.5	613.9	121 736.2
Net result for the year ^(b)	765.7	..	..	..	..	..	765.7
Other comprehensive income for the year ^(b)	172.3	..	..	1 963.2	3 813.8	26.4	5 975.7
Transfer to accumulated surplus ^(c)	284.8	..	..	(284.8)	..	..	..
Transactions with owners in their capacity as owners	..	..	..	..	..	..	..
Total equity as at 30 June 2014	43 634.6	..	50.0	41 965.2	42 187.3	640.3	128 477.4
PNFC sector							
Balance at 1 July 2013	5 088.6	30 624.9	..	31 754.1	..	297.9	67 765.5
Net result for the year	76.9	..	..	..	..	..	76.9
Other comprehensive income for the year	13.5	..	..	2 821.9	..	41.8	2 877.2
Dividends paid	(84.5)	..	..	..	..	..	(84.5)
Transactions with owners in their capacity as owners	..	2 338.1	..	..	..	..	2 338.1
Total equity as at 30 June 2014	5 094.5	32 963.0	..	34 576.1	..	339.6	72 973.2
PFC sector							
Balance at 1 July 2013	(1 765.4)	251.8	..	15.0	..	645.9	(852.8)
Net result for the year	674.5	..	..	..	..	..	674.5
Other comprehensive income for the year	477.7	..	..	(12.9)	..	(465.3)	(0.5)
Dividends paid	(136.0)	..	..	..	..	..	(136.0)
Transactions with owners in their capacity as owners	..	2.5	..	..	..	..	2.5
Total equity as at 30 June 2014	(749.2)	254.3	..	2.1	..	180.6	(312.3)
Eliminations	(2 544.0)	(33 217.2)	..	8 893.5	(42 187.3)	..	(69 055.1)
Total State of Victoria^(b)	45 435.9	..	50.0	85 436.7	..	1 160.5	132 083.2

Notes:

(a) Non-financial assets revaluation surplus relates to revaluation of land, buildings, infrastructure, plant and equipment.

(b) June 2014 comparative figures have been restated. See Note 37.

(c) Transfer of reserves to accumulated surplus for ceased departments as part of the announced machinery of government changes effective from 1 January 2015. See Note 42.

Note 3: Taxation revenue

(\$ million)

	State of Victoria		General government sector	
	2015	2014	2015	2014
Taxes on employers' payroll and labour force	5 069.6	4 882.1	5 135.2	4 949.1
Taxes on property				
Taxes on immovable property				
Land tax	1 712.3	1 620.6	1 752.8	1 658.7
Fire Services Property levy	588.5	630.6	588.5	630.6
Congestion levy	110.6	83.9	110.6	83.9
Metropolitan improvement levy	152.6	151.0	152.6	151.0
Total taxes on immovable property	2 564.0	2 486.1	2 604.4	2 524.1
Financial and capital transactions				
Land transfer duty	4 938.3	4 167.5	4 938.3	4 167.5
Other property duties	2.4	4.1	2.4	4.1
Financial accommodation levy	..	..	104.5	115.3
Growth Areas Infrastructure Contribution	128.8	93.1	128.8	93.1
Total financial and capital transactions	5 069.4	4 264.6	5 173.9	4 380.0
Total taxes on property	7 633.4	6 750.8	7 778.3	6 904.1
Taxes on provision of goods and services				
Gambling taxes				
Public lotteries	400.9	394.1	400.9	394.1
Electronic gaming machines	1 059.1	967.1	1 059.1	967.1
Casino	216.6	208.7	216.6	208.7
Racing	81.6	82.5	81.6	82.5
Other	22.4	19.9	22.4	19.9
Total gambling taxes	1 780.7	1 672.2	1 780.7	1 672.2
Levies on statutory corporations	..	..	111.9	112.0
Taxes on insurance	1 087.5	1 066.6	1 087.5	1 066.6
Total taxes on the provision of goods and services	2 868.2	2 738.9	2 980.1	2 850.8
Taxes on the use of goods and performance of activities				
Motor vehicle taxes				
Vehicle registration fees	1 394.6	1 231.0	1 396.5	1 232.8
Duty on vehicle registrations and transfers	720.1	663.1	720.1	663.1
Total motor vehicle taxes	2 114.8	1 894.1	2 116.6	1 895.9
Liquor licence fees	22.5	23.3	22.5	23.3
Other	227.5	201.3	305.9	277.7
Total taxes on the use of goods and performance of activities	2 364.8	2 118.7	2 445.0	2 196.9
Total taxation revenue	17 936.0	16 490.4	18 338.7	16 900.9

Note 4: Dividends and income tax equivalent and rate equivalent revenue

(a) Dividends and income tax equivalent and rate equivalent revenue

(\$ million)

	State of Victoria		General government sector	
	2015	2014 ^(a)	2015	2014
Dividends from PFC sector	..	..	566.2	136.0
Dividends from PNFC sector	..	..	256.0	84.0
Dividends from non-public sector	767.5	842.2	18.9	21.2
Dividends	767.5	842.2	841.2	241.1
Income tax equivalent revenue from PFC sector	..	..	138.7	22.2
Income tax equivalent revenue from PNFC sector	..	..	131.6	177.9
Income tax equivalent revenue	..	..	270.3	200.1
Local government rate equivalent revenue	..	..	1.2	4.7
Total dividends and income tax equivalent and rate equivalent revenue	767.5	842.2	1 112.7	445.9

Note:

(a) June 2014 comparative figures have been restated. See Note 37.

(b) Dividends by entity

(\$ million)

	General government sector	
	2015	2014
Public financial corporations		
WorkSafe Victoria ^(a)	241.7	59.3
Transport Accident Commission	253.2	..
Treasury Corporation of Victoria	50.6	56.3
Rural Finance Corporation of Victoria	17.5	16.2
State Trustees Ltd	1.6	1.6
Victorian Funds Management Corporation	1.7	2.6
Dividends from PFC sector	566.2	136.0
Public non-financial corporations		
Melbourne Water Corporation	21.5	..
City West Water Corporation	15.6	4.7
South East Water Corporation	52.0	16.0
Yarra Valley Water Corporation	31.7	17.7
Port of Melbourne Corporation	33.0	43.7
State Electricity Commission of Victoria (shell)	100.0	..
Others	2.2	1.8
Dividends from PNFC sector	256.0	84.0

Note:

(a) WorkSafe Victoria's dividend was declared by the former Treasurer in October 2014. The current Government has made a commitment not to take dividends from WorkSafe Victoria across the budget and forward estimates. Instead, surplus accumulated will be used to fund improvements to benefits and access to benefits for injured workers, lower WorkCover premiums for Victorian businesses and programs to improve workplace safety and the health of the Victorian workforce.

Note 5: Sales of goods and services

(\$ million)

	State of Victoria		General government sector	
	2015	2014	2015	2014
Motor vehicle regulatory fees	237.7	222.2	237.7	222.2
Other regulatory fees	522.9	502.4	507.0	485.7
Sale of goods	576.1	643.1	81.8	87.7
Provision of services	12 276.8	12 579.1	3 944.2	4 287.4
Rental	90.4	80.9	63.9	57.5
Refunds and reimbursements	202.2	205.4	65.5	59.8
Inter-sector capital asset charge	..	..	1 582.2	1 524.4
Total sales of goods and services	13 906.3	14 233.3	6 482.2	6 724.8

Note 6: Grant revenue

(\$ million)

	State of Victoria		General government sector	
	2015	2014	2015	2014
General purpose grants	11 984.1	11 507.4	11 984.1	11 507.4
Specific purpose grants for on-passing	3 492.5	2 704.3	3 492.5	2 704.3
Other specific purpose grants	8 894.8	10 805.8	8 890.0	10 800.8
Total	24 371.5	25 017.5	24 366.6	25 012.5
Other contributions and grants	5.2	1.6	136.1	132.4
Total grant revenue	24 376.7	25 019.1	24 502.8	25 144.9

Note 7: Other revenue

(\$ million)

	State of Victoria		General government sector	
	2015	2014	2015	2014
Fair value of assets received free of charge or for nominal consideration	277.1	235.9	117.8	139.4
Fines	717.6	667.2	714.7	663.4
Royalties	52.1	58.3	44.3	52.4
Donations and gifts	317.0	344.0	265.6	311.2
Other non-property rental	92.1	84.0	28.3	26.6
Other miscellaneous revenue	1 631.7	1 360.8	1 337.8	1 123.8
Total other revenue	3 087.6	2 750.2	2 508.5	2 316.9

Note 8: Superannuation

Expense

Superannuation expense includes employer contributions to defined contribution superannuation plans, and the actuarially determined expense for defined benefit superannuation plans.

Liability

The State's public sector superannuation plans are responsible for the liability for employee superannuation entitlements. These plans are not consolidated in the Annual Financial Report as they are not controlled by the State. However, the major proportion of the superannuation liability is the responsibility of the State and is recognised accordingly.

The State's defined benefit plans are:

- State Super Funds (SSF), a collection of defined benefit schemes providing both lump sum and pension benefits (Revised Scheme, New Scheme, Parliamentary Contributory Superannuation Fund, State Employees Retirement Benefits Scheme, Transport Scheme, Melbourne Water Corporation Employees Superannuation Scheme and Port of Melbourne Authority Superannuation Scheme). All schemes are now closed to new members;
- Emergency Services Superannuation Scheme Defined Benefit (ESSS DB), a defined benefit lump sum scheme which remains open to new members. It also has a number of pensioners remaining from prior schemes;
- Judges Pension Scheme, a defined benefit pension scheme which pays constitutionally protected pensions and remains open to new members; and
- Health Super Division of First State Super (Health Super), a defined benefit scheme that provides both lump sum and pension benefits. This scheme is closed to new members.

The SSF, ESSS DB and Judges Pension Scheme are exempt public sector superannuation schemes. The schemes comply with national superannuation standards under a Heads of Government Agreement and are treated as complying for concessional tax and superannuation guarantee purposes.

The Emergency Services Superannuation Board (the ESSB) is responsible for the governance of the SSF and ESSS DB and acts as paying agent for judges' pensions. Judges pensions are governed by Victorian Acts for which the Attorney-General is responsible. The ESSB has the following roles:

- administration of the schemes including payment of benefits to beneficiaries in accordance with the governing rules of the schemes;
- management and investment of the assets of the schemes, the responsibility for which is outsourced to the Victorian Funds Management Corporation; and
- compliance with superannuation law and other applicable regulations in accordance with the Heads of Government Agreement.

First State Super is a regulated public offer superannuation fund. The FSS Trustee Corporation (the FSSTC) is responsible for the governance of First State Super and therefore Health Super. As trustee, the FSSTC has the following roles:

- administration of Health Super including payment of benefits to beneficiaries in accordance with the governing rules;
- management and investment of the assets of Health Super; and
- compliance with superannuation law and other applicable regulations.

Note 8: Superannuation (continued)

Each year, an actuarial valuation of members' accrued benefits across all of these defined benefit plans is undertaken as at the reporting date. Accrued benefits are measured as the net present value of estimated future benefit payments to members arising from their membership of the plans up to the reporting date. The deficit of accrued benefits over the net market value of plan assets has been recognised as a liability in the balance sheet.

(a) Superannuation expense recognised in the operating statement ^(a)

(\$ million)

	State of Victoria	
	2015	2014 ^(a)
Defined benefit plans		
Net superannuation interest expense	1 040.8	1 077.3
Current service cost	735.3	695.9
Remeasurements:		
Expected return on superannuation assets excluding interest income	(630.4)	(541.2)
Other actuarial (gain)/loss on superannuation assets	(497.2)	(762.6)
Actuarial and other adjustments to unfunded superannuation liability	571.2	1 569.9
Total (gain)/expenses recognised in respect of defined benefit plans	1 219.8	2 039.3
Defined contribution plans		
Employer contributions to defined contribution plans	1 293.5	1 197.1
Other (including pensions)	74.1	72.6
Total expense recognised in respect of defined contribution plans	1 367.5	1 269.7
Total superannuation (gain)/expense recognised in operating statement	2 587.3	3 309.0
Represented by:		
Superannuation interest expense	1 040.8	1 077.3
Other superannuation	2 102.8	1 965.6
Superannuation expense from transactions	3 143.7	3 042.9
Remeasurement recognised in other comprehensive income	(556.3)	266.1
Total superannuation costs recognised in operating statement	2 587.3	3 309.0

Note:

(a) June 2014 comparative figures have been restated. See Note 37.

(b) Reconciliation of the present value of the defined benefit obligations ^(a)

(\$ million)

	State of Victoria	
	2015	2014
Opening balance of defined benefit obligation	45 457.0	43 382.3
Current service cost	735.3	695.9
Interest cost	1 781.1	1 798.3
Contributions by plan participants	211.5	212.9
Remeasurements:		
Actuarial (gain)/loss arising from change in financial assumptions	1 861.3	1 603.6
Actuarial (gain)/loss arising from change in demographic assumptions	(708.3)	..
Actuarial (gain)/loss due to other experience	(581.8)	(33.7)
Benefits paid	(2 221.3)	(2 202.3)
Closing balance of defined benefit obligation	46 534.7	45 457.0

Note:

(a) June 2014 comparative figures have been restated. See Note 37.

Note 8: Superannuation (continued)

(c) Reconciliation of the fair value of superannuation plan assets

(\$ million)

	State of Victoria	
	2015	2014
Opening balance of plan assets	19 155.9	17 578.1
Interest income	740.3	721.0
Remeasurements:		
Expected return on plan assets excluding interest income	630.4	541.2
Actuarial gain/(loss) relative to expected return ^(a)	497.2	762.6
Employer contributions ^(a)	1 532.4	1 542.4
Contributions by plan participants	211.5	212.9
Benefits paid (including tax paid)	(2 221.3)	(2 202.3)
Closing balance of plan assets	20 546.3	19 155.9

Notes:

(a) June 2014 comparative figures have been restated. See Note 37.

(d) Reconciliation of the superannuation liability^(a)

(\$ million)

	State of Victoria	
	2015	2014
Emergency Services and State Super		
Defined benefit obligation	41 330.7	40 195.0
Tax liability ^(b)	2 659.7	2 866.6
Plan assets	(19 022.9)	(17 691.6)
Net liability/(asset)	24 967.5	25 370.0
Other funds^(c)		
Defined benefit obligation	2 544.3	2 404.2
Tax liability ^(b)	..	(8.7)
Plan assets	(1 523.4)	(1 464.3)
Net liability/(asset)	1 020.9	931.2
Total superannuation		
Defined benefit obligation	43 875.0	42 599.2
Tax liability ^(b)	2 659.7	2 857.9
Plan assets	(20 546.3)	(19 155.9)
Superannuation liability	25 988.4	26 301.2
Represented by:		
Current liability	1 210.4	998.6
Non-current liability	24 778.0	25 302.6
	25 988.4	26 301.2
Total superannuation liability	25 988.4	26 301.2

Notes:

(a) June 2014 comparative figures have been restated. See Note 37.

(b) Tax liability represents the present value of tax payments on contributions that are expected to be required to fund accrued benefits.

(c) Other funds include constitutionally protected schemes and the State's share of liabilities of the Defined Benefit Scheme of the Health Super Fund.

Of the \$26 billion superannuation liability recognised on the State's balance sheet, more than 99 per cent is recorded in the general government sector. The superannuation liabilities of agencies for which the State is not responsible, such as universities, are not reflected in the balance sheet.

Note 8: Superannuation (*continued*)

Superannuation assumptions

The significant actuarial assumptions used for superannuation reporting purposes are future rates of wages growth, the inflation rate that is used to index pensions and the discount rate, as detailed below.

Victorian statutory superannuation funds	Actuary	Financial assumptions	Per cent per annum	
			2015	2014
Emergency Services and State Super	PwC ^(a)	Expected return on assets ^(b)	8.0	8.0
		Discount rate ^(c)	3.5	4.1
		Wages growth ^(d)	3.7	4.0
		Inflation rate	2.2	2.5
Constitutionally Protected Pensions	PwC ^(a)	Discount rate ^(c)	3.5	4.1
		Wages growth ^(d)	3.7	4.0
		Inflation rate	n/a	n/a
Health Super Fund	Mercer ^(e)	Expected return on assets ^(b)	5.8	5.8
		Discount rate ^(c)	3.5	4.1
		Wages growth ^(d)	3.7	4.0
		Inflation rate	2.2	2.5

Notes:

(a) PricewaterhouseCoopers Securities Ltd.

(b) The expected return on assets stated is gross of tax. This rate is adjusted in the calculation process to reflect the assumed rate of tax payable by each scheme.

(c) In accordance with accounting standards, the discount rate is based on a long-term Commonwealth bond rate. The rate stated above is an annual effective rate, gross of tax.

(d) The wages growth assumption is derived from the yields on Commonwealth government bonds.

(e) Mercer (Australia) Pty Ltd.

Sensitivity analysis

The key risks associated with the State's defined benefit superannuation plans are:

- investment risk – the risk that investment returns will be lower than assumed and the State employers will need to increase contributions to offset the shortfall;
- wages growth risk – the risk that wages or salaries (on which future benefits are based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions;
- pension growth risk – the risk that CPI and therefore pension increases will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions; and
- longevity risk – the risk that pensioners will live longer than expected, increasing defined benefit amounts and thereby requiring additional employer contributions.

The significant actuarial assumptions are the future rates of salary increases, pension increases and the discount rate.

To illustrate the impact that movements in these assumptions can have on the State's superannuation liability, the defined benefit obligation has been remeasured under the following scenarios:

- a 1 per cent a year increase in the discount rate (from 3.5 to 4.5 per cent a year);
- a 1 per cent a year increase in the assumed wage growth rate (from 3.7 to 4.7 per cent a year); and
- a 1 per cent a year increase in the assumed inflation rate (from 2.2 to 3.2 per cent a year).

Note 8: Superannuation (continued)

These scenarios are expected to have the following impact on the State's defined benefit obligation:

	Base case	Discount rate plus 1 per cent	Wage growth plus 1 per cent	Inflation rate plus 1 per cent
Discount rate (per cent a year)	3.5	4.5	3.5	3.5
Salary growth (per cent a year)	3.7	3.7	4.7	3.7
Inflation rate (per cent a year)	2.2	2.2	2.2	3.2
Estimated impact (per cent)	n.a	(11)	1	9
Estimated change in defined benefit obligation (\$ million)	n.a	(5 118.8)	465.3	4 188.1

The assumptions above have been changed whilst maintaining all other assumptions as outlined previously. There have been no changes to the methods and assumptions used to prepare this sensitivity analysis since the prior period.

Target asset allocation

(per cent)

Asset class	2015	2014
Domestic equity	26.8	26.8
International equity	26.8	26.8
Domestic debt assets	17.4	17.4
Property	7.6	7.6
Cash	4.2	4.2
Other (including private equity, hedge funds and infrastructure)	17.2	17.2
Total	100.0	100.0

The assets are invested in the asset classes shown above. The chosen assets are not designed to match the liabilities exactly. However, the nature of the liabilities is considered in setting the investment strategy. At 30 June 2015, the plans held investments with Treasury Corporation Victoria (TCV) worth \$390.0 million.

Funding arrangements

The funding of the defined benefit plans varies by plan as follows:

- SSF – the scheme is partially funded, with participating employers generally contributing the cost of service as it accrues while the State meets the cost of past service.
- ESSS DB – a funded scheme, with a funding target of 110 per cent to 120 per cent of vested benefits. The Board's shortfall limit is 95 per cent of vested benefits.
- Judges Pension Scheme – an unfunded scheme (i.e. there are no assets) and benefits are paid from the Consolidated Fund as they fall due.
- Health Super – a funded scheme where the employers contribute in accordance with the actuary's recommendations which are designed to achieve a target asset level of 107 per cent of the scheme's vested benefits.

In the 2015-16 financial year, employer contributions of \$1.7 billion, in total, are expected to be paid to the defined benefit plans. Of this, \$1.2 billion relates to the funding of the SSF's past service liability. The weighted average duration of the defined benefit obligation is about 13 years.

Note 9: Depreciation

(\$ million)

	State of Victoria		General government sector	
	2015	2014	2015	2014
	Buildings ^(a)	1 354.1	1 318.8	984.0	974.3
Leasehold buildings	116.8	102.5	110.7	98.5
Infrastructure systems	1 328.5	1 238.2	39.8	45.5
Plant, equipment and vehicles	824.9	877.7	551.6	569.7
Road and road networks	592.7	568.7	589.8	566.3
Cultural assets	20.2	21.1	20.2	21.1
Intangible produced assets ^{(a)(b)}	216.6	207.2	129.3	128.3
Total depreciation^(a)	4 453.7	4 334.1	2 425.4	2 403.7

Notes:

(a) June 2014 comparative figures have been restated. See Note 37.

(b) Amortisation of intangible non-produced assets is included under 'total other economic flows included in net result'.

Note 10: Interest expense

(\$ million)

	State of Victoria		General government sector	
	2015	2014	2015	2014
	Interest on long-term interest-bearing liabilities	1 953.9	1 992.4	1 262.0	1 244.1
Interest on short-term interest-bearing liabilities	65.1	63.2	38.3	71.9
Finance charges on finance leases	833.3	847.3	763.9	771.7
Discount interest on payables	15.0	51.6	38.3	50.7
Total interest expense	2 867.3	2 954.4	2 102.4	2 138.5

Note 11: Grant expense

(\$ million)

	State of Victoria		General government sector	
	2015	2014	2015	2014
	Current grant expense			
Commonwealth government	224.0	208.6	222.7	208.5
Local government (including grants for on-passing) ^(a)	1 103.2	659.6	1 103.2	659.6
Private sector and not-for-profit on-passing	2 644.0	2 405.9	2 644.0	2 405.9
Other private sector and not-for-profit ^(b)	1 567.8	1 568.8	1 533.6	1 543.0
Grants within the Victorian government	..	..	2 771.7	2 581.5
Grants to other state governments	44.4	8.2	44.4	8.2
Total current grant expense^{(a)(b)}	5 583.3	4 851.0	8 319.5	7 406.6
Capital grant expense				
Local government (including grants for on-passing) ^(a)	15.3	36.5	15.3	36.5
Private sector and not-for-profit on-passing	142.4	95.2	137.7	89.0
Other private sector and not-for-profit	0.1	0.6	0.1	0.5
Grants within the Victorian government	..	..	10.2	..
Other grants ^(b)	80.6	56.8	46.2	28.0
Total capital grant expense^{(a)(b)}	238.5	189.1	209.6	154.0
Total grant expense^(b)	5 821.8	5 040.1	8 529.1	7 560.6

Notes:

(a) June 2014 comparatives have been reclassified to reflect more current information.

(b) June 2014 comparative figures have been restated. See Note 37.

Note 12: Other operating expenses

(\$ million)

	State of Victoria		General government sector	
	2015	2014	2015	2014
	Purchase of supplies and consumables ^{(a)(b)(c)}	8 368.8	8 317.6	7 069.6	7 040.1
Cost of goods sold ^(b)	351.6	388.3	125.5	148.1
Finance expenses and fees	457.3	429.8	29.5	24.3
Purchase of services ^{(a)(b)(d)}	8 727.1	8 550.1	7 975.4	7 810.4
Insurance claims expense ^(b)	4 621.3	4 587.1	119.1	101.0
Maintenance ^(b)	1 284.7	1 150.9	698.4	671.3
Operating lease payments ^(b)	398.6	402.9	327.0	330.3
Other	1 334.9	1 258.2	1 306.3	1 234.6
Total other operating expenses^(c)	25 544.4	25 084.9	17 650.8	17 360.1

Notes:

- (a) Further disclosure on purchase of supplies and consumables and purchase of services by department is available on the Department of Treasury and Finance's website. This further disclosure is not subject to audit by the Victorian Auditor-General's Office.
- (b) June 2014 comparatives have been reclassified to reflect more current information.
- (c) June 2014 comparative figures have been restated. See Note 37.
- (d) Includes audit fees of \$374 000 (\$365 000 in 2014) paid or payable to the Victorian Auditor-General's Office for the audit of the Annual Financial Report of the State of Victoria.

Note 13: Expenses by government purpose and by department

(a) Expenses by government purposes classification^{(a)(b)}

(\$ million)

	State of Victoria		General government sector	
	2015	2014	2015	2014
	General public services ^(b)	5 653.8	5 016.5	2 428.3	1 811.5
Public order and safety	5 665.8	5 430.6	5 769.1	5 508.5
Education ^(c)	12 910.9	12 778.9	12 973.8	12 628.8
Health ^(c)	14 259.9	13 695.4	14 369.8	13 811.5
Social security and welfare ^(c)	4 225.7	4 087.1	4 254.9	3 916.6
Housing and community amenities	6 292.9	5 740.0	2 948.2	2 444.4
Recreation and culture	1 400.4	1 439.7	682.6	687.0
Fuel and energy	138.0	134.5	130.4	123.1
Agriculture, forestry, fishing and hunting	474.3	474.4	382.0	377.8
Transport and communications ^(b)	5 635.6	4 915.7	6 133.6	5 961.4
Other economic affairs	1 020.9	1 083.9	1 108.9	1 168.5
Other purposes ^(b)	3 986.5	4 689.5	1 376.4	1 945.7
Total expenses by government purpose classification^(c)	61 664.7	59 486.2	52 558.0	50 384.9

Notes:

- (a) Note 41 provides definitions and descriptions of government purpose classifications.
- (b) June 2014 comparative figures have been reclassified to reflect more current information.
- (c) June 2014 comparative figures have been restated. See Note 37.

Note 13: Expenses by government purpose and by department (continued)

(b) Expenses by department ^(a)

(\$ million)

	State of Victoria		General government sector	
	2015	2014	2015	2014
Economic Development, Jobs, Transport and Resources	7 012.8	1 430.4	4 722.7	1 137.5
Education and Training ^(b)	14 563.4	14 193.3	14 563.4	14 193.3
Environment, Land, Water and Planning	8 264.5	7 935.5	2 734.2	2 323.7
Health and Human Services ^(b)	18 878.1	15 556.6	18 234.2	15 469.6
Human Services	2 433.4	4 677.7	1 923.4	3 726.9
Justice and Regulation	5 550.8	6 122.5	5 388.3	5 966.1
Premier and Cabinet	555.6	798.1	538.0	693.2
Transport, Planning and Local Infrastructure ^(b)	5 211.4	10 384.9	3 457.0	6 791.6
Treasury and Finance ^(b)	15 310.9	14 524.4	7 036.1	6 078.0
Parliament	166.5	169.5	166.5	169.5
Courts ^(c)	483.6	..	483.6	..
Regulatory bodies and other part budget funded agencies ^(d)	1 966.1	1 984.2	1 966.1	1 984.2
Total expenses by department ^(b)	80 397.1	77 777.0	61 213.6	58 533.6
<i>Less eliminations and adjustments ^{(b)(e)}</i>	<i>(18 732.4)</i>	<i>(18 290.9)</i>	<i>(8 655.6)</i>	<i>(8 148.7)</i>
Total expenses from transactions ^(b)	61 664.7	59 486.2	52 558.0	50 384.9

Notes:

(a) Effective 1 January 2015 several departments were renamed due to machinery of government changes:

- the Department of Education and Early Childhood Development was renamed the Department of Education and Training;
- the Department of Environment and Primary Industries was renamed the Department of Environment, Land, Water and Planning;
- the Department of Health was renamed the Department of Health and Human Services;
- the Department of Justice was renamed the Department of Justice and Regulation;
- the Department of State Development, Business and Innovation was renamed the Department of Economic Development, Jobs, Transport and Resources;
- the Department of Human Services was abolished; and
- the Department of Transport, Planning and Local Infrastructure was abolished.

The two abolished departments had their functions and operations transferred to other Victorian government departments. Functions and operations of the Department of Human Services were transferred to the Department of Health and Human Services and to the Department of Premier and Cabinet. Functions and operations of the Department of Transport, Planning and Local Infrastructure were transferred to the Department of Environment, Land, Water and Planning, the Department of Health and Human Services and to the Department of Economic Development, Jobs, Transport and Resources. Certain functions and operations of continuing Victorian government departments were also transferred amongst departments as part of the machinery of government changes. Controlled entities which have been transferred as part of the machinery of government changes are listed under their new portfolio departments.

(b) June 2014 comparative figures have been restated. See Note 37.

(c) Courts, which was formerly part of the Department of Justice, came into operation from 1 July 2014.

(d) Other general government sector agencies not allocated to departmental portfolios.

(e) Mainly comprising of payroll tax, capital asset charge and inter-departmental transfers.

Note 14: Net gain/(loss) on disposal of non-financial assets

(\$ million)

	State of Victoria		General government sector	
	2015	2014	2015	2014
Proceeds from disposal of physical assets	594.9	496.3	397.7	270.9
Written down value of assets sold/(disposed)	(586.2)	(509.0)	(365.6)	(296.0)
Net gain/(loss) on disposal of non-financial assets	8.8	(12.7)	32.1	(25.0)

Note 15: Other gains/(losses) from other economic flows

(\$ million)

	State of Victoria		General government sector	
	2015	2014	2015	2014
	Net (increase)/decrease in provision for doubtful receivables	(206.6)	(178.4)	(204.1)	(175.7)
Amortisation of intangible non-produced assets ^(a)	(33.8)	(13.6)	(4.1)	(3.1)
Net swap interest revenue/(expense)	(9.3)	(5.8)	..	..
Bad debts written off	(171.9)	(195.7)	(156.6)	(174.1)
Other gains/(losses) ^(a)	(125.5)	3.4	(183.2)	(888.7)
Total other gains/(losses) from other economic flows^(a)	(547.1)	(390.1)	(547.9)	(1 241.6)

Note:

(a) June 2014 comparative figures have been restated. See Note 37.

Note 16: Advances paid and investments, loans and placements

(\$ million)

	State of Victoria		General government sector	
	2015	2014	2015	2014
	Current advances paid and investments, loans and placements			
Loans and advances paid	29.8	126.7	59.7	45.1
Equities and managed investment schemes	1 320.2	1 304.7	962.0	711.2
Australian dollar term deposits	390.4	781.7	1 931.6	1 862.7
Debt securities	4 706.2	4 064.7	6.5	6.3
Derivative financial instruments ^(a)	105.6	311.9	0.2	..
Total current advances paid and investments, loans and placements^(a)	6 552.2	6 589.7	2 960.1	2 625.3
Non-current advances paid and investments, loans and placements				
Loans and advances paid	91.6	1 668.4	4 512.0	4 541.8
Equities and managed investment schemes	22 875.9	15 467.0	273.0	241.0
Australian dollar term deposits	158.6	156.1	198.3	170.4
Debt securities	4 210.8	7 387.4	34.3	44.7
Derivative financial instruments ^(a)	549.3	281.8	..	..
Total non-current advances paid and investments, loans and placements^(a)	27 886.3	24 960.7	5 017.6	4 997.9
Total advances paid and investments, loans and placements^(a)	34 438.5	31 550.4	7 977.6	7 623.2
Represented by:				
Advances paid	121.4	1 795.1	4 571.8	4 586.9
Investments, loans and placements ^(a)	34 317.1	29 755.3	3 405.9	3 036.3

Note:

(a) June 2014 comparative figures have been restated. See Note 37.

Note 17: Receivables

(a) Total Receivables

(\$ million)

	State of Victoria		General government sector	
	2015	2014	2015	2014
Contractual				
Sales of goods and services	1 178.0	1 183.3	674.5	647.2
Accrued investment income	73.1	76.8	16.6	22.8
Other receivables	1 199.4	1 007.6	1 262.3	1 097.7
Provision for doubtful contractual receivables	(135.9)	(144.1)	(69.4)	(72.2)
Statutory				
Sales of goods and services	4.9	7.2	2.4	5.6
Taxes receivables	2 337.6	2 084.8	2 491.8	2 141.0
Fines and regulatory fees	1 760.7	1 670.4	1 760.7	1 670.4
GST input tax credits recoverable	806.3	781.4	254.9	270.9
Provision for doubtful statutory receivables	(838.4)	(842.9)	(838.4)	(842.9)
Other				
Actuarially determined	403.5	572.1	..	..
Total receivables	6 789.2	6 396.5	5 555.3	4 940.6
Represented by:				
Current receivables	5 515.1	5 113.3	4 446.7	4 006.9
Non-current receivables	1 274.2	1 283.2	1 108.6	933.7

(b) Ageing analysis of contractual receivables

(\$ million)

State of Victoria	Not past due		Past due and not impaired			Impaired	Total
	and not impaired	Less than 1 month	1-3 months	3 months- 1 year	More than 1 year		
2015							
Sale of goods and services	662.1	233.4	80.5	120.8	75.9	5.1	1 178.0
Accrued investment income	62.5	10.5	0.1	..	0.1	..	73.1
Other receivables	960.8	59.2	21.6	72.6	85.3	..	1 199.4
	1 685.5	303.1	102.1	193.3	161.3	5.1	2 450.4
2014							
Sale of goods and services	696.6	238.4	90.2	78.4	60.9	18.9	1 183.3
Accrued investment income	73.1	3.5	..	0.2	..	..	76.8
Other receivables	653.9	86.3	14.2	186.8	65.3	1.0	1 007.6
	1 423.6	328.2	104.4	265.4	126.2	20.0	2 267.7
General government sector	Not past due		Past due and not impaired			Impaired	Total
2015	and not impaired	Less than 1 month	1-3 months	3 months- 1 year	More than 1 year		
Sale of goods and services	373.4	88.3	47.6	91.8	69.4	4.1	674.5
Accrued investment income	12.7	3.8	..	..	0.1	..	16.6
Other receivables	1 086.4	30.4	29.1	87.8	28.2	0.3	1 262.3
	1 472.5	122.5	76.7	179.7	97.7	4.4	1 953.4
2014							
Sale of goods and services	368.2	110.4	61.0	45.4	47.5	14.7	647.2
Accrued investment income	19.0	3.6	..	0.2	..	..	22.8
Other receivables	811.6	66.4	10.6	202.3	5.8	1.1	1 097.7
	1 198.9	180.4	71.6	247.9	53.3	15.7	1 767.8

Note 17: Receivables (continued)

(c) Movement in provision of doubtful contractual receivables

(\$ million)

	<i>State of Victoria</i>		<i>General government sector</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
Opening balance	(144.1)	(145.9)	(72.2)	(68.5)
Reversal of unused provision recognised in the net results	19.7	8.2	19.5	5.3
Increase in provision recognised in the net results	(23.2)	(27.1)	(19.3)	(19.9)
Reversal of provision of receivables written off during the year as uncollectible	11.7	20.8	2.6	10.8
Closing balance	(135.9)	(144.1)	(69.4)	(72.2)

Note 18: Joint ventures

Investments in joint arrangements are classified as either associates, joint ventures or joint operations. Associates and joint ventures are accounted for in the financial statement using the equity method.

(a) Investments accounted for using the equity method

(\$ million)

	2015	2014
The Australian Regenerative Medicine Institute	35.0	35.0
Property Exchange Australia Limited	9.6	9.0
Total general government sector	44.6	44.1
Snowy Hydro Limited	1 976.2	1 511.0
Total investments	2 020.8	1 555.1

Movements in carrying amounts for investments accounted for using the equity method

(\$ million)

	The Australian Regenerative Medicine Institute		Property Exchange Australia Limited ^(a)		Snowy Hydro Limited ^(a)		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Opening balance	35.0	35.0	9.0	14.4	1 511.0	1 616.6	1 555.0	1 666.1
Share of profit/(loss) after income tax	..	..	(4.0)	(3.5)	(29.6)	141.8	(33.5)	138.4
Dividends received/receivable	..	..	..	..	(45.0)	(72.5)	(45.0)	(72.5)
Share of increment on revaluation of property, plant and equipment	..	..	4.7	0.3	539.7	(175.0)	544.5	(174.8)
Other	..	..	(0.2)	(2.2)	..	..	(0.2)	(2.2)
Closing balance	35.0	35.0	9.6	9.0	1 976.2	1 511.0	2 020.8	1 555.1

Note:

(a) June 2014 comparative figures have been restated to reflect more current information.

Note 18: Joint ventures (*continued*)

The Australia Regenerative Medicine Institute

The Department of Health and Human Services (DHHS) has a joint venture interest with Monash University in the Australian Regenerative Medicine Institute (ARMI). ARMI was established to construct and operate a facility which will promote Victoria as a global leader in regenerative medical research, foster and develop existing research collaboration on both domestic and overseas projects and provide a major site for both undergraduate and post graduate training programs.

The Victorian Government's ownership interest of ARMI at 30 June 2015 was 20.1 per cent (20.2 per cent in 2014).

Property Exchange Australia Limited

The Department of Environment, Land, Water and Planning (DELWP) has an investment in an associate entity, Property Exchange Australia Limited (PEXA). PEXA was established in January 2010 to develop a single national electronic conveyancing system for settling property transactions.

PEXA was transferred to DELWP as part of the machinery of government change that resulted in the transfer of functions of Land Victoria from the former Department of Transport, Planning and Local Infrastructure on 1 January 2015.

The Victorian Government's ownership interest of PEXA at 30 June 2015 was 11.6 per cent (11.9 per cent in 2014).

Snowy Hydro Limited

Snowy Hydro Limited is a company jointly owned by the Commonwealth (13 per cent), New South Wales (58 per cent) and Victoria (29 per cent), which owns and operates the Snowy Mountains Hydro Electric Scheme as an independent electricity generator in the National Electricity Market.

The Victorian Government's ownership interest of Snowy Hydro Limited at 30 June 2015 was 29.0 per cent (29.0 per cent in 2014). A summary of the State's share of commitments is shown below.

(\$ million)

Commitments	2015	2014
Capital expenditure commitments	5.6	3.0
Operating lease commitments	86.0	20.0
Other commitments	44.2	2.8
Total commitments	135.8	25.8

Note 18: Joint ventures (continued)

Summarised information for investments accounted for using the equity method

(\$ million)

Summarised balance sheet as at 30 June	The Australian Regenerative Medicine Institute		Property Exchange Australia Limited		Snowy Hydro Limited ^(a)		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Current assets								
Cash and cash equivalent	..	..	2.2	3.0	..	..	2.2	3.0
Other current assets (excluding cash)	..	..	0.1	..	288.3	216.2	288.4	216.2
Total current assets	..	..	2.3	3.0	288.3	216.2	290.7	219.2
Non-current assets	35.0	35.0	7.9	7.6	2159.5	1459.4	2202.4	1502.0
Total assets	35.0	35.0	10.3	10.6	2 447.8	1 675.6	2 493.1	1 721.2
Current liabilities								
Financial liabilities (excluding payables, provisions)	..	..	0.6	1.5	86.0	54.5	86.7	56.1
Total current liabilities	..	..	0.6	1.5	86.0	54.5	86.7	56.1
Non-current liabilities								
Other non-financial liabilities (including payables, provisions)	..	..	..	0.1	385.6	110.1	385.7	110.2
Total non-current liabilities	..	..	0.1	0.1	385.6	110.1	385.7	110.2
Total liabilities	..	..	0.7	1.6	471.6	164.6	472.3	166.2
Net assets	35.0	35.0	9.6	9.0	1 976.2	1 511.0	2 020.8	1 555.1
Summarised operating statement for the financial year ending 30 June								
Revenue from transactions	..	..	(1.2)	..	..	..	(1.2)	..
Total income from transactions	..	..	(5.1)	(3.5)	(29.6)	141.8	(34.7)	138.4
Net result from continuing operation	..	..	(5.1)	(3.5)	(29.6)	141.8	(34.7)	138.4
Net result from discontinuing operation	..	..	..	..	..	..	..	..
Net result	..	..	(5.1)	(3.5)	(29.6)	141.8	(34.7)	138.4
Other economic flows – other comprehensive income	..	..	4.5	(1.9)	539.7	(175.0)	544.2	(176.9)
Dividends received from associate during the year	..	..	..	..	(45.0)	(72.5)	(45.0)	(72.5)
Total comprehensive income	..	..	(0.5)	(5.4)	465.2	(105.7)	464.7	(111.1)

Note:

(a) June 2014 comparatives have been restated to reflect more current information.

Note 18: Joint ventures (*continued*)

(b) Joint operations

Royal Melbourne Showgrounds

The State entered into a joint venture agreement with the Royal Agricultural Society of Victoria (RASV) in October 2003 to redevelop the Royal Melbourne Showgrounds.

The State of Victoria's interest in the unincorporated joint venture at 30 June 2015 was 50.0 per cent (50.0 per cent in 2014).

AgriBio Project

In April 2008, the State entered into a joint venture agreement with La Trobe University to establish a world class research facility on the university's campus in Bundoora.

The State of Victoria's interest in the unincorporated joint venture at 30 June 2015 was 75.0 per cent (75.0 per cent in 2014).

Murray-Darling Basin Authority

The Commonwealth and the basin states – New South Wales, Victoria, Queensland, South Australia and the Australian Capital Territory – signed a Memorandum of Understanding for Murray Darling Basin Reform. The Murray Darling Basin Authority (MDBA) was created by the *Water Act 2007* and was established on 3 March 2008, however agreement to the proportional share of assets between the states and Commonwealth did not occur until 2008-09.

The joint operators have a joint interest in the infrastructure assets themselves and water rights.

The share in the individually controlled assets was transferred at transition in the original proportions of the share of the entity held by the individual jurisdictions as follows: New South Wales 26.7 per cent; South Australia 26.7 per cent; Victoria 26.7 per cent; the Commonwealth government 20.0 per cent.

Note 19: Investments in other sector entities

(\$ million)

	2015	2014
Balance of investment in PNFC and PFC sectors at beginning of period	75 869.2	69 714.8
Net contributions to other sectors by owner	2 086.2	2 340.6
Revaluation gain/(loss) for period	4 225.6	3 813.8
Total investments in other sector entities	82 181.0	75 869.2

Note 20: Inventories

(\$ million)

	State of Victoria		General government sector	
	2015	2014	2015	2014
At cost				
Raw materials	5.4	5.8	4.8	5.3
Work in progress	29.1	47.5	2.4	6.3
Finished goods	46.6	46.5	2.9	5.4
Consumable stores	168.0	160.2	131.0	121.6
Land and other assets held as inventory ^{(a)(b)}	451.2	516.1	3.4	21.1
At net realisable value				
Finished goods	4.9	4.5	..	0.1
Consumable stores	4.7	4.9	..	..
Total inventories ^(b)	709.9	785.4	144.5	159.8

Notes:

(a) Including inventory held for distribution.

(b) June 2014 comparative figures have been restated. See Note 37.

Reconciliation of movements in land and other assets held as inventory

(\$ million)

	State of Victoria		General government sector	
	2015	2014	2015	2014
Opening balance	516.1	602.4	21.1	64.1
Acquisitions	0.3	2.3	(0.3)	2.1
Assets transferred ^(a)	(75.1)	(13.9)	(17.3)	(13.7)
Revaluations	9.9	(36.9)	..	(0.7)
Disposals	..	(37.8)	..	(30.6)
Closing balance ^(a)	451.2	516.1	3.4	21.1

Note:

(a) June 2014 comparative figures have been restated. See Note 37.

Note 21: Non-financial assets held for sale

(a) Total non-financial assets held for sale

(\$ million)

	State of Victoria		General government sector	
	2015	2014	2015	2014
Land ^(a)	190.6	149.5	165.2	125.4
Buildings ^(a)	8.7	7.7	4.2	7.7
Infrastructure, plant, equipment and vehicles	5.8	4.7	5.8	4.7
Other	0.1	0.1	..	0.1
Total non-financial assets held for sale^(a)	205.2	161.9	175.3	137.8

Note:

(a) June 2014 comparative figures have been restated. See Note 37.

(b) Fair value measurement of non-financial assets held for sale

(\$ million)

State of Victoria	Carrying amount as at 30 June 2015	Fair value measurement at the end of the 2015 reporting period using:			Carrying amount as at 30 June 2014	Fair value measurement at the end of the 2014 reporting period using:		
		Level 1 ^(a)	Level 2 ^(b)	Level 3 ^(c)		Level 1 ^(a)	Level 2 ^(b)	Level 3 ^(c)
Land ^(d)	190.6	..	57.0	133.6	149.5	..	34.7	114.8
Buildings ^(d)	8.7	..	8.6	0.1	7.7	..	6.1	1.6
Infrastructure, plant, equipment and vehicles	5.8	..	3.4	2.4	4.7	..	3.0	1.7
Other	0.1	..	..	0.1	0.1	..	0.1	..
Closing balance^(d)	205.2	..	69.0	136.2	161.9	..	43.8	118.1
General government sector								
Land ^(d)	165.2	..	31.7	133.6	125.4	..	10.6	114.7
Buildings ^(d)	4.2	..	4.1	0.1	7.7	..	6.1	1.6
Infrastructure, plant, equipment and vehicles	5.8	..	3.4	2.4	4.7	..	3.0	1.7
Other	..	..	..	..	0.1	..	0.1	..
Closing balance^(d)	175.3	..	39.2	136.1	137.8	..	19.8	118.0

Notes:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities.

(b) Inputs based on observable market data (either directly using prices or indirectly derived from prices).

(c) Inputs not based on observable market data.

(d) June 2014 comparative figures have been restated. See Note 37.

Note 21: Non-financial assets held for sale (continued)

(c) Reconciliation of Level 3 fair value movements

(\$ million)

State of Victoria		Infrastructure, plant and equipment					
2015	Land	Buildings	and equipment	Vehicles	Other	Total	
Opening balance	114.8	1.6	0.1	1.6	..	118.1	
Assets reclassified/(sales)	1.1	..	0.4	0.2	0.1	1.8	
Transfers in/out of Level 3	0.9	(1.5)	..	..	..	(0.5)
Revaluation	16.8	..	0.2	(0.1)	..	16.9	
Closing balance at 30 June 2015	133.6	0.1	0.7	1.6	0.1	136.2	
2014							
Opening balance ^(a)	53.4	2.7	0.2	1.1	69.2	126.6	
Assets reclassified/(sales) ^(a)	61.4	(1.1)	(0.1)	0.5	(69.2)	(8.5)	
Transfers in/out of Level 3	..	..	..	..	..	..
Closing balance at 30 June 2014 ^(a)	114.8	1.6	0.1	1.6	..	118.1	
General government sector							
2015							
Opening balance	114.7	1.6	0.1	1.6	..	118.0	
Assets reclassified/(sales)	1.1	..	0.4	0.2	..	1.7	
Transfers in/out of Level 3	0.9	(1.5)	..	..	..	(0.5)
Revaluation	16.8	..	0.2	(0.1)	..	16.9	
Closing balance at 30 June 2015	133.6	0.1	0.7	1.6	..	136.1	
2014							
Opening balance ^(a)	70.2	2.7	0.2	1.1	69.2	143.4	
Assets reclassified/(sales) ^(a)	44.5	(1.1)	(0.1)	0.5	(69.2)	(25.4)	
Transfers in/out of Level 3	..	..	..	..	..	..
Closing balance at 30 June 2014 ^(a)	114.7	1.6	0.1	1.6	..	118.0	

Note:

(a) June 2014 comparative figures have been restated. See Note 37.

Transfers between Level 1 and Level 2

There were no transfers identified between Levels 1 and 2.

(d) Description of the valuation techniques and unobservable inputs to Level 3 in the fair value measurement

The description of the significant unobservable inputs to Level 3 assets measured at fair value can be seen below. The disclosure is based on the description associated with the significant asset balances within each of the different Level 3 asset classes as per Note 21(b). These assets are measured at the end of the reporting period using inputs not based on observable market data. The sensitivity of the unobservable input to fair value has been assessed and a significant increase or decrease in the significant unobservable input will result in significant higher or lower valuation of the underlying asset.

Asset class	Valuation technique	Significant unobservable input
Land	Market approach	CSO adjustment ^(a)

Note:

(a) The community service obligation (CSO) adjustment reflects the specialised nature of the asset being valued through the market approach. The CSO adjustment is a reflection of the valuer's assessment of the impact of restrictions associated with an asset to the extent that is also equally applicable to market participants. This approach takes into account the highest and best use consideration for fair value measurement, and considers the use of the asset that is physically possible, legally permissible, and financially feasible.

Note 22: Land, buildings, infrastructure, plant and equipment

(a) Total land, buildings, infrastructure, plant and equipment

(\$ million)

2015	State of Victoria			General government sector		
	Gross carrying amount	Accumulated depreciation	Carrying amount	Gross carrying amount	Accumulated depreciation	Carrying amount
Buildings	45 799.8	(2 758.4)	43 041.4	28 236.2	(2 260.4)	25 975.8
Land and national parks	62 507.5	..	62 507.5	40 698.8	..	40 698.8
Buildings leasehold	3 067.8	(535.5)	2 532.4	2 967.5	(491.3)	2 476.2
Infrastructure systems	56 071.6	(4 090.1)	51 981.5	1 746.6	(447.5)	1 299.1
Leased infrastructure system	4 802.1	(246.0)	4 556.1	..	..	..
Plant, equipment and vehicles	10 734.6	(4 275.4)	6 459.2	5 973.0	(3 673.7)	2 299.3
Leased plant, equipment and vehicles	1 307.2	(206.9)	1 100.3	373.0	(206.8)	166.1
Roads and road infrastructure	39 059.6	(18 097.6)	20 962.0	38 984.1	(18 083.6)	20 900.5
Leased roads and roads infrastructure	584.3	..	584.3	584.3	..	584.3
Earthworks	7 694.2	..	7 694.2	7 689.8	..	7 689.8
Cultural assets	5 690.5	(136.5)	5 554.0	5 633.0	(136.5)	5 496.5
Total land, buildings, infrastructure, plant and equipment	237 319.3	(30 346.3)	206 972.9	132 886.4	(25 300.0)	107 586.4
2014						
Buildings ^(a)	43 639.1	(2 135.6)	41 503.5	27 447.4	(1 536.9)	25 910.5
Land and national parks ^(a)	56 978.5	..	56 978.5	37 554.2	..	37 554.2
Buildings leasehold ^(a)	2 923.6	(466.1)	2 457.5	2 832.6	(420.0)	2 412.6
Infrastructure systems ^(b)	54 230.3	(4 550.1)	49 680.2	1 716.2	(468.4)	1 247.8
Leased infrastructure system ^(b)	4 799.4	(165.6)	4 633.8	..	..	..
Plant, equipment and vehicles ^(b)	11 206.9	(4 524.6)	6 682.3	5 881.5	(3 495.2)	2 386.2
Leased plant, equipment and vehicles ^(b)	1 457.6	(303.9)	1 153.7	413.0	(204.0)	209.0
Roads and road infrastructure	37 970.1	(15 797.6)	22 172.4	37 890.9	(15 787.1)	22 103.8
Leased roads and roads infrastructure	..	..	..	..	..	..
Earthworks	7 685.2	..	7 685.2	7 685.2	..	7 685.2
Cultural assets	5 666.0	(121.3)	5 544.6	5 610.8	(121.3)	5 489.5
Total land, buildings, infrastructure, plant and equipment^(a)	226 556.6	(28 064.9)	198 491.7	127 031.8	(22 033.0)	104 998.8

Notes:

(a) June 2014 comparative figures have been restated. See Note 37.

(b) June 2014 comparative figures have been reclassified to reflect more current information.

Note 22: Land, buildings, infrastructure, plant and equipment (continued)**(b) Total land, buildings, infrastructure, plant and equipment by purpose**

(\$ million)

<i>State of Victoria</i> 2015	<i>Public</i> <i>Administration</i>	<i>Education</i>	<i>Health and</i> <i>Welfare</i>	<i>Community</i> <i>Housing</i>	<i>Transportation and</i> <i>Communication</i>	<i>Public Safety and</i> <i>Environment</i>	<i>Total</i>
Buildings	1 670.7	9 956.2	9 201.7	8 695.7	5 875.1	7 642.0	43 041.4
Land and national parks	1 488.1	8 366.6	2 279.0	12 003.4	25 834.4	12 536.0	62 507.5
Buildings leasehold	87.1	208.0	1 387.3	3.3	39.9	806.8	2 532.4
Infrastructure systems	58.0	..	..	..	17 219.3	34 704.2	51 981.5
Leased infrastructure system	..	..	..	..	2.5	4 553.6	4 556.1
Plant, equipment and vehicles	526.1	264.8	1 028.7	0.3	3 581.6	1 057.7	6 459.2
Leased plant, equipment and vehicles	..	3.7	49.1	..	1 026.7	20.8	1 100.3
Roads and road infrastructure	17.3	..	..	..	19 802.1	1 142.6	20 962.0
Leased roads and roads infrastructure	..	..	..	..	584.3	..	584.3
Earthworks	4.4	..	..	..	7 689.8	..	7 694.2
Cultural assets	315.4	3.6	57.2	..	2.5	5 175.3	5 554.0
Total land, buildings, infrastructure, plant and equipment	4 167.1	18 803.0	14 003.0	20 702.7	81 658.2	67 639.0	206 972.9
2014							
Buildings ^(a)	2 144.2	10 043.0	8 964.5	8 764.3	4 568.1	7 019.3	41 503.5
Land and national parks ^(a)	1 468.1	7 563.0	2 264.7	12 058.3	21 308.1	12 316.3	56 978.5
Buildings leasehold ^(a)	73.2	199.3	1 320.5	3.9	31.9	828.8	2 457.5
Infrastructure systems	93.1	..	..	..	15 792.2	33 794.9	49 680.2
Leased infrastructure system	..	..	..	..	2.9	4 630.9	4 633.8
Plant, equipment and vehicles ^(b)	466.9	299.5	943.1	0.7	3 771.9	1 200.2	6 682.3
Leased plant, equipment and vehicles ^(b)	..	4.4	70.5	..	1 048.5	30.3	1 153.7
Roads and road infrastructure	21.9	..	..	..	21 097.9	1 052.6	22 172.4
Leased roads and roads infrastructure	..	..	..	..	..	..	..
Earthworks	..	..	..	..	7 685.2	..	7 685.2
Cultural assets	323.2	4.5	5.3	..	1.1	5 210.6	5 544.6
Total land, buildings, infrastructure, plant and equipment ^(a)	4 590.6	18 113.7	13 568.6	20 827.1	75 307.7	66 084.0	198 491.7

Notes:

(a) June 2014 comparative figures have been restated. See Note 37.

(b) June 2014 comparative figures have been reclassified to reflect more current information.

Note 22: Land, buildings, infrastructure, plant and equipment (continued)**(b) Total land, buildings, infrastructure, plant and equipment by purpose (continued)**

(\$ million)

<i>General government sector</i>	<i>Public</i>	<i>Health and</i>	<i>Community</i>	<i>Transportation and</i>	<i>Public Safety and</i>		
2015	Administration	Education	Welfare	Housing	Communication	Environment	Total
Buildings	597.5	9 956.2	9 187.2	..	615.6	5 619.2	25 975.8
Land and national parks	998.3	8 366.6	2 273.7	..	19 767.1	9 293.0	40 698.8
Buildings leasehold	43.5	208.0	1 387.3	..	39.8	797.5	2 476.2
Infrastructure systems	39.3	..	..	..	410.6	849.2	1 299.1
Plant, equipment and vehicles	231.0	264.8	1 028.6	..	25.4	749.5	2 299.3
Leased plant, equipment and vehicles	..	3.7	49.1	..	92.5	20.8	166.1
Roads and road infrastructure	..	..	..	..	19 802.1	1 098.4	20 900.5
Leased roads and roads infrastructure	..	..	..	..	584.3	..	584.3
Earthworks	..	..	..	..	7 689.8	..	7 689.8
Cultural assets	315.4	3.6	1.1	..	2.5	5 173.9	5 496.5
Total land, buildings, infrastructure, plant and equipment	2 225.1	18 803.0	13 927.0	..	49 029.9	23 601.5	107 586.4
2014							
Buildings ^(a)	1 025.8	10 043.0	8 949.5	..	507.8	5 384.4	25 910.5
Land and national parks ^(a)	978.3	7 563.0	2 259.5	..	17 476.5	9 277.0	37 554.2
Buildings leasehold ^(a)	39.7	199.3	1 320.5	..	29.2	823.9	2 412.6
Infrastructure systems	73.6	..	..	..	336.7	837.4	1 247.8
Plant, equipment and vehicles ^(b)	202.3	299.5	943.1	..	38.5	902.9	2 386.2
Leased plant, equipment and vehicles ^(b)	..	4.4	70.5	..	104.0	30.1	209.0
Roads and road infrastructure	..	..	..	..	21 097.9	1 005.9	22 103.8
Leased roads and roads infrastructure	..	..	..	..	..	..	..
Earthworks	..	..	..	..	7 685.2	..	7 685.2
Cultural assets	323.2	4.5	5.3	..	1.1	5 155.4	5 489.5
Total land, buildings, infrastructure, plant and equipment^(a)	2 642.9	18 113.7	13 548.3	..	47 277.1	23 417.0	104 998.8

Notes:

(a) June 2014 comparative figures have been restated. See Note 37.

(b) June 2014 comparative figures have been reclassified to reflect more current information.

Note 22: Land, buildings, infrastructure, plant and equipment (continued)

(c) Reconciliation of movements

State of Victoria	(\$ million)									
	Land and buildings ^(a)		Plant, equipment vehicle and infrastructure systems ^(a)		Roads, road infrastructure and earthworks		Cultural assets		Total ^(a)	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Opening balance	100 939.5	95 717.7	62 150.0	60 421.9	29 857.6	29 756.0	5 544.6	5 514.1	198 491.7	191 409.7
Acquisitions	2 211.6	2 416.7	3 730.4	4 113.5	1 183.1	747.9	18.0	24.8	7 143.0	7 303.0
Reclassification	960.6	92.5	(1 079.1)	(422.4)	(532.0)	(78.6)	(2.6)	39.3	(653.1)	(369.2)
Revaluation	5 731.1	5 257.6	1 602.3	180.3	(673.7)	1.6	4.7	0.3	6 664.4	5 439.8
Disposals	(350.3)	(377.1)	(133.9)	(213.6)	(1.7)	(0.6)	..	(3.7)	(485.8)	(595.0)
Assets recognised for the first time	102.7	138.3	22.2	214.0	..	..	9.5	0.1	134.4	352.4
Assets provided free of charge	..	(873.7)	..	(22.3)	..	..	..	(8.9)	..	(904.9)
Impairment	(43.0)	(11.2)	(41.4)	(5.5)	..	..	(0.1)	(0.3)	(84.5)	(17.0)
Depreciation	(1 470.9)	(1 421.3)	(2 153.4)	(2 115.9)	(592.7)	(568.7)	(20.2)	(21.1)	(4 237.2)	(4 127.0)
Closing balance	108 081.3	100 939.5	64 097.1	62 150.0	29 240.5	29 857.6	5 554.0	5 544.6	206 972.9	198 491.7
General government										
Opening balance	65 877.3	63 403.0	3 843.1	4 193.5	29 789.0	29 685.5	5 489.5	5 458.7	104 998.8	102 740.7
Acquisitions	1 506.8	1 926.3	668.1	694.8	1 180.7	746.5	16.5	24.5	3 372.0	3 392.1
Reclassification	83.8	198.0	(137.2)	(320.6)	(529.9)	(78.3)	(2.6)	39.3	(585.8)	(161.6)
Revaluation	2 927.6	2 425.2	63.0	3.0	(673.7)	2.0	3.9	0.3	2 320.7	2 430.5
Disposals	(188.5)	(212.0)	(84.8)	(114.0)	(1.7)	(0.4)	..	(3.1)	(275.0)	(329.5)
Assets recognised for the first time	80.0	92.8	10.1	27.8	..	..	9.5	0.1	99.7	120.7
Assets provided free of charge	..	(873.7)	..	(22.3)	..	..	..	(8.9)	..	(904.9)
Impairment	(41.7)	(9.7)	(6.3)	(3.8)	..	..	(0.1)	(0.3)	(48.1)	(13.8)
Depreciation	(1 094.7)	(1 072.7)	(591.4)	(615.3)	(589.8)	(566.3)	(20.2)	(21.1)	(2 296.0)	(2 275.4)
Closing balance	69 150.8	65 877.3	3 764.5	3 843.1	29 174.7	29 789.0	5 496.5	5 489.5	107 586.4	104 998.8

Note:

(a) June 2014 comparative figures have been restated. See Note 37.

Note 22: Land, buildings, infrastructure, plant and equipment (continued)

(d) Fair value measurement of land, buildings, infrastructure, plant and equipment as at 30 June

(\$ million)

State of Victoria	Carrying amount 2015	Fair value measurement at the end of the 2015 reporting period using:			Carrying amount 2014	Fair value measurement at the end of the 2014 reporting period using:		
		Level 1 ^(a)	Level 2 ^(b)	Level 3 ^(c)		Level 1 ^(a)	Level 2 ^(b)	Level 3 ^(c)
Buildings^(d)	40 917.6	..	9 531.7	31 385.9	38 342.5	..	10 576.3	27 766.2
Non-specialised buildings ^(d)	12 112.3	..	9 290.9	2 821.4	12 238.8	..	9 367.6	2 871.2
Specialised buildings ^(d)	27 903.3	..	240.8	27 662.5	24 885.7	..	1 208.7	23 677.0
Heritage buildings ^(d)	902.1	..	..	902.1	1 218.0	..	..	1 218.0
Land and national parks^(d)	62 507.5	..	13 979.7	48 527.8	57 088.0	..	14 932.4	42 155.6
Non-specialised land	15 263.6	..	13 266.0	1 997.5	15 497.5	..	13 548.6	1 948.9
Specialised land ^(d)	28 381.0	..	713.7	27 667.3	24 012.2	..	1 383.8	22 628.4
Land under roads	17 801.3	..	..	17 801.3	15 892.8	..	..	15 892.8
National parks and other 'land only' holdings	1 061.7	..	..	1 061.7	1 685.5	..	..	1 685.5
Plant, equipment, vehicles and infrastructure systems^(e)	53 507.0	..	291.9	53 215.1	48 926.9	..	473.2	48 453.7
Infrastructure systems	47 779.6	..	53.0	47 726.7	43 510.8	..	21.4	43 489.4
Rolling stock	2 125.9	..	..	2 125.9	2 555.8	..	..	2 555.8
Plant, equipment and vehicles ^(e)	3 601.5	..	238.9	3 362.6	2 859.2	..	450.7	2 408.5
Roads, road infrastructure and earthworks^(e)	27 217.9	..	354.1	26 863.8	28 671.2	..	400.5	28 270.7
Cultural assets^(e)	5 554.0	..	3 431.9	2 122.1	5 544.6	..	3 398.4	2 146.2
Total land, buildings, infrastructure, plant and equipment^{(d)(f)}	189 704.0	..	27 589.3	162 114.7	178 573.2	..	29 780.8	148 792.4

Notes:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities.

(b) Inputs based on observable market data (either directly using prices or indirectly derived from prices).

(c) Inputs not based on observable market data.

(d) June 2014 comparative figures have been restated. See Note 37.

(e) June 2014 comparative figures have been reclassified to reflect more current information.

(f) The State's total land, building, infrastructure, plant and equipment in this table excludes leased and construction in progress assets which are valued at cost. The total of excluded assets is \$17 268.9 million (2014: \$19 918.5 million).

Note 22: Land, buildings, infrastructure, plant and equipment (continued)

(d) Fair value measurement of land, buildings, infrastructure, plant and equipment as at 30 June (continued)

(\$ million)

General government sector	Carrying amount	Fair value measurement at the end of the 2015 reporting period using:			Carrying amount	Fair value measurement at the end of the 2014 reporting period using:		
	2015	Level 1 ^(a)	Level 2 ^(b)	Level 3 ^(c)	2014	Level 1 ^(a)	Level 2 ^(b)	Level 3 ^(c)
Buildings^(d)	23 952.9	..	833.1	23 119.9	23 037.0	..	1 696.3	21 340.7
Non-specialised buildings ^(d)	2 783.2	..	601.8	2 181.4	2 812.0	..	569.0	2 243.0
Specialised buildings ^(d)	20 282.2	..	231.3	20 050.9	19 007.1	..	1 127.3	17 879.8
Heritage buildings ^(d)	887.6	..	..	887.6	1 218.0	..	..	1 218.0
Land and national parks^(d)	40 698.8	..	1 251.7	39 447.1	37 663.8	..	1 336.8	36 327.0
Non-specialised land ^(d)	2 577.7	..	684.9	1 892.8	2 718.5	..	889.5	1 829.0
Specialised land ^(d)	19 258.1	..	566.8	18 691.3	17 366.8	..	447.1	16 919.7
Land under roads	17 801.3	..	..	17 801.3	15 892.8	..	..	15 892.8
National parks and other 'land only' holdings	1 061.7	..	..	1 061.7	1 685.5	..	..	1 685.5
Plant, equipment, vehicles and infrastructure systems^(e)	2 973.5	..	169.3	2 804.1	2 692.8	..	256.3	2 436.5
Infrastructure systems	1 129.4	..	35.4	1 094.0	1 134.8	..	9.5	1 125.3
Plant, equipment and vehicles ^(e)	1 844.1	..	133.9	1 710.2	1 558.7	..	247.5	1 311.2
Roads, road infrastructure and earthworks	27 152.1	..	354.1	26 797.9	28 607.4	..	400.4	28 207.0
Cultural assets	5 496.5	..	3 374.4	2 122.1	5 489.5	..	3 343.3	2 146.2
Total land, buildings, infrastructure, plant and equipment^{(d)(f)}	100 273.8	..	5 982.6	94 291.1	97 490.6	..	7 033.1	90 457.5

Notes:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities.

(b) Inputs based on observable market data (either directly using prices or indirectly derived from prices).

(c) Inputs not based on observable market data.

(d) June 2014 comparative figures have been restated. See Note 37.

(e) June 2014 comparative figures have been reclassified to reflect more current information.

(f) The general government sector's total land, building, infrastructure, plant and equipment in this table excludes leased and construction in progress assets which are valued at cost. The total of excluded assets is \$7 312.6 million (2014: \$7 508.2 million).

Note 22: Land, buildings, infrastructure, plant and equipment (continued)

(e) Reconciliation of Level 3 fair value movements

(\$ million)

State of Victoria 2015	Opening balance	Depreciation	Impairment	Assets recognised for the first time	Revaluation	Acquisitions/ (Disposals)	Transfers in/out of Level 3	Reclassification	Closing balance
Buildings	27 766.1	(1 028.8)	(15.2)	99.5	409.3	2 725.5	627.6	801.9	31 385.9
Non-specialised buildings	2 871.2	(166.5)	(0.3)	0.5	6.1	93.6	(0.4)	17.2	2 821.4
Specialised buildings	23 677.0	(826.3)	(14.9)	98.1	403.2	2 612.8	928.5	784.0	27 662.5
Heritage buildings	1 218.0	(36.1)	..	1.0	..	19.1	(300.5)	0.7	902.1
Land and national parks	42 155.6	..	..	32.4	5 332.8	(155.6)	1 175.3	(12.7)	48 527.8
Non-specialised land	1 948.9	..	..	..	78.8	16.5	(10.5)	(36.1)	1 997.5
Specialised land	22 628.4	..	..	32.4	3 410.0	(218.0)	1 185.8	628.6	27 667.3
Land under roads	15 892.8	..	..	..	1 843.9	46.0	..	18.6	17 801.3
National parks and other 'land only' holdings	1 685.5	..	..	..	..	..	..	(623.8)	1 061.7
Plant, equipment, vehicles and infrastructure systems	48 453.7	(1 945.0)	(5.6)	173.9	1 576.8	4 424.3	61.4	475.8	53 215.1
Infrastructure systems	43 489.4	(1 100.0)	(3.3)	68.1	1 464.3	3 853.2	6.5	(51.5)	47 726.7
Rolling stock	2 555.8	(136.8)	..	..	67.6	(350.3)	..	(10.4)	2 125.9
Plant, equipment and vehicles	2 408.5	(708.2)	(2.3)	105.8	44.9	921.3	54.9	537.6	3 362.6
Roads, road infrastructure and earthworks	28 270.7	(539.1)	..	6.1	(503.8)	(164.9)	381.3	(586.4)	26 863.8
Cultural assets	2 146.2	(17.2)	..	10.9	1.6	(15.0)	(1.3)	(3.0)	2 122.1
Total	148 792.4	(3 530.2)	(20.9)	322.7	6 816.6	6 814.2	2 244.3	675.6	162 114.7
2014									
Buildings ^(a)	26 330.2	(1 158.7)	(2.2)	49.8	1 702.1	866.6	(1.1)	(20.6)	27 766.1
Non-specialised buildings	2 664.1	(185.7)	..	17.7	312.5	82.0	24.9	(44.4)	2 871.2
Specialised buildings ^(a)	22 418.5	(932.4)	(2.2)	32.0	1 389.6	775.8	(26.0)	21.6	23 677.0
Heritage buildings ^(a)	1 247.6	(40.7)	..	..	..	8.8	..	2.2	1 218.0
Land and national parks ^(a)	41 561.7	(2.8)	(0.1)	34.4	380.3	326.9	(36.8)	(107.9)	42 155.6
Non-specialised land	1 930.8	..	..	22.3	6.3	(1.4)	(16.0)	6.8	1 948.9
Specialised land ^(a)	22 053.0	(2.8)	(0.1)	12.1	374.0	328.3	(21.3)	(114.8)	22 628.4
Land under roads	15 892.4	..	..	..	..	..	0.4	..	15 892.8
National parks and other 'land only' holdings	1 685.5	..	..	..	..	..	..	..	1 685.5
Plant, equipment, vehicles and infrastructure systems ^(b)	48 258.1	(1 809.1)	(2.2)	87.3	177.5	1 693.5	0.4	48.1	48 453.7
Infrastructure systems	43 213.7	(1 161.9)	(1.6)	37.2	177.2	1 197.9	1.5	25.4	43 489.4
Rolling stock	2 481.8	..	(0.2)	..	..	74.1	..	..	2 555.8
Plant, equipment and vehicles ^(b)	2 562.6	(647.2)	(0.4)	50.1	0.3	421.5	(1.0)	22.8	2 408.5
Roads, road infrastructure and earthworks	27 349.7	(567.9)	..	4.4	12.3	5.6	..	1 466.7	28 270.7
Cultural assets	2 092.0	(15.2)	..	..	..	5.3	..	64.1	2 146.2
Total ^(a)	145 591.7	(3 553.7)	(4.5)	175.8	2 272.3	2 897.9	(37.5)	1 450.4	148 792.4

Notes:

(a) June 2014 comparative figures have been restated. See Note 37.

(b) June 2014 comparative figures have been reclassified to reflect more current information.

Note 22: Land, buildings, infrastructure, plant and equipment (continued)

(e) Reconciliation of Level 3 fair value movements (continued)

(\$ million)

General government sector 2015	Opening balance	Depreciation	Impairment	Assets recognised for the first time	Revaluation	Acquisitions/ (Disposals)	Transfers in/out of Level 3	Reclassification	Closing balance
Buildings	21 340.8	(862.7)	(13.2)	93.7	53.2	1 373.4	907.9	226.9	23 119.9
Non-specialised buildings	2 243.0	(145.6)	..	0.5	5.8	81.4	(0.4)	(3.3)	2 181.4
Specialised buildings	17 879.8	(681.2)	(13.2)	92.2	47.4	1 273.0	868.0	585.0	20 050.9
Heritage buildings	1 218.0	(36.0)	..	1.0	..	19.1	40.3	(354.8)	887.6
Land and national parks	36 327.0	..	..	5.0	2 918.5	(154.0)	356.7	(6.2)	39 447.1
Non-specialised land	1 829.0	..	..	..	78.8	16.5	(11.2)	(20.3)	1 892.8
Specialised land	16 919.7	..	..	5.0	995.8	(216.5)	383.3	604.0	18 691.3
Land under roads	15 892.8	..	..	..	1 843.9	46.0	..	18.6	17 801.3
National parks and other 'land only' holdings	1 685.5	..	..	..	..	..	(15.4)	(608.4)	1 061.7
Plant, equipment, vehicles and infrastructure systems	2 436.5	(478.1)	(2.1)	81.1	35.0	218.0	51.2	462.5	2 804.1
Infrastructure systems	1 125.3	(11.7)	..	0.3	34.4	9.9	(0.1)	(64.0)	1 094.0
Plant, equipment and vehicles	1 311.2	(466.3)	(2.1)	80.8	0.7	208.2	51.3	526.5	1 710.2
Roads, road infrastructure and earthworks	28 207.0	(532.0)	..	4.9	(503.5)	(170.5)	376.4	(584.3)	26 797.9
Cultural assets	2 146.2	(17.2)	..	10.9	1.6	(15.0)	(1.3)	(3.0)	2 122.1
Total	90 457.5	(1 890.0)	(15.4)	195.5	2 504.9	1 251.9	1 691.0	95.8	94 291.1
2014									
Buildings^(a)	19 713.1	(991.2)	(2.0)	25.1	1 702.3	887.9	(1.1)	6.8	21 340.8
Non-specialised buildings	2 029.3	(166.2)	..	7.8	312.9	79.0	24.9	(44.6)	2 243.0
Specialised buildings ^(a)	16 436.3	(784.4)	(2.0)	17.3	1 389.4	800.0	(26.0)	49.2	17 879.8
Heritage buildings ^(a)	1 247.6	(40.7)	..	..	..	8.8	..	2.2	1 218.0
Land and national parks^(a)	35 726.3	(2.8)	(0.1)	15.3	377.8	335.1	(16.6)	(107.9)	36 327.0
Non-specialised land	1 812.6	..	..	22.1	4.9	(1.5)	(16.0)	6.8	1 829.0
Specialised land ^(a)	16 335.8	(2.8)	(0.1)	(6.8)	372.9	336.5	(1.1)	(114.8)	16 919.7
Land under roads	15 892.4	..	..	..	..	..	0.4	..	15 892.8
National parks and other 'land only' holdings	1 685.5	..	..	..	..	..	..	..	1 685.5
Plant, equipment, vehicles and infrastructure systems^(b)	2 496.8	(453.7)	(0.4)	22.1	0.3	355.5	(6.6)	22.5	2 436.5
Infrastructure systems	1 149.7	(33.5)	..	0.4	..	18.3	(9.6)	..	1 125.3
Plant, equipment and vehicles ^(b)	1 347.1	(420.2)	(0.4)	21.7	0.3	337.3	3.0	22.5	1 311.2
Roads, road infrastructure and earthworks	27 285.3	(566.3)	..	4.4	12.3	4.7	..	1 466.7	28 207.0
Cultural assets	2 092.0	(15.2)	..	..	..	5.3	..	64.1	2 146.2
Total^(a)	87 313.5	(2 029.2)	(2.6)	66.8	2 092.7	1 588.5	(24.3)	1 388.0	90 457.5

Notes:

(a) June 2014 comparative figures have been restated. See Note 37.

(b) June 2014 comparative figures have been reclassified to reflect more current information.

Note 22: Land, buildings, infrastructure, plant and equipment (*continued*)

(f) Description of the valuation techniques and significant unobservable inputs in the Level 3 fair value measurements

The State measures all non-financial physical assets initially at cost and subsequently revalues the assets at fair value less accumulated depreciation and impairment. The disclosure below provides additional information about the Level 3 measurements (fair value measurements using significant unobservable inputs).

Please refer to Note 1(M) for the State's accounting policy in relation to the revaluation of non-financial physical assets.

As disclosed in Note 1(V), the State has elected to early adopt AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities* for the 2014-15 reporting period. The amendments allow reduced disclosure for all recurring non-financial assets that are measured at Level 3 fair value measurement and are held primarily for service potential rather than their ability to generate net cash inflows, which is the case with the Victorian not-for-profit public sector entities.

The Government's designated entities as for-profit in accordance with FRD 108A *Classification of entities as for-profit*, are considered to be primarily held to generate future net cash flows.

See below the respective fair value disclosures for not-for profit and for-profit public sector entities. The disclosures refer to the significant asset balances within each of the different Level 3 asset classes as per Note 22(d). These assets are measured at the end of the reporting period using inputs not based on observable market data. The sensitivity of the unobservable input to fair value has been assessed and a significant increase or decrease in the significant unobservable input will result in significant higher or lower valuation of the underlying asset.

Note 22: Land, buildings, infrastructure, plant and equipment (*continued*)

(f) Description of the valuation techniques and significant unobservable inputs in the Level 3 fair value measurements (*continued*)

Fair value disclosure for assets held primarily for service potential

<i>Asset class</i>	<i>Valuation technique</i>	<i>Significant unobservable input</i>
Buildings		
Non-specialised buildings	Depreciated replacement cost	Direct cost per square metre Useful life
Specialised buildings	Depreciated replacement cost	Direct cost per square metre Useful life
Heritage buildings	Depreciated replacement cost	Direct cost per square metre Useful life
Land and national parks		
Specialised land	Market approach	CSO ^(a) adjustment
Land under roads	Market approach	CSO adjustment Direct cost per hectare
National parks	Market approach	CSO adjustment
Plant, equipment, vehicles and infrastructure systems		
Infrastructure systems and rolling stock	Depreciated replacement cost Income approach	Cost: per square metre per unit per asset Useful life Ancillary cost Inflation rate ^(b) Qualitative attractiveness ^(c)
Plant, equipment and vehicles	Depreciated replacement cost	Cost per unit Useful life
Roads and roads infrastructure		
Roads and roads infrastructure	Depreciated replacement cost	Cost: per square metre per kilometre lane per unit Useful life
Earthworks	Depreciated replacement cost	Cost per kilometre
Cultural assets		
Cultural assets	Depreciated replacement cost	Useful life per item Direct cost per unit Sales/auction value per item

Notes:

- (a) *The community service obligation (CSO) adjustment reflects the specialised nature of the asset being valued through a market approach. The CSO adjustment is a reflection of the valuer's assessment of the impact of restrictions associated with an asset to the extent that is also equally applicable to market participants. This approach takes into account the highest and best use consideration for fair value measurement, and considers the use of the asset that is physically possible, legally permissible, and financially feasible.*
- (b) *Applicable to the valuation using the income approach.*
- (c) *Applicable to the valuation of rolling stock.*

Note 22: Land, buildings, infrastructure, plant and equipment (*continued*)

(f) Description of the valuation techniques and significant unobservable inputs in the Level 3 fair value measurements (*continued*)

Fair value disclosure for assets held primarily for generating net cash inflows

<i>Asset Class</i>	<i>Valuation technique</i>	<i>Significant unobservable input</i>	<i>Range</i>
Buildings			
Non-specialised buildings	Depreciation replacement cost	Useful life	1-50 years
Land			
Ports	Capitalisation of net income approach	Market rate	\$10-\$125 per square metre across all port land assets
		Capitalisation percentage	5.0%-7.0%
		Capital expenditure forecast	variability in the forecast
Metropolitan water corporations	Market approach	CSO adjustment ^(a)	7-90%
Channels			
Ports	Discounted cash flow method (income approach)	Discount rates	6.6%-8.6%
Infrastructure			
Ports	Depreciation replacement cost	Cost per unit	\$2 931 200 per unit (2014: \$1 537 000 per unit)
		Useful life	44 years (2014: 26 years)
Metropolitan water corporations	Discounted cash flow method (income approach)	Discount rates	5.75-6.50%
		Inflation	2.0-3.0%
		Useful life	3-200 years

Note:

(a) The community service obligation (CSO) adjustment reflects the specialised nature of the asset being valued through a market approach. The CSO adjustment is a reflection of the valuer's assessment of the impact of restrictions associated with an asset to the extent that is also equally applicable to market participants. This approach takes into account the highest and best use consideration for fair value measurement, and considers the use of the asset that is physically possible, legally permissible, and financially feasible.

Port of Melbourne non-financial assets

During the financial period, the Victorian Government continued preparations to lease the Port of Melbourne's commercial operations to a private operator as discussed in Note 38: *Subsequent events*.

The Port of Melbourne Corporation contributes \$4.1 billion of non-financial assets to the land, buildings, infrastructure, plant and equipment balances reported by the State. Independent valuations were undertaken on the land, channels and infrastructure with the effective date 30 June 2015 in line with the relevant reporting requirements (see Note 1(M) *Revaluations of non-financial physical assets*).

The land assets have been transferred from Level 2 (as previously reported) to Level 3 in determining the fair value and valuation inputs used (in the capitalisation of net income approach) as at 30 June 2015. This is in accordance with the fair value hierarchy as per Note 1(J) *Measurement of fair values*.

See the table above for the fair value disclosure relating the non-financial assets.

Note 23: Other non-financial assets

(a) Total other non-financial assets

(\$ million)

	State of Victoria		General government sector	
	2015	2014	2015	2014
Intangible produced assets ^(a)	2 294.4	2 332.4	1 286.8	1 282.9
Accumulated depreciation ^(a)	(1 149.2)	(998.3)	(701.1)	(554.5)
Intangible non-produced assets ^(a)	853.1	767.7	153.8	92.8
Accumulated amortisation ^(a)	(210.8)	(164.4)	(69.0)	(49.2)
Total intangibles	1 787.6	1 937.3	670.5	772.0
Investment properties	75.7	143.3	69.1	137.3
Biological assets ^(b)	63.6	38.1	3.9	4.9
Other assets	200.3	339.3	294.8	290.6
Total other non-financial assets	2 127.3	2 458.1	1 038.3	1 204.8

Notes:

(a) June 2014 comparative figures have been reclassified to reflect more current information.

(b) The majority of biological assets comprises commercial forests and also includes any living animal, plant or agricultural produce which is the harvested product of biological assets.

(b) Reconciliation of movement in intangibles, investment properties and biological assets ^(a)

(\$ million)

	State of Victoria		General government sector	
	2015	2014	2015	2014
Opening balance	2 118.7	1 769.9	914.3	759.2
Acquisitions	245.7	438.2	135.8	295.2
Reclassification ^(b)	(49.9)	324.3	(50.0)	112.5
Revaluation	15.0	(60.0)	17.2	(59.1)
Disposals ^(b)	(98.1)	(31.9)	(88.1)	(9.7)
Assets recognised for the first time	11.0	22.4	10.2	19.2
Impairment	(65.1)	(5.7)	(62.5)	(2.7)
Amortisation and depreciation ^(c)	(250.5)	(338.5)	(133.4)	(200.3)
Closing balance	1 926.9	2 118.7	743.5	914.3

Notes:

(a) Reconciliation does not include movements of 'other assets'.

(b) June 2014 comparative figures have been reclassified to reflect more current information.

(c) For produced and non-produced intangible assets.

Note 23: Other non-financial assets (continued)

(c) Fair value measurement of investment properties and biological assets as at 30 June

(\$ million)

State of Victoria	Carrying amount 2015	Fair value measurement at the end of the 2015 reporting period using:			Carrying amount 2014	Fair value measurement at the end of the 2014 reporting period using:		
		Level 1 ^(a)	Level 2 ^(b)	Level 3 ^(c)		Level 1 ^(a)	Level 2 ^(b)	Level 3 ^(c)
Investment properties	75.7	..	70.3	5.5	143.3	9.1	65.7	68.4
Biological assets	63.6	..	14.9	48.7	38.1	..	38.1	..
Total investment properties and biological assets	139.3	..	85.2	54.1	181.4	9.1	103.9	68.4
General government sector								
Investment properties	69.1	..	63.7	5.3	137.3	9.1	60.5	67.7
Biological assets	3.9	..	3.9	..	4.9	..	4.9	..
Total investment properties and biological assets	73.0	..	67.6	5.3	142.3	9.1	65.4	67.7

Notes:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities.

(b) Inputs based on observable market data (either directly using prices or indirectly derived from prices).

(c) Inputs not based on observable market data.

(d) Reconciliation of Level 3 fair value movements

(\$ million)

	State of Victoria		General government sector	
	2015	2014	2015	2014
Opening balance	68.4	0.9	67.7	..
Assets reclassified/(sales)	(62.4)	96.0	(62.4)	96.0
Transfers in (out) of Level 3	48.7	..	..	..
Revaluation	..	(28.3)	..	(28.3)
Reclassification	(0.6)	(0.1)	..	..
Closing balance	54.1	68.4	5.3	67.7

Transfers between Level 1 and Level 2.

There were no transfers identified between Levels 1 and 2.

(e) Description of significant unobservable inputs to Level 3 valuations

The description of the significant unobservable inputs to Level 3 assets measured at fair value can be seen below. The disclosure is based on the description associated with the significant asset balances within each of the different Level 3 asset classes as per Note 23(c). These assets are measured at the end of the reporting period using inputs not based on observable market data. The sensitivity of the unobservable input to fair value has been assessed and a significant increase or decrease in the significant unobservable input will result in significant higher or lower valuation of the underlying asset.

Asset class	Valuation technique	Significant unobservable input	Range
Investment properties	Income approach	Applied value per square metre	13-38% discount rate
Biological assets	Income approach	Discount rate	7.98% discount rate

Note 24: Assets classified by government purpose classification and department

(a) Total assets by government purpose classification^(a)

(\$ million)

	State of Victoria		General government sector	
	2015	2014	2015	2014
General public services	944.9	1 262.6	1 024.8	1 168.4
Public order and safety ^(b)	8 606.1	8 375.1	8 606.1	8 375.1
Education ^(b)	19 040.8	18 366.7	19 040.8	18 366.7
Health	12 477.3	12 865.5	12 457.4	12 845.2
Social security and welfare	1 838.9	1 058.0	1 838.9	1 058.0
Housing and community amenities ^(b)	70 559.2	69 637.1	7 159.9	7 100.0
Recreation and culture	13 072.5	12 878.7	8 328.1	8 543.0
Fuel and energy	18.7	25.4	10.6	15.3
Agriculture, forestry, fishing, and hunting	767.8	671.1	701.0	604.4
Transport and communications	82 057.6	75 824.7	49 149.5	47 497.0
Other economic affairs	625.6	925.8	625.6	925.8
Other purposes	5.9	6.4	1.8	2.4
Not allocated by purpose ^{(b)(c)}	49 769.6	47 784.1	100 040.3	93 059.4
Total assets^(b)	259 784.9	249 681.2	208 984.7	199 560.6

Notes:

(a) Note 41 provides definitions and descriptions of government purpose classifications.

(b) June 2014 comparative figures have been restated. See Note 37.

(c) Represents financial assets which are not able to be allocated by purpose.

(b) Purchases of non-financial assets by government purpose classification^(a)

(\$ million)

	State of Victoria		General government sector	
	2015	2014	2015	2014
General public services	147.2	112.8	95.7	79.3
Public order and safety	494.5	618.0	494.5	618.0
Education	374.1	720.1	374.1	720.1
Health	897.8	899.5	898.8	899.3
Social security and welfare	56.1	36.4	56.1	36.4
Housing and community amenities ^(b)	1 692.8	1 658.9	262.8	140.5
Recreation and culture	222.1	290.1	109.9	151.6
Fuel and energy	1.1	8.5	4.7	8.5
Agriculture, forestry, fishing, and hunting	30.0	33.1	24.5	20.3
Transport and communications	2 619.1	2 922.4	1 993.0	1 288.9
Other economic affairs	79.4	33.8	79.4	33.8
Other purposes	1.3	1.2	0.1	0.5
Total purchases of non-financial assets^(b)	6 615.6	7 334.7	4 393.7	3 997.3

Notes:

(a) Note 41 provides definitions and descriptions of government purpose classifications.

(b) June 2014 comparative figures have been restated to reflect more current information.

Note 24: Assets classified by government purpose classification and by department (continued)

(c) Purchase of non-financial assets by department^(a)

(\$ million)

	State of Victoria		General government sector	
	2015	2014	2015	2014
Economic Development, Jobs, Transport and Resources	1 486.1	66.6	1 175.2	50.1
Education and Training	363.1	521.9	363.1	521.9
Environment, Land, Water and Planning ^(b)	1 353.6	1 368.5	143.5	135.1
Health and Human Services	1 071.2	1 032.1	948.9	1 004.6
Human Services	103.4	336.2	19.0	44.6
Justice and Regulation	637.6	436.8	636.4	436.0
Premier and Cabinet	25.0	72.3	22.5	67.5
Transport, Planning and Local Infrastructure	1 309.1	3 304.3	892.9	1 571.2
Treasury and Finance	101.8	95.5	30.5	62.6
Parliament	21.8	13.3	21.8	13.3
Courts ^(c)	19.4	..	19.4	..
Regulatory bodies and other part budget funded agencies ^(d)	200.4	172.9	200.4	172.9
Adjustments ^(e)	(76.9)	(85.6)	(80.0)	(82.5)
Total^(b)	6 615.6	7 334.7	4 393.7	3 997.3

Notes:

(a) Effective 1 January 2015 several departments were renamed due to machinery of government changes:

- the Department of Education and Early Childhood Development was renamed the Department of Education and Training;
- the Department of Environment and Primary Industries was renamed the Department of Environment, Land, Water and Planning;
- the Department of Health was renamed the Department of Health and Human Services;
- the Department of Justice was renamed the Department of Justice and Regulation;
- the Department of State Development, Business and Innovation was renamed the Department of Economic Development, Jobs, Transport and Resources;
- the Department of Human Services was abolished; and
- the Department of Transport, Planning and Local Infrastructure was abolished.

The two abolished departments had their functions and operations transferred to other Victorian government departments. Functions and operations of the Department of Human Services were transferred to the Department of Health and Human Services and to the Department of Premier and Cabinet. Functions and operations of the Department of Transport, Planning and local Infrastructure were transferred to the Department of Environment, Land, Water and Planning, the Department of Health and Human Services and to the Department of Economic Development, Jobs, Transport and Resource. Certain functions and operations of continuing Victorian government departments were also transferred amongst departments as part of the machinery of government changes. Controlled entities which have been transferred as part of the machinery of government changes are listed under their new portfolio departments.

(b) June 2014 comparative figures have been restated. See Note 37.

(c) Courts, which was formerly part of the Department of Justice, came into operation from 1 July 2014.

(d) Other general government sector agencies not allocated to departmental portfolios.

(e) Represents adjustments for transfers between portfolio departments.

Note 25: Payables

(\$ million)

	State of Victoria		General government sector	
	2015	2014 ^(a)	2015	2014 ^(a)
Contractual				
Accounts payable	2 012.8	1 931.5	1 157.8	1 123.8
Accrued expenses	2 257.9	2 469.8	2 172.2	2 333.2
Unearned income	3 221.9	3 054.0	2 331.6	2 064.1
Statutory				
Accrued taxes payable	98.3	85.3	42.7	33.6
Total payables	7 590.9	7 540.5	5 704.3	5 554.8
Represented by:				
Current payables	5 587.0	5 863.0	3 776.2	3 874.8
Non-current payables	2 003.9	1 677.5	1 928.1	1 680.0

Note:

(a) June 2014 comparative figures have been restated. See Note 37.

Note 26: Borrowings

(\$ million)

	State of Victoria		General government sector	
	2015	2014	2015	2014
Current borrowings				
Domestic borrowings	4 462.5	2 936.9	3 860.6	1 438.8
Foreign currency borrowings	14.5	168.4	..	..
Finance lease liabilities ^(a)	208.9	198.1	138.5	126.9
Derivative financial instruments ^(b)	249.6	287.5	0.2	..
Total current borrowings ^{(a)(b)}	4 935.4	3 590.9	3 999.3	1 565.7
Non-current borrowings				
Domestic borrowings	37 497.9	38 680.7	22 099.3	23 444.2
Foreign currency borrowings	104.8	100.4	..	..
Finance lease liabilities ^(a)	8 551.5	8 619.3	7 920.1	7 922.9
Derivative financial instruments ^(b)	598.1	354.1	50.3	20.8
Total non-current borrowings ^{(a)(b)}	46 752.4	47 754.4	30 069.6	31 387.9
Total borrowings ^(b)	51 687.7	51 345.3	34 069.0	32 953.6

Notes:

(a) June 2014 comparative figures have been reclassified to reflect more current information.

(b) June 2014 comparative figures have been restated. See Note 37.

Note 27: Employee benefits and on-costs

(\$ million)

	State of Victoria		General government sector	
	2015	2014 ^(a)	2015	2014 ^(a)
Current				
Accrued salaries and wages	318.3	349.6	287.7	320.5
Other employee benefits	45.8	37.7	26.4	23.1
Annual leave				
Unconditional and expected to settle within 12 months	1 071.6	983.4	985.9	905.7
Unconditional and expected to settle after 12 months	182.2	198.2	153.5	170.6
Long service leave				
Unconditional and expected to settle within 12 months	801.4	719.9	723.2	660.3
Unconditional and expected to settle after 12 months	2 259.7	2 088.7	2 134.8	1 959.7
On-costs				
Unconditional and expected to settle within 12 months	232.7	229.7	215.6	209.9
Unconditional and expected to settle after 12 months	385.7	361.5	366.4	339.7
Total current employee benefits and on-costs	5 297.3	4 968.6	4 893.4	4 589.5
Non-current				
Long service leave	679.6	648.4	623.4	591.5
On-costs ^(b)	99.1	91.4	88.4	85.0
Total non-current employee benefits and on-costs	778.7	739.8	711.9	676.5
Total employee benefits and on-costs	6 075.9	5 708.4	5 605.3	5 266.0

Notes:

(a) June 2014 comparative figures have been restated. See Note 37.

(b) On-costs include payroll tax, superannuation and worker's compensation insurance.

Movements in provisions of on-costs for the financial year ending 30 June 2015

(\$ million)

	State of Victoria	General government sector
	2015	2015
Opening balance	682.6	634.6
Additional provisions recognised	210.5	200.5
Additions due to acquisitions	1.1	0.2
Reductions arising from payments/other sacrifices of future economic benefits	(169.0)	(163.8)
Reductions resulting from re-measurement or settlement without cost	(8.7)	(2.8)
Unwind of discount and effect of changes in the discount rate	1.0	1.7
Closing balance	717.4	670.4
Represented by:		
Current	618.3	582.0
Non-current	99.1	88.4

Note 28: Other provisions

(\$ million)

	State of Victoria		General government sector	
	2015	2014	2015	2014
Provision for insurance claims				
WorkSafe Victoria	1 995.3	1 928.1	..	..
Transport Accident Commission	1 138.1	1 079.8	..	..
Victorian Managed Insurance Authority	299.0	381.2	..	..
Other agencies	18.4	15.9	14.2	11.7
Current provision for insurance claims	3 450.8	3 405.0	14.2	11.7
Onerous contracts	47.4	45.5	..	..
Other provisions	365.1	368.3	234.4	181.3
Total current other provisions	3 863.3	3 818.7	248.5	193.0
Non-current provision for insurance claims				
WorkSafe Victoria	9 366.3	8 823.2	..	..
Transport Accident Commission	10 895.7	9 768.6	..	..
Victorian Managed Insurance Authority	1 462.0	1 665.2	..	..
Other agencies	31.3	27.5	30.0	26.6
Non-current provision for insurance claims	21 755.3	20 284.4	30.0	26.6
Onerous contracts	25.6	69.0	..	..
Other provisions ^(a)	568.6	459.7	528.8	409.8
Total non-current other provisions^(a)	22 349.5	20 813.2	558.8	436.4
Total other provisions^(a)	26 212.8	24 631.8	807.4	629.4

Note:

(a) June 2014 comparative figures have been restated. See Note 37.

Reconciliation of movements in insurance claims

(\$ million)

	State of Victoria		General government sector	
	2015	2014	2015	2014
Opening balance	23 689.4	22 479.0	38.3	41.4
Effect of changes in assumptions and claims experience	302.0	(286.4)	(0.1)	(8.5)
Cost of prior year claims (unwinding of discount)	898.4	1 060.6	(1.4)	0.8
Increase in claims incurred ^(a)	4 085.2	3 774.7	22.8	17.0
Claim payments during the year ^(a)	(3 346.8)	(2 930.5)	(13.1)	(12.5)
Other	(422.0)	(408.0)	(2.2)	..
Closing balance	25 206.2	23 689.4	44.2	38.3

Note:

(a) Claim payments and claims incurred during the year are net of recoveries.

Note 28: Other provisions (continued)

Assumptions used in measurement of liability for outstanding insurance claims

The disclosed assumptions are used in the measurement of the liability for outstanding insurance claims on the basis of actuarially estimated costs of future claims payments, which are discounted to a present value at balance sheet date.

Entity	Actuary	Weighted average expected term		Financial assumptions used (%) ^{(a)(b)(c)}				Prudential margin used (%)	
		to settlement (years)		Weighted average inflation rate (%) ^(d)		Weighted average discount rate (%)		2015	2014
		2015	2014	2015	2014	2015	2014	2015	2014
Victorian WorkCover Authority (WorkSafe Victoria)	Pricewaterhouse Coopers Actuarial Ltd	5.9	5.7	AWE ^(e) inflation= 3.70 CPI inflation= 2.50	AWE inflation= 3.75 CPI inflation= 2.50	3.05	3.62 ^(f)	8.0	8.0
Transport Accident Commission	Pricewaterhouse Coopers Actuarial Ltd	15.3	15	3.50 (1 year or less) 3.75 (later than 1 year)	3.75	1.96 (1 year or less) 4.3 (later than 1 year)	2.47 (1 year or less) ^(f) 4.7 (later than 1 year)	10.0	10.0
Victorian Managed Insurance Authority	Finity Consulting Pty Ltd (Medical Indemnity)	4.8	5.6	7	7.8	2.8	3.4	Risk margin=21.1 CHE ^(g) = 3.0	Risk margin=21.1 CHE= 4.0
Victorian Managed Insurance Authority	Finity Consulting Pty Ltd (Liability)	3.8	3.0	3.5	3.8	2.5	3.0	Risk margin=32.5 CHE= 6.7	Risk margin=32.2 CHE= 1.7
Victorian Managed Insurance Authority	Finity Consulting Pty Ltd (Property)	0.9	0.9	3.5	3.8	2.5	3.0	Risk margin=18.0 CHE= 5.3	Risk margin=24.3 CHE= 1.6
Victorian Managed Insurance Authority	Finity Consulting Pty Ltd (Other)	3.3	3.1	3.5	3.8	2.5	3.0	Risk margin=30.7 CHE= 8.0	Risk margin=30.5 CHE= 6.0
Victorian Managed Insurance Authority	Finity Consulting Pty Ltd (Dust Diseases and Workers' Compensation)	11.7	12.2	5.5	5.8	3.7	4.2	Risk margin=29.3 CHE= 8.0.	Risk margin=29.3 CHE= 10.0
Victorian Managed Insurance Authority	Finity Consulting Pty Ltd (Domestic Building Insurance)	4.2	4.5	3.5	3.8	2.5	3.2	Risk margin=24.1 CHE= 7.0	Risk margin=24.1 CHE= 8.0

Notes:

- (a) The inflation rate assumptions are based on the anticipated rise in costs relevant to a particular entity.
- (b) Financial assumptions used for provisions not later than 1 year and later than 1 year are the same unless otherwise specified.
- (c) Data in financial assumptions used columns are weighted average unless otherwise specified.
- (d) The inflation rates used by Transport Accident Commission are not weighted average.
- (e) AWE = Average Weekly Earnings.
- (f) June 2014 comparative figure has been restated to reflect more current information.
- (g) Refers to 'Claims Handling Expenses'. Claims handling expenses is an allowance made for the direct expenses to be incurred in settling claims.

Note 28: Other provisions (continued)

Reconciliation of movements in onerous contracts provisions

(\$ million)

	State of Victoria		General government sector	
	2015	2014	2015	2014
Opening balance	114.4	337.9	..	..
Receipts	163.6	347.5	..	..
Payments	(194.4)	(415.2)	..	..
Discount interest ^(a)	2.5	8.0	..	..
(Gain)/loss on restatement of the liability	(13.1)	(163.7)	..	..
Closing balance	73.0	114.4	..	..

Note:

(a) The net change in the present value of assets and liabilities between reporting periods has been recognised as discount interest.

Note 29: Reserves, accumulated surplus/(deficit) and non-controlling interests

(a) Reserves^(a)

(\$ million)

	State of Victoria		General government sector	
	2015	2014	2015	2014
Land, buildings, infrastructure, plant and equipment revaluation surplus	77 429.5	85 436.7	43 354.8	41 965.2
Available-for-sale investments revaluation surplus	60.2	91.1	43.2	58.3
Revaluation surplus for investments in PFC and PNFC entities	..	..	46 413.0	42 187.3
Other reserves	1 140.7	1 069.4	685.0	582.0
Total reserves	78 630.4	86 597.3	90 496.0	84 792.8

Note:

(a) June 2014 comparative figures have been restated. See Note 37.

Movements in reserves

Land, buildings, infrastructure, plant and equipment revaluation surplus

(\$ million)

	State of Victoria		General government sector	
	2015	2014 ^(a)	2015	2014 ^(a)
Balance at beginning of reporting period	85 436.7	80 775.7	41 965.2	40 286.9
Revaluation – associate	(236.3)	(174.8)	..	..
Revaluation – other	7 640.6	5 120.7	2 524.4	1 963.2
Transfers to accumulated surplus	(15 411.6)	(284.8)	(1 134.7)	(284.8)
Balance at the end of the reporting period	77 429.5	85 436.7	43 354.8	41 965.2

Note:

(a) June 2014 comparative figures have been restated. See Note 37.

Note 29: Reserves, accumulated surplus/(deficit) and non-controlling interests (continued)

Available for sale investments revaluation surplus

(\$ million)

	State of Victoria		General government sector	
	2015	2014 ^(a)	2015	2014 ^(a)
Balance at beginning of reporting period	91.1	66.1	58.3	51.6
Revaluation	(30.3)	26.3	(14.4)	7.9
Transferred to profit or loss for the period	(0.7)	(1.3)	(0.7)	(1.2)
Balance at the end of the reporting period	60.2	91.1	43.2	58.3

Note:

(a) June 2014 comparative figures have been restated. See Note 37.

Revaluation surplus for investments in PFC and PNFC

(\$ million)

	State of Victoria		General government sector	
	2015	2014	2015	2014
Balance at beginning of reporting period	42 187.3	38 373.5
Revaluation – PFC entities	636.0	944.3
Revaluation – PNFC entities	3 589.6	2 869.6
Balance at the end of the reporting period	46 413.0	42 187.3

Other reserves

(\$ million)

	State of Victoria		General government sector	
	2015	2014	2015	2014
Balance at beginning of reporting period	1 069.4	1 491.6	582.0	562.3
Transfers to/(from) accumulated surplus	71.3	(422.2)	103.0	19.8
Balance at the end of the reporting period	1 140.7	1 069.4	685.0	582.0

**Note 29: Reserves, accumulated surplus/(deficit) and non-controlling interests
(continued)**

(b) Accumulated surplus/(deficit)^(a)

(\$ million)

	State of Victoria		General government sector	
	2015	2014	2015	2014
Balance at beginning of reporting period	45 435.9	42 802.2	43 634.6	42 411.9
Net result for the period	50.7	1 651.9	748.8	765.7
Other comprehensive income for the year	330.6	697.0	270.4	172.3
Transfer to accumulated surplus	15 411.6	284.8	1 134.7	284.8
Balance at the end of the reporting period	61 228.8	45 435.9	45 788.5	43 634.6

Note:

(a) June 2014 comparative figures have been restated. See Note 37.

(c) Non-controlling interest^(a)

(\$ million)

	State of Victoria		General government sector	
	2015	2014	2015	2014
Balance at beginning of reporting period	50.0	50.0	50.0	50.0
Net contributions during the year	..	..	..	..
Balance at the end of the reporting period	50.0	50.0	50.0	50.0

Note:

(a) Non-controlling interest share of contributed capital in the Australian Synchrotron Holding Company as at 30 June 2015.

Note 30: Cash flow information

(a) Reconciliation of cash and cash equivalents

(\$ million)

	State of Victoria		General government sector	
	2015	2014	2015	2014
Cash	1 569.3	1 872.0	1 202.6	1 538.3
Deposits at call ^(a)	4 951.8	6 410.1	3 079.1	3 043.9
Cash and cash equivalents ^(a)	6 521.1	8 282.0	4 281.7	4 582.2
Bank overdraft	(10.8)	(0.8)	..	..
Balances as per cash flow statement ^(a)	6 510.3	8 281.3	4 281.7	4 582.2

(b) Reconciliation of net result to net cash flows from operating activities

(\$ million)

	State of Victoria		General government sector	
	2015	2014 ^(a)	2015	2014 ^(a)
Net result	50.7	1 651.9	748.8	765.7
Non-cash movements				
Depreciation and amortisation	4 487.5	4 347.7	2 429.4	2 406.9
Revaluation of investments	(728.0)	(1 372.4)	(21.4)	(47.6)
Assets (received)/provided free of charge	(142.3)	(160.8)	12.8	(34.8)
Assets not previously/no longer recognised	(29.5)	819.0	(29.4)	819.2
Revaluation of assets	220.0	73.9	215.9	96.0
Discount/premium on other financial assets/borrowings	(140.7)	(73.2)	3.0	6.7
Bad/doubtful debts	0.3	1.1	0.2	..
Foreign currency dealings	0.3	0.2	0.3	0.2
Unrealised (gains)/losses on borrowings	749.5	877.4	..	..
Discounting of assets and liabilities	(0.1)	..	(0.1)	..
Movements included in investing and financing activities				
Net gain/loss from sale of investments	(1 257.5)	(823.9)	(20.2)	(2.7)
Net gain/loss from sale of plant and equipment	(11.7)	6.9	(32.1)	25.0
Realised gains/losses on borrowings	53.7	59.8	..	..
Movements in assets and liabilities				
Increase/(decrease) in provision for doubtful debts	(11.9)	15.9	(6.7)	21.7
Increase/(decrease) in payables	488.8	65.1	376.1	(447.2)
Increase/(decrease) in employee benefits	367.6	112.6	339.3	86.0
Increase/(decrease) in superannuation	243.5	230.9	244.9	241.3
Increase/(decrease) in other provisions	1 583.8	1 112.3	168.5	51.9
(Increase)/decrease in receivables	(414.2)	(25.6)	(607.5)	54.0
(Increase)/decrease in other non-financial assets	142.9	(62.8)	(2.6)	(99.9)
Net cash flows from operating activities	5 652.7	6 856.2	3 819.0	3 942.5

Note:

(a) June 2014 comparative figures have been restated. See Note 37.

Note 31: Reconciliations

(a) Reconciliation to GFS net operating balance^{(a)(b)}

(\$ million)

	General government sector		Public non-financial corporations		Public financial corporations		Eliminations		State of Victoria	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Net result from transactions – net operating balance^(c)	1 214.0	1 979.8	(161.9)	(183.8)	(892.4)	(1 095.0)	(770.4)	86.7	(610.7)	787.6
<i>Convergence differences:</i>										
PNFC/PFC dividends	..	..	255.5	84.5	566.2	136.0	(821.7)	(220.5)	..	..
<i>plus total convergence difference:</i>	..	..	(255.5)	(84.5)	(566.2)	(136.0)	821.7	220.5	..	..
GFS net operating balance	1 214.0	1 979.8	(417.4)	(268.3)	(1 458.7)	(1 231.1)	51.3	307.2	(610.7)	787.6

Notes:

- (a) Determined in accordance with the ABS GFS Manual.
 (b) June 2014 comparative figures have been restated. See Note 37.
 (c) The convergence difference arises because GFS recognised dividends paid/ payable as an expense from transactions on the operating statement whereas, under accounting standards, dividends are classified as after-profit distributions to owner.

(b) Reconciliation to GFS net lending/(borrowing)^{(a)(c)}

(\$ million)

	General government sector		Public non-financial corporations		Public financial corporations		Eliminations		State of Victoria	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Net lending/(borrowing)	921.7	1 353.9	(1 717.5)	(2 357.4)	(872.9)	(1 070.1)	(749.8)	86.7	(2 418.5)	(1 986.9)
<i>Convergence differences:</i> ^(b)										
Relating to net operating balance – PNFC/PFC dividends	..	..	255.5	84.5	566.2	136.0	(821.7)	(220.5)	..	..
<i>plus total convergence difference:</i>	..	..	(255.5)	(84.5)	(566.2)	(136.0)	821.7	220.5	..	..
GFS net lending/(borrowing)	921.7	1 353.9	(1 973.0)	(2 441.9)	(1 439.1)	(1 206.1)	71.9	307.2	(2 418.5)	(1 986.9)

Notes:

- (a) Determined in accordance with the ABS GFS Manual.
 (b) The convergence difference arises because GFS recognised dividends paid/ payable as an expense from transactions on the operating statement whereas, under accounting standards, dividends are classified as after-profit distributions to owner.
 (c) June 2014 comparative figures have been restated. See Note 37.

Note 31: Reconciliations (continued)**(c) Reconciliation to GFS total change in net worth^{(a)(b)}**

(\$ million)

	General government sector		Public non-financial corporations		Public financial corporations		Eliminations		State of Victoria	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Comprehensive result – total change in net worth	7 857.1	6 741.4	3 847.7	2 954.1	161.7	674.0	(4 040.5)	(3 471.8)	7 826.0	6 897.6
<i>Convergence differences:</i>										
Relating to net operating balance – PNFC/PFC dividends	..	..	255.5	84.5	566.2	136.0	(821.7)	(220.5)	..	..
Relating to other economic flows: ^(c)										
Contribution by non-controlling interest										
Doubtful receivables of the general government sector ^(d)	(7.2)	21.1	..	..	..	..	..	..	(7.2)	21.1
Doubtful receivables of the PNFC/PFC sector	..	..	(0.4)	(0.6)	(5.0)	(5.0)	..	..	(5.5)	(5.6)
Future tax benefits of the PNFC/PFC sector	..	..	(16.6)	13.7	58.3	602.3	(41.6)	(615.9)	..	..
Deferred tax liability of the PNFC/PFC sector	..	..	702.8	100.8	0.6	(83.1)	(703.3)	(17.8)	..	..
Net gain on equity investments in other sector entities measured at proportional share of the carrying amount of net assets/(liabilities) ^{(e)(f)}	739.5	628.2	..	..	..	..	(739.5)	(628.2)	..	..
Change in shares and other contributed capital	..	..	(4 788.9)	(3 152.5)	(781.7)	(1 324.3)	5 570.6	4 476.8	..	..
<i>plus total convergence differences</i>	<i>732.3</i>	<i>649.2</i>	<i>(3 847.7)</i>	<i>(2 954.1)</i>	<i>(161.7)</i>	<i>(674.0)</i>	<i>3 264.4</i>	<i>2 994.4</i>	<i>(12.7)</i>	<i>15.5</i>
GFS total change in net worth	8 589.4	7 390.6	..	..	..	..	(776.1)	(477.5)	7 813.3	6 913.1

Notes:

- (a) Determined in accordance with the ABS GFS Manual.
- (b) June 2014 comparative figures have been restated. See Note 37.
- (c) Excludes transactions with owners as owner, therefore excluding Non-controlling Interest.
- (d) The convergence difference arises because GFS does not recognise doubtful receivables, whereas the operating statement recognises it and classifies doubtful receivables as other economic flows.
- (e) The convergence difference arises because the amount of net assets (and therefore the change in carrying amount of net assets) of other sector entities determined under GFS principles and rules differs from the carrying amount of net assets.
- (f) Net gain on equity investments in other sector entities includes doubtful receivables, future tax benefits and deferred tax liability of the PNFC and PFC sectors.

Note 31: Reconciliations (continued)**(d) Reconciliation to GFS net worth^{(a)(b)}**

(\$ million)

	General		Public non-financial		Public		Eliminations		State of Victoria	
	government sector		corporations		financial corporations					
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Net worth	136 334.5	128 477.4	78 971.5	72 973.2	(794.0)	(312.3)	(74 602.8)	(69 055.1)	139 909.2	132 083.2
<i>Convergence differences:</i>										
Relating to net operating balance – PNFC/PFC dividends	..	..	255.5	84.5	566.2	136.0	(821.7)	(220.5)	..	..
Non-controlling interest	(50.0)	(50.0)	..	..	..	..	..	..	(50.0)	(50.0)
Doubtful receivables of the general government sector ^(c)	907.8	915.0	..	..	..	..	..	..	907.8	915.0
Doubtful receivables of the PNFC/PFC sector	..	..	21.0	21.5	45.4	50.4	..	..	66.5	71.9
Future tax benefits of the PNFC/PFC sector	..	..	(192.6)	(176.0)	(841.4)	(899.6)	1 034.0	1 075.6	..	..
Deferred tax liability of the PNFC/PFC sector	..	..	8 630.3	7 927.5	7.1	6.5	(8 637.4)	(7 934.1)	..	..
Investments in other sector entities ^{(d)(e)}	7 669.9	6 930.4	..	..	..	..	(7 669.9)	(6 930.4)	..	..
Shares and other contributed capital	..	..	(87 685.8)	(80 830.8)	1 016.7	1 019.0	86 669.1	79 811.8	..	..
<i>plus total convergence difference:</i>	<i>8 527.7</i>	<i>7 795.4</i>	<i>(78 971.5)</i>	<i>(72 973.2)</i>	<i>794.0</i>	<i>312.3</i>	<i>70 574.0</i>	<i>65 802.4</i>	<i>924.3</i>	<i>937.0</i>
GFS net worth	144 862.2	136 272.8	..	..	..	..	(4 028.8)	(3 252.7)	140 833.4	133 020.2

*Notes:**(a) Determined in accordance with the ABS GFS Manual.**(b) June 2014 comparative figures have been restated. See Note 37.**(c) The convergence difference in accounts receivable arises because GFS does not recognise doubtful receivables, whereas a provision for doubtful receivables is recognised in the balance sheet.**(d) The convergence difference arises because the amount of net assets (and therefore the change in carrying amount of net assets of other sector entities determined under GFS principles and rules differ from the carrying amount of net assets.**(e) Investments in other sector entities for general government sector include doubtful receivables, future tax benefits and deferred tax liability of the PNFC and PFC sectors.*

Note 31: Reconciliations (continued)**(e) Reconciliation to GFS cash surplus/(deficit)^{(a)(b)}**

(\$ million)

	General government sector		Public non-financial corporations		Public financial corporations		Eliminations		State of Victoria	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Cash surplus/(deficit)	(176.9)	216.2	(614.7)	(1 280.9)	399.1	1 246.7	24.5	(164.0)	(368.0)	17.9
<i>Convergence differences:</i>										
Less: Acquisitions under finance leases and similar arrangements	(98.5)	(109.5)	..	..	..	..	..	..	(98.5)	(109.5)
GFS cash surplus/(deficit)	(275.4)	106.6	(614.7)	(1 280.9)	399.1	1 246.7	24.5	(164.0)	(466.5)	(91.6)

Notes:

(a) Determined in accordance with the ABS GFS Manual.

(b) June 2014 comparative figures have been restated. See Note 37.

Note 32: Explanations of material variances between budget and actual outcomes

The following tables and notes explain material variances between the general government sector original budget as published in Chapter 1 of 2014-15 Budget Paper No. 5 *Statement of Finances* and actual outcomes. The tables also include the revised budget estimates as published in Appendix B of 2015-16 Budget Paper No. 5 *Statement of Finances*.

The original budget data is sourced from the estimated financial statements, which were reviewed by the Auditor-General, but not subject to an audit.

For the general government sector comprehensive operating statement, variances are considered to be material where the variance exceeds the greater of 10 per cent of the original budget estimates or \$15 million. In regard to the other statements, high level explanations of major variances in the key aggregates, where material, have been provided.

(a) Consolidated comprehensive operating statement for the financial year ending 30 June

(\$ million)								
General government sector								
Notes	Original budget	Revised budget	2015 actual	Budget variance	%	Revised budget variance	%	
Revenue from transactions								
Taxation revenue	(a)	18 067.5	18 273.9	18 338.7	271.1	1.5	64.7	0.4
Interest revenue	(b)	842.1	824.6	827.1	(15.0)	(1.8)	2.5	0.3
Dividends and income tax equivalent and rate equivalent revenue	(c)	584.7	1 025.5	1 112.7	528.0	90.3	87.2	8.5
Sales of goods and services		6 478.4	6 525.5	6 482.2	3.9	0.1	(43.2)	(0.7)
Grant revenue	(d)	24 855.3	24 584.3	24 502.8	(352.5)	(1.4)	(81.5)	(0.3)
Other revenue	(e)	2 073.9	2 308.7	2 508.5	434.6	21.0	199.8	8.7
Total revenue from transactions		52 901.9	53 542.4	53 772.0	870.1	1.6	229.6	0.4
Expenses from transactions								
Employee expenses	(f)	18 442.3	18 478.4	18 834.3	392.0	2.1	355.9	1.9
Net superannuation interest expense		1 023.9	1 038.0	1 038.0	14.1	1.4	..	..
Other superannuation	(g)	1 863.7	1 864.1	1 978.0	114.4	6.1	113.9	6.1
Depreciation	(h)	2 496.0	2 497.5	2 425.4	(70.7)	(2.8)	(72.1)	(2.9)
Interest expense	(i)	2 195.8	2 102.8	2 102.4	(93.4)	(4.3)	(0.4)	..
Grant expense	(j)	8 294.3	8 220.0	8 529.1	234.7	2.8	309.1	3.8
Other operating expenses	(k)	17 259.2	18 458.7	17 650.8	391.6	2.3	(807.9)	(4.4)
Total expenses from transactions		51 575.1	52 659.4	52 558.0	982.8	1.9	(101.5)	(0.2)
Net result from transactions – net operating balance		1 326.7	883.0	1 214.0	(112.7)	(8.5)	331.1	37.5
Other economic flows included in net result								
Net gain/(loss) on disposal of non-financial assets		106.3	64.6	32.1	(74.2)	n.a.	(32.5)	n.a.
Net gain/(loss) on financial assets or liabilities at fair value		2.8	28.1	53.1	50.3	n.a.	25.0	n.a.
Share of net profit/(loss) from associates/joint venture entities		..	..	(2.6)	(2.6)	..	(2.6)	..
Other gains/(losses) from other economic flows		(283.6)	(443.7)	(547.9)	(264.2)	n.a.	(104.2)	n.a.
Total other economic flows included in net result		(174.5)	(351.0)	(465.2)	(290.8)	n.a.	(114.2)	n.a.
Net result		1 152.2	532.0	748.8	(403.5)	n.a.	216.8	n.a.

**Note 32: Explanations of material variances between budget and actual outcomes
(continued)**

**(a) Consolidated comprehensive operating statement for the financial year ending
30 June (continued)**

(\$ million)

General government sector

	<i>Original budget</i>	<i>Revised budget</i>	<i>2015 actual</i>	<i>Budget variance</i>	<i>%</i>	<i>Revised budget variance</i>	<i>%</i>
Other economic flows – other comprehensive income							
Items that will not be reclassified to net result							
Changes in non-financial assets revaluation surplus	3 906.5	4 820.2	2 524.4	(1 382.2)	n.a.	(2 295.8)	n.a.
Remeasurement of superannuation defined benefits plans	499.2	(4 278.8)	551.3	52.1	n.a.	4 830.1	n.a.
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	2 884.3	2 438.1	4 225.6	1 341.4	n.a.	1 787.6	n.a.
Other movements in equity	0.1	44.9	(148.4)	(148.5)	n.a.	(193.3)	n.a.
Items that may be reclassified subsequently to net result							
Net gain/(loss) on financial assets at fair value	1.1	1.2	(44.6)	(45.8)	n.a.	(45.9)	n.a.
Total other economic flows – other comprehensive income	7 291.2	3 025.6	7 108.3	(182.9)	n.a.	4 082.8	n.a.
Comprehensive result – total change in net worth	8 443.5	3 557.6	7 857.1	(586.4)	n.a.	4 299.6	n.a.

Note 32: Explanations of material variances between budget and actual outcomes (continued)

Revenue from transactions

Revenue from transactions was \$53.8 billion for the year to 30 June 2015. This was 1.6 per cent higher than estimated in the original budget. The movements in revenue items from the original budget are discussed below.

- (a) Taxation revenue was \$271.1 million (1.5 per cent) higher than the original published estimate, largely driven by higher land transfer duty revenue of \$497.7 million due to an improved property market strengthened by interest rate cuts and strong growth in non-residential markets. This higher than expected outcome was partially offset by:
- lower land tax revenue of \$150.8 million driven mostly by fewer assessments from the State Revenue Office than expected and lower than forecast land revaluations;
 - lower Fire Services Property Levy collections of \$38.0 million to offset the higher than expected collections of this levy in the previous year; and
 - lower gambling tax revenue of \$36.6 million, due to lower turnovers in public lotteries and electronic gaming machines in clubs and hotels.
- (b) Interest revenue was \$15.0 million lower than the original budget, mainly reflecting lower than expected returns for funds held.
- (c) Dividends, income tax and rate equivalent revenue was \$528.0 million higher than budgeted. This largely reflected \$357.1 million worth of interim dividends and income tax equivalent receipts from WorkSafe Victoria and the Transport Accident Commission being deferred from the previous year and paid in 2014-15 as well as variations in profits. In addition, higher dividend revenue of \$186.9 million was received from the State Electricity Commission of Victoria and the water sector.
- (d) Grants revenue was \$352.5 million (1.4 per cent) lower than originally budgeted. This was due to a \$1.1 billion reduction in capital grants, primarily relating to Commonwealth grants for road and rail investments. The Commonwealth brought forward grants from 2014-15 to 2013-14 for the State's Regional Rail Link and East West Link projects. Furthermore, savings on the Regional Rail Link project have been reallocated to other road investments and are now expected to be received in future years. In aggregate, the reduction in grant revenue was offset by a \$775.1 million increase in current grants received in relation to education and health programs (\$377.3 million), higher grants to local governments for on-passing (\$175.9 million) and higher than expected goods and services tax revenue grants (\$202.2 million).
- (e) Other revenue was \$434.6 million (21 per cent) higher than the original budget. Major variations relate to the following:
- higher revenue than anticipated in hospitals and health services, due to higher commercial activity from a variety of sources (\$207.6 million);
 - other miscellaneous revenue (\$83.6 million) primarily relating to revenue received from developers for the Kew residential services redevelopment and new releases in taxi licences as a result of the Taxi Industry Reform;
 - the recognition of resources received free of charge by Public Transport Victoria for its use of the *myki* assets held by Victorian Rail Track (\$54.1 million); and
 - the revenue received from sale of water entitlements to the Commonwealth and assets received free of charge relating to the Murray Darling Basin Authority – Living Murray Initiative (\$75.8 million).

Note 32: Explanations of material variances between budget and actual outcomes (continued)

Expenses from transactions

Expenses from transactions was \$52.6 billion for the year to 30 June 2015. This was 1.9 per cent higher than the original budget (or 0.2 per cent lower at revised budget). The main movements are outlined below.

- (f) Employee expenses were \$392 million higher than originally estimated. This is largely due to higher actual salaries in health agencies and hospitals to meet higher than expected hospital activity.
- (g) The increase in other superannuation expenses of \$114.4 million was attributable to an increase in defined benefit service costs, due to lower bond yields, and an increase in employer contributions to defined contribution funds.
- (h) The decrease in the depreciation expense of \$70.7 million compared to the original budget was mainly driven by a lower than original budgeted depreciation expense for hospital buildings. This was offset by a small increase in the depreciation of education-related assets due to the fair value adjustment on economic obsolescence.
- (i) Interest expense was \$93.4 million lower than the original budget, mainly associated with a reduction in both long and short-term borrowings due to the re-phasing of various road and rail projects.
- (j) Grant expenses were \$234.7 million higher than expected in the *2014-15 Budget*, mainly driven by current grants to local government for on-passing and Commonwealth and capital grants to the private sector.
- (k) Other operating expenses were \$391.6 million (2.3 per cent) higher than the original budget, largely reflecting the costs to the State from finalisation of the agreement with the East West Link consortium.

Other economic flows included in net result

Total other economic flows included in the net result have decreased by \$290.8 million compared to estimates in the original budget. The decrease was primarily due to the revaluation of employee benefit provisions following the change in bond interest rates and the revaluation of non-financial assets.

Note 32: Explanations of material variances between budget and actual outcomes (continued)

(b) Consolidated balance sheet as at 30 June

(\$ million)

General government sector							
	Original budget	Revised budget	2015 actual	Budget variance	%	Revised budget variance	%
Assets							
Financial assets							
Cash and deposits	4 254.0	4 912.6	4 281.7	27.7	0.7	(630.9)	(12.8)
Advances paid	4 541.7	4 567.9	4 571.8	30.1	0.7	3.9	0.1
Receivables	4 805.3	5 010.0	5 555.3	750.0	15.6	545.3	10.9
Investments, loans and placements	3 377.1	3 039.3	3 405.9	28.7	0.9	366.5	12.1
Investments accounted for using the equity method	49.4	44.1	44.6	(4.8)	(9.8)	0.4	1.0
Investments in other sector entities	79 237.9	80 446.8	82 181.0	2 943.1	3.7	1 734.2	2.2
Total financial assets	96 265.4	98 020.7	100 040.3	3 774.8	3.9	2 019.6	2.1
Non-financial assets							
Inventories	174.9	155.1	144.5	(30.4)	(17.4)	(10.6)	(6.8)
Non-financial assets held-for-sale	108.3	128.5	175.3	67.0	61.8	46.8	36.4
Land, buildings, infrastructure, plant and equipment	106 143.6	109 633.6	107 586.4	1 442.8	1.4	(2 047.2)	(1.9)
Other non-financial assets	931.7	1 208.5	1 038.3	106.6	11.4	(170.2)	(14.1)
Total non-financial assets	107 358.5	111 125.6	108 944.5	1 586.0	1.5	(2 181.2)	(2.0)
Total assets	203 623.9	209 146.3	208 984.7	5 360.8	2.6	(161.6)	(0.1)
Liabilities							
Deposits held and advances received	429.0	426.4	517.8	88.7	20.7	91.4	21.4
Payables	5 104.6	5 864.2	5 704.3	599.7	11.7	(159.9)	(2.7)
Borrowings	35 111.8	33 333.4	34 069.0	(1 042.8)	(3.0)	735.6	2.2
Employee benefits	5 606.8	5 519.7	5 605.3	(1.5)	..	85.5	1.5
Superannuation	22 924.5	30 752.2	25 946.6	3 022.0	13.2	(4 805.7)	(15.6)
Other provisions	644.3	1 261.7	807.4	163.0	25.3	(454.3)	(36.0)
Total liabilities	69 821.1	77 157.6	72 650.2	2 829.1	4.1	(4 507.4)	(5.8)
Net assets	133 802.8	131 988.7	136 334.5	2 531.7	1.9	4 345.8	3.3
Accumulated surplus/(deficit)	47 288.4	39 828.6	45 788.5	(1 499.9)	(3.2)	5 959.9	15.0
Reserves	86 464.5	92 110.2	90 496.0	4 031.5	4.7	(1 614.1)	(1.8)
Non-controlling interest	50.0	50.0	50.0	..	..	..	..
Net worth	133 802.8	131 988.7	136 334.5	2 531.7	1.9	4 345.8	3.3
FISCAL AGGREGATES							
Net financial worth	26 444.4	20 863.1	27 390.1	945.7	3.6	6 527.0	31.3
Net financial liabilities	52 793.6	59 583.7	54 791.0	1 997.4	3.8	(4 792.7)	(8.0)
Net debt	23 368.0	21 240.0	22 327.4	(1 040.5)	(4.5)	1 087.4	5.1

Note 32: Explanations of material variances between budget and actual outcomes (*continued*)

Net financial worth

Net financial worth is total financial assets less total liabilities. Net financial worth was \$945.7 million (3.6 per cent) higher than the original budget. This was driven by higher financial assets of \$3.8 billion offset with higher liabilities of \$2.8 billion when compared to the original budget.

The increase in total financial assets was driven by higher investments in other sectors due to the revaluation of rail and port assets, in line with the relevant reporting requirements.

The increase in total liabilities was largely attributable to a higher superannuation liability as a result of unfavourable bond yield movements between 31 March 2014 and 30 June 2015. Borrowings were also lower than expected in the original budget consistent with the decrease in net debt. This is offset by a higher than expected unearned income payable due to the impact of the Melbourne Casino Licence amendments.

Net financial liabilities

Net financial liabilities are total liabilities less all financial assets (excluding investments in other sectors). Net financial liabilities were \$2.0 billion higher than the original budget. This increase was explained previously in net financial worth.

Net debt

Net debt equals the sum of deposits held, advances received, government securities, loans and other borrowing less the sum of cash and deposits, advances paid and investments, loans and placements. Net debt is \$1.0 billion (4.5 per cent) lower when compared to the original budget. This is mainly due to the proceeds received from the sale of Rural Finance Corporation and re-phasing of various road and rail project expenditure which reduced the underlying borrowing requirement for 2014-15.

Note 32: Explanations of material variances between budget and actual outcomes (continued)

(c) Consolidated cash flow statement for the year ended 30 June

(\$ million)

General government sector							
	Original budget	Revised budget	2015 actual	Budget variance	%	Revised budget variance	%
Cash flows from operating activities							
Receipts							
Taxes received	18 043.9	18 459.4	18 415.8	371.8	2.1	(43.6)	(0.2)
Grants	24 848.0	24 546.2	24 499.1	(348.9)	(1.4)	(47.1)	(0.2)
Sales of goods and services	7 094.1	7 183.9	7 001.8	(92.3)	(1.3)	(182.1)	(2.5)
Interest received	821.7	804.0	812.3	(9.4)	(1.1)	8.2	1.0
Dividends and income tax equivalent and rate equivalent receipts	581.1	1 070.5	1 014.8	433.7	74.6	(55.7)	(5.2)
Other receipts	1 796.6	2 051.2	1 983.7	187.1	10.4	(67.4)	(3.3)
Total receipts	53 185.4	54 115.2	53 727.5	542.1	1.0	(387.7)	(0.7)
Payments							
Payments for employees	(18 212.0)	(18 261.7)	(18 619.4)	(407.4)	2.2	(357.7)	2.0
Superannuation	(2 691.2)	(2 681.8)	(2 771.1)	(79.9)	3.0	(89.3)	3.3
Interest paid	(2 155.3)	(2 062.3)	(2 062.2)	93.1	(4.3)	0.1	..
Grants and subsidies	(8 331.7)	(8 233.9)	(8 563.8)	(232.0)	2.8	(329.9)	4.0
Goods and services	(17 285.6)	(17 909.0)	(16 834.8)	450.8	(2.6)	1 074.1	(6.0)
Other payments	(670.1)	(614.6)	(1 057.1)	(387.0)	57.8	(442.6)	72.0
Total payments	(49 345.9)	(49 763.2)	(49 908.4)	(562.5)	1.1	(145.3)	0.3
Net cash flows from operating activities	3 839.5	4 352.0	3 819.1	(20.4)	(0.5)	(533.0)	(12.2)
Cash flows from investing activities							
Purchases of non-financial assets	(5 312.4)	(4 018.1)	(4 393.7)	918.7	(17.3)	(375.6)	9.3
Sales of non-financial assets	384.9	360.0	397.7	12.8	3.3	37.7	10.5
Net Cash flows from investments in non-financial assets	(4 927.5)	(3 658.1)	(3 996.0)	931.6	(18.9)	(337.8)	9.2
Net cash flows from investments in financial assets for policy purposes	(676.8)	(719.5)	(858.1)	(181.3)	26.8	(138.6)	19.3
Sub-total	(5 604.3)	(4 377.7)	(4 854.1)	750.2	7.9	(476.4)	28.5
Net cash flows from investments in financial assets for liquidity management purposes	(17.7)	100.5	(370.1)	(352.4)	1 990.0	(470.6)	(468.2)
Net cash flows from investing activities	(5 622.0)	(4 277.1)	(5 224.2)	397.8	(7.1)	(947.1)	22.1
Cash flows from financing activities							
Net borrowings	1 935.8	336.9	1 013.4	(922.5)	(47.7)	676.5	200.8
Deposits received (net)	(0.1)	(0.1)	91.3	91.4	n.a.	91.4	n.a.
Net cash flows from financing activities	1 935.7	336.8	1 104.6	(831.1)	(42.9)	767.8	228.0
Net increase/(decrease) in cash and cash equivalents	153.2	411.7	(300.5)	(453.7)	(296.2)	(712.2)	(173.0)
Cash and cash equivalents at beginning of the financial year	4 100.8	4 500.9	4 582.2	481.4	(11.7)	81.3	(1.8)
Cash and cash equivalents at end of the financial year	4 254.0	4 912.6	4 281.7	27.7	(0.7)	(630.9)	(12.8)

Note 32: Explanations of material variances between budget and actual outcomes (*continued*)

Net cash flows from operating activities

The major variations between the actual outcomes and the original published budget for net cash flows from operations are largely consistent with the drivers of the movements in the operating statement. A reconciliation of the net result to net cash flows from operating activities is provided at Note 30(b).

In summary, cash flows from operating activities were \$20.4 million (0.5 per cent) lower than the original published budget. This was driven by an increase in total payments of \$421.4 million, largely relating to employee related and other operating expenses, consistent with the operating statement expenses. This was partially offset by higher than total budgeted receipts of \$401 million primarily reflecting an increase in tax and dividend receipts as mentioned above under the operating statement.

Net cash flows from investing activities

Total net investment activities in fixed assets and investments in other sectors was \$750.2 million lower than the original budget. This primarily reflected the re-phasing of various road and rail projects and the sale proceeds of Rural Finance Corporation received in 2014-15 rather than 2013-14 as initially anticipated.

Consolidated statement of changes in equity

Total major variations between actual outcomes and the original published budget for the statement of changes in equity are largely addressed in the explanations provided previously. The increase in the other sectors revaluation was primarily driven by rail and port assets in line with relevant reporting requirements, and increases in insurance premiums and investment returns from Worksafe Victoria and the Victorian Managed Insurance Authority.

Note 32: Explanations of material variances between budget and actual outcomes *(continued)*

(d) Consolidated statement of changes in equity

(\$ million)

<i>General government sector</i>	<i>Accumulated surplus/(deficit)</i>	<i>Non-controlling Interest</i>	<i>Non-financial assets revaluation surplus</i>	<i>Investment in other sector entities revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
2014-15 original budget						
Balance at 1 July 2014	45 631.8	50.0	37 970.3	40 753.2	954.0	125 359.4
Net result	1 152.2	..	..	..	..	1 152.2
Other comprehensive income for the year	504.3	..	3 906.5	2 884.3	(3.9)	7 291.2
Transfer to accumulated surplus	..	..	..	..	..	..
Total equity at end of period	47 288.4	50.0	41 876.8	43 637.5	950.1	133 802.8
2014-15 revised budget						
Balance at 1 July 2014	43 531.2	50.0	42 023.3	42 187.3	640.3	128 432.0
Net result	531.9	..	..	..	..	531.9
Other comprehensive income for the year	(4 234.6)	..	4 820.2	2 438.1	1.0	3 024.7
Transfer to accumulated surplus	..	..	..	..	..	..
Total equity at end of period	39 828.5	50.0	46 843.4	44 625.4	641.3	131 988.6
2014-15 actual						
Balance at 1 July 2014	43 634.6	50.0	41 965.2	42 187.3	640.3	128 477.4
Net result for the year	748.8	..	..	..	..	748.8
Other comprehensive income for the year	270.4	..	2 524.4	4 225.6	87.9	7 108.3
Transfer to accumulated surplus	1 134.7	..	(1 134.7)	..	..	..
Total equity as at 30 June 2015	45 788.5	50.0	43 354.8	46 413.0	728.2	136 334.5
Variance to original budget						
Balance at 1 July 2014	(1 997.2)	..	3 994.9	1 434.1	(313.7)	3 118.0
Net result for the year	(403.5)	..	..	..	..	(403.5)
Other comprehensive income for the year	(233.9)	..	(1 382.2)	1 341.4	91.8	(182.9)
Transfer to accumulated surplus	1 134.7	..	(1 134.7)	..	..	..
Total equity at end of the year	(1 499.9)	..	1 478.0	2 775.5	(221.9)	2 531.7
Variance to revised budget						
Balance at 1 July 2014	103.4	..	(58.1)	..	..	45.3
Net result for the year	216.9	..	..	..	..	216.9
Other comprehensive income for the year	4 504.9	..	(2 295.8)	1 787.6	86.9	4 083.6
Transfer to accumulated surplus	1 134.7	..	(1 134.7)	..	..	..
Total equity at end of the year	5 960.0	..	(3 488.6)	1 787.6	86.9	4 345.9

Note 33: Financial instruments

Financial risk management objectives and policies

The State's principal financial instruments comprise of:

- cash and deposits;
- receivables (excluding statutory and other receivables);
- advances paid and term deposits;
- derivative financial instruments;
- investments in equities and managed investment schemes;
- debt securities;
- deposits held and advances received;
- payables (excluding statutory payables, unearned income and advance premiums); and
- borrowings (including finance lease liabilities).

The main purposes for the State to hold financial instruments are:

- to fund the State's capital expenditure program;
- to meet long-term insurance and superannuation liabilities;
- to manage financial risk; and
- for liquidity management purposes.

(a) Carrying amounts of financial instruments by category

(\$ million)

	State of Victoria		General government sector	
	2015	2014	2015	2014
Financial assets				
Cash and deposits ^(a)	6 521.1	8 282.0	4 281.7	4 582.2
Designated at fair value through the operating statement ^(a)	32 671.8	27 825.9	974.6	791.2
Held-for-trading at fair value through the operating statement	357.5	409.1	0.2	..
Loans and receivables	2 380.4	4 204.9	7 414.5	7 212.1
Available-for-sale	722.1	557.4	308.3	194.5
Held-to-maturity ^(a)	621.3	676.6	1 164.0	1 121.0
Total financial assets ^{(a)(b)}	43 274.2	41 956.0	14 143.3	13 901.0
Financial liabilities				
Designated at fair value through the operating statement ^(a)	43 830.8	43 485.1	452.9	404.8
Held-for-trading at fair value through the operating statement	640.8	572.5	50.5	20.8
At amortised cost ^(a)	13 774.7	13 732.2	37 413.3	36 411.6
Total financial liabilities ^{(a)(c)}	58 246.4	57 789.9	37 916.7	36 837.1

Notes:

(a) June 2014 comparative figures have been restated. See Note 37.

(b) The State's total financial assets in this table exclude statutory and other receivables of \$4 474.6 million (\$4 272.9 million in 2014) while the general government's total financial assets exclude statutory receivables of \$3 671.3 million (\$3 245.0 million in 2014).

(c) The State's total financial liabilities exclude statutory taxes payable, unearned income and advance premiums of \$3 352.2 million (\$3 166.7 million in 2014) while the general government's total financial liabilities exclude statutory taxes payable and unearned income of \$2 374.3 million (\$2 097.8 million in 2014).

Note 33: Financial instruments (*continued*)

As part of its normal operations, the State is exposed to a number of financial risks including market risk (e.g. interest rate risk, foreign currency risk, and equity price risk), credit risk and liquidity risk through transactions involving its financial instruments. As a whole, the State's financial risk management program seeks to manage these risks and the associated volatility on its financial performance.

Responsible and prudent financial risk management is carried out individually by the State's entities, in accordance with the State's risk management framework, developed by the Department of Treasury and Finance (DTF) and established by the Treasurer. The State's risk management framework comprises the following key components:

- the Treasurer is responsible for approving and establishing the prudential framework containing policies and guidelines on financial risk management;
- the Senior Executive Group of DTF is responsible for advising the Government on the management of the State's financial risks;
- DTF's Balance Sheet Management Committee provides oversight of the State's key financial balance sheet and financial market risks. These risks relate to the State's investments, borrowings, superannuation and insurance claims liabilities, as well as exposures to interest rate, foreign exchange and commodity price volatility and liquidity position;
- the Treasury Corporation of Victoria (TCV) is the State's central borrowing authority and financing advisor. An independent prudential supervisor is appointed by the Treasurer to monitor TCV's compliance with its prudential framework;
- the Victorian Funds Management Corporation (VFMC) acts as the State's central investment fund manager providing expertise in developing investment strategy and delivering funds management services in accordance with each entity's investment objectives. An independent prudential supervisor is appointed by the Treasurer to monitor VFMC's compliance with its prudential framework; and
- the State's entities with gross debt or investments equal to or greater than \$20 million are responsible for setting their own financial risk policy and objectives in accordance with the Treasurer's prudential framework. All entities are responsible for the day-to-day operational management of their financial instruments and associated risks in accordance with the Treasury Management Guidelines.

The prudential framework covers areas such as financial management objectives, responsibility structure and delegation, and policies and guidance on market risk, credit risk, liquidity risk and operational risk. The Chief Executive Officers and executives of the State's entities are responsible for advising their boards, who in turn notify DTF and other stakeholders of any breach by the entities of the prudential standards set by the Treasurer or policies set by their respective boards, including the strategy to remediate the breach.

A number of the State's entities enter into derivative financial instruments in accordance with the Treasurer's prudential and financial management framework, in order to manage their exposure to movements in interest rates, foreign currency exchange rates, and commodity related exposures.

These derivative financial instruments, which include interest rate swaps and futures and forward foreign exchange contracts, are used to manage the risks inherent in either borrowings, financial asset investments or cash flow denominated in foreign currency. Derivative financial instruments are not used to add leverage to the State's financial position.

Note 33: Financial instruments *(continued)*

(b) Breakdown of interest revenue^(a)

(\$ million)

	State of Victoria		General government sector	
	2015	2014	2015	2014
Interest revenue from financial assets not at fair value through the operating statement	432.5	605.9	827.0	831.2
Interest revenue from financial assets at fair value through the operating statement	731.5	553.6	0.1	..
Interest revenue from impaired financial assets	..	..	..	..
Total	1 164.0	1 159.5	827.1	831.2

Note:

(a) These items include amounts that relate to discount interest on financial assets. Therefore, figures in this table cannot be reconciled to the primary statements.

(c) Breakdown of interest and fee expense items^(a)

(\$ million)

	State of Victoria		General government sector	
	2015	2014	2015	2014
Interest expense from financial liabilities not at fair value through the operating statement	836.4	877.3	2 067.1	2 094.5
Interest expense from financial liabilities at fair value through the operating statement	2 163.8	2 228.9	..	..
Fee expenses from financial liabilities not at fair value through the operating statement	24.7	32.1	29.5	24.3
Fee expenses from financial liabilities at fair value through the operating statement	432.6	397.7	..	..
Total	3 457.6	3 536.0	2 096.7	2 118.8

Note:

(a) These items do not include amounts that relate to discount interest on non-financial liabilities. Therefore, figures in this table cannot be reconciled to the primary statements.

Note 33: Financial instruments (continued)

(d) Net gain or loss by category of financial instruments

The net gains or losses on financial assets and liabilities held at 30 June 2015 are determined as follows:

- for loans and receivables and available for sale investments, the net gain or loss is calculated by taking the interest revenue, plus or minus foreign exchange gains or losses arising from revaluation of the financial assets, and minus any impairment recognised in the net result;
- for financial liabilities measured at amortised cost, the net gain or loss is calculated by taking the interest expense, plus or minus foreign exchange gains or losses arising from the revaluation of financial liabilities measured at amortised cost; and
- for financial assets and liabilities that are held for trading or designated at fair value through profit or loss, the net gain or loss is calculated by taking the movement in the fair value of the financial asset or liability.

(\$ million)

	State of Victoria		General government sector	
	2015	2014	2015	2014
Financial assets				
Cash and deposits	279.2	322.6	790.3	715.3
Designated at fair value through the operating statement ^(a)	1 705.3	2 087.2	52.7	51.6
Held-for-trading at fair value through the operating statement ^(a)	3.7	0.4	..	..
Loans and receivables	(10.2)	145.9	(3.2)	57.7
Available-for-sale	..	..	..	..
Total	1 978.0	2 556.1	839.9	824.6
Financial liabilities				
Designated at fair value through the operating statement	821.0	949.0	..	..
Held-for-trading at fair value through the operating statement	(30.7)	2.3	..	..
At amortised cost	..	..	..	..
Total	790.3	951.3	..	..

Note:

(a) June 2014 comparative figures have been restated to reflect more current information.

(e) Interest rate risk

Interest risk management

The State is exposed to interest rate risk through borrowings and investments in interest bearing financial assets, such as deposits and debt securities.

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The majority of the exposure to interest rate risk on the whole of state balance sheet arises from fair value interest rate risk. Exposure to such risk relates primarily to the State's long-term debt obligations with fixed interest rates, which are measured at fair value. This exposure is partially offset by fixed interest investments held to fund the State's insurance and superannuation liabilities.

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. Only a small portion of the State's financial instruments are exposed to cash flow interest rate risk. Exposure to such risk arises from financial assets and financial liabilities with floating interest rates, which are measured at amortised cost.

Note 33: Financial instruments (continued)

The State's policy for managing interest rate risk on borrowings is to achieve relative certainty of interest cost while seeking to minimise net borrowing cost within portfolio risk management guidelines. Generally, this is achieved by undertaking fixed rate borrowings across a range of maturity profiles.

TCV manages the State's interest risk exposure from borrowings through daily quantification of the risk which assesses the potential loss that the State might incur under various market scenarios. Interest rate risk is managed within an approved limit structure in accordance with TCV's prudential policy and risk management framework, which requires consistency with the Australian Prudential Regulatory Authority prudential statements for banks.

Derivative instruments such as interest rate swaps and futures contracts are used to either change the interest rate between fixed and floating rates of interest or between different floating rates of interest. Disclosed is the notional amounts and periods of expiry for the State's interest rate derivatives.

Interest rate derivatives maturities

(\$ million)

State of Victoria 2015	Interest rate swaps			Receive fixed	Exchange traded futures contracts
	Indexed	Floating- for-floating	Pay fixed		
Less than 1 year	..	..	464.1	90.0	4 276.3
1 year but less than 2 years	5.1	..	801.0	665.0	..
2 years but less than 3 years	..	..	26.2	40.0	..
3 years but less than 4 years	..	..	340.0	300.8	..
4 years but less than 5 years	..	..	288.3	215.0	..
5 years or more	(161.9)	..	2 172.3	882.8	..
Total	(156.8)	..	4 091.8	2 193.6	4 276.3
2014					
Less than 1 year	..	(40.0)	909.0	645.0	555.0
1 year but less than 2 years	..	..	119.1	90.0	..
2 year but less than 3 years	7.8	..	374.3	395.0	..
3 years but less than 4 years	..	..	20.0	20.0	..
4 years but less than 5 years	..	..	..	..	..
5 years or more	(174.1)	..	1 421.9	972.0	..
Total	(166.3)	(40.0)	2 844.2	2 122.0	555.0

At 30 June 2015, approximately 96 per cent (99 per cent in 2014) of the State's borrowings are at fixed rates of interest. There has been no change in the State's exposure to interest rate risk or the manner in which it manages and measures the risk from the previous reporting period.

Interest rate exposure

Disclosed is the State's exposure to interest rate risk on classes of financial assets and financial liabilities.

Note 33: Financial instruments (*continued*)

Interest rate sensitivity analysis

The State has analysed the possible effects of feasible changes in interest rates on its financial position and result using the following assumptions:

- the exposure to interest rates for both derivative and non-derivative instruments at the reporting date, and the stipulated change taking place at the beginning of the financial year, are held constant throughout the reporting period; and
- based on historic movements, and in particular, management's knowledge and experience of the recent volatility in global financial markets, the State has assessed that it may be exposed to a reasonably possible increase or decrease of 100 basis points in interest rates (100 basis points in 2014).

With all other variables held constant, the impact of a 100 basis point increase or decrease on the net result and net assets at 30 June 2015 is a \$1 789.0 million increase/\$1 939.2 million decrease (\$1 715.8 million increase/\$1 884.4 million decrease in 2014).

The State's sensitivity to interest rates is mainly attributable to the revaluation of fixed interest borrowings at fair value and the revaluation of the insurance and superannuation liabilities, however this does not impact on the net result from transactions.

Note 33: Financial instruments (continued)**(f) Interest rate exposure**

(\$ million)

State of Victoria 2015	Floating	Less than 1 year	Interest rate, fixed maturities				5 years or more	Non-interest bearing	Total
			1 year but less than 2 years	2 years but less than 3 years	3 years but less than 4 years	4 years but less than 5 years			
Financial assets									
Cash and deposits	3 613.0	2 804.8	..	..	..	..	..	103.3	6 521.1
Receivables	176.6	333.7	27.3	14.8	1.6	9.2	0.2	1 751.2	2 314.7
Advances paid	21.9	4.9	2.7	0.2	0.1	33.9	6.0	51.7	121.4
Term deposits	17.5	437.6	73.5	6.9	2.9	2.9	7.6	0.1	549.0
Derivative financial instruments	237.2	22.9	9.0	1.0	12.8	21.9	249.1	100.9	654.9
Equities and managed investment schemes	529.5	201.2	0.2	0.6	0.8	0.5	0.3	23 463.0	24 196.1
Debt securities	1 518.1	4 387.9	180.3	314.0	711.4	563.0	1 240.7	1.6	8 917.0
Total financial assets	6 113.8	8 193.0	293.1	337.5	729.6	631.3	1 504.0	25 471.9	43 274.2
Financial liabilities									
Payables, deposits held and advances received	2 566.9	283.5	14.6	2.0	2.0	77.9	38.1	3 573.7	6 558.7
Derivative financial instruments	76.7	16.8	11.4	0.6	21.2	35.8	457.0	228.2	847.7
Interest-bearing liabilities	0.8	4 319.3	3 186.9	3 307.4	5 089.4	7 211.0	18 964.8	..	42 079.6
Finance lease liabilities	0.2	267.3	259.6	326.4	388.5	366.7	7 142.4	9.4	8 760.4
Total financial liabilities	2 644.6	4 887.0	3 472.6	3 636.2	5 501.0	7 691.4	26 602.3	3 811.3	58 246.4

Note 33: Financial instruments (continued)**(f) Interest rate exposure (continued)**

(\$ million)

2014	Floating	Interest rate, fixed maturities						Non-interest bearing	Total
		Less than 1 year	1 year but less than 2 years	2 years but less than 3 years	3 years but less than 4 years	4 years but less than 5 years	5 years or more		
Financial assets									
Cash and deposits ^(a)	4 104.6	4 036.7	..	..	..	..	..	140.7	8 282.0
Receivables	45.8	362.5	12.4	2.0	1.9	1.4	9.0	1 688.6	2 123.6
Advances paid	966.8	138.9	96.7	94.2	81.1	75.6	320.1	21.7	1 795.1
Term deposits ^(a)	143.7	747.6	31.4	4.5	1.8	4.1	4.3	0.4	937.8
Derivative financial instruments ^(a)	84.5	161.1	..	11.1	0.9	10.8	239.7	85.6	593.7
Equities and managed investment schemes	422.4	168.2	..	3.3	..	..	7.1	16 170.7	16 771.7
Debt securities	4 182.9	3 939.6	671.3	164.7	450.7	672.0	1 327.2	43.9	11 452.1
Total financial assets^(a)	9 950.8	9 554.6	811.7	279.7	536.4	763.9	1 907.3	18 151.6	41 956.0
Financial liabilities									
Payables, deposits held and advances received ^(a)	1 969.8	646.3	27.5	5.9	21.2	35.7	41.4	3 696.7	6 444.5
Derivative financial instruments ^(a)	28.3	176.2	0.8	11.1	0.3	20.8	215.9	188.1	641.6
Interest-bearing liabilities	119.2	2 816.7	2 373.5	3 823.3	3 399.2	5 141.5	24 213.0	..	41 886.4
Finance lease liabilities	..	107.9	258.5	248.2	310.7	377.7	7 500.6	13.7	8 817.3
Total financial liabilities^(a)	2 117.3	3 747.1	2 660.2	4 088.6	3 731.5	5 575.8	31 970.9	3 898.5	57 789.9

Note:

(a) June 2014 comparative figures have been restated. See Note 37.

Note 33: Financial instruments (continued)**(f) Interest rate exposure (continued)**

(\$ million)

General government sector 2015	Floating	Interest rate, fixed maturities						Non-interest bearing	Total
		Less than 1 year	1 year but less than 2 years	2 years but less than 3 years	3 years but less than 4 years	4 years but less than 5 years	5 years or more		
Financial assets									
Cash and deposits	3 341.1	835.2	..	..	..	..	..	105.4	4 281.7
Receivables	154.4	130.2	59.1	48.6	37.9	40.2	135.2	1 278.3	1 884.0
Advances paid	1.2	56.3	55.5	62.3	67.5	72.1	4 205.5	51.3	4 571.8
Term deposits	17.1	2 015.5	77.0	6.8	2.9	2.9	7.6	..	2 129.9
Derivative financial instruments	0.2	..	..	..	..	..	..	..	0.2
Equities and managed investment schemes	446.1	201.2	0.2	..	0.2	..	0.3	587.0	1 235.0
Debt securities	38.3	2.1	..	..	..	..	..	0.4	40.8
Total financial assets	3 998.4	3 240.6	191.8	117.7	108.5	115.2	4 348.6	2 022.5	14 143.3
Financial liabilities									
Payables, deposits held and advances received	912.0	135.4	14.4	2.0	2.0	2.0	19.7	2 760.3	3 847.7
Derivative financial instruments	..	..	..	..	..	..	..	50.5	50.5
Interest-bearing liabilities	0.8	8 167.3	6.8	7.4	2 005.0	2 006.2	13 766.5	..	25 959.9
Finance lease liabilities	0.2	196.4	189.6	196.6	203.6	257.5	7 005.4	9.4	8 058.6
Total financial liabilities	913.0	8 499.1	210.8	205.9	2 210.6	2 265.6	20 791.6	2 820.2	37 916.7

Note 33: Financial instruments (continued)**(f) Interest rate exposure (continued)**

(\$ million)

2014	Floating	Interest rate, fixed maturities						Non-interest bearing	Total
		Less than 1 year	1 year but less than 2 years	2 years but less than 3 years	3 years but less than 4 years	4 years but less than 5 years	5 years or more		
Financial assets									
Cash and deposits ^(a)	3 574.9	848.7	..	..	..	..	..	158.7	4 582.2
Receivables	11.6	154.3	42.4	33.8	35.8	37.9	175.4	1 204.4	1 695.6
Advances paid	..	50.4	55.6	44.8	54.1	58.2	4 301.4	22.4	4 586.9
Term deposits ^(a)	335.4	1 649.2	33.5	4.5	1.8	4.1	4.3	0.3	2 033.1
Derivative financial instruments	..	..	..	..	..	..	..	..	..
Equities and managed investment schemes	348.6	166.1	..	0.6	..	..	..	436.9	952.2
Debt securities	..	2.1	4.5	14.3	5.0	0.6	22.3	2.3	51.0
Total financial assets	4 270.4	2 870.7	135.9	98.0	96.7	100.8	4 503.5	1 825.0	13 901.0
Financial liabilities									
Payables, deposits held and advances received ^(a)	556.6	399.2	27.7	5.9	21.2	..	20.4	2 852.5	3 883.5
Derivative financial instruments	..	..	..	..	..	..	..	20.8	20.8
Interest-bearing liabilities	35.8	1 120.8	1 439.1	1 737.5	1 948.3	2 064.2	16 537.2	..	24 883.0
Finance lease liabilities	..	36.3	188.0	178.7	181.3	193.3	7 149.5	122.7	8 049.8
Total financial liabilities^(a)	592.4	1 556.3	1 654.8	1 922.1	2 150.9	2 257.5	23 707.1	2 996.0	36 837.1

Note:

(a) June 2014 comparative figures have been restated. See Note 37.

Note 33: Financial instruments (continued)

(g) Foreign currency risk

The State is also exposed to foreign currency risk through investments in foreign currency denominated financial assets, primarily international equities. This exposure is mainly via the major currencies such as United States dollar, Canadian dollar, Japanese yen, Swiss franc, the euro, British pound and the New Zealand dollar.

The carrying amount of the State's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

(\$ million)

	State of Victoria		General government sector	
	2015	2014	2015	2014
Monetary assets				
Cash and deposits	11.3	315.2	..	..
Debt securities	19.5	..	..	..
Total monetary assets^(a)	30.8	315.2	..	..
Monetary liabilities				
Borrowings	119.3	268.8	..	..
Total monetary liabilities	119.3	268.8	..	..

Note:

(a) In addition, the State held \$2 745.3 million (\$4 856.9 million in 2014) of equities and managed investment schemes denominated in foreign currencies.

The Victorian Funds Management Corporation (VFMC), the State's fund manager, applies a consolidated approach in managing the foreign currency exposure in accordance with investment risk management plans as approved by the Treasurer. VFMC's approach is to hedge approximately 50 per cent of the foreign currency exposure arising from international equities, and to fully hedge foreign currency exposures arising from other offshore assets such as infrastructure, property and hedge funds.

TCV is the State's central borrowing authority and part of its funding program is comprised of foreign currency borrowings. The State's policy is to hedge any material foreign currency exposures arising from borrowings. TCV uses foreign exchange options, spot and forward foreign exchange rate contracts in the management of offshore borrowings.

There has been no material change in the State's exposure to foreign currency risk or the manner in which it manages and measures the risk from the previous reporting period.

Foreign currency sensitivity analysis

The State has analysed the possible effects of feasible change in exchange rates against the Australian dollar on its financial position and result using the following assumptions:

- exposure to the pool of foreign currencies for both derivative and non-derivative instruments at the reporting date, and the stipulated change taking place at the beginning of the financial year are held constant throughout the reporting period; and
- based on historic movements, future expectations and management's knowledge and experience of the foreign currency markets, the State has assessed that it may be exposed to an increase or decrease of 15 per cent against the Australian dollar (15 per cent in 2014).

With all other variables held constant, the impact of a 15 per cent increase or decrease in exchange rates on economic flows and net assets at 30 June 2015 is \$267.0 million increase/\$361.2 million decrease (\$123.8 million decrease/\$157.9 million increase in 2014).

The State's exposure to direct foreign currency risk has no material impact on the net result from transactions.

Note 33: Financial instruments (continued)

(h) Equity price risk

Equity price risk management

The State is exposed to equity price risk from Australian and international investments in equities directly and indirectly via managed investment schemes or funds. These investments are selected as part of a diversified portfolio to match investment objectives appropriate to the State's liabilities. The State limits its equity price risk through diversifying its investment portfolio. This is determined by VFMC and reflected in the Investment Risk Management Plan approved by the Treasurer, and in accordance with the *Borrowing and Investments Powers Act 1987* (BIP Act) and the prudential supervisory policies and framework of the State.

Equity price sensitivity analysis

The State has analysed the possible effects of feasible changes in equity prices on its financial position and result using the following assumptions:

- exposure to equity securities for both derivative and non-derivative instruments at the reporting date, and the stipulated change taking place at the beginning of the financial year are held constant throughout the reporting period;
- based on historic movements, future expectations and management's knowledge and experience of the volatility of the equity markets, the State has assessed that it may be exposed to a reasonably possible increase or decrease of 15 per cent to equity prices (increase or decrease of 15 per cent in 2014); and
- with all other variables held constant, the impact of a 15 per cent increase or decrease in listed equities on economic flows and net assets at 30 June 2015 is \$45.7 million increase/\$31.3 million decrease (\$505.7 million increase/\$505.7 million decrease in 2014) and from unlisted equities is \$2 350.7 million increase/\$2 350.7 million decrease (\$1 111.2 million increase/\$1 204.2 million decrease in 2014).

The State's exposure to equity price sensitivity has no direct impact on the net result from transactions.

There has been no material change in the State's exposure to equity price risk or the manner in which it manages and measures the risk from the previous reporting period.

(i) Credit risk

Credit risk refers to the possibility that a borrower will default on its financial obligations as and when they fall due. The State's exposure to credit risk mainly arises through its investments in fixed interest instruments. Most of the State's investments and derivatives are centrally managed by TCV and VFMC. Limits are set both in terms of the quality and amount of credit exposure in accordance with the BIP Act and the prudential supervisory policies and framework of the State.

The State does not have any significant credit risk exposure to any single counterparty or to any group of counterparties having similar characteristics.

The State's maximum exposure to credit risk, without taking account of the value of any collateral obtained at the reporting date, in relation to each class of recognised financial asset, is the carrying amount of those assets as recognised in the balance sheet.

There has been no material change to the State's credit risk profile in 2014-15.

Note 33: Financial instruments (continued)

Credit quality of financial assets that are neither past due nor impaired

(\$ million)

State of Victoria 2015	(AAA credit rating)	Other (min BBB credit rating)	Other (not rated)	Total
Financial assets				
Cash and deposits	253.9	5 747.8	519.4	6 521.1
Receivables	55.4	197.4	1 432.7	1 685.5
Advances paid	41.1	0.2	80.1	121.4
Term deposits	138.9	369.1	41.0	549.0
Debt securities	1 585.2	7 309.4	22.5	8 917.0
Total financial assets	2 074.5	13 623.7	2 095.8	17 794.0
2014				
Financial assets				
Cash and deposits ^(a)	411.0	7 086.9	784.1	8 282.0
Receivables	239.4	135.6	1 048.6	1 423.6
Advances paid	4.1	..	1 790.9	1 795.1
Term deposits ^(a)	481.7	294.4	161.7	937.8
Debt securities	3 057.9	8 002.4	391.8	11 452.1
Total financial assets ^(a)	4 194.1	15 519.3	4 177.2	23 890.6

Note:

(a) June 2014 comparative figures have been restated. See Note 37.

(\$ million)

General government sector 2015	Government agencies (AAA credit rating)	(AAA credit rating)	Other (min BBB credit rating)	(not rated)	Total
Financial assets					
Cash and deposits	2 155.0	142.3	1 679.4	305.0	4 281.7
Receivables	785.2	21.9	33.9	631.5	1 472.5
Advances paid	4 532.1	8.9	..	30.8	4 571.8
Term deposits	1 665.1	79.1	349.2	36.5	2 129.9
Debt securities	0.1	..	40.7	..	40.8
Total financial assets	9 137.4	252.2	2 103.2	1 003.8	12 496.6
2014					
Financial assets					
Cash and deposits ^(a)	2 046.4	106.7	1 979.8	449.2	4 582.2
Receivables	634.4	196.3	11.2	356.9	1 198.9
Advances paid	4 554.8	4.1	..	28.0	4 586.9
Term deposits ^(a)	1 103.5	497.0	286.8	145.7	2 033.1
Debt securities	..	49.0	1.5	0.5	51.0
Total financial assets ^(a)	8 339.1	853.2	2 279.4	980.4	12 452.1

Note:

(a) June 2014 comparative figures have been restated. See Note 37.

Note 33: Financial instruments (*continued*)

(j) Liquidity risk

Liquidity risk arises from being unable to meet financial obligations as they fall due. The State is exposed to liquidity risk mainly through the maturity of its external borrowings raised by TCV and the requirement to fund cash deficits. Liquidity management policy has three main components as follows.

Short-term liquidity management and control

The State's central treasury, TCV, is responsible for ensuring that the State's liquidity requirements can be met at all times.

TCV has an enhanced liquidity policy to assist the Government to manage the whole of Victorian government liquidity strategy and improve TCV's operational and medium to long-term liquidity management. The policy requires the daily measurement of the whole of Victorian government liquidity ratio which measures TCV's liquid assets (after discounting to reflect potential loss of value in the event of a quick sale) versus 12 months of debt and interest obligations.

The policy also measures the daily 'going concern' net and cumulative cash flow limits to manage short-term liquidity exposures during normal operating liquidity conditions and the monitoring of 'going concern' and 'liquidity stress' scenario cash flows out to 12 months.

As at 30 June 2015, the whole of Victorian government liquidity ratio stood at 125 per cent against a limit of 80 per cent (143 per cent against a limit of 80 per cent in 2014).

Long-term liquidity management monitoring

The State's policy on long-term management of liquidity primarily focuses on the diversification of funding sources and maturities.

Managing a liquidity crisis

In the event of a liquidity crisis, the State has in place liquidity crisis management plans to manage liquidity conditions. The liquidity crisis management plans are a set of protocols established to respond to specific conditions during a crisis.

Maturity analysis of financial liabilities

Disclosed are details of the State's maturity analysis for its derivative and non-derivative financial liabilities. The table includes both interest and principal cash flows, and has been based on the undiscounted cash flows of financial liabilities based on the earliest date on which the State may be required to pay.

Note 33: Financial instruments (continued)

(k) Undiscounted maturity analysis of financial liabilities

(\$ million)

State of Victoria 2015	Carrying amount	Nominal amount ^(a)	Contractual maturity				
			0-3 months	3 months -1 year	1-2 years	2-5 years	5+ years
Payables, deposits held and advances received	6 558.7	6 149.7	5 611.2	337.6	42.2	83.8	74.9
Interest-bearing liabilities:							
Domestic borrowings	41 960.4	48 778.5	1 886.0	4 379.3	4 763.2	18 391.3	19 358.7
Foreign currency borrowings	119.3	146.4	14.5	2.2	2.2	6.5	121.1
Finance lease liabilities	8 760.4	20 477.1	224.1	717.5	930.1	3 042.0	15 563.4
Derivative financial liabilities	847.7	826.4	178.8	141.5	105.5	169.8	230.8
Total	58 246.4	76 378.1	7 914.6	5 578.1	5 843.1	21 693.3	35 348.9
2014							
Payables, deposits held and advances received ^(b)	6 444.5	6 444.5	5 769.1	525.8	38.0	66.6	44.9
Interest-bearing liabilities:							
Domestic borrowings	41 617.6	50 789.0	60.6	4 651.5	4 175.5	16 183.4	25 717.9
Foreign currency borrowings	268.8	300.5	168.5	2.1	2.1	6.4	121.4
Finance lease liabilities	8 817.3	21 602.5	231.6	714.9	1 145.7	2 964.9	16 545.4
Derivative financial liabilities ^(b)	641.6	434.1	71.5	75.1	93.2	72.6	121.7
Total^(b)	57 789.9	79 570.6	6 301.3	5 969.5	5 454.6	19 293.9	42 551.4

Notes:

(a) Represents undiscounted nominal amount.

(b) June 2014 comparative figures have been restated. See Note 37.

Note 33: Financial instruments (continued)

(k) Undiscounted maturity analysis of financial liabilities (continued)

(\$ million)

General government sector 2015	Carrying amount	Nominal amount ^(a)	Contractual maturity				
			0-3 months	3 months -1 year	1-2 years	2-5 years	5+ years
Payables, deposits held and advances received	3 847.7	3 809.9	3 127.2	544.5	77.6	7.9	52.7
Interest-bearing liabilities:							
Domestic borrowings	25 959.9	25 901.0	5.2	8 162.0	6.3	4 012.7	13 714.9
Foreign currency borrowings	..	..	..	..	..	..	..
Finance lease liabilities	8 058.6	19 775.3	206.8	663.9	860.0	2 617.3	15 427.3
Derivative financial liabilities	50.5	50.5	0.2	..	..	..	50.3
Total	37 916.7	49 536.7	3 339.4	9 370.4	943.9	6 637.8	29 245.2
2014							
Payables, deposits held and advances received ^(b)	3 883.5	3 883.5	3 246.0	549.0	33.9	30.7	23.8
Interest-bearing liabilities:							
Domestic borrowings	24 883.0	24 883.0	30.7	1 134.9	1 450.7	5 728.5	16 538.1
Foreign currency borrowings	..	..	..	..	..	..	..
Finance lease liabilities	8 049.8	20 813.4	213.8	657.8	1 072.3	2 573.6	16 295.8
Derivative financial liabilities	20.8	20.8	..	..	..	..	20.8
Total^(b)	36 837.1	49 600.7	3 490.6	2 341.8	2 557.0	8 332.9	32 878.5

Notes:

(a) Represents undiscounted nominal amount.

(b) June 2014 comparative figures have been restated. See Note 37.

Finance lease liabilities are payable as follows:

(\$ million)

	State of Victoria		General government sector	
	2015	2014	2015	2014
Less than 1 year	941.6	946.5	870.7	871.6
1 year but less than 5 years	3 972.0	4 110.6	3 477.3	3 645.9
5 years or more	15 563.4	16 545.4	15 427.3	16 295.8
Minimum lease payments	20 477.1	21 602.5	19 775.3	20 813.4
Future finance charges	11 716.8	12 785.2	11 716.8	12 763.6
Total finance lease liabilities	8 760.4	8 817.3	8 058.5	8 049.8

Note 33: Financial instruments (*continued*)

(I) Fair value of financial instruments

The fair values of the State's financial assets and liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in an active liquid market are determined with reference to quoted market prices. Financial instruments in this category include investments in equities, managed investment schemes and debt securities;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis, using prices from observable current market transactions; and
- the fair value of derivative instruments, such as interest rate futures contracts, are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instrument for non-optional derivatives, and option pricing models for optional derivatives.

Except as detailed in the following table, the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

Fair value of financial instruments at amortised cost

(\$ million)

	2015		2014	
	<i>Carrying amount</i>	<i>Fair value</i>	<i>Carrying amount</i>	<i>Fair value</i>
State of Victoria				
Financial assets				
Non-current receivables	173.7	173.8	201.2	117.5
Financial liabilities				
Finance lease liabilities ^(a)	8 760.4	8 723.8	8 817.3	8 606.6
General government sector				
Financial assets				
Non-current receivables	753.0	752.9	648.4	594.9
Financial liabilities				
Finance lease liabilities ^(a)	8 058.6	8 058.4	8 049.8	7 927.0

Note:

(a) June 2014 comparative figures have been restated to reflect more current information.

Note 33: Financial instruments (continued)

Financial assets measured at fair value

(\$ million)

State of Victoria 2015	Carrying amount as at 30 June	Fair value measurement at end of reporting period using:		
		Level 1 ^(a)	Level 2 ^(b)	Level 3 ^(c)
Financial assets				
Cash	6 521.1	6 521.1	..	..
Receivables held in investment schemes	..	..	..	..
Derivative assets	654.9	49.9	604.8	0.2
Equities and managed investment schemes	24 196.1	1 869.7	17 255.3	5 071.1
Debt securities at fair value	8 917.0	1 777.1	6 913.3	226.6
Total financial assets	40 289.2	10 217.9	24 773.4	5 297.9
2014				
Financial assets				
Cash ^(d)	8 282.0	8 282.0	..	..
Receivables held in investment schemes	59.1	..	59.1	..
Derivative assets ^(d)	593.7	20.9	572.9	..
Equities and managed investment schemes	16 771.7	4 942.6	7 442.6	4 386.4
Debt securities at fair value	11 452.1	2 038.0	9 170.7	243.4
Total financial assets^(d)	37 158.6	15 283.6	17 245.2	4 629.9
General government sector 2015				
Financial assets				
Cash	4 281.7	4 281.7	..	..
Derivative assets	0.2	..	..	0.2
Equities and managed investment schemes	1 235.0	672.6	562.4	..
Debt securities at fair value	40.8	40.8	..	..
Total financial assets	5 557.7	4 995.1	562.4	0.2
2014				
Financial assets				
Cash ^(d)	4 582.2	4 582.2	..	..
Derivative assets	..	..	..	..
Equities and managed investment schemes	952.2	391.2	553.7	7.3
Debt securities at fair value	51.0	50.5	..	0.5
Total financial assets	5 585.4	5 023.9	553.7	7.8

Notes:

- (a) Quoted prices (unadjusted) in active markets for identical assets or liabilities.
(b) Inputs based on observable market data (either directly using prices or indirectly derived from prices).
(c) Inputs not based on observable market data.
(d) June 2014 comparative figures have been restated to reflect more current information.

Note 33: Financial instruments (continued)

Significant transfers between Level 1 and Level 2

There were no significant transfers identified between Levels 1 and 2.

Reconciliation of Level 3 fair value movements

(\$ million)

State of Victoria	Derivative assets		Equities and managed investment schemes		Debt securities at fair value	
	2015	2014	2015	2014	2015	2014
Opening balance^(a)	..	..	4 386.4	4 331.0	243.4	96.4
Total gains and losses recognised in:						
Net result ^(b)	..	..	97.8	(280.9)	(1.3)	11.3
Other comprehensive income	..	..	..	..	..	..
Purchase	0.2	..	1 181.1	723.7	45.0	2.0
Sales	..	..	(553.1)	(325.6)	..	(59.4)
Settlements	..	..	(33.3)	(22.3)	(60.4)	(9.1)
Transfers from other levels	..	..	..	0.2	..	202.1
Transfers out of Level 3 ^(a)	..	..	(7.9)	(39.7)	..	..
Closing balance	0.2	..	5 071.1	4 386.4	226.6	243.4
General government sector						
Opening balance^(a)	..	..	7.3	41.4	0.5	0.5
Total gains and losses recognised in:						
Net result	..	..	..	..	..	..
Other comprehensive income	..	..	..	..	..	..
Purchases	0.2	..	..	5.5	..	..
Sales	..	..	(0.3)	..	..	..
Settlements	..	..	..	..	(0.5)	..
Transfers from other levels	..	..	..	..	..	..
Transfers out of Level 3 ^(a)	..	..	(6.9)	(39.7)	..	..
Closing balance	0.2	..	..	7.3	..	0.5

Notes:

(a) June 2014 comparative figures have been restated to reflect more current information.

(b) June 2014 comparative figures have been restated. See Note 37.

Note 33: Financial instruments (*continued*)

(m) Description of Level 3 valuation techniques used and key inputs to valuation

The majority of the State's Level 3 financial assets relate to equities and managed investment schemes that are managed by VFMC on behalf of the State's insurance entities.

The disclosure below provides details of the inputs and assumptions used in the current valuation models. Further detailed information has been provided where available. Given that a significant majority of these investments are held via third party pooled investment vehicles, and the State is not privy to the detailed inputs and assumptions used to value the underlying investment assets, the State is not in a position to provide the sensitivity analysis pertaining to the fair value measurement due to changes in unobservable inputs.

Equities

The State's equity investments comprise Australian and private equity investments. The former are equity investments that are currently on a trading halt or do not have recent trading activity and the latter are externally managed unlisted pooled vehicles and trusts.

The valuations of Australian equities are based on the last trading price of the securities. In contrast, private equity investments are based primarily on multiples of earnings, discounted cash flow, market equivalents and other market accepted methodologies. Key inputs and assumptions which are subject to estimation uncertainty include the identification of appropriate comparables, estimated future profits, risk free discount rate, risk premium, estimated future cash flows and future economic and regulatory conditions.

Managed investment schemes

The State's managed investment schemes include diversified fixed interest investments, infrastructure, private equity, non-traditional strategies and property investments.

Diversified fixed interest

Diversified fixed interest investments comprise investments in Government, Government related, corporate and securitised bonds, loans and other debt instruments, primary from Australian issuers but with some limited exposure to international issuers, and fixed interest and currency instruments through externally managed unlisted pooled vehicles and segregated portfolios.

The valuations of diversified fixed interest investments are based primarily on third party pricing servicers, brokers, market makers and valuation methodologies determined to be appropriate by the fund manager or their independent valuation agent. Such methodologies applied may include discounted cash flow, amortised cost and direct comparison. Key inputs and assumptions which are subject to estimation uncertainty include the appropriate credit spread and other risk premium, risk free discount rate, future cash flows, identification of appropriate comparables and future economic and regulatory conditions.

Infrastructure

Infrastructure investments comprise both domestic and international exposures to transport, social, energy and other infrastructure assets through unlisted pooled vehicles and unlisted trusts.

The valuations of unlisted infrastructure investments are based primarily on the discounted cash flow methodology. Key inputs and assumptions which are subject to estimation uncertainty include the choice of risk free discount rates, risk premium, asset utilisation rates, capital expenditure and operating cost forecasts and other estimated future cash flows dependent on the longer term general economic forecasts and the forecast performance of applicable underlying assets.

Note 33: Financial instruments (*continued*)

Private equity

Private equity investments comprise both domestic and international exposures to venture capital, buyout, special situations and expansion capital sectors. The investments include externally managed unlisted pooled vehicles and trusts.

The valuation of unlisted private equity investments are based primarily on multiples of earnings, discounted cash flow, market equivalents and other market accepted methodologies. Key inputs and assumptions which are subject to estimation uncertainty include the identification of appropriate comparables, estimated future profits, risk free discount rate, risk premium, estimated future cash flows and future economic and regulatory conditions.

Insurance investments (non-traditional strategies)

Insurance investments include an unlisted trust with exposure to a portfolio of US life insurance policies.

The valuation of insurance investments is based on the discounted cash flow methodology, with key assumptions of insureds' mortality and premium payments on the valuation date. Other assumptions and interdependencies include the weighted average discount rate of 16.4 per cent a year (16.4 per cent a year in 2014), life expectancy estimates obtained from qualified providers and expected premium payments based on the back solving premiums optimisation method.

Fixed interest investments (non-traditional strategies)

Non-traditional fixed interest strategies comprise investments in hedge funds and other non-traditional investments that do not fit within the definition of other asset classes but which provide diversification benefits to the total portfolio. Investments are made through externally managed unlisted pooled vehicles.

The valuation of fixed interest investments are based primarily on prices quoted on an exchange or traded in a dealer market. For less liquid securities, valuation methodologies are set out by each fund manager. Depending on the investment, the methodologies applied include discounted cash flow, amortised cost, direct comparison and other market accepted methodologies. The fund manager may choose to appoint independent valuation agents to seek independent price verification. Key inputs and assumptions which are subject to estimation uncertainty include the appropriate credit spread and other risk premium, risk free discount rate, future cash flows, identification of appropriate comparables and future economic and regulatory conditions.

Property investments

Property investments comprise externally managed unlisted property trusts with exposure to domestic and international commercial, industrial, retail and development property market.

The valuations of unlisted property investments are primarily based on discounted cash flow, capitalisation and direct comparison methodologies. Assumptions which may be subject to estimation uncertainty would include the identification of appropriate comparables, estimated future profits, risk free rate, risk premium, estimated future cash flows and future economic and regulatory conditions.

Note 33: Financial instruments (continued)

(n) Master netting or similar arrangements

Certain financial assets and financial liabilities are presented on a net basis in the Statement of Financial Position (see Note 1(K) *Financial instruments*).

The following tables provide information on the impact of offsetting on the Statement of Financial Position, as well as the financial impact of netting for instruments subject to an enforceable master netting arrangement, as well as available cash and financial instrument collateral.

In line with general market practice, the State of Victoria has entered into arrangements that do not meet criteria for offsetting in a normal course of business, but allow for the relevant amounts to be set off in certain circumstances, such as bankruptcy, default or insolvency.

The effect of these arrangements is reflected in the column 'related amounts not offset'.

The column 'Net amount' shows the impact on State of Victoria balance sheet if all existing rights of offset were exercised.

(\$ million)

	<i>Effects of offsetting on the statement of financial position</i>				
	<i>Gross amounts</i>	<i>Gross amounts set off in the consolidated balance sheet</i>	<i>Net amounts presented in the consolidated balance sheet</i>	<i>Related amounts not offset</i>	<i>Net amount</i>
State of Victoria 2015					
Financial assets					
Cash and cash equivalents	6 521.1	..	6 521.1	..	6 521.1
Derivative financial instruments	2 741.9	(2 087.0)	654.9	(439.4)	215.5
Financial liabilities					
Derivative financial instruments	2 934.7	(2 087.0)	847.7	(582.5)	265.2
2014					
Financial assets					
Cash and cash equivalents	8 282.0	..	8 282.0	(1 090.0)	7 192.1
Derivative financial instruments ^(a)	2 368.7	(1 774.9)	593.7	(462.8)	131.0
Financial liabilities					
Derivative financial instruments ^(a)	2 416.5	(1 774.9)	641.6	(354.5)	287.1

Note:

(a) June 2014 comparative figures have been restated. See Note 37.

Note 34: Commitments

(a) Non-public private partnerships^(a)

(\$ million)

	State of Victoria 2015 Nominal value	General government sector 2015 Nominal value	State of Victoria 2014 Nominal value	General government sector 2014 Nominal value
Capital expenditure commitments				
Land and buildings	653.2	497.6	881.1	750.3
Plant, equipment and vehicles	204.0	158.1	282.0	218.4
Infrastructure systems	727.1	288.4	1 100.6	235.5
Road networks and earthworks	1 112.7	1 112.7	636.1	636.1
Other	1 010.1	991.4	1 328.9	1 304.2
Total capital expenditure commitments	3 707.2	3 048.1	4 228.6	3 144.5
Operating and lease commitments				
Rail services	3 384.1	3 384.1	4 559.9	4 559.9
Bus services	4 104.9	4 104.3	3 473.9	3 473.9
Other	2 378.5	1 700.7	2 548.7	1 632.1
Total operating and lease commitments	9 867.5	9 189.1	10 582.5	9 665.9
Other commitments				
Building occupancy services	..	71.6	..	72.4
Capital investment commitments	125.6	..	37.9	..
Commercial contracts	192.7	52.2	137.4	136.2
Debt collection services (Traffic camera office)	95.7	95.7	76.3	76.3
Emergency Alert System	30.6	30.6	51.4	51.4
Goulburn-Murray Water Connections Project ^(b)	115.4	724.9	34.8	976.9
Hopkins correctional centre	435.2	435.2	446.4	446.4
Information technology	31.5	26.6	43.1	35.3
New ticketing solution (<i>myki</i>)	178.4	178.4	208.1	208.1
Outsourcing of services	372.5	191.6	363.1	213.0
Policing services	26.9	26.9	76.9	76.9
Traffic camera services (Traffic camera office)	90.8	90.8	76.7	76.7
Transport Accident Commission funded medical research	22.8	..	35.3	..
Other	2 778.3	2 429.5	2 066.2	1 905.8
Total other commitments	4 496.4	4 354.0	3 653.5	4 275.3
Total commitments	18 071.1	16 591.3	18 464.5	17 085.7

Notes:

(a) The figures presented are inclusive of GST.

(b) The Goulburn-Murray Water Connections Project was formally known as the Northern Victoria Irrigation Renewal Project.

Note 34: Commitments (continued)**(b) Public private partnerships^{(a)(b)}**

(\$ million)

	State of Victoria 2015		General government sector 2015		State of Victoria 2014		General government sector 2014	
	Other commitments		Other commitments		Other commitments		Other commitments	
	Present value	Nominal value	Present value	Nominal value	Present value	Nominal value	Present value	Nominal value
Commissioned Public Private Partnerships other commitments								
AgriBio Project	120.1	310.5	120.1	310.5	117.3	319.1	117.3	319.1
Barwon Water	64.7	112.4	..	..	72.3	130.5	..	..
Casey Hospital	62.0	117.8	62.0	117.8	67.5	121.3	67.5	121.3
Central Highlands Water	59.9	70.9	..	..	70.7	86.5	..	..
Coliban Water	99.3	157.1	..	..	86.9	107.9	..	..
County Court	78.9	97.0	78.9	97.0	34.4	45.4	34.4	45.4
Emergency Service Telecommunications	56.9	59.0	56.9	59.0	51.2	53.9	51.2	53.9
Melbourne Convention Centre	220.7	484.6	220.7	484.6	240.1	505.0	240.1	505.0
Peninsula Link	200.5	473.1	200.5	473.1	197.8	487.4	197.8	487.4
Partnerships Victoria in Schools	102.5	222.8	102.5	222.8	99.8	224.5	99.8	224.5
Prisons	1 446.6	1 921.7	1 446.6	1 921.7	520.7	611.5	520.7	611.5
Royal Children's Hospital	337.3	834.7	337.3	834.7	366.3	862.7	366.3	862.7
Royal Melbourne Showgrounds	46.4	73.5	46.4	73.5	49.1	79.7	49.1	79.7
Royal Women's Hospital	193.5	414.4	193.5	414.4	212.9	431.0	212.9	431.0
Southern Cross Station	242.1	572.3	242.1	572.3	234.9	579.4	234.9	579.4
Victorian Desalination Plant	1 562.4	4 959.5	1 562.4	4 959.5	1 532.4	5 100.4	1 532.4	5 100.4
Sub-total	4 893.8	10 881.3	4 669.9	10 540.9	3 954.1	9 746.3	3 724.2	9 421.5

Note 34: Commitments (continued)**(b) Public private partnerships^{(a)(b)} (continued)**

(\$ million)

	Minimum lease payments	Other commitments	Total commitments	Minimum lease payments	Other commitments	Total commitments	Minimum lease payments	Other commitments	Total commitments	Minimum lease payments	Other commitments	Total commitments
	Discounted value	Present value	Nominal value	Discounted value	Present value	Nominal value	Discounted value	Present value	Nominal value	Discounted value	Present value	Nominal value
Uncommissioned Public Private Partnerships total commitments												
Bendigo Hospital – stage one ^(c)	279.4	1 178.2	2 861.7	279.4	1 178.2	2 861.7	279.4	1 138.3	2 861.7	279.4	1 138.3	2 861.7
Bendigo Hospital – stage two ^(c)	17.5	47.1	99.6	17.5	47.1	99.6	17.5	46.7	99.6	17.5	46.7	99.6
Victorian Comprehensive Cancer Centre (VCCC)	1 050.4	383.1	3 199.8	1 050.4	383.1	3 199.8	1 050.4	353.6	3 199.8	1 050.4	353.6	3 199.8
Ravenhall Prison	791.6	2 685.2	7 459.8	791.6	2 685.2	7 459.8						
Sub-total	2 138.9	4 293.6	13 620.9	2 138.9	4 293.6	13 620.9	1 347.3	1 538.5	6 161.2	1 347.3	1 538.5	6 161.2
Total commitments for Public Private Partnerships		9 187.4	24 502.2		8 963.5	24 161.8		5 492.6	15 907.5		5 262.8	15 582.7
Total commitments (inclusive of GST)^(d)			42 573.3			40 753.1			34 372.0			32 668.4
Less GST recoverable from the Australian Tax Office			3 870.3			3 704.8			3 124.7			2 969.9
Total commitments (exclusive of GST)			38 703.0			37 048.3			31 247.3			29 698.5

Notes:

- (a) The minimum lease payments of commissioned Public Private Partnerships (PPPs) are recognised on the balance sheet and are not disclosed as a commitment.
- (b) The discounted value of the 'minimum lease payments' has been discounted to the expected date of commissioning and the present value of 'other commitments' have been discounted to 30 June of the respective financial years. After adjusting for GST, the discounted value of minimum lease payments reflects the expected impact on the balance sheet when the PPP is commissioned.
- (c) The liabilities for Bendigo Hospital are required to be split for reporting purposes due to the contracted staged commissioning (Commercial Acceptance to occur in 2016-17 and 2017-18 for Stages 1 and 2 respectively).
- (d) Total commitments (inclusive of GST) include commitments of both PPPs and non PPPs.

Note 34: Commitments (*continued*)

(c) Commitment payables ^(a)

(\$ million)

<i>Nominal values</i>	<i>State of Victoria 2015</i>	<i>General government sector 2015</i>	<i>State of Victoria 2014</i>	<i>General government sector 2014</i>
Capital expenditure commitments payable				
Less than 1 year	2 562.1	1 861.7	3 148.4	2 313.2
1 year but less than 5 years	1 142.8	1 184.2	1 078.7	829.9
5 years or more	2.3	2.3	1.5	1.4
Total capital expenditure commitments	3 707.2	3 048.1	4 228.6	3 144.5
Operating and lease commitments payable				
Less than 1 year	3 331.9	3 224.0	3 060.0	2 918.5
1 year but less than 5 years	5 850.9	5 604.9	6 171.7	5 830.5
5 years or more	684.6	360.2	1 350.8	917.0
Total operating and lease commitments	9 867.5	9 189.1	10 582.5	9 665.9
Public Private Partnership commitments				
Less than 1 year	483.7	459.0	426.8	407.6
1 year but less than 5 years	4 081.4	3 987.9	2 771.5	2 688.8
5 years or more	19 937.2	19 715.0	12 709.2	12 486.3
Total Public Private Partnership commitments	24 502.2	24 161.8	15 907.5	15 582.7
Total other commitments payable				
Less than 1 year	1 873.2	1 856.9	1 488.1	1 602.5
1 year but less than 5 years	1 917.1	1 883.0	1 531.9	2 008.9
5 years or more	706.1	614.0	633.4	664.0
Total other commitments	4 496.4	4 353.9	3 653.5	4 275.3
Total commitments (inclusive of GST)	42 573.3	40 752.9	34 372.0	32 668.4

Note:

(a) The figures presented above are inclusive of GST.

Note 35: Contingent assets and contingent liabilities (State of Victoria)

Contingent assets

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

These are classified as either quantifiable, where the potential economic benefit is known, or non-quantifiable. The table below contains quantifiable contingent assets as at 30 June 2015.

Quantifiable contingent assets ^(a)

(\$ million)

	State of Victoria	
	2015	2014
General government ^(b)	113.2	14.0
Public non-financial corporations	191.5	146.6
Public financial corporations	..	..
Total contingent assets – State of Victoria	304.7	160.5
Guarantees, indemnities and warranties	93.3	49.3
Legal proceedings and disputes	10.8	43.7
Other ^(b)	200.6	67.6
Total contingent assets – State of Victoria	304.7	160.5

Notes:

(a) Figures reflect contingent assets that arise from outside of government.

(b) Other contingent assets in the general government sector mainly consists of \$100 million relating to a contingent payment for Crown Melbourne licence amendments that may be payable in calendar year 2022.

Non-quantifiable contingent assets

CityLink compensable enhancement claims

The Melbourne CityLink Concession Deed contains compensable enhancement provisions that enable the State to claim 50 per cent of additional revenue derived by CityLink Melbourne Limited (CML) as a result of certain events that particularly benefit CityLink, including changes to the adjoining road network.

Compensable enhancement claims have previously been lodged in respect to works for improving traffic flows on the West Gate Freeway (between Lorimer and Montague streets), and in the vicinity of the intersection of the Bulla Road and the Tullamarine Freeway. The claims were lodged on 20 May 2005 and 29 September 2006 respectively, and are still outstanding.

Peninsula Link compensable enhancement claim

The EastLink Concession Deed contains compensable enhancement provisions that enable the State to claim 50 per cent of any additional revenue derived by ConnectEast Pty Ltd (ConnectEast) as a result of certain events that particularly benefit EastLink, including changes to the adjoining road network.

On 2 January 2014, the State lodged a compensable enhancement claim as a result of opening Peninsula Link. The claim remains outstanding.

Note 35: Contingent assets and contingent liabilities (State of Victoria) (continued)

Gambling licences

In 1992, a gaming operator's licence was issued to the Trustees of the Will and Estate of the late George Adams, later succeeded by Tatts Group Limited (Tatts). In 1994, the State issued a coupled wagering licence and gaming licence to Tabcorp Holdings Limited (Tabcorp). These licences expired in August 2012.

The *Gambling Regulation Act 2003* specified end of licence arrangements, which included compensation provisions for the licensees predicated on the previous licensing arrangements being rolled over beyond their scheduled expiry date. On 10 April 2008, the State announced that a new regulatory and licencing regime would be implemented post August 2012.

This included separating the wagering and gaming licence to instead license wagering on a standalone basis; and transitioning from the gaming operator duopoly to a system where venue operators are licensed to own and operate gaming machines in their own right. After considering the end of licence arrangements in the *Gambling Regulation Act 2003*, the State formed the view that neither Tatts nor Tabcorp were entitled to compensation after the expiration of their licences.

In August 2012 Tatts and Tabcorp commenced legal proceedings against the State. The State defended both claims and was successful in relation to the Tabcorp claim but unsuccessful in relation to the Tatts claim. On 27 June 2014, the State paid Tatts its claimed amount including interest, amounting to \$540.5 million. The decision was appealed to the Court of Appeal and upheld on 4 December 2014. The State then sought special leave to appeal to the High Court of Australia, which was granted on 15 May 2015. The appeal has been listed for hearing on 10 and 11 November 2015.

Contingent liabilities

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- present obligations that arise from past events but are not recognised because:
 - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations; or
 - the amount of the obligations cannot be measured with sufficient reliability.

As with contingent assets, contingent liabilities are also classified as either quantifiable or non-quantifiable. The table below contains quantifiable contingent liabilities as at 30 June 2015.

Quantifiable contingent liabilities

(\$ million)

	State of Victoria	
	2015	2014
General government	11 551.2	13 131.1
Public non-financial corporations	217.5	226.6
Public financial corporations	..	..
<i>Eliminations</i> ^(a)	(10 869.0)	(12 319.4)
Total contingent liabilities – State of Victoria	899.6	1 038.3
Guarantees, indemnities and warranties	347.3	341.5
Legal proceedings and disputes	264.3	410.4
Other	288.0	286.4
Total contingent liabilities – State of Victoria	899.6	1 038.3

Note:

(a) Mainly represents the guarantee of borrowings provided by the Treasurer for the public sector borrowings portfolio.

Note 35: Contingent assets and contingent liabilities (State of Victoria) **(continued)**

Non-quantifiable contingent liabilities

A number of potential obligations are non-quantifiable at this time arising from:

- indemnities provided in relation to transactions, including financial arrangements and consultancy services, as well as for directors and administrators;
- performance guarantees, warranties, letters of comfort and the like;
- deeds in respect of certain obligations; and
- unclaimed monies, which may be subject to future claims by the general public against the State.

An overview of the more significant non-quantifiable liabilities follows:

AgriBio Centre for AgriBioscience (formerly known as The Biosciences Research Centre)

The quarterly service fee payment obligations of the AgriBio Centre for AgriBioscience on behalf of the joint venture participants (Department of Economic Development, Jobs, Transport and Resources, and La Trobe University) are supported by the State of Victoria via a State Support Deed. Under this Deed, the State ensures that the joint venture participants have severally the financial capacity to meet their payment obligations to Biosciences Research Centre Pty Ltd (BRC), thereby enabling BRC to meet its obligations to pay the service fee to the concessionaire pursuant to the project agreement. The State underwrites the risk of any default by BRC.

Department of Education and Training

The Department has a number of unquantifiable contingent liabilities, arising from indemnities provided by it, as follows:

- Volunteer school workers and volunteer student workers: The *Education and Training Reform Act 2006* provides a specific indemnity for personal injuries suffered by volunteer school workers and volunteer student workers arising out of or in the course of engaging in school work or community work respectively.
- Members of school councils: The *Education and Training Reform Act 2006* provides an indemnity to members of school councils for any legal liability, whether in contract, negligence or defamation.
- Teachers: If a teacher is named as a defendant in a student personal injury claim, any costs and damages will generally be paid by the Department provided the teacher was not drunk, under the influence of illicit drugs or engaging in a criminal offence and the behaviour was not outrageous and was related to their employment.
- School councils: The Department will usually indemnify school councils in claims of common law negligence, and will often indemnify in relation to employment disputes, for the cost of settlement and legal representation. The Department will take into account the impact of payment upon the school's educational program and any insurance cover for the school council, and will likely indemnify if the Department is satisfied that:
 - the school council acted in good faith and according to issued guidelines and directions; and
 - the school council has insufficient funds to pay the claim.

Note 35: Contingent assets and contingent liabilities (State of Victoria) **(continued)**

Public acquisition overlays for the future development of rail and road infrastructure

Public acquisition overlays are in place in order to reserve certain areas of land for future development of rail and road infrastructure. Under Section 98 of the *Planning and Environment Act 1987*, the State has a legislative responsibility to compensate eligible land and property owners who face either:

- loss on sale – an eligible landowner is entitled to compensation for the incremental loss on sale when a property affected by a public acquisition overlay is sold for less than its market value; or
- financial loss – the entitlement to financial loss compensation is triggered when a development permit is refused because the property is required for a public purpose.

Compensation and purchase claims occur as a result of claims by land owners. The future liability depends on factors including the number of claims received and the prevailing value of land at the time the claim is made, which cannot be reliably quantified.

Public transport rail partnership agreements

Public Transport Victoria (PTV) is party to partnership contractual arrangements with franchisees to operate metropolitan rail transport services in the State, from 30 November 2009 until 30 November 2017. The major contingent liabilities arising in the event of early termination or expiry of the contract are:

- partnership assets – to maintain continuity of services, at early termination or expiry of the franchise contract, assets will revert to PTV or a successor. In the case of some assets, a reversion back to PTV would entail those assets being purchased; and
- unfunded superannuation – at the early termination or expiry of the contract, PTV will assume any unfunded superannuation amounts (apart from contributions the operator is required to pay over the contract term) to the extent that the State becomes the successor operator.

Fiskville independent investigation and closure of training college

An independent investigation was undertaken into the historical use of chemicals for live firefighting training at Fiskville between 1971 and 1999. The report of the independent investigation has been released and the Country Fire Authority (CFA) has accepted all of the facts, recommendations and conclusions and is committed to implementing all recommendations.

In August 2012, the CFA established a program office to manage the implementation of the report's recommendations and an additional 11 management initiatives to which the CFA Board committed in its response to the report.

On 26 March 2015, the Government announced the permanent closure of the Fiskville training facility. The permanent closure of Fiskville requires the CFA to assess the direction and approach to remediation and rehabilitation of the Fiskville site. CFA will also need to take into consideration the findings and recommendations of the Victorian Parliamentary Inquiry into the CFA Training College at Fiskville which is due to present its final report by no later than 1 December 2015.

At this stage it is impractical to quantify the financial effects as a result of the closure of Fiskville and its effect on the implementation of recommendations received from the independent investigation.

Note 35: Contingent assets and contingent liabilities (State of Victoria) **(continued)**

Gambling licences

In relation to the 'Gambling licenses' item within non-quantifiable contingent assets, given that the State was successful in the Tabcorp proceeding, it did not need to pay Tabcorp its claimed amount of \$686.8 million plus interest. The decision was appealed to the Court of Appeal and upheld on 4 December 2014. Tabcorp then sought special leave to appeal to the High Court of Australia, which was granted on 15 May 2015. The appeal has been listed for hearing on 10 and 11 November 2015.

Public Lottery Licence Litigation

On 27 August 2014, Intralot Australia Pty Ltd (Intralot) served a writ and Statement of Claim on the State. Intralot's claim relates to allegations that Tattersall's Sweeps Pty Ltd was granted favourable treatment relating to the awarding of public lottery licences on 24 October 2007. Intralot claims its total costs to 30 June 2014 are \$63.4 million. The State has lodged its defence and the matter will be heard in the Supreme Court.

Compulsory property acquisitions

The State has compulsorily acquired a number of properties (residential and commercial) through the *Land Acquisition and Compensation Act 1986* to facilitate delivery of various projects. Possible future claims for compensation arising from the compulsory acquisition of these properties cannot be quantified at this stage.

Land remediation – environmental concerns

In addition to properties for which remediation costs have been provided in the State's financial statements, certain other properties have been identified as potentially contaminated sites. The State does not admit any liability in respect of these sites. However, remedial expenditure may be incurred to restore the sites to an acceptable environmental standard in the event that a contamination risk is identified.

Native Title

A number of claims have been filed with the Federal Court under the Commonwealth *Native Title Act 1993* that affect Victoria. It is not feasible at this time to quantify any future liability.

Melbourne Park redevelopment

In 2010, the State entered into a capital works agreement with Tennis Australia and the Melbourne and Olympic Park Trust for the Australian Open to remain at Melbourne Park until 2036. The agreement contains a number of conditions including that the State will invest in further improvements to Melbourne Park in three stages or (if an agreed investment threshold is reached), pay a rights fee to retain the Australian Open at Melbourne Park until 2036.

In the *2010-11 Budget*, Stage 1 of the Melbourne Park redevelopment with a total estimated investment of \$363 million was announced. In January 2014, a further \$338 million of total estimated investment was announced by the State for Stage 2 of the redevelopment.

Note 35: Contingent assets and contingent liabilities (State of Victoria) **(continued)**

Royal Melbourne Showgrounds redevelopment

Under the State's commitment to the Royal Agriculture Society of Victoria (RASV), the State has agreed to support certain obligations of RASV which may arise out of the joint venture agreement. In accordance with the terms set out in the State's commitment to RASV, the State will pay (in the form of a loan) the amount requested by RASV. If any outstanding loan amount remains unpaid at the date, which is 25 years after the commencement of the operation term under the development and operation agreement, RASV will be obliged to satisfy and discharge each such outstanding loan amount. This may take the form of a transfer to the State, of the whole of the RASV participating interest in the joint venture.

Under the State Support Deed – Core Land, the State has undertaken to ensure the performance of the payment obligations in favour of the Concessionaire and the performance of the joint venture financial obligations in favour of the security trustee.

The State has also entered into an agreement through the State Support Deed – Non-Core Land with Showgrounds Retail Developments Pty Ltd and the RASV, whereby the State agrees to support certain payment obligations of the RASV that may arise under the non-core development agreement.

Victorian Managed Insurance Authority – insurance cover

The Victorian Managed Insurance Authority (VMIA) was established in 1996 as an insurer for state government departments, participating bodies and other entities as defined under the *Victorian Managed Insurance Authority Act 1996*. The VMIA provides its clients with a range of insurance cover, including for property, public and products liability, professional indemnity and contract works. The VMIA reinsures in the private market for losses above \$50 million arising out of any one occurrence, up to a maximum of \$850 million for public and products liability, and for losses above \$50 million arising out of any one event, up to a maximum of \$3.05 billion for property. The risk of losses above these reinsured levels is borne by the State.

The VMIA also insures the Department of Health and Human Services for all public sector medical indemnity claims incurred in each policy year from 1 July 2003, regardless of when claims are finally settled. Under the indemnity deed to provide stop loss protection for the VMIA, the Department of Treasury and Finance has agreed to reimburse the VMIA if the ultimate claims payouts exceed by more than 20 per cent of the initial estimate on which the risk premium was based.

Note 36: Funds under management

The State has responsibility for transactions and balances relating to trust funds held on behalf of third parties external to the State. The funds managed on behalf of third parties are not recognised in these financial statements as they are managed on a fiduciary and custodial basis, and therefore are not controlled by the State. Funds under management are reported in the table below.

(\$ million)

	State of Victoria		General government sector	
	2015	2014	2015	2014
Investments, real estate, personal and other assets	2 593.5	2 338.5	..	..
Cash and investments in common and premium funds	979.1	991.7	..	..
Residential tenancies bond money	874.0	806.5	874.0	806.5
Funds under management by the Senior Master of the Supreme Court	1 607.9	1 479.6	1 607.9	1 479.6
Funds under management by Legal Services Board	825.5	637.0	825.5	637.0
Funds under management for the Victorian Bushfire Appeal Fund ^(a)	6.0	14.7	6.0	14.7
Other funds held	31.3	36.6	5.4	9.6
Total funds under management	6 917.2	6 304.5	3 318.7	2 947.3

Note:

- (a) The Victorian Government has collected appeal proceeds on behalf of the Red Cross Victorian Bushfire Appeal Fund. The purpose of the trust is for the receipt of donations and other contributions, and their disbursement for assistance to individuals and communities in towns, suburbs and rural areas affected by the 2009 Victorian bushfires. Contributions will, inter alia, include funds provided by the Victorian, Commonwealth and other jurisdictions, as well as the general public, for the above purpose.

Note 37: Restatement of 2013-14 balances and impact on 2014-15 balances

The State restated certain 2013-14 previously published balances resulting from changes in its accounting policy per below, and updated information for the reporting period ended 30 June 2015. Refer to the accounting policy changes as disclosed in Note 1(F) *Changes in accounting policy*. This note presents the restatements of relevant 2013-14 previously published balances, including the financial impact of these changes for the 2014-15 reporting period.

Superannuation

The State previously used a net tax approach in estimating the net defined benefit superannuation liability with the expected tax payable on contributions being offset by the tax credits expected to be generated from superannuation plan assets. The State has changed its accounting policy such that the calculation of the tax liability no longer allows for the fact that taxes payable will ultimately be offset by franking credits. Future franking credits and other tax offsets will be incorporated as part of the return on assets each year and recognised accordingly as they arise.

This change in accounting policy has been applied retrospectively. For the 2013-14 comparative period, the change has increased the net defined benefit superannuation liability by \$572.2 million as at 30 June 2014, with net superannuation interest expense having increased by \$22.6 million and associated superannuation service cost having reduced by \$33.3 million. The loss on the remeasurement of superannuation defined benefit plans reported in 2013-14, increased by \$4.2 million.

Valuation of school building assets

For the reporting period ended 30 June 2015, the State made a change in its accounting policy for the valuation of school building assets. The State no longer includes an adjustment for economic obsolescence in measuring the fair value of its school assets that are still in use. This records school building assets at current replacement cost.

This change in accounting policy has been applied retrospectively. For the 2013-14 comparative period, the change has increased depreciation expense for the general government sector by \$42.6 million as a result of the increase to the valuation of school building assets of \$1.5 billion.

Other restatements

The State reclassified certain non-financial assets and investment income balances as at 30 June 2014 for comparative purposes in the 2014-15 financial statements to reflect more current information.

Other restatements also include the correction of prior year balances as part of the ongoing state Crown land reconciliation which was due to a number of Crown land parcels have been identified that were recorded both by a department and another government entity and mainly driving the \$106.4 million impact on the overall net worth of the State of Victoria.

Note 37: Restatement of 2013-14 balances and impact on 2014-15 balances (continued)**Restated balance sheet as at 1 July 2013 (Extract)**

(\$ million)

1 July 2013	State of Victoria				General government sector			
	Published	Effect of change in accounting policy	Other restatements	Restated	Published	Effect of change in accounting policy	Other restatements	Restated
Assets								
Non-financial assets								
Land, buildings, infrastructure, plant and equipment	189 473.0	2 050.8	(114.1)	191 409.7	100 804.0	2 050.8	(114.1)	102 740.8
Total non-financial assets	192 570.0	2 050.8	(114.1)	194 506.8	102 092.5	2 050.8	(114.1)	104 029.2
Total assets	235 747.8	2 050.8	(114.1)	237 684.5	188 889.9	2 050.8	(114.1)	190 826.7
Liabilities								
Payables	8 197.2	..	(166.7)	8 030.5	5 958.4	..	(166.7)	5 791.7
Employee benefits	5 624.7	..	(28.9)	5 595.8	5 208.8	..	(28.9)	5 180.0
Superannuation	25 225.4	578.7	..	25 804.1	25 142.5	578.7	..	25 721.2
Total liabilities	112 115.7	578.7	(195.6)	112 498.8	68 707.4	578.7	(195.6)	69 090.5
Net assets	123 632.1	1 472.1	81.5	125 185.7	120 182.6	1 472.1	81.5	121 736.2
Accumulated surplus/(deficit)	43 565.1	(844.4)	81.6	42 802.2	43 174.7	(844.4)	81.6	42 411.9
Reserves	80 017.0	2 316.5	..	82 333.5	76 957.9	2 316.5	..	79 274.4
Net worth	123 632.1	1 472.1	81.6	125 185.7	120 182.6	1 472.1	81.6	121 736.2

Note 37: Restatement of 2013-14 balances and impact on 2014-15 balances *(continued)*

Restated balance sheet as at 30 June 2014 (Extract)

(\$ million)

30 June 2014	State of Victoria				General government sector			
	Published	Effect of change in accounting policy	Other restatements	Restated	Published	Effect of change in accounting policy	Other restatements	Restated
Assets								
Financial assets								
Cash and deposits	8 200.7	..	81.3	8 282.0	4 500.9	..	81.3	4 582.2
Investments, loans and placements	29 768.8	..	(13.5)	29 755.3	3 117.6	..	(81.3)	3 036.3
Total financial assets	47 716.2	..	67.9	47 784.1	93 059.4	..	..	93 059.4
Non-financial assets								
Inventories	802.2	..	(16.8)	785.4	176.6	..	(16.8)	159.8
Non-financial assets held for sale	166.6	..	(4.7)	161.9	142.5	..	(4.7)	137.8
Land, buildings, infrastructure, plant and equipment	197 137.0	1 456.4	(101.7)	198 491.7	103 644.2	1 456.4	(101.7)	104 998.8
Total non-financial assets	200 563.9	1 456.4	(123.2)	201 897.1	105 168.0	1 456.4	(123.2)	106 501.3
Total assets	248 280.1	1 456.4	(55.3)	249 681.2	198 227.4	1 456.4	(123.2)	199 560.6
Liabilities								
Payables	7 732.2	..	(191.7)	7 540.5	5 746.5	..	(191.7)	5 554.8
Borrowings	51 277.4	..	67.9	51 345.3	32 953.6	..	..	32 953.6
Employee benefits	5 745.1	..	(36.7)	5 708.4	5 302.7	..	(36.7)	5 266.0
Superannuation	25 729.0	572.2	..	26 301.2	25 680.7	572.2	..	26 252.9
Other provisions	24 632.9	..	(1.1)	24 631.8	630.6	..	(1.1)	629.4
Total liabilities	117 187.4	572.2	(161.7)	117 597.9	70 740.6	572.2	(229.5)	71 083.2
Net assets	131 092.7	884.2	106.4	132 083.2	127 486.9	884.2	106.4	128 477.4
Accumulated surplus/(deficit)	46 211.3	(880.5)	105.1	45 435.9	44 410.0	(880.5)	105.1	43 634.6
Reserves	84 831.3	1 764.7	1.3	86 597.3	83 026.9	1 764.7	1.3	84 792.8
Net worth	131 092.7	884.2	106.4	132 083.2	127 486.9	884.2	106.4	128 477.4

Note 37: Restatement of 2013-14 balances and impact on 2014-15 balances (continued)**Impact on the balance sheet as at 30 June 2015 (Extract)**

(\$ million)

30 June 2015	State of Victoria			General government sector		
	Without change in accounting policy	Effect of change in accounting policy	Restated	Without change in accounting policy	Effect of change in accounting policy	Restated
Assets						
Non-financial assets						
Land, buildings, infrastructure, plant and equipment	205 448.7	1 524.2	206 972.9	106 062.2	1 524.2	107 586.4
Total non-financial assets	208 491.1	1 524.2	210 015.3	107 420.3	1 524.2	108 944.5
Total assets	258 260.7	1 524.2	259 784.9	207 460.5	1 524.2	208 984.7
Liabilities						
Superannuation	25 416.2	572.2	25 988.4	25 374.4	572.2	25 946.6
Total liabilities	119 303.5	572.2	119 875.7	72 078.0	572.2	72 650.2
Net assets	138 957.2	952.0	139 909.2	135 382.5	952.0	136 334.5
Accumulated surplus/(deficit)	62 154.8	(926.0)	61 228.8	46 714.5	(926.0)	45 788.5
Reserves	76 752.4	1 878.0	78 630.4	88 618.0	1 878.0	90 496.0
Net worth	138 957.2	952.0	139 909.2	135 382.5	952.0	136 334.5

Note 37: Restatement of 2013-14 balances and impact on 2014-15 balances (continued)**Restated comprehensive operating statement for the financial year ending 30 June 2014 (Extract)**

(\$ million)

2014	State of Victoria				General government sector			
	Published	Effect of change in accounting policy	Other restatements	Restated	Published	Effect of change in accounting policy	Other restatements	Restated
Revenue from transactions								
Dividends and income tax equivalent and rate equivalent revenue	914.7	..	(72.5)	842.2	445.9	..	..	445.9
Total revenue from transactions	60 346.3	..	(72.5)	60 273.8	52 364.7	..	..	52 364.7
Expenses from transactions								
Employee expenses	19 037.6	..	(7.9)	19 029.7	18 012.0	..	(7.9)	18 004.1
Net superannuation interest expense	1 054.7	22.6	..	1 077.3	1 052.1	22.6	..	1 074.7
Other superannuation	1 998.9	(33.3)	..	1 965.6	1 876.4	(33.3)	..	1 843.1
Depreciation	4 294.1	42.6	(2.6)	4 334.1	2 363.8	42.6	(2.6)	2 403.7
Other operating expenses	25 113.5	..	(28.7)	25 084.9	17 360.1	..	..	17 360.1
Grants and other transfers	5 036.5	..	3.7	5 040.1	7 585.6	..	(25.0)	7 560.6
Total expenses from transactions	59 489.7	31.9	(35.5)	59 486.2	50 388.5	31.9	(35.5)	50 384.9
Net result from transactions – net operating balance	856.6	(31.9)	(37.0)	787.6	1 976.2	(31.9)	35.5	1 979.8
Other economic flows included in net result								
Share of net profit/(loss) from associates/joint venture entities	35.6	..	72.5	108.1	..	..	..	..
Other gains/(losses) from other economic flows	(379.2)	..	(10.9)	(390.1)	(1 230.7)	..	(10.9)	(1 241.6)
Total other economic flows included in net result	802.7	..	61.6	864.3	(1 203.1)	..	(10.9)	(1 214.1)
Net result	1 659.3	(31.9)	24.5	1 651.9	773.1	(31.9)	24.5	765.7
Other economic flows – other comprehensive income								
Items that will not be reclassified to net result								
Changes in non-financial assets revaluation surplus	5 211.5	(551.7)	286.0	4 945.9	2 228.8	(551.7)	286.0	1 963.2
Remeasurement of superannuation defined benefits plans	(261.9)	(4.2)	..	(266.1)	(286.2)	(4.2)	..	(290.4)
Other movements in equity	860.4	..	(285.8)	574.5	780.1	..	(285.8)	494.2
Total other economic flows – other comprehensive income	5 801.4	(555.9)	0.2	5 245.7	6 531.4	(555.9)	0.2	5 975.7
Comprehensive result – total change in net worth	7 460.7	(587.8)	24.7	6 897.6	7 304.5	(587.8)	24.7	6 741.4

Note 37: Restatement of 2013-14 balances and impact on 2014-15 balances (continued)**Impact on the comprehensive operating statement for the financial year ending 30 June 2015 (Extract)**

(\$ million)

2015	State of Victoria			General government sector		
	Without change in accounting policy	Effect of change	Restated	Without change in accounting policy	Effect of change	Restated
Expenses from transactions						
Net superannuation interest expense	1 017.6	23.2	1 040.8	1 014.8	23.2	1 038.0
Other superannuation	2 115.1	(12.3)	2 102.8	1 990.3	(12.3)	1 978.0
Depreciation	4 408.2	45.5	4 453.7	2 379.9	45.5	2 425.4
Total expenses from transactions	61 608.3	56.4	61 664.7	52 501.6	56.4	52 558.0
Net result from transactions – net operating balance	(554.3)	(56.4)	(610.7)	1 270.4	(56.4)	1 214.0
Net result	107.1	(56.4)	50.7	805.2	(56.4)	748.8
Other economic flows – other comprehensive income						
Items that will not be reclassified to net result						
Changes in non-financial assets revaluation surplus	7 291.0	113.3	7 404.3	2 411.1	113.3	2 524.4
Total other economic flows – other comprehensive income	7 661.9	113.3	7 775.2	6 995.0	113.3	7 108.3
Comprehensive result – total change in net worth	7 769.1	56.9	7 826.0	7 800.2	56.9	7 857.1

Note 38: Subsequent events

Other than the matter below, there are no events that have arisen since 30 June that have significantly affected or may significantly affect the operations, or results, or state of affairs of the State.

Port of Melbourne lease transaction

The Victorian Government continued preparations during the current reporting period to lease the Port of Melbourne's commercial operations to a private operator.

On 25 June 2015, the Legislative Assembly of the Victorian Parliament passed the 'Delivering Victorian Infrastructure (Port of Melbourne Lease Transaction) Bill 2015' which was subsequently introduced in the Legislative Council.

As per the Treasurer's second reading speech in the Victorian Parliament on 27 May 2015, the primary purposes of the bill are to authorise and facilitate the leasing of land and disposal of other assets of the Port of Melbourne Corporation to a private sector entity and to amend existing legislation to provide for an appropriate regulatory regime for the port of Melbourne.

On 5 August 2015, the Legislative Council agreed to a Select Committee of eight members being appointed to inquire into and report on the proposed lease of the Port of Melbourne as contemplated by the Delivering Victorian Infrastructure (Port of Melbourne Lease Transaction) Bill 2015. The Select Committee is due to report its findings by 30 November 2015.

Lancefield fire review

On Wednesday 30 September 2015, the Department of Environment, Land, Water and Planning initiated a planned burn in the forest 10 kilometres North West of Lancefield. This fire jumped containment lines resulting in the loss of personal property. The Government's immediate priority has been to support the local communities most affected by the fire, including those in and around Lancefield, Benloc and Cobaw.

The Government announced an independent investigation into the escape of this fire which will examine all aspects of the planned burn, including its timing, communication with the community and the factors involved in it getting out of control.

The independent investigation has yet to be finalised and the estimate of the financial effect, if any, cannot yet be determined. Further announcements, including any financial effect on the operations of the department will be made once the investigation is finalised.

New Schools Public Private Partnership project

The State entered into a contract with the Learning Communities Victoria consortium on 28 October 2015 to deliver the New Schools Public Private Partnership project. The Learning Communities Victoria consortium, including Watpac and Spotless, will design, build, finance and maintain 15 new schools over a contract term of 25 years. The financial impacts of the contract are being finalised and hence have not been disclosed as at the date of this report.

Note 39: Public account disclosure

(a) Consolidated fund receipts and payments for the financial year ended 30 June

(\$ thousand)

	2015	2014
Receipts		
Taxation ^(a)	18 657 330	16 934 292
Fines and regulatory fees	835 262	758 361
Grants received	15 897 827	18 096 600
Sales of goods and services	5 446 707	5 179 361
Interest received	517 718	533 301
Dividends and income tax equivalent and rate equivalent receipts	1 004 217	571 810
Other receipts ^(a)	422 732	345 287
Total cash inflows from operating activities	42 781 793	42 419 011
Total cash inflows from investing and financing activities	1 386 119	2 300 473
Total consolidated fund receipts	44 167 911	44 719 484
Payments		
Special appropriations		
Special appropriations (excluding Section 33, <i>Financial Management Act, No. 18 of 1994</i>)	3 005 907	3 419 699
Section 28 <i>Financial Management Act, No. 18 of 1994</i> (Appropriation for borrowing against future appropriations)	..	1 600
Section 33 <i>Financial Management Act, No. 18 of 1994</i>	174 279	128 048
Total special appropriations	3 180 186	3 549 347
Annual appropriations		
Provision of outputs		
Provision of outputs – net application	33 502 578	32 297 593
Section 29 <i>Financial Management Act, No. 18 of 1994</i> (appropriation of annotated receipts)	2 060 871	2 080 794
Section 32 <i>Financial Management Act, No. 18 of 1994</i> (prior year unspent appropriations brought forward)	756 702	702 568
Section 35 <i>Financial Management Act, No. 18 of 1994</i> (temporary advances)	10 837	179 198
Advance to Treasurer to be sanctioned	291 490	292 648
Total provision of outputs	36 622 478	35 552 801
Additions to net asset base		
Additions to net asset base – net application	1 825 471	1 349 176
Section 29 <i>Financial Management Act, No. 18 of 1994</i> (appropriation of annotated receipts)	459 364	1 026 401
Section 32 <i>Financial Management Act, No. 18 of 1994</i> (prior year unspent appropriations brought forward)	661 571	567 127
Section 35 <i>Financial Management Act, No. 18 of 1994</i> (temporary advances)	..	2 500
Advance to Treasurer to be sanctioned	34 012	22 735
Total additions to net asset base	2 980 418	2 967 940
Payments made on behalf of the State		
Payments made on behalf of the State	2 442 402	2 752 421
Section 32 <i>Financial Management Act, No. 18 of 1994</i> (prior year unspent appropriations brought forward)	..	898
Section 32 <i>Financial Management Act, No. 18 of 1994</i>	6 545	4 123
Section 35 <i>Financial Management Act, No. 18 of 1994</i> (temporary advances)	..	25 777
Advance to Treasurer to be sanctioned	..	49 193
Total payments made on behalf of State	2 448 946	2 832 413

Note 39: Public account disclosure *(continued)*

(a) Consolidated fund receipts and payments for the financial year ended 30 June *(continued)*

(\$ thousand)

	2015	2014
Other		
Contribution by the State under agreements pursuant to Section 25 of the <i>Murray-Darling Basin Act 1993</i>	18 000	27 762
Section 32 <i>Financial Management Act, No. 18 of 1994</i> – Section 25 of the <i>Murray-Darling Basin Act 1993</i>	..	263
Victorian Law Reform Commission – pursuant to Section 17(b) of the <i>Victorian Law Reform Commission Act 2000</i>	720	741
Payment to Regional Growth Fund pursuant to Section 4 of the <i>Regional Growth Fund Act No. 8 of 2011</i>	121 377	136 000
Total other	140 097	164 766
Total annual appropriations	42 191 940	41 517 920
Applied appropriations remaining unspent relating to the 2014-15 appropriations	(1 395 065)	(560 000)
Total payments	43 977 062	44 507 266
Consolidated fund balance 1 July	447 582	235 365
Add total receipts for year	44 167 911	44 719 484
Less total payments for year	(43 977 062)	(44 507 266)
Consolidated fund balance 30 June	638 431	447 582
<i>Note:</i>		
<i>(a) June 2014 comparative figures have been reclassified to reflect more current information.</i>		
<i>Reconciliation of unspent appropriations:</i>		
<i>Applied appropriations unspent at end of year</i>	6 307 256	5 086 470
<i>add payments made during the year under the Financial Management Act, No. 18 of 1994, Section 33</i>	174 279	128 048
Subtotal	6 481 535	5 214 518
<i>less applied appropriations unspent at beginning of year</i>	(5 086 470)	(4 654 518)
<i>Current year appropriations remaining unspent as at 30 June</i>	1 395 065	560 000

Note 39: Public account disclosure (continued)

(b) Consolidated fund gross receipts for the financial year ended 30 June

(\$ thousand)

	Estimate 2015	Actual 2015	Actual 2014
Operating activities			
Taxation			
Payroll Tax	5 682 505	5 681 309	5 480 607
Land tax	1 903 600	1 737 950	1 631 034
Fire Services Property Levy	626 451	588 478	630 631
Congestion levy	122 336	110 603	83 852
Duties from financial and capital transactions			
Land transfer duty	4 615 302	4 986 897	4 058 770
Other property duties	2 897	2 825	4 394
Financial accommodation levy	151 001	104 512	115 334
Growth Areas Infrastructure Contribution	30 511	40 373	18 872
Levies on statutory corporations	112 509	111 946	111 980
Gambling			
Public lotteries	466 642	422 574	422 704
Electronic gaming machines	876 143	785 162	767 020
Casino taxes	224 574	175 981	208 667
Racing	53 708	45 641	14 184
Other gambling ^(a)	116 437	599 069	111 091
Insurance	1 094 410	1 085 533	1 061 025
Motor vehicle			
Registration fees pursuant to the <i>Road Safety Act, No. 127 of 1986</i>	1 429 727	1 405 080	1 238 376
Stamp duty on vehicle transfers	713 990	720 118	663 093
Franchise fees			
Liquor	22 434	22 544	23 310
Other taxes	110 030	30 735	289 349
Total taxation^(a)	18 355 208	18 657 330	16 934 292
Fines and regulatory fees			
Fines	384 361	306 547	232 168
Regulatory fees	472 354	528 715	526 193
Total fines and regulatory fees	856 715	835 262	758 361
Grants received^(b)			
Economic Development, Jobs, Transport and Resources	6 250	..	357
Environment, Land, Water and Planning	24 854	36 035	45 633
Health and Human Services	25 304	43 003	40 451
Human Services	3 072	908	3 249
Justice and Regulation	5 314	2 100	2 000
Premier and Cabinet	..	2 727	..
Treasury and Finance	17 110 206	15 813 053	18 004 910
Total grants received	17 174 999	15 897 827	18 096 600
Sales of goods and services			
Capital asset charge	4 433 256	4 382 633	4 212 639
Other sales of goods and services	1 033 696	1 064 074	966 721
Total sales of goods and services	5 466 952	5 446 707	5 179 361
Interest received	513 871	517 718	533 301

Note 39: Public account disclosure (continued)

(b) Consolidated fund gross receipts for the financial year ended 30 June (continued)

(\$ thousand)

	Estimate 2015	Actual 2015	Actual 2014
Dividends and income tax equivalent and rate equivalent revenue			
Dividends	414 005	822 267	383 554
Income tax equivalent revenue	159 291	180 715	183 590
Local government tax equivalent revenue	5 711	1 234	4 666
Total dividends and income tax equivalent and rate equivalent revenue	579 007	1 004 217	571 810
Other receipts			
Land rent received	16 645	21 027	20 407
Royalties received	49 617	44 215	52 366
Other ^(a)	219 404	357 489	272 514
Total other receipts^(a)	285 666	422 732	345 287
Total cash inflows from operating activities	43 232 418	42 781 793	42 419 011
Cash inflows from investing activities			
Proceeds from investments	..	264 811	1 964
Proceeds from sale of property, plant and equipment	152 050	225 321	136 227
Total cash inflows from investing activities	152 050	490 132	138 192
Cash inflows from financing activities			
Loans to government agencies	78 567	..	..
Other loans	655	(0)	162
Return of capital – government entities	39 700	129 093	..
Borrowings	3 770 879	766 894	2 162 119
Total cash inflows from financing activities	3 889 801	895 987	2 162 281
Total consolidated fund receipts	47 274 270	44 167 911	44 719 484

Notes:

(a) June 2014 comparative figures have been reclassified to reflect more current information.

(b) Effective 1 January 2015 several departments were renamed due to machinery of government changes:

- the Department of Education and Early Childhood Development was renamed the Department of Education and Training;
- the Department of Environment and Primary Industries was renamed the Department of Environment, Land, Water and Planning;
- the Department of Health was renamed the Department of Health and Human Services;
- the Department of Justice was renamed the Department of Justice and Regulation;
- the Department of State Development, Business and Innovation was renamed the Department of Economic Development, Jobs, Transport and Resources;
- the Department of Human Services was abolished; and
- the Department of Transport, Planning and Local Infrastructure was abolished.

The two abolished departments had their functions and operations transferred to other Victorian government departments. Functions and operations of the Department of Human Services were transferred to the Department of Health and Human Services and to the Department of Premier and Cabinet. Functions and operations of the Department of Transport, Planning and Local Infrastructure were transferred to the Department of Environment, Land, Water and Planning, the Department of Health and Human Services and to the Department of Economic Development, Jobs, Transport and Resources. Certain functions and operations of continuing Victorian government departments were also transferred amongst departments as part of the machinery of government changes. Controlled entities which have been transferred as part of the machinery of government changes are listed under their new portfolio departments.

Note 39: Public account disclosure *(continued)*

(c) Trust fund cash flow statement for the financial year ended 30 June

(\$ thousand)

	2015	2014
Cash flows from operating activities		
Receipts		
Taxation	341 909	346 109
Regulatory fees and fines	56 540	48 307
Grants received	15 426 149	13 554 392
Sale of goods and services	365 814	631 333
Interest received	96 642	86 908
Dividend received	10 059	6 508
Net transfers from the consolidated fund	8 248 209	9 459 778
Other receipts	189 662	147 673
Payments		
Payments for employees	(148 022)	(137 211)
Superannuation	(13 257)	(11 462)
Interest paid	(5 655)	(7 654)
Grants and subsidies	(22 021 042)	(22 318 600)
Goods and services ^(a)	(1 831 764)	(1 722 226)
Net cash flows from operating activities^(a)	715 215	83 856
Cash flows from investing activities		
Purchase of non-financial assets ^(a)	(8 275)	(59 439)
Sales of non-financial assets	80 682	62 495
Net proceeds from customer loans	(5 372)	(17 896)
Other investing activities	(129 116)	(78 591)
Net cash flows from investing activities^(a)	(62 081)	(93 431)
Cash flows from financing activities		
Net borrowings ^(a)	318 238	(470 794)
Net cash flows from financing activities^(a)	318 238	(470 794)
Net increase/(decrease) in trust fund cash and deposits	971 373	(480 369)

Note:

(a) June 2014 comparative figures have been reclassified to reflect more current information.

Note 39: Public account disclosure (continued)

(d) Reconciliation of cash flows to balances held

(\$ thousand)

	Balances held at 30 June 2014	Net movement for year	Balances held at 30 June 2015
Cash and deposits			
Cash balances outside the Public Account	378	313	691
Deposits held with the Public Account – specific trusts	550 118	255 943	806 060
Other balances held in the Public Account	2 493 795	903 595	3 397 389
Total cash and deposits	3 044 291	1 159 850	4 204 141
Investments			
Investments held with Victorian Funds Management Corporation – specific trusts	664 327	16 830	681 157
Total investments	664 327	16 830	681 157
Total fund balances	3 708 618	1 176 680	4 885 298
Less funds held outside the Public Account			
Cash	378	313	691
Total fund balances held outside the Public Account	378	313	691
Total funds held in the Public Account^(a)	3 708 240	1 176 367	4 884 607

Note:

(a) See Note 39 (f) for details of securities and investments including amounts held in the Public Account on behalf of trust accounts.

(e) Trust fund summary for the financial year ended 30 June

(\$ thousand)

	Balances held 2015	Balances held 2014
State Government funds		
Accounts established to receive levies imposed by Parliament and record the expenditure thereof	568 978	451 091
Accounts established to receive monies provided in the annual budget and record the expenditure thereof	1 401 157	1 187 816
Specific purpose operating accounts established for various authorities	321 115	355 045
Suspense and clearing accounts to facilitate accounting procedures	461 565	10 942
Treasury Trust Fund	278 213	269 301
Agency and deposit accounts	572 499	578 785
Total State Government funds	3 603 527	2 852 979
Joint Commonwealth and State funds	384 032	202 028
Commonwealth Government funds		
Commonwealth Grants passed on to individuals and organisations	61 871	38 106
Total Commonwealth Government funds	61 871	38 106
Prizes, scholarships, research and private donations	196 745	167 544
Total trust fund	4 246 176	3 260 657

Note 39: Public account disclosure (*continued*)

(f) Details of securities held and included in the balances at 30 June

(\$ thousand)

	2015	2014
Funds held at 30 June		
Trust accounts		
Amounts invested on behalf of specific trust accounts	1 487 218	1 214 445
General account balances	2 758 958	2 046 212
Total trust accounts	4 246 176	3 260 657
Consolidated fund account balance	638 431	447 582
Total funds held in the public account	4 884 607	3 708 240
Represented by:		
Stocks and securities held with/in –		
Managed Investments	617 574	626 305
Treasury Corporation of Victoria	869 644	587 701
	1 487 218	1 214 005
Cash and investments held with/in –		
Treasury Corporation of Victoria	1 915 820	1 870 794
Cash at bank balances held in Australia	171 431	408 170
	2 087 251	2 278 965
Total stock, securities, cash and investments	3 574 469	3 492 970
Add cash advanced pursuant to Sections 36 and 37 of the <i>Financial Management Act, No. 18 of 1994</i>	1 310 138	215 270
Total funds held in the public account	4 884 607	3 708 240

(g) Amounts paid into working accounts pursuant to Section 23 of the *Financial Management Act 1994* for the year ended 30 June

(\$ thousand)

	2015	2014
Appropriation transfer equivalent to consolidated fund receipts	11 456	10 841
Interest received on credit balances	160	138
Total amounts paid into working accounts	11 615	10 979

(h) Allocations pursuant to Section 28 of the *Financial Management Act 1994* for the financial year ended 30 June

(\$ thousand)

	2015	2014
Section 28 allocations		
(Appropriation for borrowing against future appropriation)		
Department of Environment, Land, Water and Planning ^(a)		
Addition to net asset base	..	1 600
Total Section 28 allocations	..	1 600

Note:

(a) Effective 1 January 2015, the Department of Environment and Primary Industries was renamed the Department of Environment, Land, Water and Planning due to machinery of government changes.

Note 39: Public account disclosure (continued)

(i) Transfers pursuant to Sections 30 and 31 of the *Financial Management Act 1994* for the financial year ended 30 June

(\$ thousand)

	<i>Decrease</i>	<i>Increase</i>
Section 30 transfers ^(a)		
(Transfers between items of departmental appropriations)		
Department of Economic Development, Jobs, Transport and Resources		
Provision of outputs		63 500
Additions to the net asset base	63 500	
Department of Environment, Land, Water and Planning		
Provision of outputs	215	
Additions to the net asset base		4 153
Payments made on behalf of the State	3 938	
Department of Health and Human Services		
Provision of outputs		18 375
Additions to the net asset base	18 375	
Department of Justice and Regulation		
Provision of outputs		28 015
Additions to the net asset base	28 015	
Department of Premier and Cabinet		
Provision of outputs		945
Additions to the net asset base	945	
Department of Transport, Planning and Local Infrastructure		
Provision of outputs		4 908
Additions to net asset base	4 908	
Courts		
Provision of outputs	2 707	
Additions to the net asset base		2 707
Total Section 30 transfers	122 603	122 603

Note:

(a) Section 29 of the *Financial Management Act*, No. 18 of 1994 applies.

Note 39: Public account disclosure (continued)

(j) Appropriation of revenue and asset sales proceeds pursuant to Section 29 of the Financial Management Act 1994 for the financial year ended 30 June 2015

(\$ thousand)

Department ^(a)	Outputs	Commonwealth	Source		Total
			Other		
Economic Development, Jobs, Transport and Resources	50 964	291 467	..		342 431
Education and Training	..	453 162	145 640		598 802
Environment, Land, Water and Planning	71 235	98 839	3 097		173 171
Health and Human Services	295 584	662 618	1 442		959 644
Human Services	12 802	42 136	..		54 938
Justice and Regulation	146 155	53 317	935		200 407
Premier and Cabinet	523	..	..		523
Transport Planning and Local Infrastructure	19 044	70 474	..		89 518
Treasury and Finance	8 583	..	..		8 583
Parliament	23 616	..	..		23 616
Courts ^(b)	68 602	..	..		68 602
Total appropriation	697 108	1 671 960	151 167		2 520 235

Notes:

(a) Effective 1 January 2015, several departments were renamed due to machinery of government changes:

- the Department of Education and Early Childhood Development was renamed the Department of Education and Training;
- the Department of Environment and Primary Industries was renamed the Department of Environment, Land, Water and Planning;
- the Department of Health was renamed the Department of Health and Human Services;
- the Department of Justice was renamed the Department of Justice and Regulation;
- the Department of State Development, Business and Innovation was renamed the Department of Economic Development, Jobs, Transport and Resources;
- the Department of Human Services was abolished; and
- the Department of Transport, Planning and Local Infrastructure was abolished.

The two abolished departments had their functions and operations transferred to other Victorian government departments. Functions and operations of the Department of Human Services were transferred to the Department of Health and Human Services and to the Department of Premier and Cabinet. Functions and operations of the Department of Transport, Planning and Local Infrastructure were transferred to the Department of Environment, Land, Water and Planning, the Department of Health and Human Services and to the Department of Economic Development, Jobs, Transport and Resources. Certain functions and operations of continuing Victorian government departments were also transferred amongst departments as part of the machinery of government changes. Controlled entities which have been transferred as part of the machinery of government changes are listed under their new portfolio departments.

(b) Courts, which was formerly part of the Department of Justice, came into operation from 1 July 2014.

Note 39: Public account disclosure (continued)

(k) Section 32 carryovers – *Financial Management Act 1994* for the financial year ended 30 June 2015 ^(a)

Amounts approved for carryover to 2014-15

(\$ thousand)

<i>Department</i>	<i>Provision of outputs</i>	<i>Additions to net assets</i>	<i>Payments made on behalf of State</i>	<i>Total carryover</i>
Economic Development, Jobs, Transport and Resources	96 136	87 591	656	184 384
Education and Training	229 191	10 184	..	239 375
Environment, Land, Water and Planning	154 117	39 683	18 088	211 888
Health and Human Services	100 992	128 205	..	229 198
Human Services	..	5 393	..	5 393
Justice and Regulation	129 861	105 649	..	235 510
Premier and Cabinet	13 900	3 807	..	17 707
Transport, Planning and Local Infrastructure	39 823	319 065	..	358 888
Treasury and Finance	1 922	2 757	2 600	7 279
Parliament	3 163	..	..	3 163
Total carryovers by department	769 106	702 334	21 344	1 492 783

Amounts applied against carryover of appropriations in 2014-15

(\$ thousand)

<i>Department</i>	<i>Provision of outputs</i>	<i>Additions to net assets</i>	<i>Payments made on behalf of State</i>	<i>Total carryover</i>
Economic Development, Jobs, Transport and Resources	90 395	72 417	656	163 468
Education and Training	229 191	10 184	..	239 375
Environment, Land, Water and Planning	147 456	39 682	3 288	190 426
Health and Human Services	100 992	116 690	..	217 682
Human Services	..	5 393	..	5 393
Justice and Regulation	129 861	94 334	..	224 195
Premier and Cabinet	13 900	3 807	..	17 707
Transport, Planning and Local Infrastructure	39 823	319 065	..	358 888
Treasury and Finance	1 921	..	2 600	4 521
Parliament	3 162	..	..	3 162
Total carryovers by department	756 702	661 571	6 545	1 424 818

Note 39: Public account disclosure (continued)

(k) Section 32 carryovers – *Financial Management Act 1994* for the financial year ended 30 June 2015 ^(a) (continued)

Amounts approved for carryover to 2015-16

(\$ thousand)

<i>Department</i>	<i>Provision of outputs</i>	<i>Additions to net assets</i>	<i>Payments made on behalf of State</i>	<i>Total carryover</i>
Economic Development, Jobs, Transport and Resources	135 622	97 622	2 736	235 980
Education and Training	325 064	..	..	325 064
Environment, Land, Water and Planning	81 432	24 746	8 712	114 890
Health and Human Services	158 918	3 000	..	161 918
Justice and Regulation	99 468	119 608	..	219 076
Premier and Cabinet	20 302	2 200	..	22 502
Treasury and Finance	2 202	398	9 255	11 855
Parliament	2 872	..	..	2 872
Courts ^(b)	4 803	5 235	..	10 038
Total carryovers by department	830 683	252 808	20 703	1 104 194

Notes:

(a) Effective 1 January 2015 several departments were renamed due to machinery of government changes:

- the Department of Education and Early Childhood Development was renamed the Department of Education and Training;
- the Department of Environment and Primary Industries was renamed the Department of Environment, Land, Water and Planning;
- the Department of Health was renamed the Department of Health and Human Services;
- the Department of Justice was renamed the Department of Justice and Regulation;
- the Department of State Development, Business and Innovation was renamed the Department of Economic Development, Jobs, Transport and Resources;
- the Department of Human Services was abolished; and
- the Department of Transport, Planning and Local Infrastructure was abolished.

The two abolished departments had their functions and operations transferred to other Victorian government departments. Functions and operations of the Department of Human Services were transferred to the Department of Health and Human Services and to the Department of Premier and Cabinet. Functions and operations of the Department of Transport, Planning and Local Infrastructure were transferred to the Department of Environment, Land, Water and Planning, the Department of Health and Human Services and to the Department of Economic Development, Jobs, Transport and Resources. Certain functions and operations of continuing Victorian government departments were also transferred amongst departments as part of the machinery of government changes. Controlled entities which have been transferred as part of the machinery of government changes are listed under their new portfolio departments.

(b) Courts, which was formerly part of the Department of Justice, came into operation from 1 July 2014.

Note 39: Public account disclosure *(continued)*

(I) Payments from Advance to Treasurer for the financial year ended 30 June

(\$ thousand)

<i>Department</i> ^(a)	<i>Purpose</i>	<i>2014-15</i>
Economic Development, Jobs, Transport and Resources	State Library of Victoria redevelopment	300
	West Gate Distributor	893
	Ethical Clothing	500
	Getting on with it – Drysdale Bypass, Murray Basin Rail Project and Flinders Street Station Redevelopment	5 265
	Protective Services Officers Infrastructure	319
	On-the-spot penalty fares	1 394
	Baw Baw Shire Council flood repair	655
	National Heavy Vehicle Regulator	10 000
	Affordable Public Transport	9 822
	Regional Growth Fund – Regional Growth Plan and Flying Squad	3 623
	Building on Reform of Illegal Puppy and Kitten Farms	750
	National Biosecurity Cost Sharing Commitments and Victorian Biosecurity Incursions	3 603
	Western Distributor – Assessment of unsolicited proposal 2014-15 costs	812
	Working Capital Requirements – V/Line	15 000
	City Link-Tullamarine Widening	19 382
	Cranbourne Pakenham Rail Corridor	31 878
		104 196
Education and Training	School enrolment based funding	68 431
	Kindergarden enrolment based funding	5 321
	Resourcing schools to raise performance	8 000
	TAFE structural adjustment fund	19 152
	Implementation of fair-value policy on schools economic obsolescence	12 000
	TAFE Rescue Fund	20 000
	132 904	
Environment, Land, Water and Planning	Environment Protection Authority Victoria	546
	Urban Water Reform	8 500
	Fire Aircraft	5 559
	Rapid Response Air Monitoring	374
	DataVic Access Policy	533
	Portarlinton Safe Harbour	100
	Development of Local Government Emergency Management Capability	175
	Building on Reform of Illegal Puppy and Kitten Farms	1 501
	Small Alpine Resort – Mt Baw Baw and Lake Mountain	6 768
	Frankston Nature Conservation Reserve	1 248
	Land Victoria – Land Compensation and Litigation Costs	3 793
	29 097	
Justice and Regulation	Additional Protective Service Officers	6 208
	Passive Alert Detection Dogs	499
	Countering Violent Extremism	455
	Hazelwood Mine Fire Inquiry	566
	Compressed air foam systems and District 27 Ending Violence against Women and Children	747
	800	

Note 39: Public account disclosure *(continued)*

(I) Payments from Advance to Treasurer for the financial year ended 30 June *(continued)*

(\$ thousand)

<i>Department</i> ^(a)	<i>Purpose</i>	<i>2014-15</i>
	Funding for community development committees betrayal of trust report	148
	Reforming collection and enforcement of legal debt in Victoria	3 237
	2014-15 Fire Season	5 900
		18 560
Premier and Cabinet	Implementation of the Hazelwood Coal Mine Fire Inquiry Report	886
	Strengthening Victoria's Social Cohesion	1 045
	Municipal and Essential Services	900
	Information Campaign and Sister State Relationships	1 000
	Establishment of Infrastructure Victoria	1 061
	Costs associated with the change in Government	9 552
	Shrine of Remembrance	25
	Family Violence	250
	Donation to Nepal Region Earthquake Appeal	500
		15 219
Treasury and Finance	State Revenue Office – assessment and compliance	2 483
	Port of Melbourne Transaction Unit	18 343
		20 826
Parliament	Parliamentary Advisors	34
	2014-15 State Election Costs	708
	Parliament House Security Upgrade	1 894
		2 636
Courts ^(b)	Specialist Family Violence Court Program Expansion	1 069
	Heidelberg Court Remediation	995
		2 064
Total Payments from Advance to the Treasurer		325 502

Notes:

(a) Effective 1 January 2015 several departments were renamed due to machinery of government changes:

- the Department of Education and Early Childhood Development was renamed the Department of Education and Training;
- the Department of Environment and Primary Industries was renamed the Department of Environment, Land, Water and Planning;
- the Department of Health was renamed the Department of Health and Human Services;
- the Department of Justice was renamed the Department of Justice and Regulation;
- the Department of State Development, Business and Innovation was renamed the Department of Economic Development, Jobs, Transport and Resources;
- the Department of Human Services was abolished; and
- the Department of Transport, Planning and Local Infrastructure was abolished.

The two abolished departments had their functions and operations transferred to other Victorian government departments. Functions and operations of the Department of Human Services were transferred to the Department of Health and Human Services and to the Department of Premier and Cabinet. Functions and operations of the Department of Transport, Planning and Local Infrastructure were transferred to the Department of Environment, Land, Water and Planning, the Department of Health and Human Services and to the Department of Economic Development, Jobs, Transport and Resources. Certain functions and operations of continuing Victorian government departments were also transferred amongst departments as part of the machinery of government changes. Controlled entities which have been transferred as part of the machinery of government changes are listed under their new portfolio departments.

(b) Courts, which was formerly part of the Department of Justice, came into operation from 1 July 2014.

Note 39: Public account disclosure (continued)

(m) Payments from advances pursuant to Section 35 of the *Financial Management Act 1994* for the financial year ended 30 June

(\$ thousand)

<i>Department</i>	<i>Purpose</i>	<i>2014-15</i>
Education and Training	Implementation of fair-value policy on schools economic obsolesce	10 837
Total payments from advances pursuant to Section 35 (4) of the <i>Financial Management Act 1994</i>		10 837

(n) Unused advances carried forward to 2014-15 pursuant to Section 35(4) of the *Financial Management Act 1994*

There have been no amounts carried forward to 2014-15 under Section 35(4) of the *Financial Management Act, No. 18 of 1994*.

Note 39: Public account disclosure (continued)

(o) Parliamentary authority – Parliament

(\$ thousand)

	Parliamentary authority 2015	Amounts applied 2015	Amounts applied 2014
Legislative Assembly			
Special appropriations			
<i>Audit Act, No. 2 of 1994</i> – Audit of the Office of the Auditor-General	13	13	17
<i>Constitution Act, No. 8750 of 1975</i> – Clerk of the Parliaments	2	2	2
<i>Constitution Act, No. 8750 of 1975</i> – Legislative Assembly	550	550	550
<i>Parliamentary Salaries and Superannuation Act, No. 7723 of 1968</i> – Salaries and Allowances	18 348	18 348	17 657
<i>Parliamentary Salaries and Superannuation Act, No. 7723 of 1968</i> – Section 13(1)(c) Contributions	..	..	4 795
Total special appropriations	18 913	18 913	23 021
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	4 636	4 634	4 519
Total provision of outputs – gross application	4 636	4 634	4 519
Total annual appropriations – gross application	4 636	4 634	4 519
Total Parliamentary authority	23 549	23 547	27 540
Legislative Council			
Special appropriations			
<i>Audit Act, No. 2 of 1994</i> – Audit of the Office of the Auditor-General	12	12	17
<i>Constitution Act, No. 8750 of 1975</i> – Legislative Council	200	200	200
<i>Parliamentary Salaries and Superannuation Act, No. 7723 of 1968</i> – Salaries and Allowances	9 080	9 080	8 526
<i>Parliamentary Salaries and Superannuation Act, No. 7723 of 1968</i> , Section 13 (1)(c) – Contributions	..	..	2 180
Total special appropriations	9 293	9 293	10 922
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	3 254	3 252	3 076
Total provision of outputs – gross application	3 254	3 252	3 076
Total annual appropriations gross application	3 254	3 252	3 076
Total Parliamentary authority	12 547	12 545	13 998
Parliamentary Investigative Committees			
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	7 016	7 013	7 040
Total provision of outputs – gross application	7 016	7 013	7 040
Total annual appropriations – gross application	7 016	7 013	7 040
Total Parliamentary authority	7 016	7 013	7 040

Note 39: Public account disclosure (continued)

(o) Parliamentary authority – Parliament (continued)

(\$ thousand)

	Parliamentary authority 2015	Amounts applied 2015	Amounts applied 2014
Parliamentary Services			
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	85 446	82 563	78 742
Section 29 <i>Financial Management Act, No. 18 of 1994</i>	80	80	77
Section 32 <i>Financial Management Act, No. 18 of 1994</i>	3 163	3 162	3 464
Advance to Treasurer	742	742	..
Total provision of outputs – gross application	89 436	86 547	82 284
Additions to the net asset base			
Advance to Treasurer	1 894	1 894	..
Total additions to net asset base – gross application	2 948	1 894	..
Total annual appropriations – gross application	92 379	88 441	82 284
Total Parliamentary authority (excluding <i>Financial Management Act, No. 18 of 1994</i> Section 33)	92 379	88 441	82 284
Amounts issued under the authority of the <i>Financial Management Act, No. 18 of 1994</i> , Section 33 (Special Appropriation) relating to prior year appropriations	5 000	5 000	..
Total Parliamentary authority	97 379	93 441	82 284
Auditor-General			
Special appropriations			
<i>Constitution Act No. 8750 of 1975 – Auditor-General's salary</i>	541	541	495
Total special appropriations (excluding <i>Financial Management Act, No. 18 of 1994</i> Section 33)	541	541	495
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	15 404	15 404	15 179
Section 29 <i>Financial Management Act, No. 18 of 1994</i>	23 536	23 536	23 191
Total provision of outputs – gross application	38 940	38 940	38 370
Total annual appropriations – gross application	38 940	38 940	38 370
Total Parliamentary authority (excluding <i>Financial Management Act, No. 18 of 1994</i> Section 33)	39 481	39 481	38 865
Total Parliamentary authority	39 481	39 481	38 865

Note 39: Public account disclosure (continued)

(p) Parliamentary authority – Economic Development, Jobs, Transport and Resources

(\$ thousand)

	Parliamentary authority 2015	Amounts applied 2015	Amounts applied 2014
Special appropriations			
<i>Transport (Compliance and Miscellaneous) Act 1983, Section 213A(4)</i>	908	908	..
Total special appropriations (excluding <i>Financial Management Act, No. 18 of 1994</i> Section 33)	908	908	..
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	3 434 423	3 243 409	515 000
Section 29 <i>Financial Management Act, No. 18 of 1994</i>	256 528	205 081	773
Section 32 <i>Financial Management Act, No. 18 of 1994</i>	96 136	90 395	60 451
Advance to Treasurer	85 772	76 478	..
Total provision of outputs – gross application	3 869 060	3 615 363	576 223
Additions to the net asset base			
Additions to the net asset base – net application	831 517	720 828	13 058
Section 29 <i>Financial Management Act, No. 18 of 1994</i>	139 825	137 350	..
Section 32 <i>Financial Management Act, No. 18 of 1994</i>	87 591	72 417	30 775
Section 35 <i>Financial Management Act, No. 18 of 1994</i> (temporary advances)	..	..	..
Advance to Treasurer	32 579	27 718	..
Total additions to the net asset base – gross application	1 091 512	958 313	43 834
Payments made on behalf of the State			
Payments made on behalf of the State – net application	64 538	61 143	58 343
Section 32 <i>Financial Management Act, No. 18 of 1994</i>	656	656	..
Advance to Treasurer	..	..	2 535
Total for payments made on behalf of the State – gross application	65 194	61 799	60 878
Other			
Payment to Regional Growth Fund pursuant to Section 4 of the <i>Regional Growth Fund Act No. 8 of 2011</i>	121 377	121 377	136 000
Total other	121 377	121 377	136 000
Total annual appropriations – gross application	5 150 943	4 756 852	816 935
Total Parliamentary authority (excluding <i>Financial Management Act, No. 18 of 1994</i> Section 33)	5 151 852	4 757 760	816 935
Amounts issued under the authority of the <i>Financial Management Act, No. 18 of 1994, Section 33</i> (Special Appropriation) relating to prior year appropriations	8 215	8 215	1 556
Total Parliamentary authority	5 160 067	4 765 975	818 491

Note 39: Public account disclosure (*continued*)

(a) Parliamentary authority – Education and Training

(\$ thousand)

	Parliamentary authority 2015	Amounts applied 2015	Amounts applied 2014
Special appropriations			
<i>Education and Training Reform Act No. 24/26 of 2006 – Section 5.6.8 – Volunteer Workers Compensation</i>	173	173	199
Total special appropriations (excluding <i>Financial Management Act, No. 18 of 1994</i> Section 33)	173	173	199
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	10 211 944	9 857 218	9 470 292
Section 29 <i>Financial Management Act, No. 18 of 1994</i>	600 415	453 162	450 144
Section 32 <i>Financial Management Act, No. 18 of 1994</i>	229 191	229 191	220 031
Section 35 <i>Financial Management Act, No. 18 of 1994</i> (temporary advances)	41 304	10 837	174 622
Advance to Treasurer	182 277	132 904	201 835
Total provision of outputs – gross application	11 265 131	10 683 313	10 516 924
Additions to the net asset base			
Additions to the net asset base – net application	..	..	..
Section 29 <i>Financial Management Act, No. 18 of 1994</i>	145 640	145 640	75 735
Section 32 <i>Financial Management Act, No. 18 of 1994</i>	10 184	10 184	..
Section 35 <i>Financial Management Act, No. 18 of 1994</i> (temporary advances)	..	..	2 500
Advance to Treasurer	..	..	..
Total additions to the net asset base – gross application	155 824	155 824	78 235
Total annual appropriations – gross application	11 420 955	10 839 136	10 595 158
Total Parliamentary authority (excluding <i>Financial Management Act, No. 18 of 1994</i> Section 33)	11 421 128	10 839 310	10 595 357
Amounts issued under the authority of the <i>Financial Management Act, No. 18 of 1994</i>, Section 33 (Special Appropriation) relating to prior year appropriations	..	..	..
Total Parliamentary authority	11 421 128	10 839 310	10 595 357

Note 39: Public account disclosure (continued)

(r) Parliamentary authority – Environment, Land, Water and Planning

(\$ thousand)

	Parliamentary authority 2015	Amounts applied 2015	Amounts applied 2014
Special appropriations			
<i>Financial Management Act, No.18 of 1994, Section 10</i>	99 580	99 580	2 040
<i>Financial Management Act, No.18 of 1994, Section 28</i>	..	..	1 600
Payments to Growth Areas Public Transport Fund pursuant to Section 30 of the <i>Planning and Environment (Growth Areas Infrastructure Contribution) Act 2010</i>	7 921	7 921	..
Payments to Building New Communities Fund pursuant to Section 30 of the <i>Planning and Environment (Growth Areas Infrastructure Contribution) Act 2010</i>	7 921	7 921	..
Total special appropriations (excluding <i>Financial Management Act, No. 18 of 1994 Section 33</i>)	115 422	115 422	3 640
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	1 163 030	927 496	1 064 866
Section 29 <i>Financial Management Act, No. 18 of 1994</i>	138 399	121 556	150 910
Section 32 <i>Financial Management Act, No. 18 of 1994</i>	154 117	147 456	112 717
Section 35 <i>Financial Management Act, No. 18 of 1994</i> (temporary advances)	..	..	..
Advance to Treasurer	35 703	28 684	67 721
Victorian Water Trust – net application	..	..	14
Section 32 <i>Financial Management Act, No. 18 of 1994</i> – Victorian Water Trust	..	..	..
Total provision of outputs – gross application	1 491 249	1 225 193	1 396 229
Additions to the net asset base			
Additions to the net asset base – net application	126 588	18 954	39 649
Section 29 <i>Financial Management Act, No. 18 of 1994</i>	53 340	51 614	46 538
Section 32 <i>Financial Management Act, No. 18 of 1994</i>	39 683	39 682	60 352
Section 35 <i>Financial Management Act, No. 18 of 1994</i> (temporary advances)	..	..	..
Advance to Treasurer	412	412	..
Victorian Water Trust – net application	..	..	..
Section 32 <i>Financial Management Act, No. 18 of 1994</i> – Victorian Water Trust	..	..	..
Total additions to the net asset base – gross application	220 023	110 663	146 539
Payments made on behalf of the State			
Payments made on behalf of the State – net application	662 062	606 786	856 805
Section 32 <i>Financial Management Act, No. 18 of 1994</i>	18 088	3 288	4 123
Total for payments made on behalf of the State – gross application	680 150	610 074	860 928

Note 39: Public account disclosure (continued)

(r) Parliamentary authority – Environment, Land, Water and Planning (continued)

(\$ thousand)

	<i>Parliamentary authority 2015</i>	<i>Amounts applied 2015</i>	<i>Amounts applied 2014</i>
Other			
Section 25 of the <i>Murray-Darling Basin Act 1993</i>	30 650	18 000	27 762
Section 32 <i>Financial Management Act, No. 18 of 1994</i> – Section 25 of the <i>Murray-Darling Basin Act 1993</i>	..	..	263
Total other	30 650	18 000	28 025
Total annual appropriations – gross application	2 422 072	1 963 930	2 431 721
Total Parliamentary authority (excluding <i>Financial Management Act, No. 18 of 1994</i> Section 33)	2 537 494	2 079 352	2 435 361
Amounts issued under the authority of the <i>Financial Management Act, No. 18 of 1994</i>, Section 33 (Special Appropriation) relating to prior year appropriations	..	..	..
Total Parliamentary authority	2 537 494	2 079 352	2 435 361

Note 39: Public account disclosure (*continued*)

(s) Parliamentary authority – Health and Human Services

(\$ thousand)

	Parliamentary authority 2015	Amounts applied 2015	Amounts applied 2014
Special appropriations			
<i>Casino Control Act No. 47 of 1991, Sections 114 and 114(b)</i>	18 699	18 699	15 648
<i>Financial Management Act, No. 18 of 1994, Section 10</i>	21 809	21 809	149 345
<i>Gambling Regulation Act No. 114 of 2003 Section 3.6.11</i>	816 856	816 856	727 723
Contributions – Hospitals and Charities Fund/Mental Hospitals Fund			
<i>Gambling Regulation Act No. 114 of 2003 Sections 4.4.11 and 4.6.8</i> Contributions – Hospitals and Charities Fund	58 963	58 963	57 604
<i>Gambling Regulation Act No. 114 of 2003 Section 5.4.6</i>	369 363	369 363	326 819
Contributions – Hospitals and Charities Fund/Mental Hospitals Fund			
<i>Gambling Regulation Act No. 114 of 2003 Section 6A.4.4</i>	4 122	4 122	3 636
Contributions – Hospitals and Charities Fund/Mental Hospitals Fund			
Total special appropriations (excluding <i>Financial Management Act, No. 18 of 1994 Section 33</i>)	1 289 811	1 289 811	1 280 774
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	9 310 874	9 028 140	7 050 153
Section 29 <i>Financial Management Act, No. 18 of 1994</i>	875 830	839 085	888 326
Section 32 <i>Financial Management Act, No. 18 of 1994</i>	100 992	100 992	131 320
Total provision of outputs – gross application	10 287 695	9 968 217	8 069 800
Additions to the net asset base			
Additions to the net asset base – net application	129 113	41 402	..
Section 29 <i>Financial Management Act, No. 18 of 1994</i>	140 225	120 559	..
Section 32 <i>Financial Management Act, No. 18 of 1994</i>	128 205	116 690	..
Total additions to the net asset base – gross application	397 543	278 650	..
Total annual appropriations gross application	10 685 238	10 246 867	8 069 800
Total Parliamentary authority (excluding <i>Financial Management Act, No. 18 of 1994 Section 33</i>)	11 975 049	11 536 678	9 350 574
Amounts issued under the authority of the <i>Financial Management Act, No. 18 of 1994, Section 33 (Special Appropriation)</i> relating to prior year appropriations	114 693	114 693	73 808
Total Parliamentary authority	12 089 742	11 651 372	9 424 382

Note 39: Public account disclosure (continued)

(t) Parliamentary authority – Human Services

(\$ thousand)

	Parliamentary authority 2015	Amounts applied 2015	Amounts applied 2014
Special appropriations			
<i>Gambling Regulation Act No. 114 of 2003</i> Section 5.4.6	31 968	31 968	63 935
Contributions – Hospitals and Charities Fund/Mental Hospitals Fund			
Total special appropriations (excluding <i>Financial Management Act, No. 18 of 1994</i> Section 33)	31 968	31 968	63 935
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	1 945 674	1 942 494	3 534 864
Section 29 <i>Financial Management Act, No. 18 of 1994</i>	54 938	54 938	55 797
Section 32 <i>Financial Management Act, No. 18 of 1994</i>	..	..	13 153
Advance to Treasurer	..	..	5 229
Total provision of outputs – gross application	2 000 612	1 997 432	3 609 044
Additions to the net asset base			
Additions to the net asset base – net application	5 080	2 700	15 871
Section 29 <i>Financial Management Act, No. 18 of 1994</i>	..	..	15 360
Section 32 <i>Financial Management Act, No. 18 of 1994</i>	5 393	5 393	20 202
Total additions to the net asset base – gross application	10 473	8 093	51 433
Total annual appropriations gross application	2 011 085	2 005 525	3 660 477
Total Parliamentary authority (excluding <i>Financial Management Act, No. 18 of 1994</i> Section 33)	2 043 052	2 037 492	3 724 412
Amounts issued under the authority of the <i>Financial Management Act, No. 18 of 1994</i>, Section 33 (Special Appropriation) relating to prior year appropriations	..	..	2 437
Total Parliamentary authority	2 043 052	2 037 492	3 726 848

Note 39: Public account disclosure (continued)

(u) Parliamentary authority – Justice and Regulation

(\$ thousand)

	Parliamentary authority 2015	Amounts applied 2015	Amounts applied 2014
Special appropriations			
<i>Electoral Act, No. 23 of 2002, Section 181 – Electoral Expenses</i>	46 395	46 395	25 392
<i>Electoral Act, No. 23 of 2002, Section 215 – Entitlement</i>	8 913	8 913	16
<i>Financial Management Act, No. 18 of 1994, Section 10</i>	2 137	2 137	1 963
<i>Eastlink Project Act No. 39 of 2004, Section 26</i>	1 500	1 500	1 357
<i>Melbourne City Link Act, No. 107 of 1995, Section 14 (4)</i>	2 609	2 609	2 584
<i>Emergency Management Act No. 30/1986, Section 32 – Volunteer Workers Compensation</i>	183	183	322
<i>Victorian State Emergency Services Volunteer Workers Compensation – Act No. 51 of 2005</i>	351	351	150
<i>Work Cover Authority Fund, Corrections Act 1986, Part 9D, S.104ZW</i>	105	105	58
<i>Constitution Act, No. 8750 of 1975 – Chief Justice</i>	..	..	633
<i>Constitution Act, No. 8750 of 1975 – Judges of the Court of Appeal</i>	..	..	6 564
<i>Constitution Act, No. 8750 of 1975 – President, Court of Appeal</i>	..	..	46
<i>Constitution Act, No. 8750 of 1975 – Judges Supreme Court</i>	..	..	18 539
<i>County Court Act, No. 6230 of 1958 – Judges</i>	..	..	27 808
<i>Crown Proceedings Act, No. 6232 of 1958</i>	..	..	546 113
<i>Victorian Civil and Administrative Tribunal Act No. 53 of 1998 section 17AA</i>	..	..	6 725
<i>Juries Act No.53 of 2000, Section 59 – Compensation to Jurors</i>	..	..	20
<i>Magistrates Court Act, No. 51 of 1989</i>	..	..	46 861
<i>Victims of Crime Assistance Act No. 81 of 1996 – Criminal Injuries Compensation</i>	..	..	39 122
<i>Victims of Crime Assistance Act No. 81 of 1996 – Tribunal</i>	..	..	2 880
Total special appropriations (excluding <i>Financial Management Act, No. 18 of 1994 Section 33</i>)	62 194	62 194	727 153
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	4 987 714	4 785 262	4 736 931
Section 29 <i>Financial Management Act, No. 18 of 1994</i>	199 472	199 472	255 947
Section 32 <i>Financial Management Act, No. 18 of 1994</i>	129 861	129 861	90 045
Section 35 <i>Financial Management Act, No. 18 of 1994</i> (temporary advances)	..	..	..
Advance to Treasurer	14 652	14 652	10 011
Total provision of outputs – gross application	5 331 700	5 129 248	5 092 934
Additions to the net asset base			
Additions to the net asset base – net application	708 428	455 435	135 076
Section 29 <i>Financial Management Act, No. 18 of 1994</i>	935	935	10 152
Section 32 <i>Financial Management Act, No. 18 of 1994</i>	105 649	94 334	117 263
Advance to Treasurer	3 915	3 908	335
Total additions to the net asset base – gross application	818 927	554 612	262 826

Note 39: Public account disclosure (continued)

(u) Parliamentary authority – Justice and Regulation (continued)

(\$ thousand)

	<i>Parliamentary authority 2015</i>	<i>Amounts applied 2015</i>	<i>Amounts applied 2014</i>
Payments made on behalf of the State			
Payments made on behalf of the State – net application	54 461	28 871	28 644
Total for payments made on behalf of the State – gross application	54 461	28 871	28 644
Other			
Victorian Law Reform Commission – pursuant to Section 17 (b) of the <i>Victorian Law Reform Commission Act 2000</i>	720	720	741
Total other	720	720	741
Total annual appropriations gross application	6 205 808	5 713 451	5 385 145
Total Parliamentary authority (excluding <i>Financial Management Act, No. 18 of 1994</i> Section 33)	6 268 002	5 775 645	6 112 298
Amounts issued under the authority of the <i>Financial Management Act, No. 18 of 1994</i>, Section 33 (Special Appropriation) relating to prior year appropriations	36 287	36 287	49 137
Total Parliamentary authority	6 304 289	5 811 933	6 161 435

Note 39: Public account disclosure (continued)

(v) Parliamentary authority – Premier and Cabinet

(\$ thousand)

	Parliamentary authority 2015	Amounts applied 2015	Amounts applied 2014
Special appropriations			
<i>Constitution Act, No. 8750 of 1975 – Executive Council</i>	50	50	50
<i>Constitution Act, No. 8750 of 1975 – Governor’s Salary</i>	431	431	427
<i>Electoral Act No. 23 of 2002, Section 181 – Electoral Expenses</i>	16 830	16 830	..
<i>Electoral Act, No. 23 of 2002, Section 215 – Entitlement</i>	915	915	..
<i>Inquiries Act No. 67 of 2014, Section 11 – Expenses and financial obligations of Royal Commission</i>	2 696	2 696	..
<i>Ombudsman Act No. 8414 of 1973</i>	510	510	511
<i>Parliamentary Salaries and Superannuation Act No. 7723 of 1968</i>	7 854	7 854	7 663
Total special appropriations (excluding <i>Financial Management Act, No. 18 of 1994</i> Section 33)	29 286	29 286	8 650
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	453 749	413 794	549 210
Section 29 <i>Financial Management Act, No. 18 of 1994</i>	523	523	512
Section 32 <i>Financial Management Act, No. 18 of 1994</i>	13 900	13 900	16 397
Section 35 <i>Financial Management Act, No. 18 of 1994</i> (temporary advances)	..	..	4 576
Advance to Treasurer	15 333	15 194	5 690
Total provision of outputs – gross application	483 505	443 411	576 385
Additions to the net asset base			
Additions to the net asset base – net application	4 216	2 902	12 876
Section 32 <i>Financial Management Act, No. 18 of 1994</i>	3 807	3 807	6 450
Advance to Treasurer	25	25	22 400
Total additions to the net asset base – gross application	8 048	6 734	41 726
Payments made on behalf of the State			
Payments made on behalf of the State – net application	3 500	1 634	..
Section 35 <i>Financial Management Act, No. 18 of 1994</i> (temporary advances)	..	..	1 457
Total payments made on behalf of the State – gross application	3 500	1 634	1 457
Total annual appropriations – gross application	495 054	451 779	619 568
Total Parliamentary authority (excluding <i>Financial Management Act, No. 18 of 1994</i> Section 33)	524 340	481 065	628 218
Amounts issued under the authority of the <i>Financial Management Act, No. 18 of 1994</i>, Section 33 (Special Appropriation) relating to prior year appropriations	10 083	10 083	1 110
Total Parliamentary authority	534 423	491 148	629 328

Note 39: Public account disclosure (continued)

(w) Parliamentary authority – Transport, Planning and Local Infrastructure

(\$ thousand)

	Parliamentary authority 2015	Amounts applied 2015	Amounts applied 2014
Special appropriations			
<i>Financial Management Act, No. 18 of 1994, Section 10</i>	..	..	..
<i>Transport (Compliance and Miscellaneous) Act 1983, Section 213A (4)</i>	609	609	1 690
Payments to Growth Areas Public Transport Fund pursuant to Section 30 of the <i>Planning and Environment (Growth Areas Infrastructure Contribution) Act 2010</i>	4 600	4 600	7 500
Payments to Building New Communities Fund pursuant to Section 30 of the <i>Planning and Environment (Growth Areas Infrastructure Contribution) Act 2010</i>	4 600	4 600	7 500
Total special appropriations (excluding <i>Financial Management Act, No. 18 of 1994 Section 33</i>)	9 809	9 809	16 690
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	2 745 892	2 745 892	5 026 180
Section 29 <i>Financial Management Act, No. 18 of 1994</i>	86 251	86 251	247 755
Section 32 <i>Financial Management Act, No. 18 of 1994</i>	39 823	39 823	51 215
Advance to Treasurer	..	..	..
Total provision of outputs – gross application	2 871 966	2 871 966	5 325 149
Additions to the net asset base			
Additions to the net asset base – net application	578 249	578 249	1 132 645
Section 29 <i>Financial Management Act, No. 18 of 1994</i>	3 267	3 267	878 617
Section 32 <i>Financial Management Act, No. 18 of 1994</i>	319 065	319 065	332 085
Total additions to the net asset base – gross application	900 581	900 581	2 343 347
Payments made on behalf of the State			
Payments made on behalf of the State – net application	..	..	155
Total for payments made on behalf of the State – gross application	..	..	155
Total annual appropriations – gross application	3 772 547	3 772 547	7 668 651
Total Parliamentary authority (excluding <i>Financial Management Act, No. 18 of 1994 Section 33</i>)	3 782 356	3 782 356	7 685 341
Amounts issued under the authority of the <i>Financial Management Act, No. 18 of 1994, Section 33 (Special Appropriation)</i> relating to prior year appropriations	..	..	..
Total Parliamentary authority	3 782 356	3 782 356	7 685 341

Note 39: Public account disclosure (continued)

(x) Parliamentary authority – Treasury and Finance

(\$ thousand)

	Parliamentary authority 2015	Amounts applied 2015	Amounts applied 2014
Special appropriations			
<i>Constitution Act, No. 8750 of 1975 – Governor’s Pension</i>	1 005	1 005	983
<i>Constitution Act, No. 8750 of 1975 – Supreme Court Judges</i>	9 776	9 776	9 561
<i>County Court Act, No. 6230 of 1958 – Judges</i>	13 536	13 536	13 238
<i>Financial Management Act, No. 18 of 1994, Section 10</i>	..	..	..
<i>Financial Management Act, No. 18 of 1994, Section 39 – Interest on Advances</i>	2 163	2 163	8 683
<i>Gambling Regulation Act No.114 of 2003, Section 3.6.12 – Community Support Fund</i>	96 506	96 506	93 211
<i>Liquor Control Reform Act, No. 94 of 1988, Section 177 (2)</i>	2 733	2 733	2 487
<i>State Electricity Commission Act 1958, Section 85B(2) – Indemnity</i>	86 099	86 099	104 604
<i>State Superannuation Act, No. 50 of 1988, Section 90 (2) – Contributions</i>	1 036 611	1 036 611	1 035 753
<i>State Owned Enterprises Act, No. 90 of 1992, Section 88 – State equivalent taxation payments</i>	8 364	8 364	1 039
<i>Taxation (Interest on Overpayments) Act, No. 35 of 1986, Section 11</i>	977	977	1 725
<i>Treasury Corporation of Victoria Act No. 80 of 1992, Section 38 – Debt Retirement</i>	23 933	23 933	14 536
Total special appropriations (excluding <i>Financial Management Act, No. 18 of 1994 Section 33</i>)	1 281 704	1 281 704	1 285 818
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	226 278	219 382	241 528
Section 29 <i>Financial Management Act, No. 18 of 1994</i>	8 583	8 583	7 362
Section 32 <i>Financial Management Act, No. 18 of 1994</i>	1 922	1 921	3 775
Section 35 <i>Financial Management Act, No. 18 of 1994</i> (temporary advances)	..	..	..
Advance to Treasurer	22 710	20 826	2 162
Total provision of outputs – gross application	259 493	250 713	254 827
Additions to the net asset base			
Additions to the net asset base – net application	24 427	5 000	..
Section 32 <i>Financial Management Act, No. 18 of 1994</i>	2 757	..	..
Section 35 <i>Financial Management Act, No. 18 of 1994</i> (temporary advances)	..	..	..
Total additions to the net asset base – gross application	27 184	5 000	..

Note 39: Public account disclosure (continued)

(x) Parliamentary authority – Treasury and Finance (continued)

(\$ thousand)

	<i>Parliamentary authority 2015</i>	<i>Amounts applied 2015</i>	<i>Amounts applied 2014</i>
Payments made on behalf of the State			
Payments made on behalf of the State – net application	1 753 223	1 743 968	1 808 474
Section 32 <i>Financial Management Act, No. 18 of 1994</i>	2 600	2 600	898
Section 35 <i>Financial Management Act, No. 18 of 1994</i> (temporary advances)	..	..	24 320
Advance to the Treasurer	..	..	46 658
Total for payments made on behalf of the State – gross application	1 755 823	1 746 568	1 880 349
Advance to Treasurer to meet urgent claims that may arise before Parliamentary sanction is obtained, which will afterwards be submitted for Parliamentary authority	681 107	325 502	364 576
Payments approved under Advance to Treasurer and brought to account under the relevant departments	(681 107)	(325 502)	(364 576)
Total annual appropriations gross application	2 042 500	2 002 281	2 135 176
Total Parliamentary authority (excluding <i>Financial Management Act, No. 18 of 1994</i> Section 33)	3 324 204	3 283 985	3 420 994
Amounts issued under the authority of the <i>Financial Management Act, No. 18 of 1994</i>, Section 33 (Special Appropriation) relating to prior year appropriations	..	..	..
Total Parliamentary authority	3 324 204	3 283 985	3 420 994

Note 39: Public account disclosure (*continued*)

(y) Parliamentary authority – Courts

(\$ thousand)

	Parliamentary authority 2015	Amounts applied 2015	Amounts applied 2014
Special appropriations			
<i>Constitution Act, No. 8750 of 1975 – Chief Justice</i>	564	564	..
<i>Constitution Act, No. 8750 of 1975 – President Court of Appeal</i>	489	489	..
<i>Constitution Act, No. 8750 of 1975 – Judges Court of Appeal</i>	6 252	6 252	..
<i>Constitution Act, No. 8750 of 1975 – Judges Supreme Court</i>	18 816	18 816	..
<i>County Court Act, No. 6230 of 1958 – Judges</i>	27 289	27 289	..
<i>Juries Act No. 53 of 2000, Section 59 – Compensation to Jurors</i>	3	3	..
<i>Magistrates Court Act No. 51 of 1989</i>	46 352	46 352	..
<i>Victims of Crime Assistance Act No. 81 of 1996, Criminal Injuries Compensation</i>	38 650	38 650	..
<i>Victims of Crime Assistance Act No. 81 of 1996, Tribunal</i>	2 780	2 780	..
<i>Victorian Civil and Administrative Tribunal Act 53 of 1998, Section 17AA</i>	14 691	14 691	..
Total special appropriations (excluding <i>Financial Management Act, No. 18 of 1994 Section 33</i>)	155 886	155 886	..
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	231 430	226 627	..
<i>Section 29 Financial Management Act, No. 18 of 1994</i>	68 602	68 602	..
Advance to Treasurer	2 009	2 009	..
Total provision of outputs – gross application	302 041	297 238	..
Additions to the net asset base			
Additions to the net asset base – net application	5 235	..	..
Advance to Treasurer	55	55	..
Total additions to the net asset base – gross application	5 290	55	..
Total annual appropriations gross application	307 331	297 293	..
Total Parliamentary authority (excluding <i>Financial Management Act, No. 18 of 1994 Section 33</i>)	463 217	453 179	..
Amounts issued under the authority of the <i>Financial Management Act, No. 18 of 1994, Section 33 (Special Appropriation)</i> relating to prior year appropriations	..	..	..
Total Parliamentary authority	463 217	453 179	..

Note 39: Public account disclosure *(continued)*

(z) Government guarantee

Details of payments made in fulfilment of any guarantee by the Government

There have been no payments made during 2014-15 in fulfilment of any guarantee by the Government.

Money received or recovered in respect of any guarantee payments

There has been no money recovered during 2014-15 in respect of any guarantee payments.

Note 40: Glossary of technical terms

The following is a summary of the major technical terms used in this report as sourced from the *Uniform Presentation Framework (2008)*. Technical terms that have been discussed in Note 1 are excluded from the list below.

ABS GFS manual

The ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2005* as updated from time to time.

Capital grants

Transactions in which the ownership of an asset (other than cash and inventories) is transferred from one institutional unit to another, in which cash is transferred to enable the recipient to acquire another asset or in which the funds realised by the disposal of another asset are transferred, for which no economic benefits of equal value are receivable or payable in return.

Cash surplus/deficit

Net cash flows from operating activities plus net cash flows from investments in non-financial assets (less dividends paid for the PNFC and PFC sectors).

Cash surplus/deficit – ABS GFS version

Equal to the cash surplus deficit (above) less the value of assets acquired under finance leases and similar arrangements.

Change in net worth

Change in net worth (comprehensive result) is revenue from transactions less expenses from transactions plus other economic flows and measures the variation in a government's accumulated assets and liabilities.

Comprehensive result

Comprehensive result is the amount included in the operating statement representing total change in net worth other than transactions with owners as owners.

Current grants

Amounts payable or receivable for current purposes for which no economic benefits of equal value are receivable or payable in return.

Effective interest method

The effective interest method is used to calculate the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, where appropriate, a shorter period.

Note 40: Glossary of technical terms (continued)

Fiscal aggregates

Analytical balances that are useful for macroeconomic analysis purposes, including assessing the impact of a government and its sectors on the economy. Key fiscal aggregates defined under ABS GFS manual are required to be disclosed under AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. They are: opening net worth, net operating balance, net lending/(borrowing), change in net worth due to revaluations, change in net worth due to other changes in the volume of assets, total change in net worth, closing net worth, and cash surplus/(deficit). AASB 1049 also allows additional fiscal aggregates to be included such as net financial worth, net financial liabilities and net debt.

Government Finance Statistics

Government Finance Statistics (GFS) enables policymakers and analysts to study developments in the financial operations, financial position and liquidity situation of the Government. More details about the GFS can be found in the Australian Bureau of Statistics (ABS) GFS manual *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2005*.

Grants for on-passing

All grants paid to one institutional sector (e.g. a state-based general government entity) to be passed on to another institutional sector (e.g. local government or a private non-profit institution).

Infrastructure systems

Infrastructure systems provide essential services used in the delivery of final services or products. They are generally a complex interconnected network of individual assets and mainly include sewerage systems, water storage and supply systems, and public transport assets owned by the State.

Key fiscal aggregates

Referred to as analytical balances in the ABS GFS manual, key fiscal aggregates are data identified as useful for macroeconomic analysis purposes, including assessing the impact of a government and its sectors on the economy. They are:

- opening net worth;
- net operating balance;
- net lending/(borrowing);
- change in net worth due to revaluations;
- change in net worth due to other changes in the volume of assets;
- total change in net worth;
- closing net worth; and
- cash surplus/(deficit).

Net acquisition of non-financial assets (from transactions)

Purchases (and other acquisitions) of non-financial assets less sales (or disposals) of non-financial assets less depreciation plus changes in inventories and other movements in non-financial assets. Includes only those increases or decreases in non-financial assets resulting from transactions and therefore excludes write offs, impairment write downs and revaluations.

Note 40: Glossary of technical terms (continued)

Net cash flows from investments in financial assets (liquidity management purposes)

Net cash flows from investments in financial assets (liquidity management purposes) are cash receipts from liquidation or repayment of investments in financial assets for liquidity management purposes less cash payments for such investments. Investment for liquidity management purposes means making funds available to others with no policy intent and with the aim of earning a commercial rate of return.

Net cash flows from investments in financial assets (policy purposes)

Net cash flows from investments in financial assets (policy purposes) represents cash payments made for acquiring financial assets for policy purposes, less cash receipts from the repayment and liquidation of such investments in financial assets.

Acquisition of financial assets for policy purposes is distinguished from investments in financial assets (liquidity management purposes) by the underlying government motivation for acquiring the assets. Acquisition of financial assets for policy purposes includes loans made by government that are motivated by Government policies, such as encouraging the development of certain industries or assisting people affected by natural disaster.

For the general government sector, this item also includes cash flows arising from the acquisition and disposal by government of its investments (contributed capital) in entities in the public non-financial corporations and public financial corporations sectors.

Net debt

Net debt equals sum of deposits held, advances received, government securities, loans and other borrowing less the sum of cash and deposits, advances paid and investments, loans and placements. For the PFC sector, this also includes loans receivable from other sector entities.

Net financial liabilities

Total liabilities less financial assets, other than equity in PNFCs and PFCs. This measure is broader than net debt as it includes significant liabilities, other than borrowings (e.g. accrued employee liabilities such as superannuation and long service leave entitlements). For the PNFC and PFC sectors, it is equal to negative net financial worth.

Net financial worth

Net financial worth is equal to financial assets minus liabilities. It is a broader measure than net debt as it incorporates provisions made (such as superannuation, but excluding depreciation and bad debts) as well as holdings of equity. Net financial worth includes all classes of financial assets and liabilities, only some of which are included in net debt.

Net gain on equity investments in other sector entities

Net gain on equity investments in other sector entities measured at proportional share of the carrying amount of net assets/(liabilities) represents the net gains relating to the equity held by the general government sector in other sector entities. It arises from a change in the carrying amount of net assets of the subsidiaries. The net gains are measured based on the proportional share of the subsidiary's carrying amount of net assets/(liabilities) before elimination of inter sector balances.

Note 40: Glossary of technical terms (*continued*)

Net lending/borrowing

The financing requirement of government, calculated as the net operating balance less the net acquisition of non-financial assets. It also equals transactions in financial assets less transactions in liabilities. A positive result reflects a net lending position and a negative result reflects a net borrowing position.

Net operating balance – net result from transactions

Net result from transactions or net operating balance is a key fiscal aggregate and is revenue from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

Net result

Net result is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as ‘other non-owner movements in equity’.

Net worth

Assets less liabilities, which is an economic measure of wealth.

Non-financial assets

Non-financial assets are all assets that are not financial assets. It includes inventories, land, buildings, infrastructure, road networks, land under roads, plant and equipment, cultural and heritage assets, intangibles and biological assets such as commercial forests.

Non-financial public sector

The non-financial public sector (NFPS) represents the consolidated transactions and assets and liabilities of the general government and PNFC sectors. In compiling statistics for the non-financial public sector, transactions and debtor creditor relationships between sub sectors are eliminated to avoid double counting.

Operating result

Operating result is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as ‘other non-owner movements in equity’. Refer also ‘net result’.

Other superannuation expense

Includes all superannuation expenses from transactions except superannuation interest cost. Generally includes current service cost, which is the increase in entitlements associated with the employment services provided by employees in the current period. Superannuation actuarial gains/(losses) are excluded as they are considered other economic flows.

Roads

Roads include road pavement and road works in progress. All land under roads is included under the category of ‘land’.

Note 40: Glossary of technical terms (*continued*)

Road infrastructure

Road infrastructure mainly includes sound barriers, bridges and traffic signal control systems.

Superannuation interest expense

The expense resulting from the increase in the liability due to the fact that, for all participants in the scheme, retirement (and death) is one year nearer, and so one fewer discount factors must be used to calculate the present value of the benefits for each future year. The net superannuation interest expense is calculated using the discount rate (a long-term Government bond rate) without reference to the expected rate of investment return on plan assets.

Taxation revenue

Taxation revenue represents revenue received from the State's taxpayers and includes: payroll tax, land tax, duties levied principally on conveyances and land transfers, gambling taxes levied mainly on private lotteries, electronic gaming machines, casino operations and racing, insurance duty relating to compulsory third party, life and non-life policies, insurance company contributions to fire brigades, Fire Services Property Levy, motor vehicle taxes, including registration fees and duty on registrations and transfers, levies (including the environmental levy) on statutory corporations in other sectors of government; and other taxes, including landfill levies, licence and concession fees.

Transactions

Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows within an entity such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset.

Taxation is regarded as mutually agreed interactions between the Government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of the Government.

Note 41: Government purpose classification

The Government purpose classification (GPC) classifies expenses and acquisition of non-financial assets of the public sector and general government sector in terms of the purposes for which the transactions are made. As required under AASB 1049, total assets of the State and general government sector are also required to be allocated to purpose classification where possible to do so. The major groups reflect the broad objectives of government and the groups and subgroups detail the means by which these broad objectives are achieved.

General public services

Include legislative and executive affairs, financial and fiscal affairs, external affairs, foreign economic aid, general research, general economic and social services, general statistical services and government superannuation benefits.

Public order and safety

Includes police and fire protection services, law courts and legal services, prisons and corrective services, and control of domestic animals and livestock.

Education

Includes primary and secondary education, university and other higher education, technical and further education, preschool and special education and transportation of students.

Health

Includes general hospitals, repatriation hospitals, mental health institutions, nursing homes, special hospitals, hospital benefits, medical clinics and practitioners, dental clinics and practitioners, maternal and infant health, ambulance services, medical benefits, school and other public health services, pharmaceuticals, medical aids and appliances and health research.

Social security and welfare

Includes sickness benefits; benefits to ex-servicemen and their dependants; invalid and other permanent disablement benefits; old age benefits; widows; deserted wives; divorcee and orphan benefits; unemployment benefits; family and child benefits; sole parent benefits; family and child welfare; and aged and handicapped welfare.

Housing and community amenities

Includes housing and community development, water supply, household garbage and other sanitation, sewerage, urban stormwater drainage, protection of the environment and street lighting.

Recreation and culture

Includes public halls and civic centres, swimming pools and beaches, national parks and wildlife, libraries, creative and performing arts, museums, art galleries, broadcasting and film production.

Fuel and energy

Includes coal, petroleum, gas, nuclear affairs and electricity.

Agriculture, forestry, fishing and hunting

Includes agricultural land management, agricultural water resources management, agricultural support schemes, agricultural research and extension services, forestry, fishing and hunting.

Note 41: Government purpose classification (*continued*)

Transport and communications

Includes road construction, road maintenance, parking, water transport, rail transport, air transport, pipelines, multi-mode urban transit systems and communications.

Other economic affairs

Includes storage, saleyards, markets, tourism and area promotion and labour and employment affairs.

Other purposes

Includes public debt transactions, general purpose inter government transactions and natural disaster relief.

Note 42: Controlled entities

Note 42 Controlled entities within the 2014-15 *Financial Report* for the State of Victoria contains a list of significant controlled entities which have been consolidated for the purposes of the financial report. Unless otherwise noted, all such entities are wholly owned. The entities below may include additional consolidated entities, for which only the parent entity has been listed.

The principal activities of the controlled entities reflect the three sectors of government they are within as set out in note 1(D) Basis of Consolidation. Further, Note 41 Government purpose classification in the 2014-15 *Financial Report* reflects the broad objectives of these controlled entities.

General government ^(a)

Department of Education and Training ^(b)

Adult Community and Further Education Board

Adult Multicultural Education Services

International Fibre Centre Limited

TAFEs including:

- Bendigo Kangan Institute ^(b)
- Box Hill Institute of TAFE
- Chisholm Institute of TAFE
- Federation Training
- Gordon Institute of TAFE
- Goulburn Ovens Institute of TAFE
- Holmesglen Institute of TAFE
- Melbourne Polytechnic ^(c)
- South West Institute of TAFE
- Sunraysia Institute of TAFE
- William Angliss Institute of TAFE
- Wodonga Institute of TAFE

Victorian Curriculum and Assessment Authority

Victorian Institute of Teaching

Victorian Registration and Qualifications Authority

Department of Environment, Land, Water and Planning

Architects Registration Board of Victoria

Catchment Management Authorities including:

- Corangamite Catchment Management Authority
- East Gippsland Catchment Management Authority
- Glenelg Hopkins Catchment Management Authority
- Goulburn Broken Catchment Management Authority
- Mallee Catchment Management Authority
- North Central Catchment Management Authority
- North East Catchment Management Authority
- Port Phillip and Westernport Catchment Management Authority
- West Gippsland Catchment Management Authority
- Wimmera Catchment Management Authority

Dhelkunya Dja Land Management Board ^(d)

Office of the Commissioner for

Environmental Sustainability

Environment Protection Authority

Parks Victoria

Gunaikurnai Traditional Owner Land

Management Board

Heritage Council

Metropolitan Planning Authority

Royal Botanic Gardens Board

Surveyors Registration Board of Victoria

Sustainability Victoria

Trust for Nature (Victoria)

Victorian Building Authority

Victorian Environmental Water Holder

Yorta Yorta Traditional Owner Land

Management Board

Department of Health and Human Services

Commission for Children and Young People

Health Purchasing Victoria

Hospitals, Health and Ambulance Services

including:

- Albury Wodonga Health
- Alexandra District Hospital
- Alfred Health
- Alpine Health
- Ambulance Victoria
- Austin Health
- Bairnsdale Regional Health Service
- Ballarat Health Services
- Barwon Health
- Bass Coast Health ^(e)
- Beaufort and Sipton Health Service
- Beechworth Health Service
- Benalla Health
- Bendigo Health Care Group
- Boort District Health
- Casterton Memorial Hospital
- Castlemaine Health
- Central Gippsland Health Service
- Cobram District Health
- Cohuna District Hospital
- Colac Area Health
- Dental Health Services Victoria
- Djerrivarrh Health Services
- Dunmunkle Health Services
- East Grampians Health Service
- East Wimmera Health Service

– Eastern Health

– Echuca Regional Health

– Edenhope and District Memorial Hospital

– Gippsland Southern Health Service

– Goulburn Valley Health

– Heathcote Health

– Hepburn Health Service

– Hesse Rural Health Service

– Heywood Rural Health

– Inglewood and Districts Health Service

– Kerang District Health

– Kooweerup Regional Health Service

– Kyabram and District Health Services

– Kyneton District Health Service

– Latrobe Regional Hospital

– Lorne Community Hospital

– Maldon Hospital

– Mallee Track Health and Community Service

– Mansfield District Hospital

– Maryborough District Health Service

– Melbourne Health

– Monash Health

– Moyne Health Services

– Nathalia District Hospital

– Northeast Health Wangaratta

– Northern Health

– Numurkah District Health Service

– Omeo District Health

– Orbost Regional Health

– Otway Health

– Peninsula Health

– Peter MacCallum Cancer Institute

– Portland District Health

– Robinvale District Health Services

– Rochester and Elmore District Health Service

– Rural Northwest Health

– Seymour Health

– South Gippsland Hospital

– South West Healthcare

– Stawell Regional Health

– Swan Hill District Health

– Tallangatta Health Service

– Terang and Mortlake Health Service

– The Kilmore and District Hospital

– The Royal Children's Hospital

Note 42: Controlled entities (continued)

General government (continued) ^(a)		
– The Royal Victorian Eye and Ear Hospital	Sentencing Advisory Council	Department of Economic Development, Jobs, Transport and Resources
– The Royal Women’s Hospital	Residential Tenancies Bond Authority	Australian Centre for the Moving Image
– Timboon and District Healthcare Service	Victoria Legal Aid	Australian Synchrotron Holding Company ⁽ⁱ⁾
– Upper Murray Health and Community Services	Victoria Police (Office of the Chief Commissioner of Police)	Docklands Studios Melbourne Pty Ltd
– Victorian Assisted Reproductive Treatment Authority	Victoria State Emergency Service Authority	Energy Safe Victoria
– Victorian Institute of Forensic Mental Health	Victorian Commission for Gambling and Liquor Regulation	Film Victoria
– West Gippsland Healthcare Group	Victorian Equal Opportunity and Human Rights Commission	Game Management Authority ⁽ⁱ⁾
– West Wimmera Health Service	Victorian Institute of Forensic Medicine	Library Board of Victoria
– Western District Health Service	Victorian Law Reform Commission	Linking Melbourne Authority ^(k)
– Western Health	Victorian Professional Standards Council	Major Projects Victoria
– Wimmera Health Care Group	Victorian Responsible Gambling Foundation	Melbourne Cricket Ground Trust
– Yarram and District Health Service	Department of Premier and Cabinet	Melbourne Recital Centre Limited
– Yarrawonga Health	Freedom of Information Commissioner	Museums Board of Victoria
– Yea and District Memorial Hospital	Independent Broad-Based	National Gallery of Victoria, Council of Trustees
– The Queen Elizabeth Centre	Anti-Corruption Commission (IBAC)	Public Transport Development Authority
– Tweddle Child and Family Health Service	Office of the Commissioner for Privacy and Data Protection ^(g)	Regional Development Victoria
Victorian Health Promotion Foundation	Ombudsman Victoria	Roads Corporation
Victorian Institute of Sport Limited	Shrine of Remembrance Trustees	Taxi Services Commission
Victorian Institute of Sport Trust	Victorian Aboriginal Heritage Council	Tourism Victoria ^(l)
Department of Justice and Regulation ^(f)	Victorian Competition and Efficiency Commission ^(h)	Veterinary Practitioners Registration Board of Victoria
Country Fire Authority	Victorian Electoral Commission	Department of Treasury and Finance
Emergency Services Telecommunications Authority	Victorian Inspectorate	CentTex
Legal Services Board	Victorian Multicultural Commission	Domestic (HIH) Indemnity Fund and Housing Guarantee Claims
Legal Services Commissioner	Victorian Public Sector Commission	Essential Services Commission
Metropolitan Fire and Emergency Services Board	Victorian Veterans Council	Court Services Victoria ^(m)
Office of Public Prosecutions		Judicial College of Victoria ^(m)
		Parliament of Victoria
		Victorian Auditor General’s Office
Public non-financial corporations ^(a)		
Department of Environment, Land, Water and Planning	– Gippsland Waste and Resource Recovery Group ⁽ⁿ⁾	– Gippsland and Southern Rural Water Corporation
Alpine Resorts Management Board including:	– Goulburn Valley Waste and Resource Recovery Group ⁽ⁿ⁾	– Goulburn-Murray Rural Water Corporation
– Alpine Resorts Co-ordinating Council	– Grampians Central Waste West and Resource Recovery Group ⁽ⁿ⁾	– Goulburn Valley Region Water Corporation
– Falls Creek Alpine Resort Management Board	– Metropolitan Waste and Resource Recovery Group ⁽ⁿ⁾	– Grampians Wimmera Mallee Water Corporation
– Lake Mountain Alpine Resort Management Board	– Loddon Mallee Waste and Resource Recovery Group ⁽ⁿ⁾	– Lower Murray Urban and Rural Water Corporation
– Mount Baw Baw Alpine Resort Management Board	– North East Waste and Resource Recovery Group ⁽ⁿ⁾	– Melbourne Water Corporation
– Mount Buller and Mount Stirling Alpine Resort Management Board	Water Authorities including:	– North East Region Water Corporation
– Mount Hotham Alpine Resort Management Board	– Barwon Region Water Corporation	– South East Water Corporation
Phillip Island Nature Parks	– Central Gippsland Region Water Corporation	– South Gippsland Region Water Corporation
Urban Renewal Authority Victoria (Places Victoria)	– Central Highlands Region Water Corporation	– Wannon Region Water Corporation
Waste and Resource Recovery Groups including:	– City West Water Corporation	– Western Region Water Corporation
– Barwon South West Waste and Resource Recovery Group ⁽ⁿ⁾	– Coliban Region Water Corporation	– Westernport Region Water Corporation
	– East Gippsland Region Water Corporation	– Yarra Valley Water Corporation
		Zoological Parks and Gardens Board

Note 42: Controlled entities (continued)

Public non-financial corporations ^(a)		
Department of Health and Human Services	Department of Premier and Cabinet	Northern Victorian Fresh Tomato Industry Development Committee
Cemeteries including:	Queen Victoria Women's Centre Trust	Phytogene Pty Ltd
– Ballarat General Cemeteries Trust	VITS Languagelink	Port of Hastings Development Authority
– Bendigo Cemeteries Trust	Department of Economic Development, Jobs, Transport and Resources	Port of Melbourne Corporation
– Geelong Cemeteries Trust	Agriculture Victoria Services Pty Ltd	PrimeSafe
– Greater Metropolitan Cemeteries Trust	Australian Grand Prix Corporation	V/Line Corporation
– Southern Metropolitan Cemeteries Trust	Dairy Food Safety Victoria	VicForests
– Mildura Cemetery Trust	Emerald Tourist Railway Board	Victorian Arts Centre Trust
Director of Housing (PNFC)	Fed Square Pty Ltd	Victorian Major Events Company Limited ^(l)
State Sport Centres Trust	Geelong Performing Arts Centre Trust	Victorian Rail Track
Department of Justice and Regulation	Greater Sunraysia Pest Free Area Industry Development Committee ^(a)	Victorian Regional Channels Authority
Greyhound Racing Victoria	Melbourne and Olympic Parks Trust	Victorian Strawberry Industry Development Committee
Harness Racing Victoria	Melbourne Convention and Exhibition Trust	Department of Treasury and Finance
	Melbourne Market Authority	State Electricity Commission of Victoria
	Murray Valley Wine Grape Industry Development Committee	Victorian Plantations Corporation (shell)
Public financial corporations ^(a)		
Department of Treasury and Finance	Transport Accident Commission	Victorian Managed Insurance Authority
Rural Finance Corporation of Victoria ^(b)	Treasury Corporation of Victoria	Victorian WorkCover Authority (WorkSafe Victoria)
State Trustees Limited	Victorian Funds Management Corporation	

Notes:

- (a) On 4 December 2014, the Premier announced machinery of government changes effective 1 January 2015. The following Victorian government departments were affected:
- Department of Education and Early Childhood Development was renamed to the Department of Education and Training;
 - Department of Environment and Primary Industries was renamed to the Department of Environment, Land, Water and Planning;
 - Department of Health was renamed to the Department of Health and Human Services;
 - Department of Justice was renamed to the Department of Justice and Regulation;
 - Department of State Development, Business and Innovation was renamed to the Department of Economic Development, Jobs, Transport and Resources;
 - Department of Human Services ceased to exist; and
 - Department of Transport, Planning and Local Infrastructure ceased to exist.
- The two ceasing departments had their functions and operations transferred to other Victorian government departments. Functions and operations of the Department of Human Services were transferred to the new Department of Health and Human Services portfolio and to the Department of Premier and Cabinet portfolio. Functions and operations of the Department of Transport, Planning and Local Infrastructure were transferred to new Department of Environment, Land, Water and Planning portfolio, the new Department of Health and Human Services portfolio and to the new Department of Economic Development, Jobs, Transport and Resources portfolio. Certain functions and operations of continuing Victorian government departments were also transferred as part of the machinery of government changes.
- (b) The Bendigo Kangan Institute was established on 1 July 2014 as a result of a merge between Bendigo TAFE and Kangan Institute of TAFE.
- (c) Effective 2 October 2014, Northern Melbourne Institute of TAFE was renamed as Melbourne Polytechnic.
- (d) Effective 17 July 2014, The Dhelkunya Dja Land Management Board was established by the Victorian Government under the Conservation, Forests and Lands Act 1987, to manage a number of parks and reserves in central Victoria.
- (e) Effective 4 September 2014, Bass Coast Regional Health was renamed to Bass Coast Health.
- (f) Effective 31 December 2014, the Fire Services Levy Monitor ceased to exist.
- (g) Effective 17 September 2014, the Office of the Commissioner for Privacy and Data Protection commenced operations replacing the Office of the Victorian Privacy Commissioner, which ceased operations on 16 September 2014.
- (h) Effective 22 September 2015, the Victorian Competition and Efficiency Commission ceased to exist and operations were transferred to the Commissioner for Better Regulation. The new entity has been established under the Department of Treasury and Finance portfolio.
- (i) The Australian Synchrotron Holding Company is a private company limited by shares, with the State of Victoria owning 76 per cent of the total shares on issue.
- (j) Effective from 1 July 2014, the Game Management Authority Act 2014 established the Game Management Authority as a statutory authority to improve the effectiveness of game management and promote responsibility in game hunting.
- (k) In the 2015-16 financial year, Linking Melbourne Authority will cease to exist.
- (l) On 13 August 2015, Tourism Victoria and Victorian Major Events Company Limited ceased to exist and their operations combined to a new entity, Visit Victoria. Visit Victoria will operate as a public non-financial corporation.
- (m) The Court Services Victoria Act 2014 established Court Services Victoria as a statutory public sector body to provide the administrative services and facilities for Victoria's courts, the Victorian Civil Administrative Tribunal and the Judicial College of Victoria taking effect from 1 July 2014.

Note 42: Controlled entities *(continued)*

Notes *(continued)*:

- (n) Under changes to the Environment Protection Act 1970, the 12 regional Waste Management Groups wound up on 31 July 2014 and seven new regional Waste and Resource Recovery Groups were established, effective from 1 August 2014 as follows:
- South Western Regional Waste Management Group and Barwon Regional Waste Management Group have been transferred into the Barwon South West Waste and Resource Recovery Group;
 - Gippsland Regional Waste Management Group has been transferred to the Gippsland Waste and Resource Recovery Group;
 - Goulburn Valley Regional Waste Management Group has been transferred to the Goulburn Valley Waste and Resource Recovery Group;
 - Desert Fringe Regional Waste Management Group, Grampians Regional Waste Management Group and Highlands Regional Waste Management Group have been transferred to the Grampians Central Waste and Resource Recovery Group;
 - Calder Regional Waste Management Group, Central Murray Regional Waste Management Group and Mildura Regional Waste Management Group have been transferred to the Loddon Mallee Waste and Resource Recovery Group;
 - North East Victorian Regional Waste Management Group has been transferred to the North East Waste and Resource Recovery Group; and
 - Mornington Peninsula Waste Management Group has been transferred into the Metropolitan Waste and Resource Recovery Group, an existing entity.
- (o) On 25 September 2014, the Greater Sunraysia Pest Free Area Industry Development Committee commenced operations.
- (p) On 1 July 2014, the sale of the Rural Finance Corporation to Bendigo and Adelaide Bank was completed.

CHAPTER 5 – SUPPLEMENTARY UNIFORM PRESENTATION FRAMEWORK TABLES

THE ACCRUAL GOVERNMENT FINANCE STATISTICS PRESENTATION

The Government Finance Statistics (GFS) system employed by the Australian Bureau of Statistics (ABS) is designed to provide statistics relating to the finances of the Australian public sector. The statistics show consolidated transactions of the various institutional sectors of government from an economic viewpoint, providing details of the revenue, expenses, payments, receipts, assets and liabilities. It includes only those transactions and balances over which a government exercises control under its legislative or policy framework and excludes from the calculation of net operating balance both revaluations (realised and unrealised gains or losses) arising from a change in market prices, and other changes in the volume of assets that result from discoveries, depletion and destruction of assets. These gains and losses are classified as other economic flows.

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES/GOVERNMENT FINANCE STATISTICS HARMONISATION

In October 2007, the Australian Accounting Standards Board issue a new standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, applicable from 1 July 2008. The objective as set out by the Financial Reporting Council in December 2002 is ‘to achieve an Australian accounting standard for a single set of government reports which are auditable, comparable between jurisdictions, and in which the outcome statements as directly comparable with the relevant budget statements’. This standard incorporates the major elements of the GFS framework, including the presentation formats and key fiscal aggregates, into a standard based on generally accepted accounting principles (GAAP).

A revised Uniform Presentation Framework (UPF) was agreed by the Australian Loan Council in March 2008, based on AASB 1049, and similarly applicable from the reporting period commencing 1 July 2008. In addition to the audited Annual Financial Report presented in Chapter 4, the following statements are also required to be presented under the UPF.

Financial statements for the non-financial public sector

Table 5.1: Non-financial public sector operating statement for the financial year ended 30 June

(\$ million)

	2015	2014 ^(a)
Revenue from transactions		
Taxation revenue	17 949.3	16 505.3
Interest	396.1	401.1
Dividends and income tax equivalent and rate equivalent revenue	748.8	194.9
Sales of goods and services	10 596.2	11 005.3
Grant revenue	24 500.0	25 124.9
Other revenue	3 066.9	2 729.7
Total revenue from transactions	57 257.4	55 961.2
Expenses from transactions		
Employee expenses	19 858.8	19 010.7
Net superannuation interest expense	1 040.8	1 077.3
Other superannuation	2 080.2	1 941.9
Depreciation	4 403.8	4 291.0
Interest expense	2 801.1	2 823.5
Grant expense	5 824.5	5 044.8
Other operating expenses	20 448.1	20 069.8
Total expenses from transactions	56 457.4	54 259.0
Net result from transactions – net operating balance	800.0	1 702.1
Other economic flows included in net result		
Net gain/(loss) on disposal of non-financial assets	8.5	(12.3)
Net gain/(loss) on financial assets or liabilities at fair value	81.0	(63.4)
Share of net profit/(loss) from associates/joint venture entities	(29.8)	108.1
Other gains/(losses) from other economic flows	(731.8)	(1 135.8)
Total other economic flows included in net result	(672.1)	(1 103.4)
Net result	128.0	598.8
Other economic flows – other comprehensive income		
Items that will not be reclassified to net result		
Changes in non-financial assets revaluation surplus	7 404.3	4 958.8
Remeasurement of superannuation defined benefits plans	556.3	(266.1)
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	636.0	944.3
Other movements in equity	(153.1)	562.1
Items that may be reclassified subsequently to net result		
Net gain/(loss) on financial assets at fair value	(9.8)	(8.6)
Total other economic flows – other comprehensive income	8 433.7	6 190.5
Comprehensive result – total change in net worth	8 561.7	6 789.3
FISCAL AGGREGATES		
Net operating balance	800.0	1 702.1
Net acquisition of non-financial assets from transactions		
Purchases of non-financial assets (including change in inventories)	6 604.5	7 297.4
Less: Sales of non-financial assets	(593.7)	(477.3)
Less: Depreciation	(4 403.8)	(4 291.0)
Plus: Other movements in non-financial assets	240.8	270.4
Less: Net acquisition of non-financial assets from transactions	1 847.9	2 799.5
Net lending/(borrowing)	(1 047.9)	(1 097.3)

Source: Department of Treasury and Finance

Note:

(a) June 2014 comparative figures have been restated. See Chapter 4, Note 37.

Table 5.2: Non-financial public sector balance sheet for the financial year ended 30 June

(\$ million)

	2015	2014 ^(a)
Assets		
Financial assets		
Cash and deposits	5 373.5	5 566.7
Advances paid	89.2	86.1
Receivables	5 802.7	5 256.0
Investments, loans and placements	4 395.3	4 015.3
Investments accounted for using the equity method	2 020.8	1 555.1
Investments in other sector entities	3 209.5	2 896.1
Total financial assets	20 891.0	19 375.3
Non-financial assets		
Inventories	709.9	785.4
Non-financial assets held for sale	205.2	160.9
Land, buildings, infrastructure, plant and equipment	206 893.3	198 409.0
Other non-financial assets	1 932.5	2 252.9
Total non-financial assets	209 740.9	201 608.2
Total assets	230 631.9	220 983.5
Liabilities		
Deposits held and advances received	636.8	541.5
Payables	6 480.1	6 333.5
Borrowings	45 769.4	45 052.5
Employee benefits	5 984.8	5 620.6
Superannuation	25 988.4	26 301.2
Other provisions	1 050.5	974.0
Total liabilities	85 910.1	84 823.3
Net assets	144 721.8	136 160.2
Accumulated surplus/(deficit)	62 838.6	47 091.3
Reserves	81 833.2	89 018.8
Non-controlling interest	50.0	50.0
Net worth	144 721.8	136 160.2
FISCAL AGGREGATES		
Net financial worth	(65 019.0)	(65 448.0)
Net financial liabilities	68 228.6	68 344.1
Net debt	36 548.2	35 925.9

Source: Department of Treasury and Finance

Note:

(a) June 2014 comparative figures have been restated. See Chapter 4, Note 37.

Table 5.3: Non-financial public sector cash flow statement for the financial year ended 30 June

(\$ million)

	2015	2014
Cash flows from operating activities		
Receipts		
Taxes received	18 026.4	16 323.8
Grants	24 486.0	25 151.2
Sales of goods and services ^(a)	11 597.7	12 232.8
Interest received	372.3	370.4
Dividends and income tax equivalent and rate equivalent receipts ^(b)	633.1	193.4
Other receipts	2 285.0	1 884.5
Total receipts ^(b)	57 400.7	56 156.1
Payments		
Payments for employees	(19 620.9)	(18 904.4)
Superannuation	(2 877.5)	(2 788.4)
Interest paid	(2 743.3)	(2 722.9)
Grants and subsidies	(5 749.3)	(5 041.9)
Goods and services ^(a)	(20 129.0)	(20 287.9)
Other payments	(1 061.8)	(818.3)
Total payments	(52 181.9)	(50 563.9)
Net cash flows from operating activities ^(b)	5 218.8	5 592.2
Cash flows from investing activities		
Purchases of non-financial assets	(6 604.5)	(7 297.4)
Sales of non-financial assets	593.7	477.3
Cash flows from investments in non-financial assets	(6 010.8)	(6 820.1)
Net cash flows from investments in financial assets for policy purposes ^(b)	199.4	85.1
Sub-total ^(b)	(5 811.4)	(6 735.0)
Net cash flows from investments in financial assets for liquidity management purposes	(270.5)	316.8
Net cash flows from investing activities ^(b)	(6 081.9)	(6 418.2)
Cash flows from financing activities		
Advances received (net)	..	(0.6)
Net borrowings	575.4	1 671.0
Deposits received (net)	95.2	(41.4)
Other financing (net)	..	3.0
Net cash flows from financing activities	670.7	1 632.0
Net increase/(decrease) in cash and cash equivalents	(192.4)	806.1
Cash and cash equivalents at beginning of reporting period	5 565.9	4 759.8
Cash and cash equivalents at end of the financial year ^(c)	5 373.5	5 565.9
FISCAL AGGREGATES		
Net cash flows from operating activities ^(b)	5 218.8	5 592.2
Net cash flows from investments in non-financial assets	(6 010.8)	(6 820.1)
Cash surplus/(deficit) ^(b)	(792.0)	(1 227.9)

Source: Department of Treasury and Finance

Notes:

(a) These items are inclusive of goods and services tax.

(b) June 2014 comparative figures have been restated. See Chapter 4, Note 37.

(c) Cash and cash equivalents at the end of the reporting period does not equal cash and deposits on the balance sheet. This is due to overdrafts being included in the cash flow statement balances.

Table 5.4: Non-financial public sector statement of changes in equity

(\$ million)

	Accumulated surplus/(deficit)	Non-controlling Interest	Non-financial assets revaluation surplus ^(a)	Investment in other sector entities revaluation surplus	Other reserves	Total
2015						
Balance at 1 July 2014	47 091.3	50.0	85 434.7	2 604.2	979.9	136 160.2
Net result for the year	128.0	..	..	..	..	128.0
Other comprehensive income for the year	207.8	..	7 404.3	636.0	185.6	8 433.7
Transfer to accumulated surplus ^(b)	15 411.6	..	(15 411.6)	..	..	..
Transactions with owners in their capacity as owners	..	..	..	..	..	..
Total equity as at 30 June 2015	62 838.7	50.0	77 427.4	3 240.2	1 165.6	144 721.8
2014						
Balance at 1 July 2013 ^(c)	45 988.5	50.0	80 760.7	1 659.9	911.8	129 370.9
Net result for the year ^(c)	598.8	..	..	..	..	598.8
Other comprehensive income for the year ^(c)	219.3	..	4 958.8	944.3	68.2	6 190.5
Transfer to accumulated surplus ^(b)	284.8	..	(284.8)	..	..	..
Transactions with owners in their capacity as owners	..	..	..	..	..	..
Total equity as at 30 June 2014	47 091.3	50.0	85 434.7	2 604.2	979.9	136 160.2

Source: Department of Treasury and Finance

Notes:

(a) Non-financial assets revaluation surplus relates to revaluation of land, buildings, infrastructure, plant and equipment.

(b) Transfer of reserves to accumulated surplus for ceased departments as part of the Machinery of Government changes effective 1 January 2015. See Note 42.

(c) June 2014 comparative figures have been restated. See Chapter 4, Note 37.

Table 5.5: Derivation of non-financial public sector GFS cash surplus/(deficit)

(\$ million)

	2015	2014
Cash surplus/(deficit)^(a)	(792.0)	(1 227.9)
Less: Acquisitions under finance leases and similar arrangements	(98.5)	(109.5)
GFS cash surplus/(deficit)^{(a)(b)}	(890.5)	(1 337.4)

Source: Department of Treasury and Finance

Notes:

(a) June 2014 comparative figures have been restated. See Chapter 4, Note 37.

(b) Determined in accordance with the ABS GFS manual.

Table 5.6: General government sector detailed expenses by function^(a)

(\$ million)

	2014-15	2013-14 ^(d)
General public services^(b)	2 428.3	1 811.5
Other general public services ^(b)	2 428.3	1 811.5
Public order and safety	5 769.1	5 508.5
Police and fire protection services	3 399.9	3 313.7
Police services	2 325.1	2 159.7
Fire protection services	1 074.7	1 154.0
Law courts and legal services	1 044.2	1 014.7
Prisons and corrective services	962.1	815.7
Other public order and safety	362.9	364.3
Education^(b)	12 973.8	12 628.8
Primary and secondary education ^(b)	9 765.0	9 336.7
Primary education ^(b)	4 921.0	4 690.7
Secondary education ^(b)	4 790.2	4 597.4
Primary and secondary education NEC ^(c)	53.8	48.6
Tertiary education	2 110.5	2 231.7
Technical and further education	2 110.5	2 231.7
Pre-school education and education not definable by level	970.5	939.5
Pre-school education	300.8	311.5
Special education	669.7	628.0
Transportation of students	127.8	121.0
Transportation of non-urban school children	38.8	37.3
Transportation of other students	89.0	83.6
Health	14 369.8	13 811.5
Acute care institutions	10 719.0	10 301.4
Admitted patient services in acute care institutions	8 818.4	8 528.4
Non-admitted patient services in acute care institutions	1 900.6	1 773.0
Mental health institutions	59.6	83.7
Nursing homes for the aged	508.7	509.3
Community health services	2 216.6	2 111.5
Community health services (excluding community mental health)	805.4	789.0
Community mental health	716.2	700.7
Patient transport	695.0	621.8
Public health services	409.1	358.9
Pharmaceuticals, medical aids and appliances	382.9	330.2
Health research	61.1	107.1
Health administration NEC ^(c)	12.8	9.6
Social security and welfare	4 254.9	3 916.6
Welfare services	4 254.9	3 916.6
Family and child services	1 044.1	936.2
Welfare services for the aged	1 016.4	975.6
Welfare services for people with a disability	1 672.2	1 456.9
Welfare services NEC ^(c)	522.2	547.9
Housing and community amenities	2 948.2	2 444.4
Housing and community development	2 457.4	1 902.8
Housing	425.1	436.5
Aboriginal community development	14.3	13.5
Other community development	2 018.0	1 452.8
Water supply	123.1	151.2
Sanitation and protection of the environment	359.4	382.4
Other community amenities	8.3	8.0

Table 5.6: General government sector detailed expenses by function^(a) (continued)

(\$ million)

	2014-15	2013-14 ^(d)
Recreation and culture	682.6	687.0
Recreation facilities and services	291.3	297.4
National parks and wildlife	82.1	80.3
Recreation facilities and services NEC ^(c)	209.2	217.1
Cultural facilities and services	391.3	389.6
Fuel and energy	130.4	123.1
Electricity and other energy	130.4	123.1
Electricity	30.6	29.5
Fuel and energy NEC ^(c)	99.8	93.6
Agriculture, forestry, fishing and hunting	382.0	377.8
Agriculture	315.2	377.8
Forestry, fishing and hunting	66.8	..
Transport and communications	6 133.6	5 961.4
Road transport	1 703.9	1 608.1
Road maintenance	479.5	450.1
Road construction	956.7	849.3
Road transport NEC ^(c)	267.7	308.6
Rail transport	4 342.9	4 240.4
Urban rail transport services	3 420.3	3 393.9
Non-urban rail transport passenger services	922.6	846.5
Other transport	86.8	112.9
Other transport NEC ^(c)	86.8	112.9
Other economic affairs	1 108.9	1 168.5
Tourism and area promotion	238.5	218.1
Labour and employment affairs	10.5	9.9
Other labour and employment affairs	10.5	9.9
Other economic affairs	859.9	940.4
Other purposes	1 376.4	1 945.7
Public debt transactions	1 338.6	1 366.7
Other purposes NEC ^(c)	37.8	578.9
Total^(b)	52 558.0	50 384.9

Source: Department of Treasury and Finance

Notes:

(a) Chapter 4, Note 41 provides definitions and descriptions of government purpose classifications.

(b) June 2014 comparative figures have been restated. See Chapter 4, Note 37.

(c) NEC: Not elsewhere classified.

(d) June 2014 comparative figures have been reclassified to reflect more current information.

VICTORIA'S 2014-15 LOAN COUNCIL ALLOCATION

Under the Uniform Presentation Framework (UPF), Victoria is required to publish the Loan Council Allocation (LCA) estimates. The LCA is a measure of each government's net call on financial markets in a given financial year to meet its budget obligations. The method of public release is the responsibility of each jurisdiction. Victoria discloses its LCA information through the Financial Report for the State of Victoria, Budget Paper No. 5 *Statement of Finances* and Budget Update.

Table 5.7 compares the Victorian 2014-15 LCA nomination as published in the *2014-15 Budget* with the 2014-15 outcome.

Table 5.7: Loan Council Allocation 2014-15

	(\$ million)	
	2014-15 budget	2014-15 actual
General government cash deficit(+) or surplus (-)	1 088.0	176.9
Public non-financial corporations sector cash deficit(+) or surplus (-)	1 966.5	614.7
Non-financial public sector cash deficit(+) or surplus(-) ^(a)	3 086.3	792.0
Acquisitions under finance leases and similar arrangements	36.4	98.5
ABS GFS cash deficit(+) or surplus(-)	3 122.8	890.5
Less Net cash flows from investments in financial assets for policy purposes ^(b)	27.6	35.7
Plus Memorandum items ^(c)	693.9	256.6
Loan Council Allocation	3 789.0	1 111.5
Tolerance limit (2 per cent of non-financial public sector cash receipts from operating activities) ^(d)	1 139.9	1 139.9

Source: Department of Treasury and Finance

Notes:

- (a) The sum of the deficit of the general government and public non-financial corporation sector does not directly equal the non-financial public sector cash deficit due to inter-sectoral transfers, which are netted out in the calculation of the non-financial public sector figure. The non-financial public sector cash deficit excludes finance lease acquisitions.
- (b) The ABS GFS cash deficit is adjusted to include in the LCA the impact of net cash flows from investments in financial assets for policy purposes.
- (c) The ABS GFS cash deficit is adjusted to include in the LCA the impact of memorandum items, which include certain transactions that have many of the characteristics of public sector borrowings but do not constitute formal borrowings (e.g. operating leases). They also include, where appropriate, transactions that the Loan Council has agreed should not be included in the LCA (e.g. the over/under funding of employers' emerging costs under public sector superannuation schemes, or borrowings by entities such as statutory marketing authorities).
- (d) A tolerance limit equal to 2 per cent of total non-financial public sector cash receipt from operating activities applies to the movement between a jurisdiction's LCA budget estimate and LCA outcome (calculated using estimates in the 2014-15 Budget). The tolerance limit applying to the movement between Victoria's 2014-15 LCA budget estimate and its LCA outcome is \$1 139.9 million (2 per cent of \$56 993.5 million).

As part of the Loan Council arrangements, the Council has agreed that if at any time a state or territory find that it is likely to exceed its tolerance limit, in either direction, it is required to provide an explanation to the Council and, in line with the emphasis of increased transparency to make the explanation public. Victoria's 2014-15 LCA outcome (a deficit of \$1.1 billion) is \$2.7 billion lower than the budgeted LCA and exceeds the 2014-15 tolerance limit. This is primarily due to a \$2 billion decrease in the non-financial public sector cash deficit largely as a result of lower net cash flows from investments in non-financial assets.

In the interest of transparency, the State is required to disclose the details of new infrastructure projects with private sector involvement that are expected to be contracted during the LCA year, and to report the full contingent exposure, if any. Exposure is to be measured by the Government's termination liabilities in a case of a private sector default and disclosed as a footnote to, rather than a component of, the LCA. The amount payable will not exceed the fair market value of the project (which is usually calculated by an independent valuer) less any costs incurred by the Government as a result of the default.

Listed below are details of the public private partnership projects that were contracted in the 2014-15 financial year.

Ravenhall Prison

The Ravenhall Prison PPP project will deliver a medium-security prison to accommodate 1000 male prisoners, adding capacity to the State's prison system. It will be built on existing Crown land at Ravenhall, adjacent to the Dame Phyllis Frost Centre and Metropolitan Remand Centre.

The tender process commenced in June 2013 and concluded in September 2014. The private party, GEO consortium, will design, build, finance and operate the prison for a period of 25 years. Construction is expected to be completed by the end of 2017. Once operations at the prison commence, the State will begin quarterly payments to the GEO consortium, the value of which will depend on attainment of key performance indicators relating to ongoing service provision. In order to achieve a cost-efficient capital structure, the State also contributes to the project's financing upon construction completion.

CityLink–Tulla widening

The CityLink–Tulla widening project will widen the Western Link section of CityLink (from the West Gate Freeway – Burnley Tunnel to Bulla Road) and Tullamarine Freeway (from Bulla Road to the Melbourne Airport), and introduce a Freeway Management System along this corridor.

The CityLink–Tulla widening is a combination of a Market-led Proposal from Transurban, the owner and operator of the CityLink toll road concession, and State and Commonwealth Governments contributions to upgrade the Tullamarine Freeway. Transurban is to deliver works on CityLink under a public private partnership (PPP) arrangement where Transurban is responsible for the design, construction, funding, financing, maintenance and operation of the road until the end of the concession. The State is to deliver works on the Tullamarine Freeway.

Under the PPP arrangement, Transurban will pay for costs associated with the project through CityLink tolls, namely an expected uplift in traffic and toll revenue post construction, an extension of the CityLink concession by one year, toll prices remaining escalated at an annual rate of 4.5 per cent for an additional year after 2015 and truck tolls increasing to become consistent with national pricing for trucks on other motorway networks. These funding CityLink funding sources are also contributing to fund the costs of the State works for the project.

In addition to the funding sourced from CityLink tolls, the State and Commonwealth Governments are also providing \$272.8 million of funding to the State works.

The total estimated capital cost of the project is \$1.28 billion, with the State works on the Tullamarine Freeway estimated to cost \$415 million and Transurban works on CityLink estimated to cost \$867 million.

Design and preliminary development works have commenced, with construction on site expected progressively by October 2015. The project is expected to be completed by 2018.

There were no other *Partnership Victoria* contracts greater than \$5 million signed during the 2014-15 financial year.

APPENDIX A – GENERAL GOVERNMENT SECTOR QUARTERLY FINANCIAL REPORT

Table A.1: Operating statement for the past five quarters^(a)

	(\$ million)				
	2013-14		2014-15		
	Jun	Sep	Dec	Mar	Jun
Revenue from transactions					
Taxation revenue	3 704.2	4 710.7	4 053.6	5 476.1	4 098.3
Interest revenue	209.1	205.1	200.0	203.1	218.9
Dividends and income tax equivalent and rate equivalent revenue	115.1	51.0	615.8	63.0	383.0
Sales of goods and services	1 951.8	1 656.6	1 675.8	1 711.3	1 438.6
Grant revenue	7 558.2	5 665.0	6 056.7	6 742.1	6 039.0
Other revenue	795.3	566.4	588.3	496.4	857.4
Total revenue from transactions	14 333.8	12 854.7	13 190.2	14 692.0	13 035.2
Expenses from transactions					
Employee expenses	4 697.7	4 510.1	4 808.9	4 628.2	4 887.1
Net superannuation interest expense	268.0	258.1	253.5	250.2	276.2
Other superannuation	446.6	483.9	550.9	482.6	460.6
Depreciation	615.0	596.6	601.0	611.5	616.2
Interest expense	557.0	523.4	524.7	511.0	543.2
Grant expense	1 294.7	2 002.6	2 127.6	2 646.3	1 752.7
Other operating expenses	5 322.7	4 063.3	4 276.9	4 153.6	5 157.0
Total expenses from transactions	13 201.6	12 437.9	13 143.5	13 283.4	13 693.1
Net result from transactions – net operating balance	1 132.2	416.8	46.6	1 408.5	(657.9)
Other economic flows included in net result					
Net gain/(loss) on disposal of non-financial assets	(46.6)	5.1	21.0	21.2	(15.2)
Net gain/(loss) on financial assets or liabilities at fair value	6.1	19.3	15.3	46.3	(27.8)
Share of net profit/(loss) from associates/joint venture entities' excluding dividends	(0.1)	..	0.1	..	(2.7)
Other gains/(losses) from other economic flows	(116.7)	(90.1)	(243.3)	(161.6)	(52.9)
Total other economic flows included in net result	(157.3)	(65.8)	(206.8)	(94.0)	(98.6)
Net result	974.9	351.0	(160.2)	1 314.5	(756.5)

Table A.1: Operating statement for the past five quarters^(a) (continued)

	(\$ million)				
	2013-14		2014-15		
	Jun	Sep	Dec	Mar	Jun
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus	2 359.0	21.7	37.1	(134.9)	2 600.6
Remeasurement of superannuation defined benefits plans	(2 294.6)	121.2	(2 585.6)	(1 971.2)	4 986.9
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	2 702.9	..	2.7	..	4 223.0
Other movements in equity	144.4	14.2	(21.3)	(622.1)	480.8
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value	(33.6)	(2.2)	(32.0)	(12.2)	1.7
Total other economic flows – other comprehensive income	2 878.1	154.9	(2 599.2)	(2 740.4)	12 293.0
Comprehensive result – total change in net worth	3 853.0	505.9	(2 759.3)	(1 425.9)	11 536.4
KEY FISCAL AGGREGATES					
Net operating balance^(a)	1 132.2	416.8	46.6	1 408.5	(657.9)
Less: Net acquisition of non-financial assets from transactions	117.2	71.8	373.4	87.0	(239.9)
Net lending/(borrowing)^(a)	1 015.0	344.9	(326.7)	1 321.6	(418.0)

Note:

(a) The comparative quarterly figures have been restated to reflect more current information.

Table A.2: Balance sheet as at the end of the past five quarters^(a)

	(\$ million)				
	2013-14		2014-15		
	Jun	Sep	Dec	Mar	Jun
Assets					
Financial assets					
Cash and deposits	4 582.2	4 176.7	4 170.8	4 608.5	4 281.7
Advances paid	4 586.9	4 575.9	4 577.9	4 573.3	4 571.8
Receivables	4 940.6	5 168.6	5 001.4	6 727.1	5 555.3
Investments, loans and placements	3 036.3	3 076.9	3 350.7	3 397.4	3 405.9
Investments accounted for using the equity method	44.1	44.1	47.0	46.9	44.6
Investments in other sector entities	75 869.2	75 875.3	76 169.5	76 357.5	82 181.0
Total financial assets	93 059.4	92 917.6	93 317.3	95 710.6	100 040.3
Non-financial assets					
Inventories	159.8	153.7	148.1	147.1	144.5
Non-financial assets held for sale	137.8	146.7	145.5	130.0	175.3
Land, buildings, infrastructure, plant and equipment	104 998.8	105 036.8	105 317.2	104 681.7	107 586.4
Other non-financial assets	1 204.8	1 383.6	1 480.3	1 325.0	1 038.3
Total non-financial assets	106 501.3	106 720.8	107 091.0	106 283.8	108 944.5
Total assets	199 560.6	199 638.3	200 408.3	201 994.4	208 984.7
Liabilities					
Deposits held and advances received	426.5	454.2	423.9	529.0	517.8
Payables	5 554.8	5 111.5	5 812.5	6 182.4	5 704.3
Borrowings	32 953.6	32 846.6	33 018.1	33 286.1	34 069.0
Employee benefits	5 266.0	5 463.2	5 399.3	5 600.7	5 605.3
Superannuation	26 252.9	26 181.4	28 843.6	30 881.1	25 946.6
Other provisions	629.4	598.1	686.9	716.9	807.4
Total liabilities	71 083.2	70 655.0	74 184.4	77 196.3	72 650.2
Net assets	128 477.4	128 983.3	126 224.0	124 798.1	136 334.5
Accumulated surplus/(deficit)	43 634.6	44 505.1	41 722.4	41 077.7	45 788.5
Reserves	84 792.8	84 428.2	84 451.5	83 670.4	90 496.0
Non-controlling interest	50.0	50.0	50.0	50.0	50.0
Net worth	128 477.4	128 983.3	126 224.0	124 798.1	136 334.5
FISCAL AGGREGATES					
Net financial worth	21 976.2	22 262.5	19 132.9	18 514.3	27 390.1
Net financial liabilities	53 893.1	53 612.8	57 036.6	57 843.1	54 791.0
Net debt	21 174.6	21 471.3	21 342.7	21 236.0	22 327.4

Note:

(a) The comparative quarterly figures have been restated to reflect more current information.

Table A.3: Statement of cash flows for the past five quarters^(a)

	(\$ million)				
	2013-14		2014-15		
	Jun	Sep	Dec	Mar	Jun
Cash flows from operating activities					
Receipts					
Taxes received	4 414.2	4 585.6	4 780.5	4 276.6	4 773.0
Grants	7 557.0	5 664.0	6 055.9	6 697.6	6 081.6
Sales of goods and services ^(b)	1 923.1	1 804.8	2 104.9	1 501.3	1 590.8
Interest received	218.8	194.4	190.6	192.7	234.6
Dividends and income tax equivalent and rate equivalent receipts	93.6	57.1	619.1	70.7	267.9
Other receipts	767.5	411.6	592.4	163.5	816.1
Total receipts	14 974.1	12 717.6	14 343.5	12 902.4	13 764.0
Payments					
Payments for employees	(4 718.9)	(4 312.8)	(4 917.4)	(4 481.6)	(4 907.6)
Superannuation	(660.2)	(692.2)	(727.9)	(666.6)	(684.4)
Interest paid	(537.0)	(510.0)	(510.3)	(513.0)	(528.9)
Grants and subsidies	(1 159.8)	(2 180.4)	(2 135.6)	(2 633.8)	(1 614.1)
Goods and services ^(b)	(4 191.0)	(4 514.6)	(4 424.6)	(3 525.7)	(4 370.0)
Other payments	(738.6)	(175.6)	(163.2)	(137.6)	(580.7)
Total payments	(12 005.6)	(12 385.6)	(12 879.0)	(11 958.2)	(12 685.7)
Net cash flows from operating activities	2 968.5	332.0	1 464.5	944.2	1 078.4
Cash flows from investing activities					
Purchases of non-financial assets	(1 275.4)	(887.0)	(1 230.9)	(869.0)	(1 406.9)
Sales of non-financial assets	118.8	36.1	86.1	62.9	212.7
Cash flows from investments in non-financial assets	(1 156.6)	(850.9)	(1 144.8)	(806.1)	(1 194.1)
Net cash flows from investments in financial assets for policy purposes	(257.8)	208.1	(163.9)	(57.6)	(844.8)
Sub-total	(1 414.4)	(642.8)	(1 308.7)	(863.7)	(2 038.9)
Net cash flows from investments in financial assets for liquidity management purposes	1 064.9	(14.1)	(302.1)	(14.9)	(39.0)
Net cash flows from investment activities	(349.4)	(657.0)	(1 610.8)	(878.5)	(2 077.9)
Cash flows from financing activities					
Advances received (net)	..	..	0.8	0.4	(1.2)
Net borrowings	(937.2)	(108.2)	170.6	267.0	684.0
Deposits received (net)	(164.5)	27.7	(31.1)	104.7	(10.1)
Net cash flows from financing activities	(1 101.6)	(80.5)	140.3	372.1	672.7
Net increase/(decrease) in cash and cash equivalents	1 517.5	(405.5)	(5.9)	437.7	(326.8)
Cash and cash equivalents at beginning of reporting period	3 064.7	4 582.2	4 176.7	4 170.8	4 608.5
Cash and cash equivalents at end of the financial year	4 582.2	4 176.7	4 170.8	4 608.5	4 281.7
FISCAL AGGREGATES					
Net cash flows from operating activities ^(b)	2 968.5	332.0	1 464.5	944.2	1 078.4
Net cash flows from investments in non-financial assets ^(b)	(1 156.6)	(850.9)	(1 144.8)	(806.1)	(1 194.1)
Cash surplus/(deficit)^(b)	1 811.9	(518.9)	319.7	138.1	(115.8)

Notes:

^(a) The comparative quarterly figures have been restated to reflect more current information.^(b) These items are inclusive of goods and services tax.

APPENDIX B – FINANCIAL MANAGEMENT ACT 1994 – COMPLIANCE INDEX

The *Financial Management Act 1994* requires the Minister to prepare an audited annual financial report for tabling in Parliament. This report has been prepared in accordance with applicable Australian Accounting Standards and the *Financial Management Act 1994*.

The *Financial Management Act 1994* also requires the annual financial report to meet certain requirements. The following compliance index explains how these requirements are met, together with appropriate references in this document.

Financial Management Act 1994 reference		
Act 1994 reference	Requirement	Comments/reference
Section 24(1)	The Minister must prepare an annual financial report for each financial year.	Refer to Chapter 4
Section 24(2)	The annual financial report: <ul style="list-style-type: none"> (a) must be prepared in the manner and form determined by the Minister, having regard to appropriate financial reporting frameworks; (b) must present fairly the financial position of the State and the Victorian general government sector at the end of the financial year; and <ul style="list-style-type: none"> (i) the transactions of the Public Account; (ii) the transactions on the Victorian general government sector; and (iii) other financial transactions of the State; 	<p>Manner is in accordance with Australian Accounting Standards and Ministerial Directions. Form is consolidated comprehensive operating statement, consolidated balance sheet, consolidated cash flow statement, consolidated statement of changes in equity and accompanying notes. Refer to Chapter 4</p> <p>Consolidated balance sheet, page 27</p> <p>Refer Chapter 4, Note 39 pages 163–192</p> <p>Refer Chapter 4, consolidated comprehensive operating statement page 26, consolidated cash flow statement page 28 and selected notes</p> <p>Refer Chapter 4, consolidated comprehensive operating statement page 26, consolidated cash flow statement page 28 and Notes 2–39, pages 58–192</p>

- in respect of the financial year;
- (c) must include details of amounts paid into working accounts under section 23; Refer Chapter 4, Note 39 Table (g), page 169
 - (d) must include details of amounts allocated to departments during the financial year under section 28; Refer Chapter 4, Note 39 Table (h), page 169
 - (e) must include details of money credited under section 29 to an item in a schedule to an appropriation Act for that financial year; Refer Chapter 4, Note 39 Table (j), page 171
 - (f) must include particulars of amounts transferred in accordance with determinations under section 30 or 31; Refer Chapter 4, Note 39 Table (i), page 170
 - (g) must include details of;
 - (i) amounts appropriated in respect of the financial year as a result of a determination under section 32 in respect of unused appropriation for the preceding financial year; Refer Chapter 4, Note 39 Table (k), page 172
 - (ii) the application during the financial year of amounts referred to in subparagraph (i); and Refer Chapter 4, Note 39 Table (k), page 172
 - (iii) amounts appropriated in respect of the next financial year as a result of a determination under section 32 in respect of unused appropriation for the financial year; Refer Chapter 4, Note 39 Table (k), page 173
 - (h) must include;
 - (i) details of expenses and obligations met from money advanced to the Minister under section 35(1) during the financial year; and Refer Chapter 4, Note 39 Table (m), page 176
 - (ii) a statement of the reasons for carrying forward any part of an unused advance to the next financial year under section 35(4); Refer Chapter 4, Note 39 see (n), page 176
 - (i) must include details of payments made during the financial year out of money advanced to the Treasurer in an annual appropriation Act for that year to meet urgent claims; Refer Chapter 4, Note 39 Table (l), pages 174–175

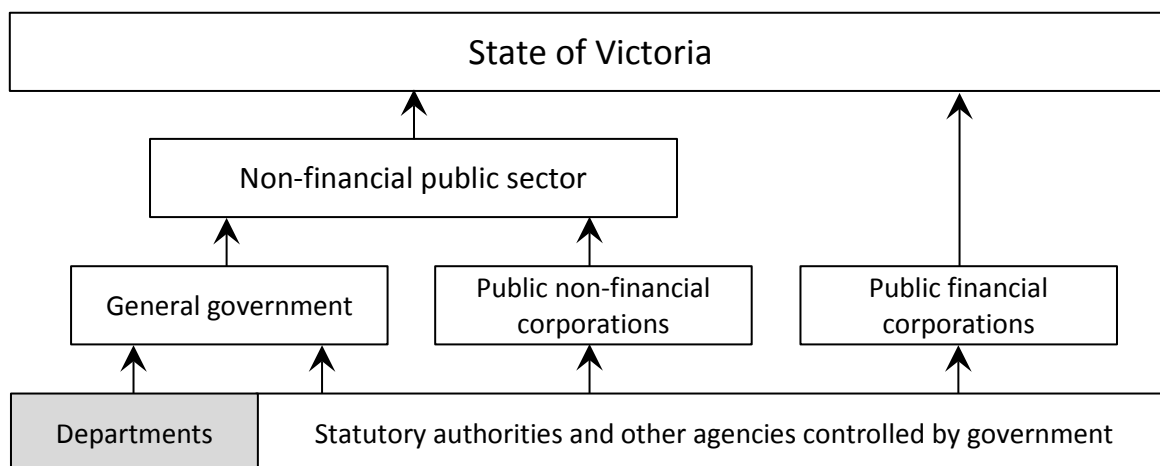
Financial Management Act 1994 reference	Requirement	Comments/reference
	(j) must include details of; <ul style="list-style-type: none"> (i) payments made during the financial year in fulfilment of any guarantee by the Government under any Act; and (ii) money received or recovered by the Minister or Treasurer during the financial year in respect of any guarantee payments; 	Refer Chapter 4, Note 39, see (z), page 192 Refer Chapter 4, Note 39, see (z), page 192
	(k) must include details, as at the end of the financial year, of; <ul style="list-style-type: none"> (i) the liabilities (including contingent liabilities under guarantees and indemnities or in respect of superannuation payments and all other contingent liabilities) and assets of the State; and (ii) prescribed assets and prescribed liabilities of prescribed bodies; 	Refer Chapter 4, Note 35 pages 149–154, Note 8 pages 69–73 and consolidated balance sheet page 27 Refer Chapter 4, Note 2 pages 58–65, Refer Chapter 5, Table 5.2 page 207
	(m) must be audited by the Auditor-General.	Refer Chapter 4, Report of the Auditor-General, pages 22–24
Section 26(1)	The Minister must prepare a quarterly financial report for each quarter of each financial year.	Refer Appendix A, pages 215–218
Section 26(2)	A quarterly financial report comprises: <ul style="list-style-type: none"> (a) a statement of financial performance of the Victorian general government sector for the quarter; (b) a statement of financial position of the Victorian general government sector at the end of the quarter; (c) a statement of cash flows of the Victorian general government sector for the quarter; and (d) a statement of the accounting policies on which the statements required by paragraphs (a), (b) and (c) are based. 	Refer Appendix A, pages 215–216 Refer Appendix A, page 217 Refer Appendix A, page 218 Refer Chapter 4, Note 1 pages 31–57
Section 26(2A)	A quarterly financial report must be prepared in the manner and form determined by the Minister, having regard to appropriate financial reporting frameworks.	Refer to Appendix A for agreed form, pages 215–218
Section 26(3A)	The quarterly financial report for the quarter ending on 30 June in a financial year must include, in addition to the statements referred to in sub-section (2)(a) to (d) for that quarter, those statements for the period of 12 months ending on that 30 June.	Refer to Chapter 4, consolidated comprehensive operating statement page 26, consolidated balance sheet page 27, consolidated cash flow statement page 28 and selected notes

APPENDIX C – SCOPE AND STYLE CONVENTIONS

Scope of the Financial Report for the State of Victoria

- The state financial outcome reflects the consolidation of all entities that are controlled by the Victorian State Government. Entities included in the state outcome include all government departments and other organisations which are legally constituted bodies that are controlled by the State.
- The reporting structure for the entities reported in the *Financial Report* for the State of Victoria is based on that used in the System of National Accounts, and classifies each entity into either the general government sector, the public non-financial corporation sector or the public financial corporation sector. The chart below provides an overview of this reporting structure as applied in Victoria.

Chart C.1: Entity framework for the State of Victoria



Source: Department of Treasury and Finance

- The general government sector comprises all government departments, offices and other government bodies engaged in providing public services free of charge or at prices significantly below the cost of production. Some of these entities may also earn revenue from commercial activities, however such revenue represents less than half of their total revenue.
- The public non-financial corporation sector provides goods and services (of a non-financial nature) within a competitive market, such as water authorities.
- The public financial corporation sector comprises entities primarily engaged in the provision of financial services, including the Treasury Corporation of Victoria and the Transport Accident Commission.

Style conventions

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts.

The notation used in the tables is as follows:

n.a.	not available or not applicable
1 billion	1 000 million
1 basis point	0.01 per cent
..	zero, or rounded to zero
(x xxx.x)	negative amount
x xxx.0	rounded amount
201x	year period (Chapter 4)
201x-1x	year period (other than in Chapter 4)

The Annual Financial Report is based on the style set in the example of a general purpose financial report for a government in illustrative example A of AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. The styles used in other chapters of this document are generally consistent with those used in other publications relating to the annual budget papers.

If you would like to receive this publication in an accessible format please telephone 9651 0909 or email information@dtf.vic.gov.au

This document is available in Word and PDF format at dtf.vic.gov.au

