

Warrnambool City Council

Annual Financial Report

For the Year Ended 30 June 2015

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Warrnambool City Council

Financial Statements

For the Year Ended 30 June 2015

Warrnambool City Council
Comprehensive Income Statement For The Year Ended 30 June 2015

	Note	2015 \$'000	2014 \$'000
Income			
Rates and charges	3	30,965	29,176
Statutory fees and fines	4	1,321	1,180
User fees	5	16,168	15,750
Grants - Operating	6	15,909	11,459
Grants - Capital	6	4,708	7,429
Contributions - Cash	7 (a)	2,214	1,673
Contributions - Non-monetary assets	7 (b)	2,983	4,232
Other income	8	912	1,429
Share of net profits/(losses) of associates and joint ventures accounted for by the equity method	16	(199)	74
Total Income		<u>74,981</u>	<u>72,402</u>
Expenses			
Employee costs	9	(28,707)	(27,674)
Materials and services	10	(25,693)	(23,758)
Bad and doubtful debts	11	(19)	(6)
Depreciation and amortisation	12	(9,049)	(8,922)
Borrowing costs	13	(627)	(692)
Other expenses	14	(833)	(660)
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	15	(2,112)	(1,777)
Total Expenses		<u>(67,040)</u>	<u>(63,489)</u>
Surplus/(Deficit) for the year		<u>7,941</u>	<u>8,913</u>
Other Comprehensive Income			
Items that will not be reclassified to surplus or deficit in future periods:			
Net asset revaluation increment		(7,174)	46,609
Share of other comprehensive income from investments in associates accounted for by the equity method	16	0	4
Total Comprehensive Result		<u><u>767</u></u>	<u><u>55,526</u></u>

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

Warrnambool City Council

Balance Sheet as at 30 June 2015

	Note	2015 \$'000	2014 \$'000
Assets			
Current assets			
Cash and cash equivalents	17	7,099	1,982
Trade and other receivables	18	3,854	3,460
Financial assets	17	7,000	12,000
Other assets	19	531	616
Inventories	20	118	118
Total current assets		<u>18,602</u>	<u>18,176</u>
Non-current assets			
Trade and other receivables	18	181	189
Investments in associates accounted for using the equity method	16	441	640
Property, infrastructure, plant and equipment	21	628,883	626,776
Total non-current assets		<u>629,505</u>	<u>627,605</u>
Total assets		<u>648,107</u>	<u>645,781</u>
Liabilities			
Current liabilities			
Trade and other payables	22	5,398	4,873
Trust funds and deposits	23	791	944
Provisions	24	5,558	5,198
Interest-bearing loans and borrowings	25	1,764	1,448
Total current liabilities		<u>13,511</u>	<u>12,463</u>
Non-current liabilities			
Provisions	24	523	484
Interest-bearing loans and borrowings	25	8,896	8,424
Total non-current liabilities		<u>9,419</u>	<u>8,908</u>
Total liabilities		<u>22,930</u>	<u>21,371</u>
Net Assets		<u>625,177</u>	<u>624,410</u>
Equity			
Accumulated surplus		189,574	181,636
Reserves	26	435,603	442,774
Total Equity		<u>625,177</u>	<u>624,410</u>

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

Warrnambool City Council
Statement of Changes in Equity for the Year Ended 30 June 2015

	Note	Total \$'000	Accumulated Surplus \$'000	Asset Revaluation Reserve \$'000	Other Reserves \$'000
2015					
Balance at beginning of the financial year		624,410	181,636	437,044	5,730
Comprehensive income result	26(a)	767	7,941	(7,174)	0
Transfers to other reserves	26(b)	0	(933)	0	933
Transfers from other reserves	26(b)	0	930	0	(930)
Balance at end of financial year		625,177	189,574	429,870	5,733
2014					
Balance at beginning of the financial year		568,884	170,963	390,431	7,490
Comprehensive income result	26(a)	55,526	8,913	46,613	0
Transfers to other reserves	26(b)	0	(1,251)	0	1,251
Transfers from other reserves	26(b)	0	3,011	0	(3,011)
Balance at end of financial year		624,410	181,636	437,044	5,730

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

Warrnambool City Council
Statement of Cash Flows for the Year Ended 30 June 2015

	Note	2015 Inflows/ (Outflows) \$'000	2014 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rates		30,686	29,250
Statutory fees and fines		1,193	1,180
User charges		16,168	15,514
Grants - operating		15,957	11,222
Grants - capital		4,551	8,729
Contributions		2,057	2,854
Interest		493	718
Other receipts		419	711
Proceeds from trust deposits		1,067	1,422
Repayments of trust deposits		(1,220)	(1,384)
Net GST refund / (payment)		(91)	(136)
Payments to suppliers		(25,007)	(23,020)
Payments to employees		(28,308)	(29,460)
Other payments		(1,340)	(1,358)
Net cash flows provided by operating activities	27	16,625	16,242
Cash flows from investing activities			
Payments for property, plant and equipment, infrastructure		(19,326)	(18,208)
Proceeds from sale of property, plant and equipment, infrastructure		2,029	529
Net cash (used in) investing activities		(17,297)	(17,679)
Cash flows from financing activities			
Proceeds from interest bearing loans and borrowings		2,199	5,399
Repayment of interest bearing loans and borrowings		(1,411)	(4,956)
Payments for financial assets		(18,000)	(27,000)
Proceeds from financial assets		23,000	25,020
Net cash provided by financing activities		5,788	(1,537)
Net increase/(decrease) in cash and cash equivalents		5,116	(2,974)
Cash and cash equivalents at the beginning of the financial year		1,982	4,956
Cash and cash equivalents at the end of the financial year	28	7,098	1,982
Financing arrangements	29		
Restrictions on cash and cash equivalents	30		

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

Warrnambool City Council
Statement of Capital Works for the Year Ended 30 June 2015

	2015 \$'000	2014 \$'000
Property		
Land	1,685	96
Total Land	<u>1,685</u>	<u>96</u>
Buildings	2,286	2,705
Building improvements	1,617	
Total Buildings	<u>3,903</u>	<u>2,705</u>
Total Property	<u>5,588</u>	<u>2,801</u>
Plant and equipment		
Plant and equipment	1,204	635
Fixtures, furniture and fittings	50	87
Computers and telecomms	917	868
Paintings and exhibits	51	0
Total plant and equipment	<u>2,222</u>	<u>1,590</u>
Infrastructure		
Roads, streets and bridges	7,958	9,835
Drainage	2,406	2,482
Footpaths and cycleways	748	861
Playground equipment	278	498
Other infrastructure	402	141
Total infrastructure	<u>11,792</u>	<u>13,817</u>
	<u>14,014</u>	<u>15,407</u>
Total capital works expenditure	<u>19,602</u>	<u>18,208</u>
Represented by:		
New asset expenditure	8,383	3,801
Asset renewal expenditure	7,426	10,024
Asset expansion expenditure	436	0
Asset upgrade expenditure	3,357	4,383
Total capital works expenditure	<u>19,602</u>	<u>18,208</u>

Warrnambool City Council

Notes to the Financial Report for the year ended 30 June 2015

Introduction

- (a) The Warrnambool City Council was established by an Order of the Governor in Council on 20 September 1994.
The Council's main office is located at 25 Liebig Street Warrnambool.
- (b) The purpose of the Council is to:
- provide for the peace, order and good government of its municipal district;
 - to promote the social, economic and environmental viability and sustainability of the municipal district;
 - to ensure that resources are used efficiently and effectively and services are provided in accordance with the Best Value Principles to best meet the needs of the local community;
 - to improve the overall quality of life of people in the local community;
 - to promote appropriate business and employment opportunities;
 - to ensure that services and facilities provided by the Council are accessible and equitable;
 - to ensure the equitable imposition of rates and charges; and
 - to ensure transparency and accountability in Council decision making.

External Auditor - Auditor-General of Victoria

Internal Auditor - Crowe Horwath

Solicitors - Tait Leishman Taylor and Maddocks

Bankers - Commonwealth Bank

Website address -
www.warrnambool.vic.gov.au

This financial report is a general purpose financial report that consists of a Comprehensive Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, and notes accompanying these financial statements. The general purpose financial report complies with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1989, and the Local Government (Finance and Reporting) Regulations 2014.

Note 1 Significant accounting policies

(a) Basis of accounting

This financial report has been prepared on the accrual and going concern bases.

This financial report has been prepared under the historical cost convention, except where specifically stated in notes 1(g), 1(j) and 1(q).

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

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

(b) Change in accounting policies

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

Warrnambool City Council
Notes to the Financial Report for the year ended 30 June 2015

Note 1 Significant accounting policies (cont.)

(c) Revenue recognition

Rates, grants and contributions

Rates, grants and contributions (including developer contributions) are recognised as revenues when the Council obtains control over the assets comprising these receipts.

Control over assets acquired from rates is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates.

A provision for doubtful debts on rates has not been established as unpaid rates represents a charge against the rateable property that will be recovered when the property is next sold.

Control over granted assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and are valued at their fair value at the date of transfer.

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

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

A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided at balance date.

User fees and fines

User fees and fines (including parking fees and fines) are recognised as revenue when the service has been provided and the payment has been received.

A provision for doubtful debts is recognised when collection in full is no longer probable.

Sale of property, infrastructure, plant and equipment

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

Trade and other receivables

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

Interest and rents

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

Warrnambool City Council
Notes to the Financial Report for the year ended 30 June 2015

Note 1 Significant accounting policies (cont.)

Dividends

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

(d) Depreciation and amortisation of property, infrastructure, plant and equipment,

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

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

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

Land and Artworks are not depreciated.

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

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

	2015	2014
Property		
buildings	60 - 100 years	60 - 100 years
Plant and Equipment		
plant, machinery and equipment	3 - 10 years	3 - 10 years
fixtures, fittings and furniture	2 - 25 years	2 - 25 years
Infrastructure		
roads		
road pavements	25 - 85 years	25 - 85 years
road seal - concrete	50 years	50 years
road formation - asphalt	25 years	25 years
road formation - flush	NA	NA
road kerb and channel	80 years	80 years
bridges	70 - 100 years	70 - 100 years
footpaths and cycleways	20 - 65 years	20 - 65 years
drainage - pipes and tunnels	30 - 100 years	30 - 100 years
drainage - pits	80 - 100 years	80 - 100 years
playground equipment	5 - 20 years	5 - 20 years
parking meters	13 - 20 years	13 - 20 years
other structures	5 - 100 years	5 - 100 years

(e) Repairs and maintenance

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

Warrnambool City Council
Notes to the Financial Report for the year ended 30 June 2015

Note 1 Significant accounting policies (cont.)

(f) Borrowing costs

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

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

(g) Recognition and measurement of assets

Acquisition

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

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

The following classes of assets have been recognised in note 21. In accordance with Council's policy, the threshold limits detailed below have applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year:

	Threshold \$'000
Property	
land	0
land under roads	0
buildings	5
Plant and Equipment	
plant, machinery and equipment	1
fixtures, fittings and furniture	1
computers and telecomms	1
Infrastructure	
roads	
road pavements and seals	5
road kerb and channel	5
bridges	5
footpaths and cycleways	5
drainage	1
playground equipment	1
parking meters	1
other infrastructure	5

Warrnambool City Council
Notes to the Financial Report for the year ended 30 June 2015

Note 1 Significant accounting policies (cont.)

Revaluation

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

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use on an asset result in changes to the permissible or practical highest and best use of the asset. More details about the valuation techniques and inputs used in determining the fair value of non-financial physical assets are discussed in Note 21 Property, infrastructure, plant and equipment.

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

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

Land under roads

Land under roads acquired after 30 June 2008 is brought to account using the fair value basis. Council does not recognise land under roads that it controlled prior to that period in its financial report.

(h) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts.

(i) Investments

Investments, other than investments in associates, are measured at cost.

Accounting for investments in associates

(j)

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

Warrnambool City Council
Notes to the Financial Report for the year ended 30 June 2015

Note 1 Significant accounting policies (cont.)

(k) Tender deposits

Amounts received as tender deposits and retention amounts controlled by Council are recognised as Trust funds until they are returned, transferred in accordance with the purpose of the receipt, or forfeited (refer to note 23).

(l) Employee benefits

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

Wages and salaries, and annual leave

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

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

Long service leave

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

The components of this current liability are measured at :

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

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

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The council recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

Warrnambool City Council
Notes to the Financial Report for the year ended 30 June 2015

Note 1 Significant accounting policies (cont.)

Employee benefits on-costs

Superannuation

A liability is recognised in respect of Council's present obligation to meet the unfunded obligations of defined benefit superannuation schemes to which its employees are members. The liability is defined as the Council's share of the scheme's unfunded position, being the difference between the present value of employees' accrued benefits and the net market value of the scheme's assets at balance date.

The superannuation expense for the reporting year is the amount of the statutory contribution the Council makes to the superannuation plan which provides benefits to its employees together with any movements (favourable/unfavourable) in the position of any defined benefits schemes. Details of these arrangements are recorded in note 31.

(m) Leases

Operating leases

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

(n) Allocation between current and non-current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next twelve months, being the Council's operational cycle, or if the Council does not have an unconditional right to defer settlement of a liability for at least 12 months after the reporting date.

(o) Website costs

Costs in relation to websites are charged as an expense in the period in which they are incurred.

(p) Goods and Services Tax (GST)

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

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

(q) Impairment of assets

At each reporting date, the Council reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the comprehensive income statement, unless the asset is carried at the revalued amount in which case, the impairment

Warrnambool City Council
Notes to the Financial Report for the year ended 30 June 2015

Note 1 Significant accounting policies (cont.)

(r) Rounding

Unless otherwise stated, amounts in the financial report have been rounded to the nearest thousand dollars.

(s) Non-current assets held for sale

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

(t) Inventories

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

Other inventories are measured at the lower of cost and net realisable value.

(u) Contingent assets and contingent liabilities and commitments

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

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

(v) Financial guarantees

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

(w) Pending accounting standards

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

Warrnambool City Council
Notes to the Financial Report for the year ended 30 June 2015

Note 2 Budget Comparison

The budget comparison notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variances. Council has adopted a materiality threshold of 10% and \$100,000 where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures detailed below are those adopted by Council on 23 June 2014. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for revenue and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

(a) Income and Expenditure

	Budget 2015 \$'000	Actual 2015 \$'000	Variance 2015 %	2015 \$'000	Ref
Income					
Rate charges	31,078	30,965	(0.4%)	(113)	
Statutory fees and fines	1,140	1,321	15.9%	181	1
User fees	16,388	16,168	(1.3%)	(220)	
Grants - Operating	12,210	15,909	30.3%	3,699	2
Grants - Capital	3,437	4,708	37.0%	1,271	3
Contributions - Cash	2,826	2,214	(21.7%)	(612)	4
Granted assets	2,500	2,983	19.3%	483	5
Other income	1,304	912	(30.1%)	(392)	6
Share of net profits(losses) of associates	0	(199)	0.0%	(199)	
Total income	70,883	74,981	5.8%	4,098	
Expenses					
Employee costs	(28,312)	(28,707)	(1.4%)	(395)	
Materials, services and contracts	(22,147)	(25,693)	(16.0%)	(3,546)	7
Bad and doubtful debts	(17)	(19)	(11.8%)	(2)	
Depreciation	(11,500)	(9,049)	21.3%	2,451	8
Finance costs	(606)	(627)	(3.5%)	(21)	
Other Expenses	(719)	(833)	(15.9%)	(114)	
Net gain/(loss) on disposal of property,	(775)	(2,112)	(172.5%)	(1,337)	9
Total expenses	(64,076)	(67,040)	(4.6%)	(2,964)	
Surplus (deficit) for the year	134,959	142,021	0.8%	1,134	

Warrnambool City Council
Notes to the Financial Report for the year ended 30 June 2015

(i) Explanation of material variances

Var Item Ref	Explanation
1	Councils animal database was reviewed prior to upgrading IT systems and as a result dog and cat registration fee income increased. Due to a change in accounting policy parking fine income exceeded budget.
2	Council received 50% of the 2015/16 Grants Commission allocation in 2014/15 which was not budgeted.
3	Council received \$2.5m for the airport upgrade and \$0.5m for Building Better Regional Cities which was budgeted for in 2013/14. Council did not receive \$1m for City Centre and \$1m Flagstaff Hill upgrade.
4	Development contribution was not received for North East Warrnambool however a contribution was received for the North of the Merri which was of a lesser amount.
5	The value of gifted assets from subdivisions in North of the Merri was greater than budgeted.
6	Veterans Home Care Grant \$0.2m incorrectly budgeted in other income and interest revenue down \$0.1m due to lower investment rates.
7	During the year Council expensed \$2.5m of capital works including Street Lighting upgrade, Mortlake Rd traffic lights, Airport entrance works, Rifle club works and Coghlan Rd rebate scheme.
8	A review of useful lives for buildings following the prior year revaluation resulted in depreciation being less than what was budgeted for.
9	The amount written back on disposal of roads when replaced during the year was higher than anticipated.

Warrnambool City Council
Notes to the Financial Report for the year ended 30 June 2015

(b) Balance sheet

	Budget	Actual	Variance		
	2015	2015	2015	2015	
	\$'000	\$'000	%	\$'000	Ref
Cash assets	5,984	7,099	18.6%	1,115	10
Receivables	4,100	3,854	(6.0%)	(246)	
Financial assets	3,000	7,000	133.3%	4,000	10
Other current assets	400	531	32.8%	131	11
Inventories - consumables	130	118	(9.2%)	(12)	
Total current assets	13,614	18,602	36.6%	4,988	
Non-current assets					
Receivables	154	181	17.5%	27	12
Investments in associates accounted for using the equity method	575	441	(23.3%)	(134)	
Property, infrastructure, plant and equipment	618,808	628,883	1.6%	10,075	
Total non-current assets	619,537	629,505	1.6%	9,968	
Total assets	633,151	648,107	2.4%	14,956	
Liabilities					
Current liabilities					
Payables	3,750	5,398	43.9%	1,648	13
Trust funds	1,000	791	(20.9%)	(209)	14
Employee Benefits	5,342	5,558	4.0%	216	15
Interest-bearing liabilities	1,838	1,764	(4.0%)	(74)	
Total current liabilities	11,930	13,511	13.3%	1,581	
Non-current liabilities					
Employee benefits	636	523	(17.8%)	(113)	15
Interest-bearing liabilities	11,430	8,896	(22.2%)	(2,534)	16
Total non-current liabilities	12,066	9,419	(21.9%)	(2,647)	
Total liabilities	23,996	22,930	(4.4%)	(1,066)	
Net assets	609,155	625,177	2.6%	16,022	
Equity					
Accumulated surplus	191,632	189,574	(1.1%)	(2,058)	
Reserves	417,523	435,603	4.3%	18,080	
Total equity	609,155	625,177	2.6%	16,022	

Warrnambool City Council
Notes to the Financial Report for the year ended 30 June 2015

(i) Explanation of material variances

Var Item Ref	Explanation
10	Cash and financial assets were higher than anticipated due to the early payment of the 2015/16 Grants Commission allocation and Council's capital works program not being fully complete.
11	The Pension Rebate for the 4th rate instalment was not received during the 2014/15 financial year.
12	An amount of \$0.1m previously recognised as a debtor has now converted to a loan arrangement.
13	Activity levels increased in June with amounts outstanding at balance date for some large contracts including fleet \$0.25m, infrastructure projects \$0.8m and a Council contribution \$0.2m.
14	During the year a larger amount of trust funds were returned than were expected.
15	The total employee benefits are not materially different from budget.
16	Council borrow less funds during the 2014/15 financial year as the expected capital works projects were delayed.

Warrnambool City Council
Notes to the Financial Report for the year ended 30 June 2015

(c) Balance sheet

	Budget 2015 \$'000	Actual 2015 \$'000	Variance 2015 %	2015 \$'000	Ref
Cash flows from operating activities					
Rates	30,768	30,686	(0.3%)	(82)	
Statutory fees and fines	1,140	1,193	4.6%	53	
User charges	16,388	16,168	(1.3%)	(220)	
Grants - operating	12,210	15,957	30.7%	3,747	2
Grants - capital	3,436	4,551	32.5%	1,115	3
Contributions	2,826	2,057	(27.2%)	(769)	4
Interest	566	493	(12.9%)	(73)	
Proceeds from trust deposits	1,000	1,067	6.7%	67	14
Repayments of trust deposits	(1,000)	(1,220)	22.0%	(220)	14
Other receipts	738	419	(43.2%)	(319)	6
Net GST refund / (payment)	0	(91)	0.0%	(91)	
Payments to suppliers	(22,647)	(25,007)	10.4%	(2,360)	7
Payments to employees	(28,652)	(28,308)	(1.2%)	344	
Other payments	(606)	(1,340)	121.1%	(734)	17
Net cash flows provided by (used in) operating activities	16,167	16,625	2.8%	458	
Cash flows from investing activities					
Payments for property, plant and equipment	(18,956)	(19,326)	2.0%	(370)	
Proceeds from sale of property, plant and equipment	473	2,029	329.0%	1,556	18
Net cash provided by (used in) investing activities	(18,483)	(17,297)	(6.4%)	1,186	
Cash flows from financing activities					
Proceeds from interest bearing loans and borrowings	5,465	2,199	(59.8%)	(3,266)	16
Repayment of interest bearing loans and borrowings	(1,405)	(1,411)	0.4%	(6)	
Payments for financial assets	(14,000)	(18,000)	28.6%	(4,000)	10
Proceeds from financial assets	12,000	23,000	91.7%	11,000	10
Net cash provided by (used in) financing activities	2,060	5,788	181.0%	3,728	
Net increase (decrease) in cash and cash equivalents	(256)	5,116	(2098.4%)	5,372	
Cash and cash equivalents at the beginning of the financial year	6,240	1,982	(68.2%)	(4,258)	
Cash and cash equivalents at the end of the financial year	5,984	7,098	18.6%	1,114	

Warrnambool City Council
Notes to the Financial Report for the year ended 30 June 2015

(i) Explanation of material variances

Var Item Ref	Explanation
17	Other payments was only budgeted for finance costs and did not include the other corporate expenses incurred by Council.
18	The 2014/15 financial year includes the sale of industrial land at the Council's depot site.

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Warrnambool City Council
Notes to the Financial Report for the year ended 30 June 2015

(d) Capital Works

	Budget 2015 \$'000	Actual 2015 \$'000	Variance 2015 %	2015 \$'000	Ref
Property					
Land	0	1,685	0.0%	(1,685)	19
Total Land	0	1,685	0.0%	(1,685)	
Buildings	1,531	2,286	(49.3%)	(755)	20
Building improvements	1,550	1,617	(4.3%)	(67)	
Total Buildings	3,081	3,903	(26.7%)	(822)	
Total Property	3,081	5,588	(81.4%)	(2,507)	
Plant and equipment					
Plant and equipment	1,276	1,204	5.6%	72	
Fixtures, furniture and fittings	0	50	0.0%	(50)	
Computers and telecomms	1,483	917	38.2%	566	21
Paintings and exhibits	35	51	(45.7%)	(16)	
Total Plant and Equipment	2,794	2,222	20.5%	572	
Infrastructure					
Roads, streets and bridges	6,399	7,958	(24.4%)	(1,559)	22
Drainage	5,552	2,406	56.7%	3,146	23
Footpaths and cycleways	1,525	748	51.0%	777	24
Playground equipment	214	278	(29.9%)	(64)	
Other infrastructure	107	402	(275.7%)	(295)	25
Total Infrastructure	13,797	11,792	14.5%	2,005	
	16,591	14,014	15.5%	2,577	
Total Capital Works Expenditure	19,672	19,602	0.4%	70	
Represented by:					
New asset expenditure	4,906	8,383	(70.9%)	(3,477)	26
Asset renewal expenditure	11,096	7,426	33.1%	3,670	26
Asset expansion expenditure	0	436	0.0%	(436)	26
Asset upgrade expenditure	3,670	3,357	8.5%	313	26
Total Capital Works Expenditure	19,672	19,602	0.4%	70	

Warrnambool City Council
Notes to the Financial Report for the year ended 30 June 2015

Var Item Ref	Explanation
19	Council purchased land in 2014/15 financial year which was not originally budgeted for as part of a land swap arrangement.
20	Council completed actual works on the airport in 2014/15 financial year which were originally budgeted in prior year \$1m.
21	Timing of contract payments as part of Councils corporate system upgrade have occurred slightly different to the original 3 year project schedule.
22	Staging of Horne Rd works resulted in \$1.8m being spent in 2014/15 when originally budgeted for in 2013/14.
23	Budgeted works for Simpson St did not commence in 2014/15 as planned and now commencing in 2015/16 financial year.
24	Within the 2014/15 footpath budget provisions were made for the commencement of City Centre works and Council's Small Infrastructure Fund.
25	Parking meters \$0.2m were funded through the Councils Car Park Reserve.
26	During the 2014/15 financial year Council allocated more funds to new projects, specifically the Airport upgrade while the renewal expenditure was less due to the staging of Simpson St drainage networks.

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Warrnambool City Council
Notes to the Financial Report for the year ended 30 June 2015

	2015 \$'000	2014 \$'000
Note 3 Rates and charges		
<p>Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The CIV of a property is its imputed market value.</p> <p>The valuation base used to calculate general rates for 2014/15 was \$5.993 billion (2013/2014 \$5.911 billion). The 2014/15 rate in the CIV dollar was \$0.003475 (2013/14 \$0.003291).</p>		
Residential	16,389	15,729
Waste management charge	3,914	3,645
Commercial rates	4,118	4,085
Vacant Land Rates	867	0
Municipal charge	3,814	3,552
Industrial rates	1,434	1,524
Urban farm rates	370	586
Cultural and recreational land rates	59	55
	<u>30,965</u>	<u>29,176</u>
<p>The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2014, the valuation was first applied to the rating period commencing 1 July 2014.</p> <p>The date of the previous general revaluation of land for rating purposes within the municipal district was 1 January 2012, and the valuation first applied to the rating period commencing 1 July 2012.</p>		
Note 4 Statutory fees and fines		
Parking fines	423	355
Animal control	372	274
Town planning and building	256	278
Health and local laws	138	142
Permits and certificates	132	131
	<u>1,321</u>	<u>1,180</u>
Note 5 User fees		
Property management	631	657
Indoor aquatic centre	2,075	1,933
Childrens services	2,710	2,753
Multi purpose sports stadiums	979	837
Cultural centres	1,396	1,541
Regulatory control	1,486	1,376
Tourism and promotion	1,645	1,750
Foreshore holiday parks	2,617	2,545
Livestock Exchange	1,483	1,199
Aged services fees	863	886
Other fees and charges	283	273
	<u>16,168</u>	<u>15,750</u>

Warrnambool City Council
Notes to the Financial Report for the year ended 30 June 2015

	2015 \$'000	2014 \$'000
Note 6 Grants		
Grants were received in respect of the following:		
Summary of grants		
Commonwealth funded grants	6,456	3,293
State funded grants	14,161	15,595
Total	<u>20,617</u>	<u>18,888</u>
Operating Grants		
<i>Recurrent - Commonwealth Government</i>		
Victoria Grants Commission - unallocated	4,344	1,368
Victoria Grants Commission - local roads	993	319
Aged services	218	212
Other	60	61
<i>Recurrent - State Government</i>		
Port operations	86	86
Employment initiatives	43	59
Economic development	25	25
Family and children	5,311	5,143
Aged services	2,352	2,183
Recreation	146	207
Cultural centres	280	229
Rural access	289	266
Festivals and Events	70	111
Environmental initiatives	47	77
School crossing supervision	110	108
Pension rebate	578	561
Other	178	211
Total recurrent operating grants	<u>15,130</u>	<u>11,226</u>
<i>Non-Recurrent - State Government</i>		
Economic development	159	0
Family and children	410	743
Aged services	88	0
Recreation	0	233
Infrastructure services	122	0
Total non-recurrent operating grants	<u>779</u>	<u>976</u>
Total operating grants	<u>15,909</u>	<u>12,202</u>

Warrnambool City Council
Notes to the Financial Report for the year ended 30 June 2015

	2015 \$'000	2014 \$'000
Note 6 Grants (cont.)		
Capital Grants		
<i>Recurrent - Commonwealth Government</i>		
Roads to recovery	324	333
<i>Recurrent - State Government</i>		
Total recurrent capital grants	<u>324</u>	<u>333</u>
<i>Non-recurrent - Commonwealth Government</i>		
Infrastructure services	517	1,000
<i>Non-Recurrent - State Government</i>		
Infrastructure services	3,016	2,813
Recreation and culture	406	499
Environmental initiatives	325	346
Other	120	1,695
Total non-recurrent capital grants	<u>4,384</u>	<u>6,353</u>
Total capital grants	<u>4,708</u>	<u>6,686</u>
Conditions on Grants		
Grants recognised as revenue during the year that were obtained on condition that they be expended in a specified manner that had not occurred at balance date were:		
Aged Services	220	0
Grants commission/general	1,774	0
Economic development	70	0
Family and children	203	0
Infrastructure Projects	1,500	168
Port	50	0
Recreation & Culture	395	351
	<u>4,212</u>	<u>519</u>
Grants which were recognised as revenue in prior years and were expended during the current year in the manner specified by the grantor were:		
Recreation & Culture	180	180
Grants Commission	0	2,330
Health and environment	0	36
Infrastructure	168	2,300
	<u>348</u>	<u>4,846</u>
Net increase/(decrease) in restricted assets resulting from grant revenues for the year:	<u>3,864</u>	<u>(4,327)</u>

Warrnambool City Council
Notes to the Financial Report for the year ended 30 June 2015

	2015 \$'000	2014 \$'000
Note 7 Contributions		
(a) Monetary		
Roads & footpaths	0	231
Drainage	0	186
Recreation and cultural facilities	130	198
Developer infrastructure	741	0
Other	1,343	1,058
	<u>2,214</u>	<u>1,673</u>
(b) Non-monetary assets		
Roads	922	1,368
Kerb & Channel	191	274
Drainage	569	1,042
Footpaths and cycleways	335	583
Land	0	564
Land under roads	175	360
Bridges	791	0
Other	0	41
	<u>2,983</u>	<u>4,232</u>
Total	<u>5,197</u>	<u>5,905</u>
Note 8 Other income		
Interest	493	718
Infrastructure services	29	25
Recreation & cultural programs	37	2
Family and community	46	17
Reimbursements	186	493
Other	121	174
	<u>912</u>	<u>1,429</u>
Note 9 Employee costs		
Wages and salaries	25,705	24,870
Workcover	635	573
Superannuation	2,367	2,231
	<u>28,707</u>	<u>27,674</u>
Note 10 Materials and services		
Infrastructure services	7,376	5,829
Waste management	2,131	2,052
Recreation and cultural services	3,971	4,275
Childrens services	1,216	1,002
Family day care	976	991
Corporate services	4,630	4,300
Tourism and promotion	2,254	2,553
Aged services	689	709
Foreshore caravan parks	728	678
Livestock Exchange	528	421
Health and local laws	459	439
Other	735	509
	<u>25,693</u>	<u>23,758</u>
Note 11 Bad and doubtful debts		
Other debtors	19	6
	<u>19</u>	<u>6</u>

Warrnambool City Council
Notes to the Financial Report for the year ended 30 June 2015

	2015 \$'000	2014 \$'000
Note 12 Depreciation and amortisation		
Property		
Buildings	1,526	1,668
Building Improvements	472	462
Plant and Equipment		
Plant, machinery and equipment	913	931
Fixtures, furniture and fittings	105	110
Computers and telecomms	115	138
Infrastructure		
Road bases	2,374	2,297
Road seals	1,120	988
Kerb and channel	402	377
Footpaths and cycleways	898	864
Drainage	614	603
Bridges	138	118
Playground equipment	147	140
Parking meters	40	40
Other infrastructure	185	186
	<u>9,049</u>	<u>8,922</u>
Note 13 Borrowing costs		
Interest - borrowings	627	692
	<u>627</u>	<u>692</u>
Note 14 Other expenses		
Councillors' allowances	267	240
Operating lease rentals	364	324
Expensed contingent asset	100	0
Other	102	96
	<u>833</u>	<u>660</u>
Note 15 Net gain/(loss) on disposal of property, infrastructure, plant and equipment		
Proceeds from sale of land and buildings	1,700	366
Proceeds from sale of plant and equipment	329	163
WDV of land, buildings & infrastructure sold/disposed	(3,838)	(2,118)
WDV of plant and equipment sold	(303)	(188)
	<u>(2,112)</u>	<u>(1,777)</u>
Note 16 Investment in associates		
Investments in associates accounted for by the equity method are:		
- Corangamite Regional Library Corporation	441	640
	<u>441</u>	<u>640</u>

Corangamite Regional Library Corporation

Background

Warrnambool City Council in conjunction with Colac Otway Shire, Corangamite Shire Council and Moyne Shire Council have an interest in the Corangamite Regional Library Corporation. The Library services much of the population of the South West Victoria and Warrnambool City Council currently has a 38.5% equity interest (38.5% in 2013/14).

Warrnambool City Council
Notes to the Financial Report for the year ended 30 June 2015

Note 16 Investment in associates (cont'd)	2015 \$'000	2014 \$'000
Council's Share of Accumulated Surplus (Deficit)		
Council's share of accumulated (deficit) at start of year	(179)	(238)
Reported (deficit) for year	(199)	74
Council's share of transfers from (to) reserves	(12)	(19)
Movement in equity share		4
Council's share of accumulated (deficit) at end of year	<u>(390)</u>	<u>(179)</u>
Council's Share of Reserves		
Council's share of reserves at start of year	819	800
Transfer (to) from reserves	12	19
Council's share of reserves at end of year	<u>831</u>	<u>819</u>
Movement in Carrying Value of Specific Investment		
Carrying value of investment at start of year	640	562
Share of surplus/(deficit) for year	(199)	74
Movement in equity		4
Carrying value of investment at end of year	<u>441</u>	<u>640</u>
Note 17 Cash and cash equivalents		
Cash on hand	18	16
Cash at bank	5,081	1,966
Short term deposits	2,000	0
	<u>7,099</u>	<u>1,982</u>
Financial assets		
Short term deposits	<u>7,000</u>	<u>12,000</u>
Users of the financial report should refer to Note 30 for details of restrictions on cash assets.		
Note 18 Trade and Other Receivables		
Current		
Rates debtors	1,163	984
Non-rate debtors	2,402	1,902
Provision for doubtful debts	(117)	(10)
Loans and advances	28	27
Net GST receivable	378	557
	<u>3,854</u>	<u>3,460</u>
Non-Current		
Loans and advances	181	189
	<u>181</u>	<u>189</u>
Total	<u>4,035</u>	<u>3,649</u>

Warrnambool City Council
Notes to the Financial Report for the year ended 30 June 2015

	2015	2014
Note 18 Trade and Other Receivables (cont.)		
(a) Ageing of Receivables		
At balance date other debtors representing financial assets were past due but not impaired. These amounts relate to a number of independent customers for whom there is no recent history of default. The ageing of the Council's trade and other receivables (excluding statutory receivables) was:		
Current (not yet due)	1,860	1,614
Past due by up to 30 days	116	127
Past due between 31 and 180 days	242	136
Past due between 181 and 365 days	121	25
Past due by more than 1 year	63	0
Total	<u>2,402</u>	<u>1,902</u>
(b) Movement in provisions for doubtful debts		
Balance at the beginning of the year	10	10
New Provisions recognised during the year	117	10
Amounts already provided for and written off as uncollectible	(10)	(10)
Amounts provided for but recovered during the year	0	0
Balance at end of year	<u>117</u>	<u>10</u>
Note 19 Other Assets		
Current		
Prepayments	275	368
Accrued income	256	248
	<u>531</u>	<u>616</u>
Note 20 Inventories		
Inventories held for sale	118	118
	<u>118</u>	<u>118</u>

Warrnambool City Council
Notes to the Financial Report for the year ended 30 June 2015

Note 21 Property, Infrastructure plant and equipment

2015

	Land - specialised	Land - non specialised	Land Under Roads	Total Land	Buildings - specialised	Buildings - non specialised	Building Improvements	Total Buildings	Work in Progress	Total Property
Land and Buildings										
At fair value 1 July 2014	170,111	2,527	1,864	174,502	147,327	5,409	13,899	166,635	429	341,566
Accumulated depreciation at 1 July 2014	0	0	0	0	(23,742)	(1,126)	(6,918)	(31,786)	0	(31,786)
	170,111	2,527	1,864	174,502	123,585	4,283	6,981	134,849	429	309,780
Movements in fair value										
Acquisition of assets at fair value	1,685	0	0	1,685	2,230	7	1,617	3,854	49	5,588
Non-cash contributed assets	0	0	176	176	0	0	0	0	0	176
Revaluation increments/decrements	(15,104)	2	(200)	(15,302)	0	0	0	0	0	(15,302)
Fair value of assets disposed	(2,698)	0	0	(2,698)	(115)	0	0	(115)	0	(2,813)
Impairment losses recognised in operating result	0	0	0	0	0	0	0	0	0	0
Transfers	49	(113)	205	141	(2,644)	2,957	(25)	288	(429)	0
	(16,068)	(111)	181	(15,998)	(529)	2,964	1,592	4,027	(380)	(12,351)
Movements in accumulated depreciation										
Depreciation and amortisation	0	0	0	0	(1,439)	(87)	(472)	(1,998)	0	(1,998)
Accumulated depreciation of disposals	0	0	0	0	41	0	0	41	0	41
Impairment losses recognised in operating result	0	0	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	104	(104)	0	0	0	0
	0	0	0	0	(1,294)	(191)	(472)	(1,957)	0	(1,957)
At fair value 30 June 2015	154,043	2,416	2,045	158,504	146,798	8,373	15,491	170,662	49	329,215
Accumulated depreciation at 30 June 2015	0	0	0	0	(25,036)	(1,317)	(7,390)	(33,743)	0	(33,743)
	154,043	2,416	2,045	158,504	121,762	7,056	8,101	136,919	49	295,472

Warrnambool City Council
Notes to the Financial Report for the year ended 30 June 2015

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

	Land - specialised	Land - non specialised	Land Under Roads	Total Land	Buildings - specialised	Buildings - non specialised	Building Improvements	Total Buildings	Work in Progress	Total Property
2014										
Land and Buildings										
At fair value 1 July 2013	169,451	2,527	1,504	173,482	145,222	5,409	13,035	163,666	0	337,148
Accumulated depreciation at 1 July 2013	0	0	0	0	(22,606)	(679)	(6,458)	(29,743)	0	(29,743)
	169,451	2,527	1,504	173,482	122,616	4,730	6,577	133,923	0	307,405
Movements in fair value										
Acquisition of assets at fair value	96	0	0	96	1,981	0	718	2,699	798	3,593
Non-cash contributed assets	564	0	360	924	0	0	0	0	0	924
Revaluation increments/decrements	0	0	0	0	0	0	0	0	0	0
Fair value of assets disposed	0	0	0	0	(99)	0	0	(99)	0	(99)
Impairment losses recognised in operating result	0	0	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	223	0	146	369	(369)	0
	660	0	360	1,020	2,105	0	864	2,969	429	4,418
Movements in accumulated depreciation										
Depreciation and amortisation	0	0	0	0	(1,223)	(447)	(460)	(2,130)	0	(2,130)
Accumulated depreciation of disposals	0	0	0	0	87	0	0	87	0	87
Impairment losses recognised in operating result	0	0	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	(1,136)	(447)	(460)	(2,043)	0	(2,043)
At fair value 30 June 2014	170,111	2,527	1,864	174,502	147,327	5,409	13,899	166,635	429	341,566
Accumulated depreciation at 30 June 2014	0	0	0	0	(23,742)	(1,126)	(6,918)	(31,786)	0	(31,786)
	170,111	2,527	1,864	174,502	123,585	4,283	6,981	134,849	429	309,780

Warrnambool City Council
Notes to the Financial Report for the year ended 30 June 2015

Note 21

Property, Infrastructure plant and equipment (cont'd)

2015

Plant & Equipment

At fair value 1 July 2014

Accumulated depreciation at 1 July 2014

	Plant Machinery and equipment	Fixtures, furniture and fittings	Computers and telecomms	Paintings and exhibits	Work in Progress	Total plant and equipment
At fair value 1 July 2014	7,957	5,411	1,420	10,905	1,769	27,462
Accumulated depreciation at 1 July 2014	(3,840)	(4,177)	(966)	0	0	(8,983)
	4,117	1,234	454	10,905	1,769	18,479

Movements in fair value

Acquisition of assets at fair value

Revaluation increments/decrements

Fair value of assets disposed

Impairment losses recognised in operating result

Transfers

Acquisition of assets at fair value	1,204	50	917	51	0	2,222
Revaluation increments/decrements	0	0	0	0	0	0
Fair value of assets disposed	(854)	0	(68)	0	0	(922)
Impairment losses recognised in operating result	0	0	0	0	0	0
Transfers	0	0	1,769	0	(1,769)	0
	350	50	2,613	51	(1,769)	1,300

Movements in accumulated depreciation

Depreciation and amortisation

Accumulated depreciation of disposals

Impairment losses recognised in operating result

Transfers

Depreciation and amortisation	(913)	(105)	(115)	0	0	(1,133)
Accumulated depreciation of disposals	551	0	68	0	0	619
Impairment losses recognised in operating result	0	0	0	0	0	0
Transfers	0	0	0	0	0	0
	(362)	(105)	(47)	0	0	(514)

At fair value 30 June 2015

Accumulated depreciation at 30 June 2015

At fair value 30 June 2015	8,307	5,461	4,038	10,956	0	28,762
Accumulated depreciation at 30 June 2015	(4,202)	(4,282)	(1,013)	0	0	(9,497)
	4,105	1,179	3,025	10,956	0	19,265

Warrnambool City Council
Notes to the Financial Report for the year ended 30 June 2015

Note 21

Property, Infrastructure plant and equipment (cont'd)

2014

Plant & Equipment

	Plant Machinery and equipment	Fixtures, furniture and fittings	Computers and telecomms	Paintings and exhibits	Work in Progress	Total plant and equipment
At fair value 1 July 2013	7,860	5,325	1,407	11,256	0	25,848
Accumulated depreciation at 1 July 2013	(3,259)	(4,068)	(828)	0	0	(8,155)
	4,601	1,257	579	11,256	0	17,693

Movements in fair value

Acquisition of assets at fair value	635	86	13	0	1,769	2,503
Revaluation increments/decrements	0	0	0	(351)	0	(351)
Fair value of assets disposed	(538)	0	0	0	0	(538)
Impairment losses recognised in operating result	0	0	0	0	0	0
Transfers	0	0	0	0	0	0
	97	86	13	(351)	1,769	1,614

Movements in accumulated depreciation

Depreciation and amortisation	(931)	(109)	(138)	0	0	(1,178)
Accumulated depreciation of disposals	350	0	0	0	0	350
Impairment losses recognised in operating result	0	0	0	0	0	0
Transfers	0	0	0	0	0	0
	(581)	(109)	(138)	0	0	(828)

At fair value 30 June 2014	7,957	5,411	1,420	10,905	1,769	27,462
Accumulated depreciation at 30 June 2014	(3,840)	(4,177)	(966)	0	0	(8,983)
	4,117	1,234	454	10,905	1,769	18,479

Warrnambool City Council
Notes to the Financial Report for the year ended 30 June 2015

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

2015

	Roads	Bridges	Footpaths and cycleways	Drainage	Playground equipment	Parking meters	Other infrastructure	Works in progress	Total Infrastructure
Infrastructure									
At fair value 1 July 2014	252,164	13,582	43,812	59,207	3,373	1,046	4,758	261	378,203
Accumulated depreciation at 1 July 2014	(37,716)	(3,650)	(17,552)	(16,155)	(1,564)	(876)	(2,173)	0	(79,686)
	214,448	9,932	26,260	43,052	1,809	170	2,585	261	298,517
Movements in fair value									
Acquisition of assets at fair value	6,605	158	748	2,406	259	204	198	1,188	11,766
Non-cash contributed assets	1,113	790	335	570	0	0	0	0	2,808
Revaluation increments/decrements	0	568	0	11,024	0	0	0	0	11,592
Fair value of assets disposed	(868)	(959)	(6)	0	0	(132)	0	0	(1,965)
Work in progress expensed to operating result	0	0	0	0	0	0	0	(87)	(87)
Impairment losses recognised in operating result	0	0	0	0	0	0	0	0	0
Transfers	77	0	26	4	34	0	8	(149)	0
	6,927	557	1,103	14,004	293	72	206	952	24,114
Movements in accumulated depreciation									
Depreciation and amortisation	(3,896)	(138)	(898)	(614)	(147)	(40)	(185)	0	(5,918)
Accumulated depreciation of disposals	370	403	2	0	0	122	0	0	897
Revaluation increments/decrements	0	(512)	0	(2,952)	0	0	0	0	(3,464)
Impairment losses recognised in operating result	0	0	0	0	0	0	0	0	0
Transfers	(33)	0	35	0	1	0	(3)	0	0
	(3,559)	(247)	(861)	(3,566)	(146)	82	(188)	0	(8,485)
At fair value 30 June 2015	221,375	10,489	27,363	57,056	2,102	242	2,791	1,213	322,631
Accumulated depreciation at 30 June 2015	(41,275)	(3,897)	(18,413)	(19,721)	(1,710)	(794)	(2,361)	0	(88,171)
	217,816	10,242	26,502	53,490	1,956	324	2,603	1,213	314,146

Warrnambool City Council
Notes to the Financial Report for the year ended 30 June 2015

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

2014

	Roads	Bridges	Footpaths and cycleways	Drainage	Playground equipment	Parking meters	Other infrastructure	Works in progress	Total Infrastructure
Infrastructure									
At fair value 1 July 2014	240,615	12,185	42,371	55,629	3,208	1,046	4,746	0	359,800
Accumulated depreciation at 1 July 2014	(78,220)	(3,539)	(16,688)	(15,552)	(1,423)	(836)	(1,987)	0	(118,245)
	162,395	8,646	25,683	40,077	1,785	210	2,759	0	241,555
Movements in fair value									
Acquisition of assets at fair value	8,290	1,367	861	2,478	139	0	(17)	741	13,859
Non-cash contributed assets	1,640	43	583	1,042	0	0	0	0	3,308
Revaluation increments/decrements	4,201	0	0	0	0	0	0	0	4,201
Fair value of assets disposed	(2,945)	(13)	(5)	(2)	0	0	0	0	(2,965)
Work in progress expensed to operating result	0	0	0	0	0	0	0	0	0
Impairment losses recognised in operating result	0	0	0	0	0	0	0	0	0
Transfers	363	0	2	60	26	0	29	(480)	0
	11,549	1,397	1,441	3,578	165	0	12	261	18,403
Movements in accumulated depreciation									
Depreciation and amortisation	(3,662)	(118)	(864)	(603)	(141)	(40)	(186)	0	(5,614)
Accumulated depreciation of disposals	1,407	7	0	0	0	0	0	0	1,414
Revaluation increments/decrements	42,759	0	0	0	0	0	0	0	42,759
Impairment losses recognised in operating result	0	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0	0
	40,504	(111)	(864)	(603)	(141)	(40)	(186)	0	38,559
At fair value 30 June 2015	252,164	13,582	43,812	59,207	3,373	1,046	4,758	261	378,203
Accumulated depreciation at 30 June 2015	(37,716)	(3,650)	(17,552)	(16,155)	(1,564)	(876)	(2,173)	0	(79,686)
	214,448	9,932	26,260	43,052	1,809	170	2,585	261	298,517

Warrnambool City Council
Notes to the Financial Report for the year ended 30 June 2015

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

Valuation of land and buildings

Fair value assessments have been performed at 30 June 2015 for land and buildings. This assessment demonstrated that fair value was materially similar to carrying value for building assets, and therefore a full revaluation was not required this year. The next scheduled full revaluation for this purpose will be conducted in 2015-2016. A revaluation of land was conducted at 30 June 2015.

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Land - specialised	0	0	154,043
Land - non specialised	0	2,416	0
Land under roads	0	0	2,045
Buildings - specialised	0	0	121,811
Buildings - non specialised	0	7,056	0
Buildings Improvements	0	0	8,101
Total	0	9,472	286,000

Valuation of infrastructure

Fair value assessments have been performed at 30 June 2015 for Infrastructure. This assessment demonstrated that fair value was materially similar to carrying value, and therefore a full revaluation was not required this year except for drainage and bridges. The next scheduled full revaluation for this purpose will be conducted in 2015-2016.

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Roads	0	0	218,947
Footpaths and cycleways	0	0	26,502
Drainage	0	0	53,490
Bridges	0	0	10,306
Other infrastructure	0	0	4,901
Total	0	0	314,146

Valuation of Paintings and exhibits

Paintings and exhibits consist of Paintings, Other Exhibits and items in the Reference Collection. The valuation was carried out by Mr Charles Nodrum, Approved Valuer for the Australian Government's Cultural Gifts Program based on market value.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Paintings & exhibits	0	0	10,956
Total	0	0	10,956

Warrnambool City Council

Notes to the Financial Report for the year ended 30 June 2015

Note 21	Property, infrastructure, plant and equipment (cont'd)	2015 \$'000	2014 \$'000
	<i>Description of significant unobservable inputs into level 3 valuations</i>		
	<i>Specialised land and specialised buildings</i>		
	The market based direct comparison method is also used for specialised land although is adjusted to reflect the specialised nature of the assets being valued. For Council specialised buildings, the depreciated replacement cost method is used, adjusting for the associated depreciations. Specialised assets contain significant, unobservable adjustments, therefore these assets are classified as Level 3 fair value measurements.	283,955	300,677
	An adjustment is made to reflect a restriction on the sale or use of an asset by Council. The adjustment is an allowance made to reflect the difference in value between unrestricted assets and those held by the Council which are impacted by external restraints on their use.		
	An independent valuation of Council's specialised buildings was performed by SPM Consultants in consultation with Councils Asset Manager Mr John Finnerty. The valuation was performed using either the market based direct comparison method or depreciated replacement cost, adjusted for restrictions in use. The effective date of the valuation is 30 June 2013.		
	An independent valuation of Council's specialised land was performed by Preston Rowe Paterson South West Rating (AAPI 62337). The valuation was performed using the market based direct comparison method and adjusted for restrictions in use. The effective date of the valuation is 30 June 2015.		
	<i>Land under roads</i>		
	Land under roads is valued at fair value using site values adjusted for englobe (undeveloped and/or unserviced) characteristics, access rights and private interests of other parties and entitlements of infrastructure assets and services. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.	2,045	1,864
	<i>Infrastructure</i>		
	Infrastructure is valued using the depreciated replacement cost method. This cost represents the replacement cost of the building/component after applying depreciation rates on a useful life basis. Replacement costs relate to costs to replace the property to an "as new" standard. Economic obsolescence has also been factored into the depreciated replacement cost calculation.	314,146	298,517
	Where it has not been possible to examine hidden works such as structural frames and floors, the use of reasonable materials and methods of construction have been assumed bearing in mind the age and nature of the building. The estimated cost of reconstruction including structure services and finishes, also factors in any heritage classifications as applicable. Infrastructure assets contain significant unobservable adjustments, therefore these assets are classified as Level 3.		
	A valuation of Council's, infrastructure assets was performed by Mr John Finnerty, Manager of Assets with Warrnambool City Council. The valuation was performed based on the depreciated replacement cost of the assets. The effective date of the valuation for each asset class is outlined above in Note 21.		
	Reconciliation of specialised land		
	Land under roads	2,045	1,864
	Crown land	76,530	81,359
	Council freehold land	77,513	88,752
	Total specialised land	156,088	171,975

Warrnambool City Council
Notes to the Financial Report for the year ended 30 June 2015

	2015 \$'000	2014 \$'000
Note 22 Trade and other payables		
Current		
Trade payables	4,352	3,941
Net GST payable	18	106
Accrued expenses	890	716
Fire service liability	138	110
	<u>5,398</u>	<u>4,873</u>

Note 23 Trust funds and deposits		
Refundable developer deposits	655	764
Contract retention amounts	49	67
Other refundable deposits	87	113
	<u>791</u>	<u>944</u>

Purpose and nature of items

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

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

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

Note 24 Provisions	Annual and Other Leave	Long Service Leave	Total
2015	\$'000	\$'000	\$'000
Balance at beginning of the financial year	2,081	3,601	5,682
Additional provisions	1,779	341	2,120
Amounts used	(1,730)	(342)	(2,072)
Increase in the discounted amount arising because of time and the effect of any change in the discount rate	0	338	338
Balance at the end of the financial year	<u>2,130</u>	<u>3,938</u>	<u>6,068</u>
2014			
Balance at beginning of the financial year	2,070	3,234	5,304
Additional provisions	1,647	705	2,352
Amounts used	(1,636)	(339)	(1,975)
Increase in the discounted amount arising because of time and the effect of any change in the discount rate.	0	1	1
Balance at the end of the financial year	<u>2,081</u>	<u>3,601</u>	<u>5,682</u>

Warrnambool City Council
Notes to the Financial Report for the year ended 30 June 2015

Note 24 Provisions (cont'd)	2015 \$'000	2014 \$'000
(a) Current provisions expected to be settled within 12 months		
Annual leave	1,792	1,604
Long service leave	354	339
	<u>2,146</u>	<u>1,943</u>
Current provisions expected to be settled after 12 months		
Annual leave	342	477
Long service leave	3,070	2,778
	<u>3,412</u>	<u>3,255</u>
Total current provisions	<u>5,558</u>	<u>5,198</u>
Non-current		
Long service leave	523	484
Aggregate carrying amount of employee benefits:		
Current	5,558	5,198
Non-current	523	484
	<u>6,081</u>	<u>5,682</u>
The following assumptions were adopted in measuring the present value of long service leave and retirement gratuity:		
Weighted average increase in employee costs	3.60%	3.60%
Weighted average discount rates	2.21%	2.84%
Weighted average settlement period	8 years	8 years
Note 25 Interest-bearing loans and borrowings		
Current		
Borrowings - secured	1,764	1,448
Non-current		
Borrowings - secured	8,896	8,424
Total	<u>10,660</u>	<u>9,872</u>
The maturity profile for Council's borrowings is:		
Not later than one year	1,764	1,448
Later than one year and not later than five years	6,250	5,853
Later than five years	2,646	2,571
	<u>10,660</u>	<u>9,872</u>
Councils borrowings are secured over councils rate revenue.		

Warrnambool City Council
Notes to the Financial Report for the year ended 30 June 2015

Note 26 Reserves

	Balance at beginning of reporting period \$'000	Increment (decrement) \$'000	Balance at end of reporting period \$'000
(a) Asset revaluation surplus			
2015			
Property			
Land	138,943	(15,102)	123,841
Land under roads	394	(200)	194
Buildings	93,774	0	93,774
	<u>233,111</u>	<u>(15,302)</u>	<u>217,809</u>
Infrastructure			
Roads	143,034	0	143,034
Kerb & channel	12,974	0	12,974
Drainage	13,146	8,072	21,218
Plant & equipment	1,785	0	1,785
Other infrastructure	27,255	0	27,255
Bridges	3,445	56	3,501
Corangamite Regional Library Corporation	706	0	706
Artworks	1,588	0	1,588
	<u>203,933</u>	<u>8,128</u>	<u>212,061</u>
Total asset revaluation surplus	<u>437,044</u>	<u>(7,174)</u>	<u>429,870</u>
2014			
Property			
Land	138,943	0	138,943
Land under roads	394	0	394
Buildings	93,774	0	93,774
	<u>233,111</u>	<u>0</u>	<u>233,111</u>
Infrastructure			
Road pavements	96,917	46,117	143,034
Kerb & channel	11,868	1,106	12,974
Drainage	13,146	0	13,146
Plant & equipment	1,785	0	1,785
Other infrastructure	27,518	(263)	27,255
Bridges	3,445	0	3,445
Corangamite Regional Library Corporation	702	4	706
Artworks	1,939	(351)	1,588
	<u>157,320</u>	<u>46,613</u>	<u>203,933</u>
Total asset revaluation surplus	<u>390,431</u>	<u>46,613</u>	<u>437,044</u>
The asset revaluation reserve is used to record the increased (net) value of Councils assets over time. Corangamite Regional Library Reserve recognises the fair value of revalued assets in this library.			
(b) Other reserves			
2015			
Main drainage fund	1,466	(279)	1,187
Committed reserve	2,459	448	2,907
Heritage restoration fund	41	1	42
Insurance claims reserve	90	0	90
Information technology reserve	39	92	131
Art gallery reserve	42	1	43
Resort and recreation reserve	187	28	215
Car park fund	1,406	(651)	755
Developer contributions	0	363	363
Total other reserves	<u>5,730</u>	<u>3</u>	<u>5,733</u>

Warrnambool City Council
Notes to the Financial Report for the year ended 30 June 2015

Note 26 Reserves (cont.)	Balance at beginning of reporting period	Increment (decrement)	Balance at end of reporting period
2014	\$'000	\$'000	\$'000
Asset replacement reserve	1,353	(1,353)	0
Main drainage fund	711	755	1,466
Committed reserve	3,380	(921)	2,459
Heritage restoration fund	40	1	41
Insurance claims reserve	90	0	90
Information technology reserve	143	(104)	39
Art gallery reserve	41	1	42
Resort and recreation reserve	399	(212)	187
Car park fund	1,334	72	1,406
Total other reserves	7,491	(1,761)	5,730

Main Drainage Fund is maintained specifically for future major drainage works.
 Committed Reserve is specifically for predetermined works and Council's small infrastructure fund.
 Heritage Restoration Fund is maintained specifically to grant loans for heritage works.
 Insurance Claims Reserve is maintained specifically for Council's self-insurance.
 Information Technology Reserve is maintained specifically for major information technology upgrades.
 Art Gallery Reserve is maintained specifically for the purchase of art pieces.
 Resort and Recreation Reserve is maintained specifically for public open space works.
 Car Park Fund is maintained specifically for future major car park works.
 Developer Contributions Reserve is maintained specifically for contributions held for growth areas.

Note 27 Reconciliation of cash flows from operating activities to surplus/(deficit)	2015 \$'000	2014 \$'000
Profit/loss	7,941	8,913
Depreciation	9,049	8,922
(Surplus)/deficit on disposal of property, infrastructure, plant & equipment	2,112	1,777
Non cash contributions	(2,983)	(4,232)
Decrement/(increment) in joint venture interests	199	(74)
Change in assets and liabilities:		
(Increase)/decrease in trade & other receivables	(549)	1,869
(Increase)/decrease in prepayments	93	(166)
(Increase)/decrease in accrued income	(8)	263
(Increase)/decrease in inventories	0	5
Increase/(decrease) in trust deposits	(153)	38
Increase/(decrease) in trade & other payables	351	(1,607)
Increase/(decrease) in provisions	399	378
Increase/(decrease) in accrued interest expense	174	156
Net cash provided by/(used in) operating activities	16,625	16,242
Note 28 Reconciliation of cash and cash equivalents		
Cash and cash equivalents (see note 17)	7,099	1,982
Note 29 Financing arrangements		
Bank overdraft facility	200	200
Used facilities	0	0
Unused facilities	200	200

Warrnambool City Council
Notes to the Financial Report for the year ended 30 June 2015

Note 30 Restricted assets

Council has cash and cash equivalents (note 17) that are subject to restrictions. As at the reporting date, Council had legislative restrictions in relation to reserve funds (Recreation and Resort Reserve).	2015	2014
	\$'000	\$'000
Reserve Funds (note 26)	215	187
Grants recognised to be spent in a specific manner	4,212	519
	<u>4,427</u>	<u>706</u>

Note 31 Superannuation

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

Accumulation

The Fund's accumulation category, Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2015, this was 9.5% required under Superannuation Guarantee Legislation (for 2013/14, this was 9.25%)).

Defined Benefit

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

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

Funding arrangements

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

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

- Net investment returns 7.0%pa
- Salary information 4.25%pa
- Price inflation (CPI) 2.75%pa.

Vision Super has advised that the VBI at 30/06/15 was 105.8%.

The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the actuarial investigation determined the defined benefit category was in a satisfactory financial position and that no change was necessary to the defined benefit category's funding arrangements from prior years.

Employer contributions

Regular contributions

On the basis of the results of the most recent full actuarial investigation conducted by the Fund's Actuary as at 30 June 2014, Warrnambool City Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2015, this rate was 9.5% of members' salaries. This rate will increase in line with any increase to the Superannuation Guarantee (SG) contribution rate.

Warrnambool City Council
Notes to the Financial Report for the year ended 30 June 2015

Note 31 Superannuation (cont.)

In addition, the Council reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

Funding calls

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

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

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

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

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

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

Latest actuarial investigation surplus amounts

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

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

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

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

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

Warrnambool City Council
Notes to the Financial Report for the year ended 30 June 2015

Note 31 Superannuation (cont.)

(a) Superannuation contributions

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

Scheme - Type of scheme	Rate	2015 \$'000	2014 \$'000
Vision Super - Defined benefits	9.50%	281	273
Vision Super - Accumulation	9.50%	2,055	1,927
Other Funds - Accumulation	9.50%	31	31

In addition to the above contributions, the Council has paid unfunded liability payments to Vision Super totalling \$0 paid during the 2014/15 year (2013/14 \$2.652m paid during the 2013/14 year).

The expected contributions to be paid to the defined benefit category of Vision Super for the year ending 30 June 2016 is \$0.291m estimated amount to be paid.

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Warrnambool City Council
Notes to the Financial Report for the year ended 30 June 2015

Note 32 Commitments

The Council has entered into the following commitments.

	No later than 1 year \$'000	Later than 1 year and not later than 2 years \$'000	Later than 2 years and not later than 5 years \$'000	Later than 5 years \$'000	Total \$'000
2015					
Operating					
Recycling	363	378	393	0	1,134
Waste collection	749	779	810	0	2,338
Cleaning services	153	158	0	0	311
Security Services	79	0	0	0	79
Internal Audit	57	0	0	0	57
External Audit	40	41	127	0	208
Total	1,441	1,356	1,330	0	4,127
Capital					
Infrastructure	1,642	0	0	0	1,642
Total	1,642	0	0	0	1,642
2014					
Operating					
Recycling	379	394	835	0	1,608
Waste collection	757	787	1,670	0	3,214
Cleaning services	149	153	158	0	460
Security Services	77	79	0	0	156
Internal Audit	57	57	0	0	114
Total	1,419	1,470	2,663	0	5,552
Capital					
Building	167	0	0	0	167
Software	400	0	0	0	400
Infrastructure	2,680	0	0	0	2,680
Plant & Equipment	200	0	0	0	200
Recreation	350	0	0	0	350
Total	3,797	0	0	0	3,797

Warrnambool City Council
Notes to the Financial Report for the year ended 30 June 2015

	2015 \$'000	2014 \$'000
Note 33 Operating lease commitments		
At the reporting date, the Council had the following obligations under non-cancellable operating leases for the lease of equipment and land and buildings for use within Council's activities (these obligations are not recognised as liabilities):		
Not later than one year	271	280
Later than one year and not later than five years	425	322
	<u>696</u>	<u>602</u>

Note 34 Contingent liabilities and contingent assets

The Council is unaware of any issues at balance date that would give rise to a contingent liability. The Council acts as guarantor in respect of bank loans provided to the following clubs and community groups:

	Original Loan \$'000	2015 \$'000	2014 \$'000
(i) City Memorial Bowls Club Commonwealth Bank	2,000	635	754
(ii) Warrnambool Surf Life Savings Club ANZ Bank	200	0	101
	<u>2,200</u>	<u>635</u>	<u>855</u>

At balance date Council held a debtor balance of \$0.1m which is contingent on Council meeting certain requirements before it would become due and receivable.

Warrnambool City Council
Notes to the Financial Report for the year ended 30 June 2015

Note 35 Financial Instruments

(a) Objectives and policies

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

(b) Market risk

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

Interest rate risk

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

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

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

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

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

(c) Credit risk

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

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

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

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

We may also be subject to credit risk for transactions which are not included in the balance, sheet, such as when we provide a guarantee for another party. Details of our contingent liabilities are disclosed in note 35.

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

Warrnambool City Council
Notes to the Financial Report for the year ended 30 June 2015

Note 35 Financial Instruments (cont.)

(d) Liquidity risk

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

To help reduce these risks Council:

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

The Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the balance sheet and the amounts related to financial guarantees disclosed in Note 34, and is deemed insignificant based on prior periods' data and current assessment of risk.

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

With the exception of borrowings, all financial liabilities are expected to be settled within normal terms of trade. Details of the maturity profile for borrowings are disclosed at note 13.

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

(e) Fair value

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

Fair value hierarchy

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

(f) Sensitivity disclosure analysis

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

- A parallel shift of 1% and -1% in market interest rates (AUD) from year-end rates of 2.0%.

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

Warrnambool City Council
Notes to the Financial Report for the year ended 30 June 2015

Note 36 Auditors' remuneration	2015	2014
	\$'000	\$'000
Audit fee to conduct external audit - Victorian Auditor-General	52	47
Internal audit fees	45	44
	<u>97</u>	<u>91</u>

Note 37 Events occurring after balance date

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

Note 38 Related party transactions

(i) Responsible persons

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

Councillors	Councillor Michael Neoh (Mayor)
	Councillor Rob Askew
	Councillor Jacinta Ermacora
	Councillor Kylie Gaston
	Councillor Peter Hulin
	Councillor Brian Kelson
	Councillor Peter Sycopoulis

Chief Executive Officer	Bruce Anson
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(ii) Remuneration of responsible persons

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

	2015	2014
	No.	No.
\$20,000 - \$29,999	6	6
\$70,000 - \$79,999	1	1
\$280,000 - \$289,999	0	1
\$290,000 - \$299,999	1	0
	<u>8</u>	<u>8</u>

Warrnambool City Council
Notes to the Financial Report for the year ended 30 June 2015

Note 38 Related party transactions (cont.)

	2015 \$'000	2014 \$'000
Total remuneration for the reporting year for responsible persons included above amounted to:	525	514

(iii) Senior Officers Remuneration

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

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

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

Income Range:	2015 No.	2014 No.
\$120,000 - \$129,999	1	0
\$130,000 - \$139,999	0	2
\$140,000 - \$149,999	1	0
\$170,000 - \$179,999	1	1
\$180,000 - \$189,999	1	2
\$190,000 - \$199,999	1	1
\$200,000 - \$209,999	1	0
	<u>6</u>	<u>6</u>

	2015 \$'000	2014 \$'000
Total Remuneration for the reporting year for Senior Officers included above, amounted to:	1,026	1,007

(iv) Responsible persons retirement benefits

No retirement benefits have been made by the Council to a Responsible Person during the reporting year (2013/14 Nil).

(v) Loans to responsible persons

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

(vi) Other transactions

During the financial year Cr Askew was a director of Leahy's Home Living Pty Ltd and JLL Properties Pty Ltd and was a related party to the owner of Leahy's Electrical. Cr Neoh was the Executive Officer of South West Sports Assembly.

The Council has entered into the above transactions with Responsible Persons and their related parties within the normal customer relationships on terms and conditions no more favourable than those available in similar arm's length transactions.

Warrnambool City Council
Notes to the Financial Report for the year ended 30 June 2015

Note 39 Port of Warrnambool

The Council is the Committee of Management for the Port of Warrnambool. The financial transactions have been included in Council's financial statements and are summarised below:

	2015 \$'000	2014 \$'000
Income		
Grants - operating	88	86
User fees	5	5
Grants - capital	<u>50</u>	<u>0</u>
Total income	<u>143</u>	<u>91</u>
Expenditure		
Materials and services	93	95
Capital expenditure	<u>57</u>	<u>81</u>
Total Expenditure	<u>150</u>	<u>176</u>
Profit/(Loss)	<u>(7)</u>	<u>(85)</u>

The operation of the Port of Warrnambool is by an agreement between Warrnambool City Council and the Department of Transport, and any assets are returnable on cessation of the agreement.

**Warrnambool City Council
Certification of the Financial Statements**

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

**Stephen Kerr, CA
Principal Accounting Officer**

**Date : September 2015
Warrnambool**

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

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

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

**Councillor Kylie Gaston
Date : September 2015
Warrnambool**

**Councillor Mike Neoh
Date : September 2015
Warrnambool**

**Bill Millard
Acting Chief Executive
Date : September 2015
Warrnambool**

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