



Annual Report
2018-2019



City of Nedlands

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Financial
Report

CITY OF NEDLANDS
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

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COMMUNITY VISION

Our City will be an environmentally-sensitive beautiful and inclusive place.

Principal place of business:
71 Stirling Highway, Nedlands, WA 6009

**CITY OF NEDLANDS
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019**

*Local Government Act 1995
Local Government (Financial Management) Regulations 1996*

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the City of Nedlands for the financial year ended 30 June 2019 is based on proper accounts and records to present fairly the financial position of the City of Nedlands at 30 June 2019 and the results of the operations for the financial year then ended in accordance with the Local Government Act 1995 and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the 14th day of November 2019



Chief Executive Officer

Mark Goodlet

Name of Chief Executive Officer

CITY OF NEDLANDS
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
Revenue				
Rates	28(a)	23,459,523	23,127,040	22,492,209
Operating grants, subsidies and contributions	2(a)	2,126,813	1,621,300	2,049,363
Fees and charges	2(a)	6,998,936	6,557,100	6,937,496
Service charges	28(c)	3,406,430	1,159,900	0
Interest earnings	2(a)	645,924	580,000	583,828
Other revenue		262,841	561,720	572,726
		36,900,467	33,607,060	32,635,622
Expenses				
Employee costs		(13,373,742)	(13,503,113)	(12,896,982)
Materials and contracts		(10,971,507)	(12,345,867)	(14,380,196)
Utility charges		(868,508)	(828,500)	(936,522)
Depreciation on non-current assets	11(b)	(3,999,335)	(6,691,600)	(5,988,203)
Interest expenses	2(b)	(299,062)	(378,805)	(275,890)
Insurance expenses		(334,926)	(311,000)	(304,537)
Other expenditure		(738,311)	(784,200)	(755,181)
		(30,585,391)	(34,843,085)	(35,537,511)
		6,315,076	(1,236,025)	(2,901,889)
Non-operating grants, subsidies and contributions	2(a)	2,386,090	3,845,392	2,609,259
Profit on asset disposals	11(a)	57,230	88,329	495,645
Loss on asset disposals	11(a)	(46,823)	(33,937)	(40,325)
Fair value adjustments to financial assets at fair value through profit or loss	8(b)	16,403	0	(11,942)
Loss on revaluation of Infrastructure - Parks, Gardens and Reserves	10(b)	0	0	(1,232,307)
		2,412,900	3,899,784	1,820,330
		8,727,976	2,663,759	(1,081,559)
Net result for the period				
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	12	0	0	(54,450,333)
		0	0	(54,450,333)
Total other comprehensive income for the period				
		8,727,976	2,663,759	(55,531,892)
Total comprehensive income for the period				

This statement is to be read in conjunction with the accompanying notes.

CITY OF NEDLANDS
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
Revenue				
	2(a)			
Governance		256,684	425,493	378,143
General purpose funding		25,000,040	24,210,140	23,931,487
Law, order, public safety		493,028	483,000	508,334
Health		63,204	59,000	90,478
Education and welfare		1,915,442	1,734,900	1,784,314
Community amenities		3,768,226	3,658,100	3,644,722
Recreation and culture		863,721	730,900	975,496
Transport		84,831	73,671	167,912
Economic services		980,971	1,001,500	1,007,763
Other property and services		3,474,321	1,230,356	146,973
		36,900,468	33,607,060	32,635,622
Expenses				
	2(b)			
Governance		(2,260,384)	(3,085,872)	(2,230,139)
General purpose funding		(692,359)	(372,678)	(384,077)
Law, order, public safety		(1,025,572)	(999,276)	(1,019,920)
Health		(659,400)	(708,336)	(692,569)
Education and welfare		(2,371,404)	(2,472,028)	(2,330,690)
Community amenities		(4,234,334)	(4,447,526)	(4,339,304)
Recreation and culture		(8,247,611)	(9,155,060)	(8,455,732)
Transport		(4,393,161)	(6,086,063)	(6,110,814)
Economic services		(5,094,579)	(5,001,238)	(4,911,487)
Other property and services		(1,307,526)	(2,136,203)	(4,786,889)
		(30,286,329)	(34,464,280)	(35,261,621)
Finance Costs				
	2(b)			
Community amenities		(104,454)	(175,807)	(40,515)
Recreation and culture		(151,740)	(157,539)	(186,114)
Transport		(42,868)	(45,459)	(49,261)
		(299,062)	(378,805)	(275,890)
		6,315,076	(1,236,025)	(2,901,889)
Non-operating grants, subsidies and contributions	2(a)	2,386,090	3,845,392	2,609,259
Profit on disposal of assets	11(a)	57,230	88,329	495,645
Loss on disposal of assets	11(a)	(46,823)	(33,937)	(40,325)
Fair value adjustments to financial assets at fair value through profit or loss	8(b)	16,403	0	(11,942)
Loss on revaluation of Infrastructure - Parks, Gardens and Reserves	10(b)	0	0	(1,232,307)
		2,412,900	3,899,784	1,820,330
Net result for the period		8,727,976	2,663,759	(1,081,559)
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	12	0	0	(54,450,333)
Total other comprehensive income for the period		0	0	(54,450,333)
Total comprehensive income for the period		8,727,976	2,663,759	(55,531,892)

CITY OF NEDLANDS
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2019

	NOTE	2019 \$	2018 \$
CURRENT ASSETS			
Cash and cash equivalents	3	8,170,423	5,097,698
Trade receivables	5	2,428,507	999,600
Other financial assets at amortised cost	8(a)	4,860,495	6,037,348
Other loans and receivables	8(a)	13,630	13,219
Inventories	6	15,727	31,936
Other current assets	7	170,830	186,333
TOTAL CURRENT ASSETS		15,659,612	12,366,134
NON-CURRENT ASSETS			
Trade receivables	5	1,227,236	447,722
Financial assets at fair value through profit and loss	8(b)	140,137	123,734
Other loans and receivables	8(b)	78,815	92,445
Property, plant and equipment	9	345,984,718	345,708,041
Infrastructure	10	87,638,048	82,571,683
TOTAL NON-CURRENT ASSETS		435,068,954	428,943,625
TOTAL ASSETS		450,728,566	441,309,759
CURRENT LIABILITIES			
Trade and other payables	13	4,782,262	2,086,520
Short term borrowings	14	0	1,652,524
Borrowings	15(a)	1,693,964	1,597,168
Employee related provisions	16	2,274,759	2,027,291
TOTAL CURRENT LIABILITIES		8,750,985	7,363,503
NON-CURRENT LIABILITIES			
Borrowings	15(a)	5,861,752	6,748,982
Employee related provisions	16	474,196	337,618
Other payables	13	54,001	0
TOTAL NON-CURRENT LIABILITIES		6,389,949	7,086,600
TOTAL LIABILITIES		15,140,934	14,450,103
NET ASSETS		435,587,632	426,859,656
EQUITY			
Retained surplus		75,945,610	67,275,653
Reserves - cash backed	4	6,095,369	6,037,350
Revaluation surplus	12	353,546,653	353,546,653
TOTAL EQUITY		435,587,632	426,859,656

This statement is to be read in conjunction with the accompanying notes.

CITY OF NEDLANDS
 STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	RETAINED SURPLUS	RESERVES CASH BACKED	REVALUATION SURPLUS	TOTAL EQUITY
		\$	\$	\$	\$
Balance as at 1 July 2017		69,877,931	4,516,631	407,996,986	482,391,548
Comprehensive income					
Net result for the period		(1,081,559)	0	0	(1,081,559)
Other comprehensive income	12	0	0	(54,450,333)	(54,450,333)
Total comprehensive income		(1,081,559)	0	(54,450,333)	(55,531,892)
Transfers from/(to) reserves		(1,520,719)	1,520,719	0	0
Balance as at 30 June 2018		67,275,653	6,037,350	353,546,653	426,859,656
Comprehensive income					
Net result for the period		8,727,976	0	0	8,727,976
Transfers from/(to) reserves		(58,019)	58,019	0	0
Balance as at 30 June 2019		75,945,610	6,095,369	353,546,653	435,587,632

This statement is to be read in conjunction with the accompanying notes.

CITY OF NEDLANDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2019

NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Rates	23,327,006	23,107,040	22,520,373
Operating grants, subsidies and contributions	2,126,813	1,657,633	2,128,475
Fees and charges	5,957,117	6,557,100	6,937,497
Service charges	2,959,234	1,159,900	0
Interest received	645,924	580,000	583,828
Goods and services tax received	1,496,613	0	2,037,872
Other revenue	262,841	561,720	572,725
	36,775,548	33,623,393	34,780,770
Payments			
Employee costs	(12,924,696)	(13,438,113)	(12,792,287)
Materials and contracts	(8,560,451)	(12,146,071)	(15,270,655)
Utility charges	(868,508)	(828,500)	(936,522)
Interest expenses	(297,770)	(378,805)	(267,831)
Insurance paid	(334,926)	(311,000)	(304,537)
Goods and services tax paid	(1,779,393)	0	(2,019,017)
Other expenditure	(738,311)	(784,200)	(755,181)
	(25,504,055)	(27,886,689)	(32,346,030)
Net cash provided by/(used in) operating activities	17 11,271,493	5,736,704	2,434,740
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchase of property, plant & equipment	(2,059,828)	(2,569,000)	(1,551,646)
Payments for construction of infrastructure	(7,619,246)	(11,316,100)	(9,212,125)
Payments for financial assets at amortised cost	1,176,852	0	(470,000)
Non-operating grants, subsidies and contributions	2,386,090	3,845,392	2,609,259
Proceeds from sale of property, plant & equipment	347,103	3,790,001	2,067,571
Net cash provided by/(used in) investment activities	(5,769,029)	(6,249,707)	(6,556,941)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of short term borrowings	(2,603,076)	(2,603,076)	0
Repayment of borrowings	(1,597,168)	(1,750,142)	(1,135,626)
Proceeds from new short term borrowings	950,552	950,552	1,652,524
Proceeds from new borrowings	806,734	3,468,009	3,233,761
Proceeds from self supporting loans	13,219	13,219	15,966
Net cash provided by (used in) financing activities	(2,429,739)	78,562	3,766,625
Net increase (decrease) in cash held	3,072,725	(434,441)	(355,577)
Cash at beginning of year	5,097,698	11,002,703	5,453,274
Cash and cash equivalents at the end of the year	17 8,170,423	10,568,262	5,097,698

This statement is to be read in conjunction with the accompanying notes.

CITY OF NEDLANDS
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual	2019 Budget	2018 Actual
		\$	\$	\$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	29 (b)	2,201,758	1,352,512	2,965,451
		2,201,758	1,352,512	2,965,451
Revenue from operating activities (excluding rates)				
Governance		256,684	425,493	831,052
General purpose funding		1,556,920	1,083,100	1,439,279
Law, order, public safety		493,028	483,000	508,334
Health		63,204	59,000	90,478
Education and welfare		1,915,442	1,740,182	1,788,496
Community amenities		3,768,227	3,658,100	3,647,289
Recreation and culture		863,721	730,900	979,132
Transport		84,831	73,671	167,912
Economic services		980,971	1,001,500	1,012,672
Other property and services		3,531,551	1,313,403	174,418
		13,514,579	10,568,349	10,639,062
Expenditure from operating activities				
Governance		(2,260,384)	(3,087,343)	(2,242,082)
General purpose funding		(692,359)	(372,678)	(384,077)
Law, order, public safety		(1,025,572)	(999,276)	(1,019,920)
Health		(659,400)	(708,336)	(692,569)
Education and welfare		(2,371,404)	(2,472,029)	(2,330,690)
Community amenities		(4,338,788)	(4,623,333)	(4,379,819)
Recreation and culture		(8,399,351)	(9,312,718)	(8,642,119)
Transport		(4,436,029)	(6,131,522)	(6,169,692)
Economic services		(5,094,579)	(5,001,238)	(4,911,487)
Other property and services		(1,354,349)	(2,168,549)	(6,049,631)
		(30,632,215)	(34,877,022)	(36,822,086)
Non-cash amounts excluded from operating activities	29(a)	3,383,590	6,627,208	6,768,157
Amount attributable to operating activities		(11,532,288)	(16,328,953)	(16,449,416)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		2,386,090	3,845,392	2,609,259
Proceeds from disposal of assets	11(a)	347,103	3,790,001	2,067,571
Purchase of property, plant and equipment	9(b)	(2,059,828)	(2,569,000)	(1,551,646)
Purchase and construction of infrastructure	10(b)	(7,619,246)	(11,316,100)	(9,212,125)
Amount attributable to investing activities		(6,945,881)	(6,249,707)	(6,086,941)
FINANCING ACTIVITIES				
Repayment of short term borrowings		(2,603,077)	(2,603,077)	0
Proceeds from short term borrowings		950,552	950,552	1,652,524
Repayment of borrowings	15(b)	(1,597,168)	(1,750,142)	(1,135,626)
Proceeds from borrowings	15(c)	806,734	3,468,009	3,233,761
Proceeds from self supporting loans	15(b)	13,219	13,219	15,966
Transfers to reserves (restricted assets)	4	(775,390)	(4,466,816)	(2,725,083)
Transfers from reserves (restricted assets)	4	717,369	3,245,505	1,204,364
Amount attributable to financing activities		(2,487,761)	(1,142,750)	2,245,906
Surplus/(deficit) before imposition of general rates		(20,965,931)	(23,721,410)	(20,290,451)
Total amount raised from general rates	28	23,459,523	23,127,040	22,492,209
Surplus/(deficit) after imposition of general rates	29(b)	2,493,592	(594,370)	2,201,758

This statement is to be read in conjunction with the accompanying notes.

1. BASIS OF PREPARATION

The financial report comprises general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and Interpretations of the Australian Accounting Standards Board, and the *Local Government Act 1995* and accompanying regulations.

The *Local Government (Financial Management) Regulations 1996* take precedence over Australian Accounting Standards. Regulation 16 prohibits a local government from recognising as assets Crown land that is a public thoroughfare, such as land under roads, and land not owned by but under the control or management of the local government, unless it is a golf course, showground, racecourse or recreational facility of State or regional significance. Consequently, some assets, including land under roads acquired on or after 1 July 2008, have not been recognised in this financial report. This is not in accordance with the requirements of *AASB 1051 Land Under Roads paragraph 15* and *AASB 116 Property, Plant and Equipment paragraph 7*.

Accounting policies which have been adopted in the preparation of this financial report have been consistently applied unless stated otherwise. Except for cash flow and rate setting information, the report has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

CRITICAL ACCOUNTING ESTIMATES

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances; the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

THE LOCAL GOVERNMENT REPORTING ENTITY

All funds through which the City controls resources to carry on its functions have been included in the financial statements forming part of this financial report.

In the process of reporting on the local government as a single unit, all transactions and balances between those funds (for example, loans and transfers between funds) have been eliminated.

In previous years, all bonds and deposits were held as trust money as stated in Note 31. From this year, all bonds and deposits not required by legislation to be held in trust are included in restricted cash in Note 3 and shown as current liability in Note 13.

2. REVENUE AND EXPENSES

(a) Revenue

Grant Revenue

Grants, subsidies and contributions are included as both operating and non-operating revenues in the Statement of Comprehensive Income:

	2019 Actual \$	2019 Budget \$	2018 Actual \$
Operating grants, subsidies and contributions			
Governance	48,027	10,000	3,816
General purpose funding	472,819	376,100	444,027
Law, order, public safety	28,678	30,000	27,420
Education and welfare	1,089,830	1,046,900	1,091,390
Community amenities	0	0	218
Recreation and culture	85,464	43,300	51,391
Transport	291,049	85,000	386,910
Economic services	110,946	30,000	44,191
	2,126,813	1,621,300	2,049,363
Non-operating grants, subsidies and contributions			
Recreation and culture	905,430	1,568,500	1,546,613
Transport	1,480,660	2,276,892	1,062,646
	2,386,090	3,845,392	2,609,259
Total grants, subsidies and contributions	4,512,903	5,466,692	4,658,622

SIGNIFICANT ACCOUNTING POLICIES

Grants, donations and other contributions

Grants, donations and other contributions are recognised as revenues when the local government obtains control over the assets comprising the contributions.

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over

Grants, donations and other contributions (Continued)

a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 27.

That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current reporting period.

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Fees and Charges			
Governance	80,305	77,100	82,028
General purpose funding	130,644	127,000	121,899
Law, order, public safety	464,350	453,000	480,414
Health	62,538	58,000	89,783
Education and welfare	823,612	686,000	689,123
Community amenities	3,754,179	3,658,100	3,647,286
Recreation and culture	748,703	679,300	904,152
Transport	84,869	77,000	69,676
Economic services	787,574	703,600	756,962
Other property and services	62,162	38,000	96,173
	6,998,936	6,557,100	6,937,496
There were no changes during the year to the amount of the fees or charges detailed in the original budget.			
Interest earnings			
Loans receivable - clubs/institutions	3,066	3,093	4,424
Reserve accounts interest	157,890	85,600	104,928
Rates instalment and penalty interest (refer Note 28(f))	205,459	191,000	197,972
Other interest earnings	279,509	300,307	276,504
	645,924	580,000	583,828

SIGNIFICANT ACCOUNTING POLICIES

Interest earnings

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest earnings (Continued)

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes

(b) Expenses	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Auditors remuneration			
- Audit of the Annual Financial Report	10,000	35,000	19,500
- Other services - Audit of Projects	2,180	3,000	2,850
	12,180	38,000	22,350
Interest expenses (finance costs)			
Borrowings (refer Note 15(b))	299,062	378,805	275,890
	299,062	378,805	275,890
Rental charges			
- Operating leases	65,676	84,854	87,106
	65,676	84,854	87,106

3. CASH AND CASH EQUIVALENTS

	NOTE	2019 \$	2018 \$
Cash at bank and on hand		3,849,110	3,072,845
Term deposits		4,321,313	2,024,853
		<u>8,170,423</u>	<u>5,097,698</u>
Comprises:			
- Unrestricted cash and cash equivalents		4,102,077	4,374,924
- Restricted cash and cash equivalents		4,068,346	722,774
		<u>8,170,423</u>	<u>5,097,698</u>
Cash at bank and on hand			
Comprises:			
- Unrestricted cash		1,015,638	2,350,071
The following restrictions have been imposed by regulations or other externally imposed requirements:			
- Restricted cash			
Unspent grants/contributions	27	958,802	336,489
Bonds and retentions funds	13	1,874,670	0
Unspent loans	15(d)	0	386,285
		<u>2,833,472</u>	<u>722,774</u>
Total cash at bank and on hand		<u>3,849,110</u>	<u>3,072,845</u>
Term deposits			
Comprises:			
- Unrestricted term deposits		3,086,439	2,024,853
The following restrictions have been imposed by regulations or other externally imposed requirements:			
- Restricted term deposits			
Reserves cash backed - North Street Reserve	4	760,606	0
Reserves cash backed - Service Reserve	4	67,324	0
Reserves cash backed - Building Replacement Reserve	4	406,944	0
		<u>1,234,874</u>	<u>0</u>
Total Term deposits		<u>4,321,313</u>	<u>2,024,853</u>

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash

Cash and cash equivalents (Continued)

and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are reported as short term borrowings in current liabilities in the statement of financial position.

CITY OF MEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

4. RESERVES - CASH BACKED

	2019		2019		2019		2019		2019		2018		2018	
	Actual	Transfer to	Actual	Transfer (from)	Budget	Transfer to	Budget	Transfer (from)	Budget	Transfer to	Actual	Transfer (from)	Actual	Transfer (from)
	Opening Balance		Closing Balance		Opening Balance		Closing Balance		Opening Balance		Opening Balance		Closing Balance	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Reserves cash backed - Plant Replacement Reserve	0	34,000	0	0	0	0	0	0	150,197	3,140	153,337	0	0	
Reserves cash backed - City Development Reserve	456,580	50,488	367,068	(140,000)	455,970	51,399	207,369	(300,000)	544,970	11,610	(100,000)	456,580		
Reserves cash backed - North Street Reserve*	765,464	20,142	760,607	(25,000)	649,233	16,231	240,464	(425,000)	747,734	17,730	0	765,464		
Reserves cash backed - Welfare Reserve	479,887	10,022	484,909	(5,000)	475,554	11,889	444,443	(43,000)	485,555	15,360	(21,028)	479,887		
Reserves cash backed - Service Reserve*	202,591	4,977	207,567	0	205,660	5,142	210,802	0	1,107,960	24,631	(930,000)	202,591		
Reserves cash backed - Insurance Reserve	62,547	1,552	64,099	0	62,766	1,569	64,335	0	61,266	1,281	0	62,547		
Reserves cash backed - Waste Management Reserve	842,548	120,135	962,682	0	844,547	121,114	965,661	0	580,548	262,000	0	842,548		
Reserves cash backed - Building Replacement Reserve*	689,120	103,937	718,057	(75,000)	475,636	97,891	498,527	(75,000)	527,137	161,983	0	689,120		
Reserves cash backed - Swanbourne Development Reserve	129,140	2,868	132,008	0	129,441	3,236	132,677	0	126,241	2,899	0	129,140		
Reserves cash backed - Public Art Reserve	126,894	83,972	210,866	0	127,111	83,178	210,289	0	85,012	41,882	0	126,894		
Reserves cash backed - Business System Reserve	102,229	193,195	295,424	0	106,313	52,658	108,971	(50,000)	100,013	2,216	0	102,229		
Reserves cash backed - All Abilities Play Space	94,900	98,362	193,262	0	94,900	98,373	133,273	(60,000)	0	94,900	0	94,900		
Reserves cash backed - Underground Power Projects	485,450	12,085	370,166	(127,369)	485,450	565,136	358,081	(692,505)	0	485,450	0	485,450		
Reserves cash backed - Major Projects	1,600,000	39,655	1,294,654	(345,000)	1,600,000	3,359,000	3,359,000	(1,600,000)	0	1,600,000	0	1,600,000		
	6,037,350	775,390	6,095,369	(717,369)	5,712,581	4,466,816	6,933,892	(3,245,505)	4,516,631	2,725,083	(1,204,364)	6,037,350		

All of the reserve accounts are supported by money held in financial institutions and match the amount shown as:

	2019	2018
	Actual	Actual
Restricted Term deposit (Note 3)	\$ 1,234,874	\$ 0
Financial assets at amortised cost (Note 8(a))	4,860,495	6,037,348
	6,095,369	6,037,348

* These reserves comprise of Restricted Term deposits and Financial assets at amortised cost - term deposits, as follows:

Reserves cash backed - North Street Reserve	760,607	765,464
Comprises:		
- Term deposits (Note 3)	760,606	0
- Financial assets at amortised cost (Note 8(d))	0	765,464
Reserves cash backed - Service Reserve	207,567	202,591
Comprises:		
- Term deposits (Note 3)	67,324	0
- Financial assets at amortised cost (Note 8(d))	140,243	202,591
Reserves cash backed - Building Replacement Reserve	718,057	689,120
Comprises:		
- Term deposits (Note 3)	406,944	0
- Financial assets at amortised cost (Note 8(d))	311,113	689,120

4. RESERVES - CASH BACKED (continued)

In accordance with Council resolutions in relation to each reserve account, the purpose for which the reserves are set aside and their anticipated date of use are as follows:

Name of Reserve	Anticipated date of use	Purpose of the reserve
Reserves cash backed - Plant Replacement Reserve	On-going	To fund replacement of plant and equipment so that the cost is spread over to a number of years.
Reserves cash backed - City Development Reserve	On-going	To fund improvement and purchase of property, plant and equipment.
Reserves cash backed - North Street Reserve	On-going	To fund operational and capital costs of community and recreational facilities at Mt Claremont and Swanbourne, and infrastructure generally.
Reserves cash backed - Welfare Reserve	On-going	To fund the operational and capital costs to welfare services.
Reserves cash backed - Service Reserve	On-going	To fund purchase of property, purchase of land and for parking areas, expense of streets depots, town planning schemes, valuation and legal cost, items of works of an urgent nature such as drainage.
Reserves cash backed - Insurance Reserve	On-going	To fund any excess that may arise from having a performance based workers compensation premium.
Reserves cash backed - Waste Management Reserve	On-going	To fund replacement of rubbish bin stock so that the cost is spread over number of years.
Reserves cash backed - Building Replacement Reserve	On-going	To fund the upgrade and/or replacement of council buildings.
Reserves cash backed - Swanbourne Development Reserve	On-going	To fund capital works in the Swanbourne area associated with the Swanbourne Masterplan. Set-up in with proceeds of the insurance claim arising from the fire of council property in Swanbourne.
Reserves cash backed - Public Art Reserve	On-going	To fund works of art in the City of Nedlands.
Reserves cash backed - Business System Reserve	On-going	To fund council's business system.
Reserves cash backed - All Abilities Play Space	On-going	To fund the annual operating and maintenance cost of the All Abilities Play Space
Reserves cash backed - Underground Power Projects	On-going	To fund Underground Power Projects
Reserves cash backed - Major Projects	On-going	To fund capital works from proceeds from sale of major assets

5. TRADE RECEIVABLES

Current

Rates receivable	
Sundry receivables	
GST receivable	
Allowance for impairment of receivables	
Service charges receivable	

Non-current

Pensioner's rates and ESL deferred	
Service charges receivable	

The following movements in impairment of receivables occurred during the year:

Carrying amount at 1 July

Additional impairment

Carrying amount at 30 June

	2019	2018
	\$	\$
	440,333	351,530
	1,319,546	396,582
	539,456	256,674
	(9,282)	(5,186)
	138,454	0
	2,428,507	999,600
	491,436	447,722
	735,800	0
	1,227,236	447,722
	(5,186)	(1,170)
	(4,096)	(4,016)
	(9,282)	(5,186)

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

Trade and other receivables include amounts due from ratepayers for unpaid rates and service charges and other amounts due from third parties for goods sold and services performed in the ordinary course of business.

Trade receivables are recognised at original invoice amount less any allowances for uncollectible amounts (i.e. impairment). The carrying amount of net trade receivables is equivalent to fair value as it is due for settlement within 30 days.

Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 30.

Previous accounting policy: Impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The

Previous accounting policy: Impairment of trade receivables (continued)

other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment.

Classification and subsequent measurement

Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade receivables are held with the objective to collect the contractual cashflows and therefore measures them subsequently at amortised cost using the effective interest rate method.

Due to the short term nature of current receivables, their carrying amount is considered to be the same as their fair value. Non-current receivables are indexed to inflation, any difference between the carrying value and fair value is considered immaterial.

6. INVENTORIES

Current

Fuel & Oil

	2019	2018
	\$	\$
	15,727	31,936
	15,727	31,936
	31,936	14,231
	(189,170)	(154,858)
	172,961	172,563
	15,727	31,936

The following movements in inventories occurred during the year:

Carrying amount at 1 July

Inventories expensed during the year

Additions to inventory

Carrying amount at 30 June

SIGNIFICANT ACCOUNTING POLICIES

General

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

7. OTHER ASSETS

Other assets

Prepayments

	2019	2018
	\$	\$
	170,830	186,333
	170,830	186,333

SIGNIFICANT ACCOUNTING POLICIES

Other current assets

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

CITY OF NEDLANDS
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8. OTHER FINANCIAL ASSETS

	2019	2018
	\$	\$
(a) Current assets		
Other financial assets at amortised cost (Note 8(d))	4,860,495	6,037,348
Other loans and receivables (Note 8(c))	13,630	13,219
	<u>4,874,125</u>	<u>6,050,567</u>
Other financial assets at amortised cost		
- Financial assets at amortised cost - term deposits	4,860,495	6,037,348
	<u>4,860,495</u>	<u>6,037,348</u>
(b) Non-current assets		
Financial assets at fair value through profit and loss	140,137	123,734
Other loans and receivables (Note 8(c))	78,815	92,445
	<u>218,952</u>	<u>216,179</u>
Financial assets at fair value through profit and loss		
- <i>Unlisted equity investments</i>		
Financial assets at fair value through profit and loss - Interest in Local Government House Trust	140,137	123,734
	<u>140,137</u>	<u>123,734</u>
During the year, the following gains/(losses) were recognised in profit and loss	16,403	(11,942)
	<u>16,403</u>	<u>(11,942)</u>
<p>This represents the equity the City of Nedlands has in the Local Government House Trust as a consequence of a contribution towards the cost of purchasing Local Government House. The total contribution by all Councils towards the cost of the WALGA building was \$582,000 of which the City of Nedlands contributed \$8,000. There are 620 units in the Local Government House Trust, 8 of which are held by the City of Nedlands.</p>		
(c) Financial assets previously classified as loans and receivables		
- Current Loans receivable - clubs/institutions - self-supporting loan	13,630	13,219
- Non-current Loans receivable - clubs/institutions - self-supporting loan	78,815	92,445
	<u>92,445</u>	<u>105,664</u>

Loans receivable from clubs/institutions have the same terms and conditions as the related borrowing disclosed in Note 15(b) as self supporting loans.

CITY OF NEDLANDS
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FOR THE YEAR ENDED 30TH JUNE 2019

8. OTHER FINANCIAL ASSETS (continued)

(d) The following restrictions over other financial assets have been imposed by regulations or other externally imposed requirements:

	NOTE	2019	2018
		\$	\$
Reserve accounts			
Reserves cash backed - Plant Replacement Reserve	4	34,000	0
Reserves cash backed - City Development Reserve	4	367,068	456,580
Reserves cash backed - North Street Reserve	4	0	765,464
Reserves cash backed - Welfare Reserve	4	484,909	479,886
Reserves cash backed - Service Reserve	4	140,243	202,591
Reserves cash backed - Insurance Reserve	4	64,099	62,547
Reserves cash backed - Waste Management Reserve	4	962,682	842,548
Reserves cash backed - Building Replacement Reserve	4	311,113	689,120
Reserves cash backed - Swanbourne Development Reserve	4	132,008	129,140
Reserves cash backed - Public Art Reserve	4	210,866	126,893
Reserves cash backed - Business System Reserve	4	295,424	102,229
Reserves cash backed - All Abilities Play Space	4	193,262	94,900
Reserves cash backed - Underground Power Projects	4	370,166	485,450
Reserves cash backed - Major Projects	4	1,294,654	1,600,000
	8(a)	4,860,495	6,037,348

SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

The City classifies financial assets at amortised cost if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cashflows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets at fair value through profit and loss

The City classifies the following financial assets at fair value through profit and loss:

- debt investments which do not qualify for measurement at either amortised cost or fair value through other comprehensive income.
- equity investments which the City has not elected to recognise fair value gains and losses through other comprehensive income.

Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 30.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Previous accounting policy: available for sale financial assets

Available-for-sale financial assets were non-derivative financial assets that were either not suitable to be classified as other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Previous accounting policy: Loans and receivables

Non-derivative financial assets with fixed or determinable payments that were not quoted in an active market and are solely payments of principal and interest were classified as loans and receivables and are subsequently measured at amortised cost, using the effective interest rate method.

Refer to Note 33 for explanations regarding the change in accounting policy and reclassification of available for sale financial assets to financial assets at fair value through profit and loss.

9 (a) PROPERTY, PLANT AND EQUIPMENT

	2019	2018
	\$	\$
Land and buildings		
Land - freehold land at:		
- Independent valuation 2017	137,993,000	137,993,000
Land - vested in and under the control of Council at:		
- Independent valuation 2017	167,231,000	167,231,000
Total land	305,224,000	305,224,000
Buildings - non-specialised at:		
- Independent valuation 2017	1,330,000	1,330,000
- Additions after valuation - cost	21,211	0
Less: accumulated depreciation	(95,131)	(47,696)
	1,256,080	1,282,304
Buildings - specialised at:		
- Independent valuation 2017	51,995,080	51,995,080
- Additions after valuation - cost	1,880,657	520,001
Less: accumulated depreciation	(17,662,087)	(16,879,542)
	36,213,651	35,635,539
Total buildings	37,469,731	36,917,843
Total land and buildings	342,693,731	342,141,843
Furniture and equipment at:		
- Management valuation 2016	2,404,597	5,186,217
- Additions after valuation - cost	445,080	215,386
Less: accumulated depreciation	(2,093,414)	(4,745,715)
	756,263	655,888
Plant and equipment at:		
- Management valuation 2016	5,659,502	7,570,025
- Additions after valuation - cost	764,575	316,310
Less: accumulated depreciation	(3,889,353)	(4,976,025)
	2,534,724	2,910,310
Total property, plant and equipment	345,984,718	345,708,041

CITY OF NEDLANDS
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9. PROPERTY, PLANT AND EQUIPMENT

(b) Movements in Carrying Amounts

Movement in the carrying amounts of each class of property, plant and equipment between the beginning and the end of the previous financial year and current financial year.

	Land - freehold land	Land - vested in and under the control of Council	Total land	Buildings - non- specialised	Buildings - specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	139,147,000	167,231,000	306,378,000	1,330,000	35,894,620	37,224,620	343,602,620	774,597	3,045,552	347,422,769
Additions	0	0	0	0	520,001	520,001	520,001	130,296	901,349	1,551,646
Disposals	(1,154,000)	0	(1,154,000)	0	0	0	(1,154,000)	(14,617)	(443,633)	(1,612,250)
Depreciation (expense)	0	0	0	(47,696)	(779,082)	(826,778)	(826,778)	(234,388)	(592,958)	(1,654,124)
Carrying amount at 30 June 2018	137,993,000	167,231,000	305,224,000	1,282,304	35,635,539	36,917,843	342,141,843	655,888	2,910,310	345,708,041
Additions	0	0	0	21,211	1,360,656	1,381,868	1,381,868	229,695	448,265	2,059,828
Disposals (Note 11(a))	0	0	0	0	0	0	0	(4,031)	(332,665)	(336,696)
Depreciation (expense)	0	0	0	(47,435)	(782,545)	(829,980)	(829,980)	(125,288)	(491,186)	(1,446,454)
Carrying amount at 30 June 2019	137,993,000	167,231,000	305,224,000	1,256,080	36,213,651	37,469,731	342,693,731	756,263	2,534,724	345,984,718

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Date of Last Valuation	Inputs Used
Land and buildings				
Land - freehold land	Level 2	Market Approach	30 June 2017	Sales evidence of similar assets
Land - freehold (unique)	Level 3	Cost Approach	30 June 2017	Estimates of replacement cost, residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount.
Land - vested in and under the control of Council	Level 3	Cost Approach	30 June 2017	Estimates of replacement cost, residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount.
Buildings - non-specialised	Level 2	Market Approach	30 June 2017	Sales evidence of similar assets
Buildings - specialised	Level 3	Cost Approach	30 June 2017	Estimates of replacement cost, residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount.
Furniture and equipment				
Plant and equipment	Level 2	Market Approach	30 June 2016	Make, size, year of manufacture and condition
	Level 2	Market Approach	30 June 2016	Make, size, year of manufacture and condition

Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.

During the period there were no changes in the valuation techniques used by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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10 (a) INFRASTRUCTURE

	2019	2018
	\$	\$
Infrastructure - Roads		
- Independent valuation 2018	74,821,487	74,821,486
- Additions after valuation - cost	3,859,227	0
Less: accumulated depreciation	(32,183,155)	(31,151,711)
	<u>46,497,559</u>	<u>43,669,775</u>
Infrastructure - Drainage		
- Independent valuation 2018	27,404,144	27,404,144
- Additions after valuation - cost	342,898	0
Less: accumulated depreciation	(14,329,548)	(13,946,627)
	<u>13,417,494</u>	<u>13,457,517</u>
Infrastructure - Footpath		
- Independent valuation 2018	19,435,555	19,435,555
- Additions after valuation - cost	963,927	0
Less: accumulated depreciation	(8,607,965)	(8,227,649)
	<u>11,791,517</u>	<u>11,207,906</u>
Infrastructure - Parks, Gardens and Reserves		
- Independent valuation 2018	18,483,191	18,483,191
- Additions after valuation - cost	2,262,379	0
Less: accumulated depreciation	(7,042,762)	(6,441,524)
	<u>13,702,808</u>	<u>12,041,667</u>
Infrastructure - Street Furniture		
- Independent valuation 2018	3,374,189	3,374,189
- Additions after valuation - cost	190,815	0
Less: accumulated depreciation	(1,336,334)	(1,179,371)
	<u>2,228,670</u>	<u>2,194,818</u>
Total infrastructure	<u>87,638,048</u>	<u>82,571,683</u>

10. INFRASTRUCTURE

(b) Movements in Carrying Amounts

Movement in the carrying amounts of each class of infrastructure between the beginning and the end of the previous financial year and current financial year.

	Infrastructure - Roads	Other infrastructure - Drainage	Other infrastructure - Footpath	Other infrastructure - Parks, Garden and Reserves	Other infrastructure - Street Furniture	Total Infrastructure
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	79,887,259	23,799,477	16,765,260	11,727,384	1,196,897	133,376,277
Additions	3,290,581	152,484	2,113,179	3,393,884	261,997	9,212,125
Revaluation increments / (decrements) transferred to revaluation surplus	(36,568,880)	(10,193,661)	(7,463,016)	(1,020,300)	795,524	(54,450,333)
Revaluation (loss) / reversals transferred to profit or loss	0	0	0	(1,232,307)	0	(1,232,307)
Depreciation (expense)	(2,939,185)	(300,783)	(207,517)	(826,994)	(59,600)	(4,334,079)
Carrying amount at 30 June 2018	43,669,775	13,457,517	11,207,906	12,041,667	2,194,818	82,571,683
Additions	3,859,227	342,898	963,927	2,262,379	190,815	7,619,246
Depreciation (expense)	(1,031,443)	(382,921)	(380,316)	(601,238)	(156,963)	(2,552,881)
Carrying amount at 30 June 2019	46,497,559	13,417,494	11,791,517	13,702,808	2,228,670	87,638,048

CITY OF NEDLANDS
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10. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Date of Last Valuation	Inputs Used
Infrastructure - Roads	Level 3	Cost Approach	01 June 2018	Estimates of replacement cost, residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount.
Other infrastructure - Drainage	Level 3	Cost Approach	01 June 2018	Estimates of replacement cost, residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount.
Other infrastructure - Footpath	Level 3	Cost Approach	01 June 2018	Estimates of replacement cost, residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount.
Other infrastructure - Parks, Garden and Reserves	Level 3	Cost Approach	01 June 2018	Estimates of replacement cost, residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount.
Other infrastructure - Street Furniture	Level 3	Cost Approach	01 June 2018	Estimates of replacement cost, residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount.

Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.

During the period there were no changes in the valuation techniques used to determine the fair value of infrastructure using level 3 inputs.

11. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE)

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

Each class of fixed assets within either plant and equipment or infrastructure, is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Change in accounting policy - asset capitalisation threshold

In accordance with the amendment to *Local Government (Financial Management) Regulation 1996*, the City is required to capitalise assets in excess of \$5,000 only. The City made a retrospective assessment in respect of previously capitalised assets costing less than \$5,000 at the date of acquisition. Based on the assessment performed, the City recognised a loss on disposal of assets with a total written down value of \$4,031. This was reflected in the Statement of Comprehensive Income for the year given that the amount was considered immaterial to restate the retained surplus as at 1 July 2018.

Initial recognition and measurement between mandatory revaluation dates

All assets are initially recognised at cost where the fair value of the asset at date of acquisition is equal to or above \$5,000. All assets are subsequently revalued in accordance with the mandatory measurement framework.

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the City includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

Individual assets acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework, are recognised at cost and disclosed as being at fair value as management believes cost approximates fair value. They are subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework.

Revaluation

The fair value of fixed assets is determined at least every three years and no more than five years in accordance with the regulatory framework. At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires property, plant and equipment to be shown at fair value.

Increases in the carrying amount arising on revaluation of assets are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same class of asset are recognised against revaluation surplus; the City was required to include as an asset are recognised in profit or loss.

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

Land under control

In accordance with *Local Government (Financial Management) Regulation 16(a)(ii)*, the City was required to include as an asset (by 30 June 2013), Crown Land operated by the local government as a golf course, showground, racecourse or other sporting or recreational facility of State or Regional significance.

Upon initial recognition, these assets were recorded at cost in accordance with AASB 116. They were then classified as Land and revalued along with other land in accordance with the other policies detailed in this Note.

Land under roads

In Western Australia, all land under roads is Crown Land, the responsibility for managing which, is vested in the local government.

Effective as at 1 July 2008, Council elected not to recognise any value for land under roads acquired on or before 30 June 2008. This accords with the treatment available in *Australian Accounting Standard AASB 1051 Land Under Roads* and the fact *Local Government (Financial Management) Regulation 16(a)(i)* prohibits local governments from recognising such land as an asset.

In respect of land under roads acquired on or after 1 July 2008, as detailed above, *Local Government (Financial Management) Regulation 16(a)(i)* prohibits local governments from recognising such land as an asset.

Whilst such treatment is inconsistent with the requirements of *AASB 1051, Local Government (Financial Management) Regulation 4(2)* provides, in the event of such an inconsistency, the *Local Government (Financial Management) Regulations* prevail.

Consequently, any land under roads acquired on or after 1 July 2008 is not included as an asset of the City.

CITY OF NEDLANDS
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2019

11. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

(a) Disposals of Assets

	2019		2019		2019		2019		2018		2018	
	Actual	Actual	Budget	Budget	Actual	Actual	Budget	Budget	Actual	Actual	Actual	Actual
Net Book Value	Proceeds	Profit	Net Book Value	Sale	Proceeds	Profit	Net Book Value	Sale	Proceeds	Net Book Value	Sale	Proceeds
	\$	\$		\$	\$	\$		\$	\$		\$	\$
Land - freehold land	0	0	0	0	0	0	0	0	0	1,154,000	1,600,000	446,000
Buildings - specialised	0	0	0	0	0	0	0	0	0	0	0	0
Furniture and equipment	4,031	0	0	0	0	(4,031)	0	0	0	14,617	5,000	0
Plant and equipment	332,665	347,103	57,230	57,230	451,001	83,206	401,732	451,001	83,206	443,633	462,571	49,645
	336,696	347,103	57,230	57,230	3,790,001	88,329	3,735,609	3,790,001	88,329	1,612,250	2,067,571	495,645
						(46,823)						(40,325)

The following assets were disposed of during the year.

	2019		2019		2019	
	Actual	Actual	Actual	Actual	Actual	Actual
Net Book Value	Proceeds	Profit	Net Book Value	Sale	Proceeds	Loss
Plant and Equipment						
Other property and services						
Plant and Equipment	152,600	209,830	57,230	0	0	0
Plant and Equipment	180,065	137,273	0	0	0	(42,792)
	332,665	347,103	57,230	57,230	57,230	(42,792)
Furniture and equipment						
Other Property and Services						
Furniture and equipment	4,031	0	0	0	0	(4,031)
	4,031	0	0	0	0	(4,031)
	336,696	347,103	57,230	57,230	57,230	(46,823)

11. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

(b) Depreciation

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Buildings - non-specialised	47,435	95,300	47,696
Buildings - specialised	782,545	734,600	779,082
Furniture and equipment	125,288	289,300	234,388
Plant and equipment	491,186	680,700	592,958
Infrastructure - Roads	1,031,443	3,194,200	2,939,185
Other infrastructure - Drainage	382,921	308,400	300,783
Other infrastructure - Footpath	380,316	215,900	207,517
Other infrastructure - Parks, Garden and Reserves	601,238	1,130,600	826,994
Other infrastructure - Street Furniture	156,963	42,600	59,600
	3,999,335	6,691,600	5,988,203

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

The depreciable amount of all fixed assets including buildings but excluding freehold land and vested land, are depreciated on a straight-line basis over the individual asset's useful life from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income in the period in which they arise.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is treated in one of the following ways:

- The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or
- Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Depreciation rates

Typical estimated useful lives for the different asset classes for the current and prior years are included in the table below:

Buildings	
- Structure	3 to 47 yrs
- Fit-outs	1 to 9 yrs
- Mechanical	2 to 14 yrs
- Roof Cladding	3 to 47 yrs
Furniture and equipment	4 to 10 yrs
Plant and equipment	5 to 15 yrs
Roads	
- Pavement	20 to 210 yrs
- Sub Grade	Not depreciated
- Top Surface	35 to 50 yrs
Footpaths	25 to 50 yrs
Stormwater	
- Pipes	60 to 80 yrs
- Pits	60 to 80 yrs
- Plant	30 to 80 yrs
Transport	
- Bus Shelters	30 yrs
- Roundabouts	20 to 80 yrs
- Street Lights	10 to 50 yrs
Parks	10 to 100 yrs
Parks Reticulation	25 to 50 yrs

12. REVALUATION SURPLUS

	2019 Opening Balance	2019 Revaluation Increment	2019 Revaluation (Decrement)	Total Movement on Revaluation	2019 Closing Balance
	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	121,100,418	0	0	0	121,100,418
Revaluation surplus - Land - vested in and under the control of Council	167,231,000	0	0	0	167,231,000
Revaluation surplus - Buildings - non-specialised	140,384	0	0	0	140,384
Revaluation surplus - Buildings - specialised	23,004,320	0	0	0	23,004,320
Revaluation surplus - Plant and equipment	732,800	0	0	0	732,800
Revaluation surplus - Infrastructure - Roads	28,141,668	0	0	0	28,141,668
Revaluation surplus - Other infrastructure - Drainage	8,401,646	0	0	0	8,401,646
Revaluation surplus - Other infrastructure - Footpath	3,998,893	0	0	0	3,998,893
Revaluation surplus - Other infrastructure - Parks, Garden and Reserves	0	0	0	0	0
Revaluation surplus - Other infrastructure - Street Furniture	795,524	0	0	0	795,524
	353,546,653	0	0	0	353,546,653

	2018 Opening Balance	2018 Revaluation Increment	2018 Revaluation (Decrement)	Total Movement on Revaluation	2018 Closing Balance
	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	121,100,418	0	0	0	121,100,418
Revaluation surplus - Land - vested in and under the control of Council	167,231,000	0	0	0	167,231,000
Revaluation surplus - Buildings - non-specialised	140,384	0	0	0	140,384
Revaluation surplus - Buildings - specialised	23,004,320	0	0	0	23,004,320
Revaluation surplus - Plant and equipment	732,800	0	0	0	732,800
Revaluation surplus - Infrastructure - Roads	64,710,548	0	(36,568,880)	(36,568,880)	28,141,668
Revaluation surplus - Other infrastructure - Drainage	18,595,307	0	(10,193,661)	(10,193,661)	8,401,646
Revaluation surplus - Other infrastructure - Footpath	11,461,909	0	(7,463,016)	(7,463,016)	3,998,893
Revaluation surplus - Other infrastructure - Parks, Garden and Reserves	1,020,300	0	(1,020,300)	(1,020,300)	0
Revaluation surplus - Other infrastructure - Street Furniture	0	795,524	0	795,524	795,524
	407,996,986	795,524	(55,245,857)	(54,450,333)	353,546,653

Movements on revaluation of property, plant and equipment (including infrastructure) are not able to be reliably attributed to a program as the assets were revalued by class as provided for by AASB 116 Aus 40.1.

13. TRADE AND OTHER PAYABLES

Current

Sundry creditors	2,286,980
Service charge refund	234,603
Accrued salaries and wages	341,845
Accrued interest on borrowings	44,164
Bonds and retentions funds (2019 - Note 3, 2018 - Note 31)	1,874,670

Non-current

Service charge refund	54,001
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	2019	2018
	\$	\$
	2,286,980	1,766,802
	234,603	0
	341,845	276,846
	44,164	42,872
	1,874,670	0
	4,782,262	2,086,520
	54,001	0
	54,001	0

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the City prior to the end of the financial year that are unpaid and arise when the City becomes obliged to make future payments in respect

Trade and other payables (Continued)

of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition.

14. SHORT-TERM BORROWINGS

Unsecured

Short term borrowings	0
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Particulars/Purpose

Underground Power Project

	2019	2018
	\$	\$
	0	1,652,524

CITY OF NEDLANDS
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2019

15. INFORMATION ON BORROWINGS

(a) Borrowings

	2019	2018
	\$	\$
Current	1,693,964	1,597,168
Non-current	5,861,752	6,748,982
	7,555,716	8,346,150

(b) Repayments - Borrowings

Particulars	Loan Number	Institution	Interest Rate	Actual	30 June 2019	30 June 2019	30 June 2019	30 June 2019
				Principal	Actual	Actual	Actual	Actual
				1 July 2018	New Loans	Principal repayments	Interest repayments	Principal outstanding
				\$	\$	\$	\$	\$
Community amenities								
Waste Bins	178	WATC	6.01%	48,688	0	48,688	409	0
Underground Power Project	187	WATC	2.64%	3,081,977	0	617,218	73,959	2,464,759
Underground Power Project	188	WATC	3.07%	0	645,499	0	12,487	645,499
Underground Power Project	189	WATC	3.07%	0	94,279	0	1,824	94,279
Underground Power Project	190	WATC	3.07%	0	66,956	0	1,295	66,956
Recreation and culture								
Buildings & Infrastructures	181	WATC	5.91%	727,240	0	228,339	36,294	498,901
Buildings & Infrastructures	182	WATC	4.67%	888,398	0	239,274	36,853	649,124
Buildings & Infrastructures	183	WATC	2.80%	1,187,478	0	155,871	30,713	1,031,607
Buildings & Infrastructures	184	WATC	3.12%	1,047,100	0	125,920	30,418	921,180
Buildings & Infrastructures	185	WATC	3.12%	495,569	0	59,595	14,396	435,974
Buildings & Infrastructures	186	WATC	3.07%	105,664	0	13,219	3,066	92,445
Buildings & Infrastructures	191	WATC		0	0	0	0	0
Transport								
Road Infrastructures	179	WATC	6.04%	764,036	0	109,044	42,868	654,992
Road Infrastructures	191	WATC		0	0	0	0	0
				8,240,486	806,734	1,583,949	281,516	7,463,271
Self Supporting Loans								
Recreation and culture								
Buildings & Infrastructures	186	WATC	3.07%	105,664	0	13,219	3,066	92,445
				105,664	0	13,219	3,066	92,445
				8,346,150	806,734	1,597,168	284,582	7,555,716

Self supporting loan is financed by payments from third parties. Waste Bins # 178 is financed by community amenities revenue. All other loan repayments are financed by general purpose revenue.

CITY OF NEDLANDS
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2019

15. INFORMATION ON BORROWINGS (continued)

(b) Repayments - Borrowings (Continued)

Particulars	Loan Number	Institution	Interest Rate	Budget	30 June 2019	30 June 2019	30 June 2019	30 June 2019
				Principal 1 July 2018	Budget New Loans	Budget Principal repayments	Budget Interest repayments	Budget Principal outstanding
				\$	\$	\$	\$	\$
Community amenities								
Waste Bins	178	WATC	6.01%	48,688	0	48,688	1,100	0
Underground Power Project	187	WATC	2.64%	3,081,977	0	617,218	75,287	2,464,759
Underground Power Project	188	WATC	3.07%	0	2,043,957	126,690	60,060	1,917,267
Underground Power Project	189	WATC	3.07%	0	191,550	11,873	5,628	179,677
Underground Power Project	190	WATC	3.07%	0	232,502	14,411	6,832	218,091
Recreation and culture								
Buildings & Infrastructures	181	WATC	5.91%	727,240	0	228,339	37,987	498,901
Buildings & Infrastructures	182	WATC	4.67%	888,399	0	239,274	37,338	649,125
Buildings & Infrastructures	183	WATC	2.80%	1,187,478	0	155,871	31,396	1,031,607
Buildings & Infrastructures	184	WATC	3.12%	1,047,101	0	125,920	31,206	921,181
Buildings & Infrastructures	185	WATC	3.12%	495,569	0	59,595	14,769	435,974
Buildings & Infrastructures	191	WATC		0	500,000	0	1,750	500,000
Transport								
Road Infrastructures	179	WATC	6.04%	764,036	0	109,044	43,709	654,992
Road Infrastructures	191	WATC		0	500,000	0	1,750	500,000
				8,240,488	3,468,009	1,736,923	348,812	9,971,574
Self Supporting Loans								
Recreation and culture								
Buildings & Infrastructures	186	WATC	3.07%	105,664	0	13,219	3,093	92,445
				105,664	0	13,219	3,093	92,445
				8,346,152	3,468,009	1,750,142	351,905	10,064,019

Particulars	Loan Number	Institution	Interest Rate	Actual	30 June 2018	30 June 2018	30 June 2018	30 June 2018
				Principal 1 July 2017	Actual New Loans	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding
				\$	\$	\$	\$	\$
Community amenities								
Waste Bins	178	WATC	6.01%	141,813	0	93,125	5,128	48,688
Underground Power Project	187	WATC	2.64%	0	3,233,761	151,784	27,976	3,081,977
Underground Power Project	188	WATC	3.07%	0	0	0	0	0
Underground Power Project	189	WATC	3.07%	0	0	0	0	0
Underground Power Project	190	WATC	3.07%	0	0	0	0	0
Recreation and culture								
Buildings & Infrastructures	181	WATC	5.91%	942,568	0	215,328	49,401	727,240
Buildings & Infrastructures	182	WATC	4.67%	1,116,817	0	228,419	47,730	888,398
Buildings & Infrastructures	183	WATC	2.80%	1,339,090	0	151,612	34,991	1,187,478
Buildings & Infrastructures	184	WATC	3.12%	1,169,167	0	122,067	34,295	1,047,100
Buildings & Infrastructures	185	WATC	3.12%	553,340	0	57,771	16,231	495,569
Buildings & Infrastructures	186	WATC	3.07%	118,485	0	12,821	3,465	105,664
Buildings & Infrastructures	191	WATC		0	0	0	0	0
Transport								
Road Infrastructures	179	WATC	6.04%	866,735	0	102,699	49,261	764,036
Road Infrastructures	191	WATC		0	0	0	0	0
				6,129,530	3,233,761	1,122,805	265,014	8,240,486
Self Supporting Loans								
Recreation and culture								
Buildings & Infrastructures	186	WATC	3.07%	118,485	0	12,821	3,465	105,664
				118,485	0	12,821	3,465	105,664
				6,248,015	3,233,761	1,135,626	268,479	8,346,150

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

15. INFORMATION ON BORROWINGS (Continued)

(c) New Borrowings - 2018/19

Particulars/Purpose	Loan Number	Institution	Loan Type	Term Years	Interest Rate %	Amount Borrowed		Amount (Used)		Total Interest & Charges	Actual Balance Unspent
						2019 Actual	2019 Budget	2019 Actual	2019 Budget		
Community amenities						\$	\$	\$	\$	\$	\$
Underground Power Project	188	WATC	Fixed Term	9	3.07%	645,499	2,043,957	645,499	2,043,957	12,487	0
Underground Power Project	189	WATC	Fixed Term	9	3.07%	94,279	191,550	94,279	191,550	1,824	0
Underground Power Project	190	WATC	Fixed Term	9	3.07%	66,956	232,502	66,956	232,502	1,295	0
Recreation and culture											
Buildings & Infrastructures	191	WATC	Fixed Term	10		0	500,000	0	500,000	0	0
Transport											
Road Infrastructures	191	WATC	Fixed Term	10		0	500,000	0	500,000	0	0
						806,734	3,468,009	806,734	3,468,009	15,606	0

(d) Unspent Borrowings

Particulars	Date Borrowed	Unspent Balance 1 July 2018	Borrowed During Year	Expended During Year	Unspent Balance 30 June 2019		
						\$	\$
Underground Power Project	187	WATC	06 Mar 18	386,285	0	(386,285)	0
				386,285	0	(386,285)	0

(e) Undrawn Borrowing Facilities

Credit Standby Arrangements

	2019	2018
	\$	\$
Bank overdraft limit	0	500,000
Bank overdraft at balance date	0	0
Credit card limit	130,000	130,000
Credit card balance at balance date	(725)	(19,987)
Total amount of credit unused	129,275	610,013

Loan facilities

Loan facilities - current	1,693,964	1,597,168
Loan facilities - non-current	5,861,752	6,748,982
Total facilities in use at balance date	7,555,716	8,346,150

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

Financial liabilities are recognised at fair value when the City becomes a party to the contractual provisions to the instrument.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of the consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Borrowing costs

Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset until such time as the asset is substantially ready for its intended use or sale.

Risk

Information regarding exposure to risk can be found at Note 30.

16. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions

	Provision for Annual Leave	Provision for Long Service Leave	Provision for Employment On-costs	Total
	\$	\$	\$	\$
Opening balance at 1 July 2018				
Current provisions	947,923	884,027	195,341	2,027,291
Non-current provisions	0	298,850	38,768	337,618
	947,923	1,182,877	234,109	2,364,909
Additional provision	1,037,387	417,294	167,288	1,621,970
Amounts used	(931,745)	(216,795)	(89,384)	(1,237,924)
Balance at 30 June 2019	1,053,565	1,383,376	312,014	2,748,955
Comprises				
Current	1,053,565	967,949	253,245	2,274,759
Non-current	0	415,427	58,769	474,196
	1,053,565	1,383,376	312,014	2,748,955

Annual Leave Liabilities

Classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period.

Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	2019	2018
	\$	\$
Less than 12 months after the reporting date	811,245	782,414
More than 12 months from reporting date	242,320	165,509
	1,053,565	947,923

Long Service Leave Liabilities

Unconditional long service leave provisions are classified as current liabilities as the City does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because the City has an unconditional right to defer settlement of the liability until the employee has completed the requisite years of service.

Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	2019	2018
	\$	\$
With 12 months of the end of the reporting period	693,133	598,453
More than 12 months after the end of the reporting period	690,243	584,424
	1,383,376	1,182,877

16. EMPLOYEE RELATED PROVISIONS (continued)

Employment On-Cost Provision

The settlement of annual leave and long service leave liabilities give rise to the payment of employment on-costs including workers' compensation insurance. The provision is the present value of expected future payments.

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'Employee Costs' in the Statement of Comprehensive Income. The related liability is included in 'Employment On-Costs' provision.

	2019	2018
	\$	\$
Carrying amount at start of period	234,109	245,689
Additional/(reversal of) provisions recognised	77,905	(11,580)
	<u>312,014</u>	<u>234,109</u>

Timing of the payment of current leave liabilities is difficult to determine as it is dependent on future decisions of employees. Expected settlement timings are based on information obtained from employees and historical leave trends and assumes no events will occur to impact on these historical trends.

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

Provision is made for the City's obligations for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The City's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position.

Other long-term employee benefits

The City's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

Other long-term employee benefits (Continued)

The City's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the City does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Provisions

Provisions are recognised when the City has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

Employment On-cost Provision

The settlement of annual leave and long service liabilities give rise to the payment of employment on-cost. The provision is the present value of expected future payments.

Employment on-costs are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'Employee Costs' in the Statement of Comprehensive Income. The related liability is included in 'Employment On-costs' provision.

17. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the Statement of Financial Position as follows:

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Cash and cash equivalents	8,170,423	10,568,262	5,097,698

Reconciliation of Net Cash Provided By Operating Activities to Net Result

Net result	8,727,976	2,663,759	(1,081,559)
Non-cash flows in Net result:			
Depreciation	3,999,335	6,691,600	5,988,203
(Profit)/loss on sale of asset	(10,407)	(54,392)	(455,320)
Provision of impairment of other financial assets	0	0	11,942
Loss on revaluation of fixed assets	0	0	1,232,307
Increase in fair value of financial asset	(16,403)	0	0
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(2,208,421)	16,333	126,130
(Increase)/decrease in other assets	15,503	0	0
(Increase)/decrease in inventories	16,211	0	(17,705)
Increase/(decrease) in payables	2,695,742	214,796	(647,734)
Increase/(decrease) in provisions	438,048	50,000	(112,264)
Grants contributions for the development of assets	(2,386,090)	(3,845,392)	(2,609,259)
Net cash from operating activities	11,271,493	5,736,704	2,434,740

18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2019	2018
	\$	\$
Governance	309,522,255	309,383,585
Education and welfare	7,861,730	7,882,953
Community amenities	2,084,291	2,114,867
Recreation and culture	35,351,500	34,017,223
Transport	73,935,239	70,530,015
Other property and services	21,884,217	19,203,132
	<u>450,639,231</u>	<u>443,131,775</u>

19. CONTINGENT LIABILITIES

The City of Nedlands is not aware of any legal claims against the City which would require disclosure as contingent liabilities.

20. CAPITAL AND LEASING COMMITMENTS

(a) Capital Expenditure Commitments

Contracted for:

- capital expenditure projects
- plant & equipment purchases

	2019	2018
	\$	\$
	692,158	716,312
	329,657	6,105
	<u>1,021,815</u>	<u>722,417</u>

(b) Operating Lease Commitments

Non-cancellable operating leases contracted for but

Payable:

- not later than one year
- later than one year but not later than five years

	2019	2018
	\$	\$
	69,174	702
	40,352	0
	<u>109,526</u>	<u>702</u>

SIGNIFICANT ACCOUNTING POLICIES

Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to the City, are classified as finance leases.

Finance leases are capitalised recording an asset and a liability at the lower of the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leases (Continued)

Leased assets are depreciated on a straight line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

21. EMPLOYEE NUMBERS

	2019 Actual	2018 Actual
The number of full-time equivalent employees at 30 June	149.16	146

22. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

The following fees, expenses and allowances were paid to council members, Mayor and deputy Mayor.

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Meeting Fees	306,838	306,800	300,117
Mayor's allowance	62,725	62,700	62,725
Deputy Mayor's allowance	15,682	15,600	15,682
Telecommunications allowance	45,504	48,300	43,566
	430,749	433,400	422,090

Other Key Management Personnel (KMP) Compensation Disclosure

The total of remuneration of KMP of the City during the year are as follows:

	2019 Actual	2018 Actual
	\$	\$
Short-term employee benefits	2,545,319	2,511,611
Post-employment benefits	256,188	264,813
Other long-term benefits	56,533	55,948
	2,858,040	2,832,372

Short-term employee benefits

These amounts include all salary, fringe benefits and cash bonuses awarded to KMP except for details in respect to fees and benefits paid to elected members which may be found above.

Post-employment benefits

These amounts are the current-year's estimated cost of providing for the City's superannuation contributions made during the year.

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Termination benefits

These amounts represent termination benefits paid to KMP (Note: may or may not be applicable in any given year).

22. RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties

Transactions between related parties and the City are on normal commercial terms and conditions, no more favourable than those available to other parties, unless otherwise stated.

No outstanding balances or provisions for doubtful debts or guaranties exist in relation to related parties at year end.

The following transactions occurred with related parties:	2019 Actual	2018 Actual
	\$	\$
Sale of goods and services	0	0
Purchase of goods and services	0	0
Amounts outstanding from related parties:		
Trade and other receivables	0	0
Loans to associated entities	0	0
Loans to key management personnel	0	0
Amounts payable to related parties:		
Trade and other payables	0	0
Loans from associated entities	0	0

Related Parties

The City's main related parties are as follows:

i. Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any elected member, are considered key management personnel.

ii. Other Related Parties

The associate person of KMP was employed by the City under normal employment terms and conditions.

iii. Entities subject to significant influence by the City

An entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement.

23. JOINT ARRANGEMENTS

The City of Nedlands has no interest in any Joint Ventures.

24. INVESTMENT IN ASSOCIATES

The City of Nedlands has no interest in any Associated Entities.

25. MAJOR LAND TRANSACTIONS

The City of Nedlands did not participate in any major land transactions during the 2018/19 financial year.

26. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The City of Nedlands did not participate in any trading undertaking or major trading undertakings during the 2018/19 financial year.

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27. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening Balance ⁽¹⁾		Received ⁽²⁾		Expended ⁽³⁾		Closing Balance ⁽¹⁾		Received ⁽²⁾		Expended ⁽³⁾		Closing Balance ⁽¹⁾	
	1/07/17	2017/18	2017/18	2017/18	2017/18	2017/18	30/06/18	30/06/18	2018/19	2018/19	2018/19	2018/19	30/06/19	30/06/19
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Recreation and culture														
DSR-Kdsports Program	3,801	0	0	(3,801)	0	0	0	0	0	0	0	0	0	0
HACC Transition Fund	0	25,500	25,500	(9,268)	16,232	0	16,232	0	0	0	(8,921)	7,311	7,311	7,311
Transport														
Roads to Recovery Grants	182,000	141,419	141,419	(255,228)	68,191	0	68,191	0	0	0	(68,191)	0	0	0
Safe Active Street	0	0	0	0	0	0	0	0	720,000	720,000	0	720,000	720,000	720,000
Abedare Road Project	0	0	0	0	0	0	0	0	30,000	30,000	(11,030)	18,970	18,970	18,970
Other property and services														
Riverwall Project	550,293	0	0	(298,227)	252,066	0	252,066	0	0	0	(39,545)	212,521	212,521	212,521
Total	736,094	166,919	166,919	(566,524)	336,489	750,000	336,489	750,000	750,000	(127,687)	(127,687)	958,802	958,802	958,802

Notes:

- (1) - Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous reporting period.
- (2) - New grants/contributions which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.
- (3) - Grants/contributions which had been recognised as revenues in a previous reporting period or received in the current reporting period and which were expended in the current reporting period in the manner specified by the contributor.

28. RATING INFORMATION (Continued)

(b) Specified Area Rate

No specified area rates were imposed by the City of Nedlands during the year ended 2019.

(c) Service Charges

Service Charges	Amount of Charge	2018/19 Actual		2018/19 Actual		2018/19 Budget		2018/19 Budget		2018/19 Budget		2017/18 Actual	
		Revenue Raised	Charges Applied	Charges Set Aside	Charges to Reserve	Revenue Raised	Charges Applied	Charges Set Aside	Charges to Reserve	Revenue Applied to Costs	Revenue Applied to Costs	Revenue Applied to Costs	Total Revenue
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Alfred Road/Claremont Triangle UGP	60/1	2,116	38,085	0	0	11,884	11,884	0	0	0	0	0	0
Alfred Road/Claremont Triangle UGP	60/2	2,626	10,503	0	0	3,277	3,277	0	0	0	0	0	0
Alfred Road/Claremont Triangle UGP	60/3	2,913	209,755	0	0	85,453	85,453	0	0	0	0	0	0
Alfred Road/Claremont Triangle UGP	60/4	3,423	20,539	0	0	10,682	10,682	0	0	0	0	0	0
Alfred Road/Claremont Triangle UGP	60/5	4,443	97,741	0	0	40,204	40,204	0	0	0	0	0	0
Alfred Road/Claremont Triangle UGP	60/8	345	68,389	0	0	0	0	0	0	0	0	0	0
Alfred Road/Claremont Triangle UGP	60/9	406	17,598	0	0	0	0	0	0	0	0	0	0
Alfred Road/Claremont Triangle UGP	60/10	527	31,676	0	0	0	0	0	0	0	0	0	0
Alderbury Street UGP	61/1	4,533	67,991	0	0	28,785	28,785	0	0	0	0	0	0
Alderbury Street UGP	61/2	5,109	15,328	0	0	6,489	6,489	0	0	0	0	0	0
Alderbury Street UGP	61/3	6,263	92,163	0	0	47,726	47,726	0	0	0	0	0	0
Alderbury Street UGP	61/4	537	27,701	0	0	0	0	0	0	0	0	0	0
Alderbury Street UGP	61/5	606	5,204	0	0	0	0	0	0	0	0	0	0
Alderbury Street UGP	61/6	742	44,653	0	0	0	0	0	0	0	0	0	0
West Hollywood UGP	62/1	1,337	15,698	0	0	7,622	7,622	0	0	0	0	0	0
West Hollywood UGP	62/2	1,610	26,121	0	0	9,177	9,177	0	0	0	0	0	0
West Hollywood UGP	62/3	1,766	15,907	0	0	7,830	7,830	0	0	0	0	0	0
West Hollywood UGP	62/4	2,619	4,704	0	0	3,317	3,317	0	0	0	0	0	0
West Hollywood UGP	62/5	3,331	29,885	0	0	10,549	10,549	0	0	0	0	0	0
West Hollywood UGP	62/6	4,071	361,253	0	0	161,146	161,146	0	0	0	0	0	0
West Hollywood UGP	62/7	4,282	115,113	0	0	52,878	52,878	0	0	0	0	0	0
West Hollywood UGP	62/8	4,546	179,227	0	0	74,861	74,861	0	0	0	0	0	0
West Hollywood UGP	62/9	5,497	1,097,606	0	0	523,906	523,906	0	0	0	0	0	0
West Hollywood UGP	62/10	5,626	5,038	0	0	3,563	3,563	0	0	0	0	0	0
West Hollywood UGP	62/11	7,542	6,749	0	0	4,777	4,777	0	0	0	0	0	0
West Hollywood UGP	62/12	8,967	16,043	0	0	5,679	5,679	0	0	0	0	0	0
West Hollywood UGP	62/13	11,013	9,848	0	0	3,487	3,487	0	0	0	0	0	0
West Hollywood UGP	62/14	12,438	11,121	0	0	15,755	15,755	0	0	0	0	0	0
West Hollywood UGP	62/15	17,955	48,143	0	0	22,743	22,743	0	0	0	0	0	0
West Hollywood UGP	62/16	18,430	0	0	5,836	5,836	0	0	0	0	0	0	0
West Hollywood UGP	62/17	19,380	17,321	0	0	12,274	12,274	0	0	0	0	0	0

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28. RATING INFORMATION (Continued)

(c) Service Charges

Service Charges	Amount of Charge	2018/19 Actual		2018/19 Actual		2018/19 Budget		2018/19 Budget		2017/18 Actual	
		Revenue Raised	Charges Applied	Charges Set Aside	Charges to Reserve	Charges Applied	Charges to Reserve	Charges Set Aside	Charges to Reserve	Revenue	Costs
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
West Hollywood UGP	62/18	159	6,257	0	0	0	0	0	0	0	0
West Hollywood UGP	62/19	191	0	0	0	0	0	0	0	0	0
West Hollywood UGP	62/20	209	6,612	0	0	0	0	0	0	0	0
West Hollywood UGP	62/21	310	4,902	0	0	0	0	0	0	0	0
West Hollywood UGP	62/22	395	0	0	0	0	0	0	0	0	0
West Hollywood UGP	62/23	483	99,060	0	0	0	0	0	0	0	0
West Hollywood UGP	62/24	508	36,064	0	0	0	0	0	0	0	0
West Hollywood UGP	62/25	539	34,038	0	0	0	0	0	0	0	0
West Hollywood UGP	62/26	652	412,959	0	0	0	0	0	0	0	0
West Hollywood UGP	62/27	667	5,265	0	0	0	0	0	0	0	0
West Hollywood UGP	62/28	894	7,059	0	0	0	0	0	0	0	0
West Hollywood UGP	62/29	1,063	0	0	0	0	0	0	0	0	0
West Hollywood UGP	62/30	1,306	0	0	0	0	0	0	0	0	0
West Hollywood UGP	62/31	1,475	34,923	0	0	0	0	0	0	0	0
West Hollywood UGP	62/32	2,129	16,804	0	0	0	0	0	0	0	0
West Hollywood UGP	62/33	2,185	17,249	0	0	0	0	0	0	0	0
West Hollywood UGP	62/34	2,298	18,138	0	0	0	0	0	0	0	0
			3,406,430	3,406,430	0	0	0	0	0	1,159,900	1,159,900

Nature of the Service Charge	Objects of the Charge	Reasons for the Charge	Area/Properties Charge Imposed
Underground Power Project	Provision of underground power to the project areas.	Owners' contribution of cost of underground power project.	Alfred Rd & Claremont Triangle Alderbury St West Hollywood

(d) Discounts, Incentives, Concessions, & Write-offs

Rates Discounts

The City of Nedlands offered no discounts or incentives for the early payment of rates or any other debts of ratepayers unless specifically approved by the Council.

(e) Waivers or Concessions

The City of Nedlands offers those residents who hold a current valid seniors or pensioners concession card, a concession in respect of the following services:

- (i) Rates & Charges
- (ii) ESL
- (iii) Dogs and Cats Registration

28. RATING INFORMATION (Continued)

(f) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Option One				
Single full payment	27 Aug 2018			11.00%
Option Two				
First instalment	27 Aug 2018	0.00	5.50%	11.00%
Second instalment	29 Oct 2018	16.00	5.50%	11.00%
Third instalment	28 Jan 2019	16.00	5.50%	11.00%
Fourth instalment	25 Mar 2019	16.00	5.50%	11.00%

	2019 Actual \$	2019 Budget \$	2018 Actual \$
Interest on unpaid rates	81,272	86,000	76,811
Interest on instalment plan	116,161	105,000	102,654
ESL interest income	8,026	0	8,082
Deferred Rates interest	0	0	10,424
	<u>205,459</u>	<u>191,000</u>	<u>197,972</u>

29. RATE SETTING STATEMENT INFORMATION

	2018/19 (30 June 2019 Carried Forward)	2018/19 Budget (30 June 2019 Carried Forward)	2018/19 (1 July 2018 Brought Forward)
Note	\$	\$	\$
(a) Non-cash amounts excluded from operating activities			
<p>The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i>.</p>			
Adjustments to operating activities			
Less: Profit on asset disposals	11(a) (57,230)	(88,329)	(495,645)
Movement in pensioner deferred rates (non-current)	(43,714)	0	(22,252)
Movement in service charge receivable (non-current)	(735,800)	0	0
Movement in employee benefit provisions (non-current)	136,578	(10,000)	13,277
Movement in payables (non-current)	54,001	0	0
Add: Fair value adjustments to financial assets at fair value through profit or loss	(16,403)	0	11,942
Add: Loss on disposal of assets	11(a) 46,823	33,937	40,325
Add: Loss on revaluation of fixed assets	10(b) 0	0	1,232,307
Add: Depreciation on assets	11(b) 3,999,335	6,691,600	5,988,203
Non cash amounts excluded from operating activities	3,383,590	6,627,208	6,768,157
(b) Surplus/(deficit) after imposition of general rates			
<p>The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.</p>			
Adjustments to net current assets			
Less: Reserves - restricted cash	4 (6,095,369)	(6,933,892)	(6,037,350)
Less: - Financial assets at amortised cost - self supporting loans	8(a) (13,630)	(13,629)	(13,219)
Less: Land held for resale	0	(3,036,000)	0
Add: Short term borrowings	0	0	1,652,524
Add: Borrowings	15(a) 1,693,964	1,804,084	1,597,168
Total adjustments to net current assets	(4,415,035)	(8,179,437)	(2,800,877)
Net current assets used in the Rate Setting Statement			
Total current assets	15,659,612	14,716,900	12,366,136
Less: Total current liabilities	(8,750,985)	(7,131,833)	(7,363,501)
Less: Total adjustments to net current assets	(4,415,035)	(8,179,437)	(2,800,877)
Net current assets used in the Rate Setting Statement	2,493,592	(594,370)	2,201,758

30. FINANCIAL RISK MANAGEMENT

The City's activities expose it to a variety of financial risks including price risk, credit risk, liquidity risk and interest rate risk. The City's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the City.

The City does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by the finance area under policies approved by the Council.

The City held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2019	2018	2019	2018
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	8,170,423	5,097,698	8,170,423	5,097,698
Financial assets at amortised cost - term deposits	4,860,495	6,037,348	4,860,495	6,037,348
Receivables	3,655,743	1,447,322	3,655,743	1,447,322
	16,686,661	12,582,368	16,686,661	12,582,368
Financial liabilities				
Payables	4,782,262	2,086,520	4,782,262	2,086,520
Short term borrowings	0	1,652,524	0	1,621,552
Long term borrowings	7,555,716	8,346,150	7,993,561	8,576,156
	12,337,978	12,085,194	12,775,823	12,284,228

Fair value is determined as follows:

Cash and cash equivalents, receivables, payables - estimated to the carrying value which approximates net market value.

Borrowings, held to maturity investments, estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.

30. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

Financial assets at amortised cost - Term Deposit

The City's objective is to maximise its return on cash and term deposits whilst maintaining an adequate level of liquidity and preserving capital. The finance area manages the cash and term deposits portfolio with the assistance of independent advisers (where applicable). Council has an investment policy and the policy is subject to review by Council. An Investment Report is provided to Council on a monthly basis setting out the make-up performance of the portfolio.

Cash and term deposits are subject to interest rate risk - the risk that movements in interest rates could affect returns.

Another risk associated with cash is credit risk - the risk that a contracting entity will not complete its obligations under a financial instrument resulting in a financial loss to the City.

The City manages these risks by diversifying its portfolio and only investing in investments authorised by *Local Government (Financial Management) Regulation 19C*. Council also seeks advice from independent advisers (where considered necessary) before placing any cash and investments.

	2019	2018
	\$	\$
Impact of a 1% ⁽¹⁾ movement in interest rates on cash and term deposits		
- Equity	130,309	111,350
- Statement of Comprehensive Income	130,309	111,350

Notes:

⁽¹⁾ Sensitivity percentages based on management's expectation of future possible interest rate movements.

30. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

The City's major receivables comprise rates and annual charges and user charges and fees. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. The City manages this risk by monitoring outstanding debt and employing debt recovery processes.

Credit risk on rates and annual charges is minimised by the ability of the City to recover these debts as a secured charge over the land, that is, the land can be sold to recover the debt. The City is also able to charge interest on overdue rates and annual charges at higher than market rates, which further encourages payment.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance. The City makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

The City applies the AASB 9 simplified approach to measuring expected credit losses using a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, rates receivable are separated from other trade receivables due to the difference in payment terms and security for rates receivable.

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 36 months before 1 July 2018 or 1 July 2019 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of ratepayers and residents to settle the receivables. There are no material receivables that have been subject to re-negotiation of repayment terms.

No expected credit loss was forecast on 1 July 2018 or 30 June 2019 for rates receivable as penalty interest applies to unpaid rates and properties associated with unpaid rates may be disposed of to recover unpaid rates.

The loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows for sundry receivables.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Sundry Receivables					
30 June 2019					
Sundry Receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.05%	
Gross carrying amount	893,424	218,956	14,583	192,583	1,319,546
Loss allowance	0	0	0	9,282	9,282
01 July 2018					
Sundry Receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.05%	
Gross carrying amount	152,481	51,840	12,160	180,102	396,582
Loss allowance	0	0	0	9,005	9,005

*The amount of receivables exclude the GST recoverable from the ATO (statutory receivable).

30. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables and borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The City manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required.

The contractual undiscounted cash flows of the City's Payables and Borrowings are set out in the Liquidity Sensitivity Table below:

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Total Carrying values \$
2019					
Payables	4,782,262	0	0	4,782,262	4,782,262
Long term borrowings	1,926,583	5,350,209	968,184	8,244,976	7,555,716
	<u>6,708,845</u>	<u>5,350,209</u>	<u>968,184</u>	<u>13,027,238</u>	<u>12,337,978</u>
2018					
Payables	2,086,520	0	0	2,086,520	2,086,520
Short term borrowings	1,652,524	0	0	0	1,652,524
Long term borrowings	1,873,048	6,172,356	1,142,715	9,188,119	8,346,150
	<u>5,612,092</u>	<u>6,172,356</u>	<u>1,142,715</u>	<u>11,274,639</u>	<u>12,085,194</u>

Borrowings are also subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The City manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation.

The following tables set out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:

	<1 year \$	>1<2 years \$	>2<3 years \$	>3<4 years \$	>4<5 years \$	>5 years \$	Total \$	Weighted Average Effective Interest Rate %
2019								
Borrowings								
Fixed rate								
Long term borrowings	1,691,065	1,750,166	1,405,492	1,136,520	647,117	925,355	7,555,715	9.12%
Effective interest rate	13.93%	10.08%	8.29%	6.51%	6.80%	4.63%		
2018								
Borrowings								
Fixed rate								
Short term borrowings	1,652,524	0	0	0	0	0	1,652,524	
Long term borrowings	1,597,169	1,607,488	1,669,045	1,321,880	1,050,341	1,100,227	8,346,150	8.42%
Effective interest rate	8.49%	13.42%	9.24%	7.32%	5.41%	3.86%	9,998,674	

31. TRUST FUNDS

In previous years, all bonds and deposits were held as trust money. From this year, all bonds and deposits not required by legislation to be held in trust are included in restricted cash in Note 3 and shown as current liability in Note 13.

	1 July 2018	Amounts Received	Amounts Paid	Reclassified to restricted assets	30 June 2019
	\$	\$	\$	\$	\$
Footpath Bonds	1,161,801	469,100	(556,925)	(1,073,976)	0
Hall & Key Bond	49,875	4,940	(2,967)	(51,848)	0
Tresillian Bond & Miscellaneous	6,792	808	(300)	(7,300)	0
Retention for Non Compliance	42,580	82	0	(42,662)	0
Construction Training Bond	73,277	266,722	(279,582)	(60,417)	0
Building Construction Bond	218,311	216,928	(222,376)	(212,863)	0
Unclaimed Money	50,784	0	0	(50,784)	0
Tresillian Artist Sales	749	12,198	(12,198)	(749)	0
Crossover Bond	36,219	0	(30,000)	(6,219)	0
Miscellaneous	64,407	206,417	(12,471)	(258,353)	0
DAP Application Levy	7,639	51,355	(58,994)	0	0
Adelma	100,000	0	0	(100,000)	0
Supplier Retention	9,465	0	0	(9,465)	0
Staff Funds	118	5,729	(5,811)	(36)	0
	1,822,016	1,234,278	(1,181,624)	(1,874,670)	0

32. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

There have been no significant events after the reporting period that are required to be reported in the 2018/19 Annual Financial Report.

33. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

During the current year, the City adopted all of the new and revised Australian Accounting Standards and Interpretations which were compiled, became mandatory and which were applicable to its operations.

Whilst many reflected consequential changes associated with the amendment of existing standards, the only new standard with material application is AASB 9 *Financial Instruments*.

AASB 9 Financial instruments

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* for annual reporting periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The City applied AASB 9 prospectively, with an initial application date of 1 July 2018. The adoption of AASB 9 has resulted in changes in accounting policies but the adjustments required to the amounts recognised in the financial statements was immaterial.

(a) Classification and measurement

Under AASB 9, financial assets are subsequently measured at amortised cost, fair value through other comprehensive income (fair value through OCI) or fair value through profit or loss (fair value through P/L). The classification is based on two criteria: the City's business model for managing the assets; and whether the assets' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the City's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on financial assets are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

33. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

(a) Classification and measurement (continued)

The classification and measurement requirements of AASB 9 did not have a significant impact on the City. The following are the changes in the classification of the City's financial assets:

- Trade receivables and Loans and advances (i.e. Other debtors) classified as Loans and receivables as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Financial assets at amortised cost beginning 1 July 2018.

In summary, upon the adoption of AASB 9, the City had the following required (or elected) reclassifications as at 1 July 2018:

AASB 139 category	AASB 9 category			Fair value through P/L
	AASB 139 value	Financial asset at amortised cost	Fair value through OCI	
	\$	\$	\$	\$
Loans and receivables				
Trade receivables (b)	1,190,648	1,190,648	0	0
Loans and advances	105,664	105,664	0	0
Financial assets	123,734	0	0	123,734
	1,420,046	1,296,312	0	123,734

(b) Impairment

The adoption of AASB 9 has fundamentally changed the City's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the City to recognise an allowance for ECLs for all financial assets not held at fair value through profit or loss. Upon adoption of AASB 9, the City recognised an additional impairment on the City's Trade receivables of \$3,819. This was reflected in profit and loss for the year, given that the amount was considered immaterial to restate the retained surplus as at 1 July 2018.

34. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE YEARS

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the City. The Standards and Interpretations that were issued but not yet effective for the year ended 30 June 2019 are listed below. At the date of authorisation of the financial statements, the City has not fully assessed the impact of these new or amended standards and interpretations, to the extent relevant.

Standard/Interpretation	Issued/Compiled	Applicable	Impact
AASB 15 <i>Revenue from Contracts with Customers</i>	December 2014	1 January 2019	This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.
AASB 16 <i>Leases</i>	February 2016	1 January 2019	Under AASB 16 there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-of-use asset and lease liability into the statement of financial position for all leases. Effectively this means the vast majority of operating leases as defined by the current AASB 117 Leases which currently do not impact the statement of financial position will be required to be capitalised on the statement of financial position when AASB 16 is adopted.
AASB 1058 <i>Income for Not-for-Profit Entities</i>	December 2016	1 January 2019	These Standards are likely to have a significant impact on the income recognition for Not-for-Profit Entities. Key areas for consideration are: <ul style="list-style-type: none"> - Assets received below fair value; - Transfers received to acquire or construct non-financial assets; - Grants received; - Prepaid rates; and - Leases entered into at below market rates

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

35. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) 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 Taxation Office (ATO).

Receivables and payables are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables in the statement of financial position.

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

b) Current and non-current classification

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the City's operational cycle. In the case of liabilities where the City does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current or non-current based on the City's intentions to release for sale.

c) Rounding off figures

All figures shown in this annual financial report, other than a rate in the dollar, are rounded to the nearest dollar. Amounts are presented in Australian Dollars.

d) Comparative figures

Where required, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

When the City applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements that has a material effect on the statement of financial position, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

e) Budget comparative figures

Unless otherwise stated, the budget comparative figures shown in this annual financial report relate to the original budget estimate for the relevant item of disclosure.

f) Superannuation

The City contributes to a number of Superannuation Funds on behalf of employees. All funds to which the City contributes are defined contribution plans.

g) Fair value of assets and liabilities

Fair value is the price that the City would receive to sell the asset or would have to pay to transfer a liability, in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

35. OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurement into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The City selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the City are consistent with one or more of the following valuation approaches:

Market approach

Valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

Income approach

Valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

Cost approach

Valuation techniques that reflect the current replacement cost of the service capacity of an asset.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the City gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

i) Impairment of assets

In accordance with Australian Accounting Standards the City's cash generating non-specialised assets, other than inventories, are assessed at each reporting date to determine whether there is any indication they may be impaired.

Where such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount.

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. AASB 116) whereby any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

For non-cash generating specialised assets that are measured under the revaluation model, such as roads, drains, public buildings and the like, no annual assessment of impairment is required. Rather AASB 116.31 applies and revaluations need only be made with sufficient regulatory to ensure the carrying value does not differ materially from that which would be determined using fair value at the ends of the reporting period.

36. ACTIVITIES/PROGRAMS

City operations as disclosed in these financial statements encompass the following service orientated activities/programs.

PROGRAM NAME AND OBJECTIVES	ACTIVITIES
GOVERNANCE To provide a decision making process for the efficient allocation of scarce resources.	Includes the activities of members of council and the administrative support available to the council for the provision of governance of the district. Other costs relate to the task of assisting elected members and ratepayers on matters which do not concern specific council services.
GENERAL PURPOSE FUNDING To collect revenue to allow for the provision of services.	Rates, general purpose government grants and interest revenue.
LAW, ORDER, PUBLIC SAFETY To provide services to help ensure a safer and environmentally conscious community.	Supervision and enforcement of various local laws relating to fire prevention, animal control and other aspects of public safety including emergency services.
HEALTH To provide an operational framework for environmental and community health.	Inspection of food outlets and their control, provision of meat inspection services, noise control and waste disposal compliance.
EDUCATION AND WELFARE To provide services to disadvantaged persons, the elderly, children and youth.	Maintenance of child minding centre, playgroup centre, senior citizen centre and aged care centre. Provision and maintenance of home and community care programs and youth services.
HOUSING To provide and maintain elderly residents housing.	Provision and maintenance of elderly residents housing.
COMMUNITY AMENITIES To provide services required by the community.	Rubbish collection services, operation of rubbish disposal sites, litter control, construction and maintenance of urban storm water drains, protection of the environment and administration of town planning schemes, cemetery and public conveniences.
RECREATION AND CULTURE To establish and effectively manage infrastructure and resource which will help the social wellbeing of the community.	Maintenance of public halls, civic centres, aquatic centre, beaches, recreation centres and various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of library, museum and other cultural facilities.
TRANSPORT To provide safe, effective and efficient transport services to the community.	Construction and maintenance of roads, streets, footpaths, depots, cycle ways, parking facilities and traffic control. Cleaning of streets and maintenance of street trees, street lighting etc.
ECONOMIC SERVICES To help promote the shire and its economic wellbeing.	Tourism and area promotion including the maintenance and operation of a caravan park. Provision of rural services including weed control, vermin control and standpipes. Building Control.
OTHER PROPERTY AND SERVICES To monitor and control City of Nedlands's overheads operating accounts.	Private works operation, plant repair and operation costs and engineering operation costs.

37. FINANCIAL RATIOS

	2019 Actual	2018 Actual	2017 Actual
Current ratio	0.98	0.85	1.31
Asset consumption ratio	0.58	0.57	0.67
Asset renewal funding ratio	0.92	0.86	0.88
Asset sustainability ratio	2.33	1.45	1.65
Debt service cover ratio	5.61	1.83	6.44
Operating surplus ratio	0.18	(0.12)	0.02
Own source revenue coverage ratio	1.14	0.84	0.94

The above ratios are calculated as follows:

Current ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset consumption ratio	$\frac{\text{depreciated replacement costs of depreciable assets}}{\text{current replacement cost of depreciable assets}}$
Asset renewal funding ratio	$\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$
Asset sustainability ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation}}$
Debt service cover ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating surplus ratio	$\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$
Own source revenue coverage ratio	$\frac{\text{own source operating revenue}}{\text{operating expense}}$



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the City of Nedlands

Report on the Audit of the Financial Report

Opinion

I have audited the annual financial report of the City of Nedlands which comprises the Statement of Financial Position as at 30 June 2019, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

In my opinion the annual financial report of the City of Nedlands:

- (i) is based on proper accounts and records; and
- (ii) fairly represents, in all material respects, the results of the operations of the City for the year ended 30 June 2019 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the City in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the annual financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter – Basis of Accounting

I draw attention to Note 1 to the annual financial report, which describes the basis of accounting. The annual financial report has been prepared for the purpose of fulfilling the City's annual financial reporting responsibilities under the Act. Regulation 16 of the Local Government (Financial Management) Regulations 1996 (Regulations), does not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report. My opinion is not modified in respect of this matter.

Responsibilities of the Chief Executive Officer and Council for the Financial Report

The Chief Executive Officer (CEO) of the City is responsible for the preparation and fair presentation of the annual financial report in accordance with the requirements of the Act, the Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards. The CEO is also responsible for such internal control as the CEO determines is necessary to enable the preparation of a annual financial report that is free from material misstatement, whether due to fraud or error.

In preparing the annual financial report, the CEO is responsible for assessing the City's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the State government has made decisions affecting the continued existence of the City.

The Council is responsible for overseeing the City's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Report

The objectives of my audit are to obtain reasonable assurance about whether the annual financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the annual financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the annual financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the CEO.
- Conclude on the appropriateness of the CEO's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the annual financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report, as we cannot predict future events or conditions that may have an impact.
- Evaluate the overall presentation, structure and content of the annual financial report, including the disclosures, and whether the annual financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Council and the CEO regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report on Other Legal and Regulatory Requirements

In accordance with the Local Government (Audit) Regulations 1996 I report that:

- (i) The following material matters indicating non-compliance with Part 6 of the *Local Government Act 1995*, the *Local Government (Financial Management) Regulations 1996* or applicable financial controls of any other written law were identified during the course of my audit:
 - a. The City has continued to procure goods and services from two suppliers after the contract expiry, without a valid extension.
 - b. Although accounting journal entries are approved in a record-keeping system before being entered in the accounting system, there is no independent review of journals that have been input to the accounting system. This could result in unauthorised journals being posted in the accounting system without detection.
- (ii) All required information and explanations were obtained by me.
- (iii) All audit procedures were satisfactorily completed.
- (iv) In my opinion, the asset consumption ratio and the asset renewal funding ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Other Matter

The annual financial report of the City for the year ended 30 June 2018 was audited by another auditor who expressed an unmodified opinion on that annual financial report. The financial ratios for 2017 and 2018 in Note 37 of the audited annual financial report were included in the audited annual financial report for those years.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the annual financial report of the City of Nedlands for the year ended 30 June 2019 included on the City's website. The City's management is responsible for the integrity of the City's website. This audit does not provide assurance on the integrity of the City's website. The auditor's report refers only to the annual financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this annual financial report. If users of the annual financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited annual financial report to confirm the information contained in this website version of the annual financial report.



CAROLINE SPENCER
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Delegate of the Auditor General for Western Australia
Perth, Western Australia
15 November 2019



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