



Financial Report



City of Nedlands

Annual Report 2017-2018

CITY OF NEDLANDS
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

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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 2018**

**LOCAL GOVERNMENT ACT 1995
LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996**

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the City of Nedlands being the annual financial report and supporting notes and other information for the financial year ended 30th June 2018 are in my opinion properly drawn up to present fairly the financial position of the City of Nedlands at 30th June 2018 and the results of the operations for the financial year then ended in accordance with the Local Government Act 1995 and the regulations under that Act and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed as authorisation of issue on the 5th of November 2018.



Greg Trevaskis
Chief Executive Officer

STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2018

| | NOTE | 2018 Actual \$ | 2018 Budget \$ | 2017 Actual \$ |
|---|-------|----------------------|----------------------|----------------------|
| Revenue | | | | |
| Rates | 26(a) | 22,492,209 | 22,436,728 | 22,045,424 |
| Operating grants, subsidies and contributions | 2(a) | 2,049,363 | 1,636,670 | 2,448,794 |
| Fees and charges | 2(a) | 6,937,496 | 6,804,780 | 7,059,374 |
| Interest earnings | 2(a) | 583,828 | 557,100 | 608,657 |
| Other revenue | | 572,726 | 317,300 | 513,975 |
| | | <u>32,635,622</u> | <u>31,752,578</u> | <u>32,676,224</u> |
| Expenses | | | | |
| Employee costs | | (12,896,982) | (13,141,386) | (13,204,036) |
| Materials and contracts | | (14,380,196) | (15,710,025) | (9,374,476) |
| Utility charges | | (936,522) | (797,100) | (884,569) |
| Depreciation on non-current assets | 10(b) | (5,988,203) | (7,251,700) | (7,029,311) |
| Interest expenses | 2(b) | (275,890) | (289,005) | (284,824) |
| Insurance expenses | | (304,537) | (299,100) | (357,782) |
| Other expenditure | | (755,181) | (961,300) | (893,347) |
| | | <u>(35,537,511)</u> | <u>(38,449,616)</u> | <u>(32,028,345)</u> |
| | | (2,901,889) | (6,697,038) | 647,879 |
| Non-operating grants, subsidies and contributions | 2(a) | 2,609,259 | 4,594,960 | 2,204,087 |
| Profit on asset disposals | 10(a) | 495,645 | 30,100 | 37,662 |
| (Loss) on asset disposals | 10(a) | (40,325) | (29,900) | (113,700) |
| Provision for impairment of other financial assets | 7 | (11,942) | 0 | 0 |
| (Loss) on revaluation of Infrastructure - Parks, Gardens and Reserves | 9(b) | (1,232,307) | 0 | 0 |
| Net result | | <u>(1,081,559)</u> | <u>(2,101,878)</u> | <u>2,775,928</u> |
| Other comprehensive income | | | | |
| <i>Items that will not be reclassified subsequently to profit or loss</i> | | | | |
| Changes on revaluation of non-current assets | 11 | (54,450,333) | 0 | 284,069,059 |
| Total other comprehensive income | | <u>(54,450,333)</u> | <u>0</u> | <u>284,069,059</u> |
| Total comprehensive income | | <u>(55,531,892)</u> | <u>(2,101,878)</u> | <u>286,844,987</u> |

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

**STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2018**

| | NOTE | 2018 Actual | 2018 Budget | 2017 Actual |
|---|-------|---------------------|---------------------|---------------------|
| | | \$ | \$ | \$ |
| Revenue | | | | |
| | 2(a) | | | |
| Governance | | 378,143 | 221,000 | 351,658 |
| General purpose funding | | 23,931,487 | 23,500,298 | 23,887,159 |
| Law, order, public safety | | 508,334 | 483,000 | 495,277 |
| Health | | 90,478 | 73,500 | 120,374 |
| Education and welfare | | 1,784,314 | 1,762,700 | 1,783,902 |
| Community amenities | | 3,644,722 | 3,755,600 | 3,790,379 |
| Recreation and culture | | 975,496 | 725,700 | 809,780 |
| Transport | | 167,912 | 132,900 | 197,580 |
| Economic services | | 1,007,763 | 1,017,780 | 1,160,557 |
| Other property and services | | 146,973 | 80,100 | 79,559 |
| | | 32,635,622 | 31,752,578 | 32,676,225 |
| Expenses | | | | |
| | 2(a) | | | |
| Governance | | (2,230,140) | (2,875,570) | (3,036,395) |
| General purpose funding | | (384,077) | (353,657) | (369,171) |
| Law, order, public safety | | (1,019,920) | (1,034,832) | (949,178) |
| Health | | (692,569) | (767,375) | (680,146) |
| Education and welfare | | (2,330,690) | (2,561,724) | (2,370,736) |
| Community amenities | | (4,339,304) | (4,780,262) | (4,647,897) |
| Recreation and culture | | (8,455,732) | (8,716,907) | (8,084,114) |
| Transport | | (6,110,814) | (5,422,300) | (5,352,694) |
| Economic services | | (4,911,487) | (6,209,914) | (5,891,945) |
| Other property and services | | (4,786,889) | (5,438,071) | (361,247) |
| | | (35,261,622) | (38,160,612) | (31,743,523) |
| Finance Costs | | | | |
| | 2(a) | | | |
| General purpose funding | | (269,440) | (282,554) | (274,227) |
| Community amenities | | (6,450) | (6,450) | (10,597) |
| | | (275,890) | (289,004) | (284,824) |
| | | (2,901,890) | (6,697,038) | 647,878 |
| Non-operating grants, subsidies and contributions | 2(a) | 2,609,259 | 4,594,960 | 2,204,087 |
| Profit on disposal of assets | 10(a) | 495,645 | 30,100 | 37,662 |
| (Loss) on disposal of assets | 10(a) | (40,325) | (29,900) | (113,700) |
| Provision for impairment of other financial assets | 7 | (11,942) | 0 | 0 |
| (Loss) on revaluation of Infrastructure - Parks, Gardens and Reserves | 9(b) | (1,232,307) | 0 | 0 |
| | | 1,820,331 | 4,595,160 | 2,128,049 |
| | | (1,081,559) | (2,101,878) | 2,775,928 |
| Net result | | | | |
| Other comprehensive income | | | | |
| <i>Items that will not be reclassified subsequently to profit or loss</i> | | | | |
| Changes on revaluation of non-current assets | 11 | (54,450,333) | 0 | 284,069,059 |
| Total other comprehensive income | | (54,450,333) | 0 | 284,069,059 |
| Total comprehensive income | | (55,531,892) | (2,101,878) | 286,844,987 |

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

**STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2018**

| | NOTE | 2018 | 2017 |
|---|-------|--------------------|--------------------|
| | | \$ | \$ |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 3 | 11,135,046 | 11,020,622 |
| Trade and other receivables | 5 | 1,199,152 | 1,350,282 |
| Inventories | 6 | 31,936 | 14,232 |
| TOTAL CURRENT ASSETS | | 12,366,134 | 12,385,136 |
| NON-CURRENT ASSETS | | | |
| Other receivables | 5 | 540,167 | 531,134 |
| Other financial assets | 7 | 123,734 | 135,676 |
| Property, plant and equipment | 8 | 345,708,041 | 347,422,769 |
| Infrastructure | 9 | 82,571,683 | 133,376,277 |
| TOTAL NON-CURRENT ASSETS | | 428,943,625 | 481,465,856 |
| TOTAL ASSETS | | 441,309,759 | 493,850,992 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 12 | 2,086,520 | 2,734,254 |
| Short term borrowings | 13 | 1,652,524 | 0 |
| Current portion of long term borrowings | 14(a) | 1,597,168 | 983,843 |
| Provisions | 15 | 2,027,291 | 2,152,832 |
| TOTAL CURRENT LIABILITIES | | 7,363,503 | 5,870,929 |
| NON-CURRENT LIABILITIES | | | |
| Long term borrowings | 14(a) | 6,748,982 | 5,264,174 |
| Provisions | 15 | 337,618 | 324,341 |
| TOTAL NON-CURRENT LIABILITIES | | 7,086,600 | 5,588,515 |
| TOTAL LIABILITIES | | 14,450,103 | 11,459,444 |
| NET ASSETS | | 426,859,656 | 482,391,548 |
| EQUITY | | | |
| Retained surplus | | 67,275,653 | 69,877,933 |
| Reserves - cash backed | 4 | 6,037,350 | 4,516,629 |
| Revaluation surplus | 11 | 353,546,653 | 407,996,986 |
| TOTAL EQUITY | | 426,859,656 | 482,391,548 |

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

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2018**

| | NOTE | RETAINED SURPLUS | RESERVES CASH BACKED | REVALUATION SURPLUS | TOTAL EQUITY |
|-----------------------------------|------|---------------------|----------------------------|------------------------|--------------------|
| | | \$ | \$ | \$ | \$ |
| Balance as at 1 July 2016 | | 67,624,740 | 3,993,894 | 123,927,927 | 195,546,561 |
| Comprehensive income | | | | | |
| Net result | | 2,775,928 | 0 | 0 | 2,775,928 |
| Changes on revaluation of assets | 11 | 0 | 0 | 284,069,059 | 284,069,059 |
| Total comprehensive income | | 2,775,928 | 0 | 284,069,059 | 286,844,987 |
| Transfers from/(to) reserves | | (522,735) | 522,735 | 0 | 0 |
| Balance as at 30 June 2017 | | 69,877,933 | 4,516,629 | 407,996,986 | 482,391,548 |
| Comprehensive income | | | | | |
| Net result | | (1,081,559) | 0 | 0 | (1,081,559) |
| Changes on revaluation of assets | 11 | 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 | | (1,520,721) | 1,520,721 | 0 | 0 |
| Balance as at 30 June 2018 | | 67,275,653 | 6,037,350 | 353,546,653 | 426,859,656 |

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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2018**

| | NOTE | 2018 Actual \$ | 2018 Budget \$ | 2017 Actual \$ |
|---|------|----------------------|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts | | | | |
| Rates | | 22,520,373 | 22,636,728 | 21,777,719 |
| Operating grants, subsidies and contributions | | 2,128,475 | 1,653,670 | 2,502,364 |
| Fees and charges | | 6,937,497 | 6,804,780 | 7,059,374 |
| Interest earnings | | 583,828 | 557,100 | 608,657 |
| Goods and services tax | | 2,037,872 | 0 | 2,073,419 |
| Other revenue | | 572,725 | 317,300 | 513,975 |
| | | 34,780,770 | 31,969,578 | 34,535,508 |
| Payments | | | | |
| Employee costs | | (12,792,287) | (13,141,386) | (12,987,387) |
| Materials and contracts | | (15,270,655) | (15,710,025) | (8,946,772) |
| Utility charges | | (936,522) | (797,100) | (884,569) |
| Interest expenses | | (267,831) | (289,005) | (290,521) |
| Insurance expenses | | (304,537) | (299,100) | (357,782) |
| Goods and services tax | | (2,019,017) | (311,755) | (2,055,089) |
| Other expenditure | | (767,123) | (961,300) | (893,347) |
| | | (32,357,972) | (31,509,671) | (26,415,467) |
| Net cash provided by (used in) operating activities | 16 | 2,422,798 | 459,907 | 8,120,041 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Payments for purchase of property, plant & equipment | | (1,551,646) | (2,280,760) | (3,225,979) |
| Payments for construction of infrastructure | | (9,212,125) | (13,497,940) | (8,944,870) |
| Non-operating grants, subsidies and contributions | | 2,609,259 | 4,594,960 | 2,204,087 |
| Proceeds from sale of fixed assets | | 2,067,571 | 607,000 | 592,067 |
| Net cash provided by (used in) investment activities | | (6,074,999) | (10,576,740) | (9,374,695) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Repayment of long term borrowings | | (1,135,626) | (983,843) | (939,810) |
| Proceeds from self supporting loans | | 15,966 | 12,821 | 9,290 |
| Proceeds from short term borrowings | | 1,652,524 | 0 | 0 |
| Proceeds from new long term borrowings | | 3,233,761 | 7,200,000 | 0 |
| Net cash provided by (used in) financing activities | | 3,766,625 | 6,228,978 | (930,520) |
| Net increase (decrease) in cash held | | 114,424 | (3,887,855) | (2,185,174) |
| Cash at beginning of year | | 11,020,622 | 11,653,893 | 13,205,796 |
| Cash and cash equivalents at the end of the year | 16 | 11,135,046 | 7,766,038 | 11,020,622 |

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

**RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2018**

| NOTE | 2018 Actual | 2018 Budget | 2017 Actual | |
|--|----------------|------------------|------------------|------------------|
| | \$ | \$ | \$ | |
| OPERATING ACTIVITIES | | | | |
| Net current assets at start of financial year - surplus/(deficit) | | | | |
| | 2,965,451 | 3,823,821 | 6,100,933 | |
| | 2,965,451 | 3,823,821 | 6,100,933 | |
| Revenue from operating activities (excluding rates) | | | | |
| Governance | 831,052 | 221,000 | 351,658 | |
| General purpose funding | 1,439,278 | 1,063,570 | 1,841,735 | |
| Law, order, public safety | 508,334 | 483,000 | 495,277 | |
| Health | 90,478 | 73,500 | 120,374 | |
| Education and welfare | 1,788,496 | 1,762,700 | 1,783,902 | |
| Community amenities | 3,647,290 | 3,755,600 | 3,790,379 | |
| Recreation and culture | 979,132 | 725,700 | 809,780 | |
| Transport | 167,912 | 132,900 | 197,580 | |
| Economic services | 1,012,672 | 1,017,780 | 1,160,557 | |
| Other property and services | 174,418 | 110,200 | 117,221 | |
| | 10,639,062 | 9,345,950 | 10,668,463 | |
| Expenditure from operating activities | | | | |
| Governance | (2,242,082) | (2,875,570) | (3,036,395) | |
| General purpose funding | (653,517) | (636,211) | (643,398) | |
| Law, order, public safety | (1,019,920) | (1,034,832) | (949,178) | |
| Health | (692,569) | (767,375) | (680,146) | |
| Education and welfare | (2,330,690) | (2,561,724) | (2,370,736) | |
| Community amenities | (4,345,754) | (4,786,712) | (4,658,494) | |
| Recreation and culture | (8,456,005) | (8,717,307) | (8,100,264) | |
| Transport | (6,120,431) | (5,422,300) | (5,352,694) | |
| Economic services | (4,911,487) | (6,209,914) | (5,891,945) | |
| Other property and services | (6,049,631) | (5,467,571) | (458,797) | |
| | (36,822,086) | (38,479,517) | (32,142,047) | |
| Operating activities excluded | | | | |
| (Profit) on disposal of assets | 10(a) | (495,645) | (30,100) | (37,662) |
| Loss on disposal of assets | 10(a) | 40,325 | 29,900 | 113,700 |
| Loss on revaluation of fixed assets | 9(b) | 1,232,307 | 0 | 0 |
| Provision for impairment of other financial asset | 7 | 11,942 | 0 | 0 |
| Movement in deferred pensioner rates (non-current) | | (22,252) | 0 | (54,895) |
| Movement in employee benefit provisions (non-current) | | 13,277 | 15,000 | 70,174 |
| Depreciation and amortisation on assets | 10(b) | 5,988,203 | 7,251,700 | 7,029,311 |
| Amount attributable to operating activities | | (16,449,416) | (18,043,246) | (8,252,022) |
| INVESTING ACTIVITIES | | | | |
| Non-operating grants, subsidies and contributions | | 2,609,259 | 4,594,960 | 2,204,087 |
| Proceeds from disposal of assets | 10(a) | 2,067,571 | 607,000 | 592,067 |
| Purchase of property, plant and equipment | 8(b) | (1,551,646) | (2,280,760) | (3,225,979) |
| Purchase and construction of infrastructure | 9(b) | (9,212,125) | (13,497,940) | (8,944,870) |
| Amount attributable to investing activities | | (6,086,941) | (10,576,740) | (9,374,695) |
| FINANCING ACTIVITIES | | | | |
| Repayment of long term borrowings | 14(a) | (1,135,626) | (983,843) | (939,810) |
| Proceeds from new long term borrowings | 14(b) | 3,233,761 | 7,200,000 | 0 |
| Proceeds from self supporting loans | | 15,966 | 12,821 | 9,290 |
| Proceeds from short term borrowings | 13 | 1,652,524 | 0 | 0 |
| Transfers to reserves (restricted assets) | 4 | (2,725,085) | (2,092,298) | (522,735) |
| Transfers from reserves (restricted assets) | 4 | 1,204,364 | 1,782,300 | 0 |
| Amount attributable to financing activities | | 2,245,904 | 5,918,980 | (1,453,255) |
| Surplus(deficiency) before general rates | | (20,290,453) | (22,701,006) | (19,079,973) |
| Total amount raised from general rates | 26 | 22,492,209 | 22,436,727 | 22,045,424 |
| Net current assets at June 30 c/fwd - surplus/(deficit) | 27 | 2,201,756 | (264,279) | 2,965,451 |

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

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

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), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1995 and accompanying regulations. 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.

CRITICAL ACCOUNTING ESTIMATES (Continued)

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 of Nedlands 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.

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 29 to these financial statements.

2. REVENUE AND EXPENSES

(a) Revenue

Fees and Charges

Governance
General purpose funding
Law, order, public safety
Health
Education and welfare
Community amenities
Recreation and culture
Transport
Economic services
Other property and services

| | 2018 Actual | 2017 Actual |
|--|------------------------|------------------------|
| | \$ | \$ |
| | 82,027 | 177,880 |
| | 121,899 | 5,156 |
| | 480,414 | 75,248 |
| | 89,783 | 116,821 |
| | 689,123 | 709,813 |
| | 3,647,287 | 3,790,180 |
| | 904,152 | 725,344 |
| | 69,676 | 477,157 |
| | 756,962 | 931,117 |
| | 96,173 | 50,658 |
| | 6,937,496 | 7,059,374 |

There were no changes during the year to the amount of the fees or charges detailed in the original budget.

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Grant Revenue

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

| | 2018 | 2017 |
|--|------------------|------------------|
| | \$ | \$ |
| Operating grants, subsidies and contributions | | |
| Governance | 3,816 | 4,865 |
| General purpose funding | 444,027 | 700,197 |
| Law, order, public safety | 27,420 | 27,631 |
| Education and welfare | 1,091,390 | 1,073,221 |
| Community amenities | 218 | 0 |
| Recreation and culture | 51,391 | 51,811 |
| Transport | 386,910 | 545,849 |
| Economic services | 44,191 | 45,220 |
| | 2,049,363 | 2,448,794 |
| Non-operating grants, subsidies and contributions | | |
| Recreation and culture | 1,546,613 | 677,326 |
| Transport | 1,062,646 | 1,526,761 |
| | 2,609,259 | 2,204,087 |
| Total grants, subsidies and contributions | 4,658,622 | 4,652,881 |

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 25. 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.

Interest earnings

- Loans receivable - clubs/institutions
 - Reserve funds
 - Other funds
- Other interest revenue (refer note 26(e))

| | 2018 Actual | 2018 Budget | 2017 Actual |
|---|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| - Loans receivable - clubs/institutions | 4,424 | 4,424 | 3,852 |
| - Reserve funds | 104,928 | 87,100 | 103,049 |
| - Other funds | 276,504 | 295,576 | 309,477 |
| Other interest revenue (refer note 26(e)) | 197,972 | 170,000 | 192,279 |
| | 583,828 | 557,100 | 608,657 |

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

2. REVENUE AND EXPENSES (Continued)

(b) Expenses

Auditors remuneration

- Audit of the Annual Financial Report
- Audit of Projects

| 2018 | 2017 |
|---------------|---------------|
| \$ | \$ |
| 19,500 | 23,140 |
| 2,850 | 2,272 |
| <u>22,350</u> | <u>25,412</u> |

Interest expenses (finance costs)

- Long term borrowings (refer Note 14(a))
- Short term borrowing

| | |
|----------------|----------------|
| 268,479 | 284,824 |
| 7,411 | 0 |
| <u>275,890</u> | <u>284,824</u> |

Rental charges

- Operating leases

| | |
|--------|--------|
| 87,106 | 87,162 |
|--------|--------|

3. CASH AND CASH EQUIVALENTS

- Unrestricted
- Restricted

| NOTE | 2018 | 2017 |
|------|-------------------|-------------------|
| | \$ | \$ |
| | 5,013,276 | 6,318,193 |
| | 6,121,770 | 4,702,429 |
| | <u>11,135,046</u> | <u>11,020,622</u> |

The following restrictions have been imposed by regulations or other externally imposed requirements:

| | | | |
|---|----|------------------|------------------|
| Reserves cash backed - Plant Replacement Reserve | 4 | 0 | 150,197 |
| Reserves cash backed - City Development Reserve | 4 | 456,580 | 544,970 |
| Reserves cash backed - North Street Reserve | 4 | 765,463 | 747,733 |
| Reserves cash backed - Welfare Reserve | 4 | 479,887 | 485,554 |
| Reserves cash backed - Service Reserve | 4 | 202,591 | 1,107,960 |
| Reserves cash backed - Insurance Reserve | 4 | 62,547 | 61,266 |
| Reserves cash backed - Waste Management Reserve | 4 | 842,547 | 580,547 |
| Reserves cash backed - Building Replacement Reserve | 4 | 689,119 | 527,136 |
| Reserves cash backed - Swanbourne Development Reserve | 4 | 129,140 | 126,241 |
| Reserves cash backed - Public Art Reserve | 4 | 126,894 | 85,011 |
| Reserves cash backed - Business System Reserve | 4 | 102,229 | 100,013 |
| Reserves cash backed - All Abilities Play Space | 4 | 94,900 | 0 |
| Reserves cash backed - Underground Power Projects | 4 | 485,450 | 0 |
| Reserves cash backed - Major Projects | 4 | 1,600,000 | 0 |
| Unspent grants | 25 | 84,423 | 185,801 |
| | | <u>6,121,770</u> | <u>4,702,429</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 that are readily convertible to known amounts of cash and which are subject to an insignificant risk

Cash and cash equivalents (Continued)

of changes in value and bank overdrafts. Bank overdrafts are reported as short term borrowings in current liabilities in the statement of financial position.

SIGNIFICANT ACCOUNTING POLICIES

Classification and subsequent measurement

(i) Financial assets at fair value through profit and loss
Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss. Assets in this category are classified as current assets.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturities and fixed or determinable payments that the City has the positive intention and ability to hold to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Held-to-maturity investments are included in current assets, where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as non-current.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into 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.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in other comprehensive income (except for impairment losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Impairment

A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which will have an impact on the estimated future cash flows of the financial asset(s).

Available-for-sale financial assets are included in current assets, where they are expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as non-current.

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment (Continued)

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the City becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the City commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or at cost.

Amortised cost is calculated as:

- (a) the amount in which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments and any reduction for impairment; and
- (c) plus or minus the cumulative amortisation of the difference, (if any), between the amount initially recognised and the maturity amount calculated using the effective interest rate method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the City no longer has any significant continual involvement in the risks and benefits associated with the asset.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

4. RESERVES - CASH BACKED

| | 2018 | | 2018 | | 2018 | | 2018 | | 2018 | | 2017 | | 2017 | |
|---|-----------|-----------|-------------|-----------|-----------|-----------|-------------|-----------|---------|----------|-----------|---------|----------|--------|
| | Actual | Actual | Actual | Actual | Budget | Budget | Budget | Budget | Actual | Actual | Actual | Actual | Actual | Actual |
| Opening | Transfer | to | Transfer | Balance | Opening | Transfer | to | Balance | Opening | Transfer | to | Opening | Transfer | to |
| Balance | (from) | \$ | (from) | \$ | Balance | (from) | \$ | Balance | Balance | (from) | \$ | Balance | (from) | \$ |
| Reserves cash backed - Plant Replacement Reserve | 150,197 | 3,140 | 0 | 150,043 | 1,300 | (151,300) | 43 | 146,543 | 3,654 | 0 | 150,197 | 0 | 0 | 0 |
| Reserves cash backed - City Development Reserve | 544,970 | 11,610 | 456,580 | 539,786 | 11,000 | (300,000) | 250,786 | 447,156 | 97,814 | 0 | 544,970 | 0 | 0 | 0 |
| Reserves cash backed - North Street Reserve | 747,733 | 17,730 | 0 | 765,463 | 1,500 | (140,000) | 607,848 | 728,048 | 19,685 | 0 | 747,733 | 0 | 0 | 0 |
| Reserves cash backed - Welfare Reserve | 485,554 | 15,361 | (21,028) | 479,887 | 11,000 | (21,000) | 476,139 | 469,039 | 16,515 | 0 | 485,554 | 0 | 0 | 0 |
| Reserves cash backed - Service Reserve | 1,107,960 | 24,631 | (930,000) | 202,591 | 1,106,515 | 27,700 | (930,000) | 1,078,565 | 29,395 | 0 | 1,107,960 | 0 | 0 | 0 |
| Reserves cash backed - Insurance Reserve | 61,266 | 1,281 | 0 | 62,547 | 1,500 | 0 | 62,770 | 59,720 | 1,546 | 0 | 61,266 | 0 | 0 | 0 |
| Reserves cash backed - Waste Management Reserve | 580,547 | 262,000 | 0 | 842,547 | 114,000 | 0 | 692,820 | 469,850 | 110,697 | 0 | 580,547 | 0 | 0 | 0 |
| Reserves cash backed - Building Replacement Reserve | 527,136 | 161,983 | 0 | 689,119 | 549,826 | 79,500 | (240,000) | 471,826 | 55,310 | 0 | 527,136 | 0 | 0 | 0 |
| Reserves cash backed - Swanbourne Development Reserve | 126,241 | 2,899 | 0 | 129,140 | 126,147 | 3,200 | 0 | 129,347 | 3,094 | 0 | 126,241 | 0 | 0 | 0 |
| Reserves cash backed - Public Art Reserve | 85,011 | 41,883 | 0 | 126,894 | 85,000 | 42,100 | 0 | 127,100 | 85,011 | 0 | 85,011 | 0 | 0 | 0 |
| Reserves cash backed - Business System Reserve | 100,013 | 2,216 | 0 | 102,229 | 100,000 | 6,300 | 0 | 106,300 | 100,013 | 0 | 100,013 | 0 | 0 | 0 |
| Reserves cash backed - All Abilities Play Space | 0 | 94,900 | 0 | 94,900 | 0 | 94,900 | 0 | 94,900 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reserves cash backed - Underground Power Projects | 0 | 485,450 | 0 | 485,450 | 0 | 1,698,298 | 0 | 1,698,298 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reserves cash backed - Major Projects | 0 | 1,600,000 | 0 | 1,600,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 4,516,629 | 2,725,085 | (1,204,364) | 6,037,350 | 4,529,894 | 2,092,298 | (1,782,300) | 4,839,892 | 522,735 | 0 | 4,516,629 | 0 | 0 | 0 |

All of the reserve accounts are supported by money held in financial institutions and match the amount shown as restricted cash in Note 3 to this financial report.

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:

| 2017-18 | Name of Reserve | Purpose of the reserve |
|----------|---|--|
| On-going | Reserves cash backed - Plant Replacement Reserve | To fund replacement of plant and equipment so that the cost is spread over to a number of years. |
| On-going | Reserves cash backed - City Development Reserve | To fund improvement and purchase of property, plant and equipment. |
| On-going | Reserves cash backed - North Street Reserve | To fund operational and capital costs of community and recreational facilities at Mt Claremont and Swanbourne, and infrastructure generally. |
| On-going | Reserves cash backed - Welfare Reserve | To fund the operational and capital costs to welfare services. |
| On-going | Reserves cash backed - Service Reserve | 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. |
| On-going | Reserves cash backed - Insurance Reserve | To fund any excess that may arise from having a performance based workers compensation premium. |
| On-going | Reserves cash backed - Waste Management Reserve | To fund replacement of rubbish bin stock so that the cost is spread over number of years. |
| On-going | Reserves cash backed - Building Replacement Reserve | To fund the upgrade and/or replacement of council buildings. |
| On-going | Reserves cash backed - Swanbourne Development Reserve | 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 |
| On-going | Reserves cash backed - Public Art Reserve | To fund works of art in the City of Nedlands. |
| On-going | Reserves cash backed - Business System Reserve | To fund council's business system. |
| On-going | Reserves cash backed - All Abilities Play Space | To fund the annual operating and maintenance cost of the All abilities Play Space |
| On-going | Reserves cash backed - Underground Power Projects | To fund Underground Power projects |
| On-going | Reserves cash backed - Major Projects | To fund capital works from proceeds from sale of major assets |

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

5. TRADE AND OTHER RECEIVABLES

Current

| | |
|---|--|
| Rates outstanding | |
| Sundry debtors | |
| GST receivable | |
| Self-supporting Loan Debtors | |
| Prepayments | |
| Provision for impairment in Receivables | |

| | 2018 | 2017 |
|--|------------------|------------------|
| | \$ | \$ |
| | 351,530 | 401,946 |
| | 396,582 | 403,328 |
| | 256,674 | 275,529 |
| | 13,219 | 15,966 |
| | 186,333 | 254,683 |
| | (5,186) | (1,170) |
| | <u>1,199,152</u> | <u>1,350,282</u> |
| | 447,722 | 425,470 |
| | 92,445 | 105,664 |
| | <u>540,167</u> | <u>531,134</u> |

Non-current

| | |
|--------------------------------|--|
| Rates outstanding - pensioners | |
| Self-supporting Loan Debtors | |

Information with respect to the impairment or otherwise of the totals of rates outstanding and sundry debtors is as follows:

Rates outstanding

| | |
|---------------------------|--|
| Includes: | |
| Past due and not impaired | |
| Impaired | |

Sundry debtors

| | |
|---------------------------|--|
| Includes: | |
| Past due and not impaired | |
| Impaired | |

| | 2018 | 2017 |
|--|---------|---------|
| | \$ | \$ |
| | 351,530 | 401,946 |
| | 0 | 0 |
| | 244,101 | 245,510 |
| | 5,186 | 1,170 |

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.

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.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that they will not be collectible.

Classification and subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Loans and receivables are included in current assets where they are expected to mature within 12 months after the end of the reporting period.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

6. INVENTORIES

Current

Fuel & Oil

| | 2018 | 2017 |
|--|--------|--------|
| | \$ | \$ |
| | 31,936 | 14,232 |

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 FINANCIAL ASSETS

Non-current

Interest in Local Government House Trust

Provision for impairment

| | 2018 | 2017 |
|--|----------------|----------------|
| | \$ | \$ |
| | 135,676 | 135,676 |
| | (11,942) | 0 |
| | <u>123,734</u> | <u>135,676</u> |

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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

8 (a). PROPERTY, PLANT AND EQUIPMENT

| | 2018 | 2017 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Land and buildings | | |
| Land - freehold land at: | | |
| - Independent valuation 2017 | 137,993,000 | 139,147,000 |
| Land - vested in and under the control of Council at: | | |
| - Independent valuation 2017 | 167,231,000 | 167,231,000 |
| Total land | 305,224,000 | 306,378,000 |
| Buildings - non-specialised at: | | |
| - Independent valuation 2017 | 1,330,000 | 1,330,000 |
| - Additions after valuation - cost | 0 | 0 |
| Less: accumulated depreciation | (47,696) | 0 |
| | 1,282,304 | 1,330,000 |
| Buildings - specialised at: | | |
| - Independent valuation 2017 | 51,995,080 | 51,995,080 |
| - Additions after valuation - cost | 520,001 | 0 |
| Less: accumulated depreciation | (16,879,542) | (16,100,460) |
| | 35,635,539 | 35,894,620 |
| Total buildings | 36,917,843 | 37,224,620 |
| Total land and buildings | 342,141,843 | 343,602,620 |
| Furniture and equipment at: | | |
| - Management valuation 2016 | 5,186,217 | 5,186,217 |
| - Additions after valuation - cost | 215,386 | 144,142 |
| Less: accumulated depreciation | (4,745,715) | (4,555,762) |
| | 655,888 | 774,597 |
| Plant and equipment at: | | |
| - Management valuation 2016 | 7,570,025 | 7,570,025 |
| - Additions after valuation - cost | 316,310 | 195,243 |
| Less: accumulated depreciation | (4,976,025) | (4,719,716) |
| | 2,910,310 | 3,045,552 |
| Total property, plant and equipment | 345,708,041 | 347,422,769 |

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(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 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 2016 | 35,664,000 | 97,000 | 35,761,000 | 783,220 | 24,654,317 | 25,437,537 | 61,198,537 | 905,711 | 3,147,140 | 65,251,388 |
| Additions | 0 | 0 | 0 | 0 | 1,668,102 | 1,668,102 | 1,668,102 | 164,912 | 1,392,965 | 3,225,979 |
| (Disposals) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (668,104) | (668,104) |
| Revaluation increments/ (decrements) transferred to revaluation surplus | 103,483,000 | 167,134,000 | 270,617,000 | 619,345 | 12,832,714 | 13,452,059 | 284,069,059 | 0 | 0 | 284,069,059 |
| Depreciation (expense) | 0 | 0 | 0 | (72,565) | (2,201,578) | (2,274,143) | (2,274,143) | (296,026) | (826,449) | (3,396,618) |
| Transfers | 0 | 0 | 0 | 0 | (1,058,935) | (1,058,935) | (1,058,935) | 0 | 0 | (1,058,935) |
| Carrying amount at 30 June 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 |

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

8. 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 | Jun 2017 | Sales evidence of similar assets |
| Land - freehold (unique) | Level 3 | Cost Approach | Jun 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 2 | Cost Approach | Jun 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 | Jun 2017 | Sales evidence of similar assets |
| Buildings - specialised | Level 3 | Cost Approach | Jun 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 | Level 2 | Market Approach | Jun 2016 | Make, size, year of manufacture and condition |
| Plant and equipment | Level 2 | Market Approach | 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.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

9 (a). INFRASTRUCTURE

| | 2018 | 2017 |
|--|--------------------------|---------------------------|
| | \$ | \$ |
| Infrastructure - Roads | | |
| - Independent valuation 2018 | 77,639,315 | 0 |
| - Independent valuation 2015 | 0 | 111,413,794 |
| - Additions after valuation - cost | 0 | 11,381,505 |
| Less: accumulated depreciation | <u>(33,969,540)</u> | <u>(42,908,040)</u> |
| | 43,669,775 | 79,887,259 |
| Infrastructure - Drainage | | |
| - Independent valuation 2018 | 27,404,144 | 0 |
| - Independent valuation 2015 | 0 | 31,275,978 |
| - Additions after valuation - cost | 0 | 439,206 |
| Less: accumulated depreciation | <u>(13,946,627)</u> | <u>(7,915,707)</u> |
| | 13,457,517 | 23,799,477 |
| Infrastructure - Footpath | | |
| - Independent valuation 2018 | 19,435,555 | 0 |
| - Independent valuation 2015 | 0 | 20,788,917 |
| - Additions after valuation - cost | 0 | 557,999 |
| Less: accumulated depreciation | <u>(8,227,649)</u> | <u>(4,581,656)</u> |
| | 11,207,906 | 16,765,260 |
| Infrastructure - Parks, Gardens and Reserves | | |
| - Independent valuation 2018 | 18,483,191 | 0 |
| - Management valuation 2015 | 0 | 14,561,359 |
| - Additions after valuation - cost | 0 | 2,950,966 |
| Less: accumulated depreciation | <u>(6,441,524)</u> | <u>(5,784,941)</u> |
| | 12,041,667 | 11,727,384 |
| Infrastructure - Street Furniture | | |
| - Independent valuation 2018 | 3,374,189 | 0 |
| - Management valuation 2015 | 0 | 1,752,857 |
| - Additions after valuation - cost | 0 | 70,147 |
| Less: accumulated depreciation | <u>(1,179,371)</u> | <u>(626,107)</u> |
| | 2,194,818 | 1,196,897 |
| Total infrastructure | <u>82,571,683</u> | <u>133,376,277</u> |

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

9. INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

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

| | Infrastructure - Roads | Infrastructure - Drainage | Infrastructure - Footpath | Infrastructure - Parks, Gardens & Reserves | Infrastructure - Street Furniture | Total Infrastructure |
|---|---------------------------|------------------------------|------------------------------|--|---|-------------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2016 | 74,344,084 | 23,989,238 | 16,710,652 | 10,767,380 | 1,193,809 | 127,005,163 |
| Additions | 6,884,662 | 111,949 | 261,449 | 1,647,624 | 39,186 | 8,944,870 |
| Depreciation (Expense) | (2,382,073) | (301,710) | (206,841) | (705,971) | (36,098) | (3,632,693) |
| Transfers | 1,040,586 | 0 | 0 | 18,351 | 0 | 1,058,937 |
| Carrying amount at 30 June 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 |
| Increments/(Decrements) Transferred to revaluation Surplus | (36,568,880) | (10,193,661) | (7,463,016) | (1,020,300) | 795,524 | (54,450,333) |
| Impairment (Losses) through 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 |

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

9. 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 | 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. |
| Infrastructure - Drainage | Level 3 | Cost Approach | 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. |
| Infrastructure - Footpath | Level 3 | Cost Approach | 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. |
| Infrastructure - Parks, Gardens & Reserves | Level 3 | Cost Approach | 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. |
| Infrastructure - Street Furniture | Level 3 | Cost Approach | 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.

10. FIXED ASSETS

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

All assets are initially recognised at cost and 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 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 asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss.

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.

Capitalisation Threshold

Expenditure on items of equipment under \$2,000 is not capitalised, but are placed on an 'Attractive Items' list, if required, for reference and maintenance.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

10. FIXED ASSETS (Continued)

(a) Disposals of Assets

The following assets were disposed off during the year.

| | Actual Net Book Value | Actual Sale Proceeds | Actual Profit | Actual Loss | Budget Net Book Value | Budget Sale Proceeds | Budget Profit | Budget Loss |
|------------------------------------|-----------------------------|----------------------------|------------------|----------------|-----------------------------|----------------------------|------------------|----------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Governance | | | | | | | | |
| Land - freehold | 1,154,000 | 1,600,000 | 446,000 | 0 | 0 | 0 | 0 | 0 |
| Plant and equipment | 16,545 | 23,455 | 6,909 | 0 | 16,500 | 18,200 | 1,700 | 0 |
| Education and welfare | | | | | | | | |
| Plant and equipment | 16,727 | 20,909 | 4,182 | 0 | 15,500 | 17,300 | 1,800 | 0 |
| Community amenities | | | | | | | | |
| Plant and equipment | 18,073 | 20,636 | 2,564 | 0 | 0 | 0 | 0 | 0 |
| Recreation and culture | | | | | | | | |
| Plant and equipment | 15,455 | 19,091 | 3,636 | 0 | 241,200 | 243,600 | 2,800 | (400) |
| Plant and equipment | 7,727 | 7,455 | 0 | (273) | 0 | 0 | 0 | 0 |
| Transport | | | | | | | | |
| Furniture and equipment | 14,617 | 5,000 | 0 | (9,617) | 0 | 0 | 0 | 0 |
| Economic services | | | | | | | | |
| Plant and equipment | 16,909 | 21,818 | 4,909 | 0 | 18,100 | 18,200 | 100 | 0 |
| Other property and services | | | | | | | | |
| Plant and equipment | 216,097 | 185,662 | 0 | (30,435) | 315,500 | 309,700 | 23,700 | (29,500) |
| Plant and equipment | 136,100 | 163,545 | 27,445 | 0 | 0 | 0 | 0 | 0 |
| | 1,612,250 | 2,067,571 | 495,645 | (40,325) | 606,800 | 607,000 | 30,100 | (29,900) |

(b) Depreciation

| | 2018 | 2017 |
|--|-------------|-------------|
| | \$ | \$ |
| Buildings - non-specialised | (47,696) | (72,565) |
| Buildings - specialised | (779,082) | (2,201,578) |
| Furniture and equipment | (234,388) | (296,026) |
| Plant and equipment | (592,958) | (826,449) |
| Infrastructure - Roads | (2,939,185) | (2,382,073) |
| Infrastructure - Drainage | (300,783) | (301,710) |
| Infrastructure - Footpath | (207,517) | (206,841) |
| Infrastructure - Parks, Parks Reticulation | (826,994) | (705,971) |
| Infrastructure - Street Furniture | (59,600) | (36,098) |
| | (5,988,203) | (7,029,311) |

10. FIXED ASSETS (Continued)

(b) Depreciation (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

The depreciable amount of all fixed assets including buildings but excluding freehold 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.

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:

- a) Restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount; or
- b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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.

Depreciation rates

Major depreciation periods used for each class of depreciable asset are:

| | |
|-------------------------|-----------------|
| 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 |

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

11. REVALUATION SURPLUS

| | 2018 | | | | 2017 | | | | |
|---|-----------------|-----------------------|-------------------------|---|-----------------|-----------------|-----------------------|-------------------------|---|
| | Opening Balance | Revaluation Increment | Revaluation (Decrement) | Total Revaluation Movement on Revaluation | Closing Balance | Opening Balance | Revaluation Increment | Revaluation (Decrement) | Total Revaluation Movement on Revaluation |
| Revaluation surplus - Land - freehold land | \$ 121,100,418 | \$ 0 | \$ 0 | \$ 0 | \$ 121,100,418 | \$ 17,617,418 | \$ 103,483,000 | \$ 0 | \$ 103,483,000 |
| Revaluation surplus - Land - vested in and under the control of Council | 167,231,000 | 0 | 0 | 0 | 167,231,000 | 97,000 | 167,134,000 | 0 | 167,134,000 |
| Revaluation surplus - Buildings - non-specialised | 140,384 | 0 | 0 | 0 | 140,384 | (478,961) | 619,345 | 0 | 619,345 |
| Revaluation surplus - Buildings - specialised | 23,004,320 | 0 | 0 | 0 | 23,004,320 | 10,171,606 | 12,832,714 | 0 | 12,832,714 |
| Revaluation surplus - Plant and equipment | 732,800 | 0 | 0 | 0 | 732,800 | 732,800 | 0 | 0 | 732,800 |
| Revaluation surplus - Infrastructure - Roads | 64,710,548 | 0 | (36,568,880) | (36,568,880) | 28,141,668 | 64,710,548 | 0 | 0 | 64,710,548 |
| Revaluation surplus - Infrastructure - Drainage | 18,595,307 | 0 | (10,193,661) | (10,193,661) | 8,401,646 | 18,595,307 | 0 | 0 | 18,595,307 |
| Revaluation surplus - Infrastructure - Footpath | 11,461,909 | 0 | (7,463,016) | (7,463,016) | 3,998,893 | 11,461,909 | 0 | 0 | 11,461,909 |
| Revaluation surplus - Infrastructure - Parks, Parks Reticulation | 1,020,300 | 0 | (1,020,300) | (1,020,300) | 0 | 1,020,300 | 0 | 0 | 1,020,300 |
| Revaluation surplus - Infrastructure - Street Furniture | 0 | 795,524 | 0 | 795,524 | 795,524 | 0 | 0 | 0 | 0 |
| | 407,996,986 | 795,524 | (55,245,857) | (54,450,333) | 353,546,653 | 123,927,927 | 284,069,059 | 0 | 284,069,059 |

Movements on revaluation of fixed assets 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.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

12. TRADE AND OTHER PAYABLES

Current

Sundry creditors
Accrued interest on long term borrowings
Accrued salaries and wages
ESL Payable

| 2018 | 2017 |
|-----------|-----------|
| \$ | \$ |
| 1,766,802 | 2,563,110 |
| 42,872 | 34,813 |
| 276,846 | 59,887 |
| 0 | 76,444 |
| 2,086,520 | 2,734,254 |

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 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.

13. SHORT-TERM BORROWINGS

Short Term Loan

| 2018 | 2017 |
|-----------|------|
| \$ | \$ |
| 1,652,524 | 0 |

Particulars/Purpose

Underground Power Project

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

14. INFORMATION ON BORROWINGS

(a) Repayments - Borrowings

| Particulars | Principal 1 July 2017 \$ | New Loans \$ | Principal Repayments | | Principal 30 June 2018 | | Interest Repayments | |
|--|--------------------------------|--------------------|-------------------------|---------|---------------------------|------------------------|------------------------|-----------------|
| | | | Actual | Budget | Actual | Budget | Actual | Budget |
| General purpose funding | | | | | | | | |
| Road Infrastructures # 179 | 866,735 | 0 | 102,699 | 102,699 | 764,036 | 764,036 | 49,261 | 50,054 |
| Buildings & Infrastructures # 181 | 942,568 | 0 | 215,328 | 215,328 | 727,240 | 727,240 | 49,401 | 50,992 |
| Buildings & Infrastructures # 182 | 1,116,817 | 0 | 228,419 | 228,419 | 888,398 | 888,398 | 47,730 | 48,194 |
| Buildings & Infrastructures # 183 | 1,339,090 | 0 | 151,612 | 151,612 | 1,187,478 | 1,187,478 | 34,991 | 35,655 |
| Buildings & Infrastructures # 184 | 1,169,167 | 0 | 122,067 | 122,067 | 1,047,100 | 1,047,100 | 34,295 | 35,059 |
| Buildings & Infrastructures # 185 | 553,340 | 0 | 57,771 | 57,771 | 495,569 | 495,569 | 16,231 | 16,593 |
| Underground Power Project # 187 Infrastructures | 0 0 | 3,233,761 0 | 151,784 0 | 0 0 | 3,081,977 0 | 6,200,000 1,000,000 | 27,976 0 | 37,084 5,433 |
| Community amenities | | | | | | | | |
| Loan 178 - Waste Bins | 141,813 | 0 | 93,125 | 93,125 | 48,688 | 48,688 | 5,128 | 6,450 |
| | 6,129,530 | 3,233,761 | 1,122,805 | 971,021 | 8,240,486 | 12,358,509 | 265,014 | 285,514 |
| Self Supporting Loans | | | | | | | | |
| General purpose funding | | | | | | | | |
| Buildings & Infrastructures # 186 | 118,485 | 0 | 12,821 | 12,821 | 105,664 | 105,664 | 3,465 | 3,491 |
| | 118,485 | 0 | 12,821 | 12,821 | 105,664 | 105,664 | 3,465 | 3,491 |
| | 6,248,015 | 3,233,761 | 1,135,626 | 983,842 | 8,346,150 | 12,464,173 | 268,479 | 289,005 |

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

Borrowings

| | 2018 | 2017 |
|-------------|------------------|------------------|
| Current | \$ 1,597,168 | \$ 983,843 |
| Non-current | 6,748,982 | 5,264,174 |
| | <u>8,346,150</u> | <u>6,248,017</u> |

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

14. INFORMATION ON BORROWINGS (Continued)

(b) New Borrowings - 2017/18

| Particulars/Purpose | Amount Borrowed | | Institution | Loan Type | Term Years | Total Interest & Charges | Amount (Used) | | Balance Unspent |
|---------------------------------|-----------------|--------------|-------------|-----------|------------|--------------------------|---------------|--------------|-----------------|
| | Actual | Budget | | | | | Actual | Budget | |
| Underground Power Project # 187 | \$ 3,233,761 | \$ 6,200,000 | WATC | Debenture | 10 | \$ 228,767 | \$ 2,847,476 | \$ 4,650,000 | \$ 386,285 |

(c) Unspent Borrowings

| Particulars | Date Borrowed | Balance 1 July 17 | Borrowed During Year | Expended During Year | Balance 30 June 18 |
|---------------------------------|---------------|-------------------|----------------------|----------------------|--------------------|
| | | | | | |
| Underground Power Project # 187 | 6/03/2018 | \$ 0 | \$ 3,233,761 | \$ (2,847,476) | \$ 386,285 |

| | 2018 | | 2017 | |
|--|------|------------------|------|------------------|
| | \$ | \$ | \$ | \$ |
| (d) Undrawn Borrowing Facilities | | | | |
| Credit Standby Arrangements | | | | |
| Bank overdraft limit | | 500,000 | | 500,000 |
| Bank overdraft at balance date | | 0 | | 0 |
| Credit card limit | | 130,000 | | 130,000 |
| Credit card balance at balance date | | (19,987) | | (3,140) |
| Total amount of credit unused | | 610,013 | | 626,860 |
| Loan facilities | | | | |
| Short Term Loan | | 1,652,524 | | 0 |
| Loan facilities - current | | 1,597,168 | | 983,843 |
| Loan facilities - non-current | | 6,748,982 | | 5,264,174 |
| Total facilities in use at balance date | | 9,998,674 | | 6,248,017 |
| Unused loan facilities at balance date | | 950,552 | | NIL |

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.

15. PROVISIONS

| | Provision for Annual Leave | Provision for Long Service Leave | Provision for Employment On-costs | Total |
|---------------------------------------|----------------------------------|--|---|-------------|
| | \$ | \$ | \$ | \$ |
| Opening balance at 1 July 2017 | | | | |
| Current provisions | 949,707 | 994,835 | 208,290 | 2,152,832 |
| Non-current provisions | 0 | 286,942 | 37,399 | 324,341 |
| | 949,707 | 1,281,777 | 245,689 | 2,477,173 |
| Additional provision | 1,012,075 | 91,975 | 126,965 | 1,231,015 |
| Amounts used | (1,013,859) | (190,875) | (138,545) | (1,343,279) |
| Balance at 30 June 2018 | 947,923 | 1,182,877 | 234,109 | 2,364,909 |
| Comprises | | | | |
| Current | 947,923 | 884,027 | 195,341 | 2,027,291 |
| Non-current | 0 | 298,850 | 38,768 | 337,618 |
| | 947,923 | 1,182,877 | 234,109 | 2,364,909 |

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:

| | 2018 | 2017 |
|---|---------|---------|
| | \$ | \$ |
| With 12 months of the end of the reporting period | 782,414 | 949,707 |
| More than 12 months after the end of the reporting period | 165,509 | 0 |
| | 947,923 | 949,707 |

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:

| | 2018 | 2017 |
|---|-----------|-----------|
| | \$ | \$ |
| With 12 months of the end of the reporting period | 598,453 | 825,631 |
| More than 12 months after the end of the reporting period | 584,424 | 456,146 |
| | 1,182,877 | 1,281,777 |

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.

| | 2018 | 2017 |
|--|----------|---------|
| | \$ | \$ |
| Carrying amount at start of period | 245,689 | 206,396 |
| Additional/(reversal of) provisions recognised | (11,580) | 39,293 |
| | 234,109 | 245,689 |

15. PROVISIONS (continued)

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

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other 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

Other long-term employee benefits (Continued)

obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

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.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

16. 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:

| | 2018 Actual | 2018 Budget | 2017 Actual |
|--|------------------------|------------------------|------------------------|
| | \$ | \$ | \$ |
| Cash and cash equivalents | 11,135,046 | 7,766,038 | 11,020,622 |
| Reconciliation of Net Cash Provided By Operating Activities to Net Result | | | |
| Net result | (1,081,559) | (2,101,878) | 2,775,928 |
| Non-cash flows in Net result: | | | |
| Depreciation | 5,988,203 | 7,251,700 | 7,029,311 |
| (Profit)/loss on sale of asset | (455,321) | 0 | 76,037 |
| Loss on revaluation of fixed assets | 1,232,307 | (200) | 0 |
| Changes in assets and liabilities: | | | |
| (Increase)/decrease in receivables | 126,130 | (151,120) | (195,803) |
| (Increase)/decrease in inventories | (17,705) | 0 | 10,442 |
| Increase/(decrease) in payables | (647,734) | 41,365 | 671,404 |
| Increase/(decrease) in provisions | (112,264) | 15,000 | (43,191) |
| Grants contributions for the development of assets | (2,609,259) | (4,594,960) | (2,204,087) |
| Net cash from operating activities | <u>2,422,798</u> | <u>459,907</u> | <u>8,120,041</u> |

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

| | 2018 | 2017 |
|-----------------------------|--------------------|--------------------|
| | \$ | \$ |
| Governance | 309,383,585 | 310,704,355 |
| Education and welfare | 7,882,953 | 7,955,354 |
| Community amenities | 2,114,867 | 2,153,665 |
| Recreation and culture | 34,017,223 | 22,179,394 |
| Transport | 70,530,016 | 133,376,277 |
| Other property and services | 17,381,115 | 17,481,947 |
| | <u>441,309,759</u> | <u>493,850,992</u> |

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

18. CONTINGENT LIABILITIES

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

19. CAPITAL AND LEASING COMMITMENTS

(a) Capital Expenditure Commitments

Contracted for:

- capital expenditure projects
- plant & equipment purchases

Payable:

- not later than one year

| | 2018 | 2017 |
|--|-------------|-------------|
| | \$ | \$ |
| | 716,312 | 2,382,090 |
| | 6,105 | 0 |
| | 722,417 | 2,382,090 |

(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
- later than five years

| | | |
|--|------------|---------------|
| | 702 | 27,688 |
| | 0 | 160 |
| | 0 | 0 |
| | <u>702</u> | <u>27,848</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 amounts equal to 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 in the periods in which they are incurred.

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

20. JOINT VENTURE ARRANGEMENTS

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

21. INVESTMENT IN ASSOCIATES

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

22. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

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

| | 2018 Actual | 2018 Budget | 2017 Actual |
|------------------------------|------------------------|------------------------|------------------------|
| | \$ | \$ | \$ |
| Meeting Fees | 300,117 | 306,800 | 293,705 |
| Mayor's allowance | 62,725 | 62,700 | 62,727 |
| Deputy Mayor's allowance | 15,682 | 15,600 | 15,682 |
| Telecommunications allowance | 43,566 | 45,500 | 43,166 |
| | 422,090 | 430,600 | 415,280 |

Key Management Personnel (KMP) Compensation Disclosure

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

| | 2018 | 2017 |
|------------------------------|------------------|------------------|
| | \$ | \$ |
| Short-term employee benefits | 2,511,611 | 2,262,018 |
| Post-employment benefits | 264,813 | 246,002 |
| Other long-term benefits | 55,948 | 53,899 |
| Termination benefits | 0 | 0 |
| | 2,832,372 | 2,561,919 |

Short-term employee benefits

These amounts include all salary, paid leave, 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).

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.

22. RELATED PARTY TRANSACTIONS (continued)

Transactions with related parties (continued)

No transactions occurred with related parties as indicated below;

| | 2018 | 2017 |
|--|------|------|
| | \$ | \$ |
| Sale of goods and services | 0 | 0 |
| Purchase of goods and services | 0 | 0 |
| Amount 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 |

The City's main related parties are as follows:

i. Key management personnel

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

ii. 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. MAJOR LAND TRANSACTIONS

The City of Nedlands did not participate in any major land transactions during the 2017/18 financial year.

24. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The City of Nedlands did not participate in any trading undertaking or major trading undertakings during the 2017/8 financial year.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

25. CONDITIONS OVER GRANTS/CONTRIBUTIONS

| Grant/Contribution | Opening Balance ⁽¹⁾ 1/07/16 | Received ⁽²⁾ 2016/17 | Expended ⁽³⁾ 2016/17 | Closing Balance ⁽¹⁾ 30/06/17 | Received ⁽²⁾ 2017/18 | Expended ⁽³⁾ 2017/18 | Closing Balance 30/06/18 |
|-------------------------------|--|------------------------------------|------------------------------------|---|------------------------------------|------------------------------------|--------------------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Recreation and culture | | | | | | | |
| DSR-Kidsports Program | 836 | 6,000 | (3,035) | 3,801 | 0 | (3,801) | 0 |
| Roads to Recovery Grants | 0 | 182,000 | 0 | 182,000 | 141,419 | (255,228) | 68,191 |
| HACC transition funding | 0 | 0 | 0 | 0 | 25,500 | (9,268) | 16,232 |
| Total | 836 | 188,000 | (3,035) | 185,801 | 166,919 | (268,297) | 84,423 |

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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

26. RATING INFORMATION

(a) Rates

| RATE TYPE | Rate in \$ | Number of Properties | Value \$ | Rate Revenue \$ | Interim Rates \$ | Back Rates \$ | Total Revenue \$ | Budget Rate Revenue \$ | Budget Interim Rate \$ | Budget Back Rate \$ | Budget Total Revenue \$ |
|---|------------|----------------------|--------------------|-------------------|------------------|----------------|-------------------|------------------------|------------------------|---------------------|-------------------------|
| Differential general rate / general rate | | | | | | | | | | | |
| Gross rental valuations | | | | | | | | | | | |
| Residential | 0.05410 | 6,750 | 301,033,360 | 16,285,903 | 138,241 | 17,082 | 16,441,226 | 16,226,831 | 28,627 | 0 | 16,255,458 |
| Residential Vacant | 0.07681 | 142 | 7,873,580 | 604,770 | (98,050) | 6,607 | 513,327 | 607,200 | 0 | 0 | 607,200 |
| Non Residential | 0.06717 | 392 | 46,874,750 | 3,148,577 | (40,228) | 8,168 | 3,116,518 | 3,113,010 | 8,000 | 0 | 3,121,010 |
| Sub-Total | | 7,284 | 355,781,690 | 20,039,250 | (37) | 31,858 | 20,071,071 | 19,947,041 | 36,627 | 0 | 19,983,668 |
| Minimum payment | | | | | | | | | | | |
| Minimum payment | \$ | | | | | | | | | | |
| Gross rental valuations | | | | | | | | | | | |
| Residential | 1,401 | 1,517 | 32,639,180 | 2,125,317 | (10,452) | (4,073) | 2,110,793 | 2,126,718 | 0 | 0 | 2,126,718 |
| Residential Vacant | 1,847 | 50 | 945,810 | 92,350 | 2,793 | 0 | 95,143 | 90,503 | 0 | 0 | 90,503 |
| Non Residential | 1,857 | 127 | 2,266,605 | 235,839 | (17,954) | (2,682) | 215,203 | 235,839 | 0 | 0 | 235,839 |
| Sub-Total | | 1,694 | 35,851,595 | 2,453,506 | (25,613) | (6,755) | 2,421,139 | 2,453,060 | 0 | 0 | 2,453,060 |
| Discounts/concessions (refer note 26(d)) | | 8,978 | 391,633,285 | 22,492,756 | (25,650) | 25,103 | 22,492,209 | 22,400,101 | 36,627 | 0 | 22,436,728 |
| Total amount raised from general rate | | | | | | | 0 | | | | 0 |
| Specified Area Rate (refer note 26(b)) | | | | | | | 22,492,209 | | | | 22,436,728 |
| Totals | | | | | | | 0 | | | | 0 |
| | | | | | | | 22,492,209 | | | | 22,436,728 |

SIGNIFICANT ACCOUNTING POLICIES

Rates

Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

26. RATING INFORMATION (Continued)

(b) Specified Area Rate

No specified area rates were imposed by the City of Nedlands during the year ended 2018.

(c) Service Charges

No service charges were imposed by the City of Nedlands during the year ended 2018.

(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 to Council during the 2017/18 financial year.

Waivers or Write-offs

The City of Nedlands does not offer any standard waivers or write off of rates and charges or any other debts of ratepayers unless specifically approved by the Council.

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 and Charges
- (ii) ESL
- (iii) Dogs and Cats Registration

(e) Interest Charges & Instalments

| Instalment Options | Date Due | Instalment Plan Admin Charge \$ | Instalment Plan Interest Rate % | Unpaid Rates Interest Rate % |
|---------------------|-----------|------------------------------------|------------------------------------|---------------------------------|
| Option One | | | | |
| Single full payment | 21-Aug-17 | | | 11.00% |
| Option Two | | | | |
| First instalment | 21-Aug-17 | | 5.50% | 11.00% |
| Second instalment | 23-Oct-17 | 16.00 | 5.50% | 11.00% |
| Third instalment | 15-Jan-18 | 16.00 | 5.50% | 11.00% |
| Fourth instalment | 19-Mar-18 | 16.00 | 5.50% | 11.00% |

| | 2018 Actual \$ | 2018 Budget \$ |
|-----------------------------|-------------------|-------------------|
| Interest on unpaid rates | 76,811 | 65,000 |
| Interest on instalment plan | 102,654 | 105,000 |
| ESL interest income | 8,082 | 0 |
| Deferred Rates interest | 10,424 | 0 |
| | 197,972 | 170,000 |

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

27. NET CURRENT ASSETS

Composition of net current assets

| | 2018 (30 June 2018 Carried Forward) | 2018 (1 July 2017 Brought Forward) | 2017 (30 June 2017 Carried Forward) |
|--|--|---|--|
| | \$ | \$ | \$ |
| Surplus 1 July 17 brought forward | 2,201,756 | 2,965,451 | 2,965,451 |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | | |
| Unrestricted | 5,013,276 | 6,318,193 | 6,318,193 |
| Restricted | 6,121,770 | 4,702,429 | 4,702,429 |
| Receivables | | | |
| Rates outstanding | 351,530 | 401,946 | 401,946 |
| Sundry debtors | 396,582 | 403,328 | 403,328 |
| GST receivable | 256,674 | 275,529 | 275,529 |
| Self-supporting Loan Debtors | 13,219 | 15,966 | 15,966 |
| Prepayments | 186,333 | 254,683 | 254,683 |
| Provision for impairment in Receivables | (5,186) | (1,170) | (1,170) |
| Inventories | | | |
| Fuel & Oil | 31,937 | 14,232 | 14,232 |
| LESS: CURRENT LIABILITIES | | | |
| Trade and other payables | | | |
| Sundry creditors | (1,766,802) | (2,563,110) | (2,563,110) |
| Accrued interest on long term borrowings | (42,872) | (34,813) | (34,813) |
| Accrued salaries and wages | (276,846) | (59,887) | (59,887) |
| ESL Payable | 0 | (76,444) | (76,444) |
| Short term loan | (1,652,524) | 0 | 0 |
| Current portion of long term borrowings | (1,597,168) | (983,843) | (983,843) |
| Provisions | | | |
| Provision for annual leave | (1,056,935) | (1,058,923) | (1,058,923) |
| Provision for long service leave | (970,358) | (1,093,909) | (1,093,909) |
| Unadjusted net current assets | 5,002,630 | 6,514,203 | 6,514,203 |
| Adjustments | | | |
| Less: Reserves - restricted cash | (6,037,347) | (4,516,629) | (4,516,629) |
| Less: Self-supporting Loan Debtors | (13,219) | (15,966) | (15,966) |
| Add: Short term borrowings | 1,652,524 | 0 | 0 |
| Add: Current portion of long term borrowings | 1,597,168 | 983,843 | 983,843 |
| Adjusted net current assets - surplus | 2,201,756 | 2,965,451 | 2,965,451 |

Difference

There was no difference between the surplus/(deficit) 1 July 2017 brought forward position used in the 2018 audited financial report and the surplus/(deficit) carried forward position as disclosed in the 2017 audited financial report.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

28. 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 | |
|------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2018 | 2017 | 2018 | 2017 |
| | \$ | \$ | \$ | \$ |
| Financial assets | | | | |
| Cash and cash equivalents | 11,135,046 | 11,020,622 | 11,135,046 | 11,020,622 |
| Receivables | 1,739,319 | 1,881,416 | 1,739,319 | 1,881,416 |
| | <u>12,874,365</u> | <u>12,902,038</u> | <u>12,874,365</u> | <u>12,902,038</u> |
| Financial liabilities | | | | |
| Payables | 2,086,520 | 2,734,254 | 2,086,520 | 2,734,254 |
| Short term borrowings | 1,652,524 | 0 | 1,660,439 | 0 |
| Long term borrowings | 8,346,150 | 6,248,017 | 8,565,544 | 6,666,310 |
| | <u>12,085,194</u> | <u>8,982,271</u> | <u>12,312,503</u> | <u>9,400,564</u> |

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.

28. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

Financial assets at fair value through profit and loss

Available-for-sale financial assets

Held-to-maturity investments

The City's objective is to maximise its return on cash whilst maintaining an adequate level of liquidity and preserving capital. The finance area manages the cash portfolio. 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 and performance of the portfolio.

The major risk associated with investments is price risk - the risk that the capital value of investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments of their issuers or factors affecting similar instruments traded in a market.

Cash is 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.

| | 2018 | 2017 |
|--|---------|---------|
| Impact of a 1% ⁽¹⁾ movement in interest rates on cash | \$ | \$ |
| - Equity | 111,350 | 110,206 |
| - Statement of Comprehensive Income | 111,350 | 110,206 |

Notes:

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

28. 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 policies. It also encourages ratepayers to pay rates by the due date through incentives.

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.

There are no material receivables that have been subject to a re-negotiation of repayment terms.

The profile of the City's credit risk at balance date was:

| | 2018 | 2017 |
|--|-------------|-------------|
| | % | % |
| Percentage of rates and annual charges | | |
| - Current | 55 | 51 |
| - Overdue | 45 | 49 |
| Percentage of other receivables | | |
| - Current | 36 | 47 |
| - Overdue | 64 | 53 |

28. 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 | Carrying values |
|-----------------------|-------------------|-------------------------|-------------------|------------------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ |
| 2018 | | | | | |
| Payables | 2,086,520 | 0 | 0 | 2,086,520 | 2,086,520 |
| Short term borrowings | 1,652,524 | 0 | 0 | 1,652,524 | 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>12,927,163</u> | <u>12,085,194</u> |
| 2017 | | | | | |
| Payables | 2,734,524 | 0 | 0 | 2,734,524 | 2,734,254 |
| Long term borrowings | 1,230,330 | 4,168,181 | 1,730,537 | 7,129,048 | 6,248,016 |
| | <u>3,964,854</u> | <u>4,168,181</u> | <u>1,730,537</u> | <u>9,863,572</u> | <u>8,982,270</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:

| Year ended 30 June 2018 | <1 year | >1<2 years | >2<3 years | >3<4 years | >4<5 years | >5 years | Total | Weighted Average Effective Interest Rate |
|--|-----------|------------|------------|------------|------------|-----------|-----------|--|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| Borrowings | | | | | | | | |
| Fixed rate | | | | | | | | |
| Short term borrowings | 1,652,524 | 0 | 0 | 0 | 0 | 0 | 1,652,524 | |
| Long term borrowings | 48,688 | 0 | 727,240 | 888,399 | 3,081,977 | 3,599,846 | 8,346,150 | 8.60% |
| Weighted average Effective interest rate | 1.11% | | 9.86% | 8.98% | 6.73% | 13.39% | | |
| Year ended 30 June 2017 | | | | | | | | |
| Borrowings | | | | | | | | |
| Fixed rate | | | | | | | | |
| Long term borrowings | 0 | 0 | 141,813 | 942,568 | 1,116,817 | 4,046,818 | 6,248,016 | 14.10% |
| Weighted average Effective interest rate | | | 5.32% | 13.02% | 11.46% | 15.39% | | |

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

29. TRUST FUNDS

Funds held at balance date over which the City has no control and which are not included in the financial statements are as follows:

| | 1 July 2017 | Amounts Received | Amounts Paid | 30 June 2018 |
|---------------------------------|------------------------|-----------------------------|-------------------------|-------------------------|
| | \$ | \$ | \$ | \$ |
| Footpath Bonds | 1,159,933 | 463,641 | (461,773) | 1,161,801 |
| Hall & Key Bond | 47,155 | 6,066 | (3,346) | 49,875 |
| Tresillian Bond & Miscellaneous | 7,395 | 300 | (903) | 6,792 |
| Retention for Non Compliance | 40,979 | 1,601 | 0 | 42,580 |
| Construction Training Bond | 66,244 | 211,157 | (204,124) | 73,277 |
| Building Construction Bond | 222,139 | 161,614 | (165,442) | 218,311 |
| Unclaimed Money | 49,596 | 1,188 | 0 | 50,784 |
| Tresillian Artist Sales | 1,465 | 3,339 | (4,055) | 749 |
| Crossover Bond | 6,000 | 30,219 | 0 | 36,219 |
| Miscellaneous | 19,200 | 59,306 | (14,099) | 64,407 |
| DAP Application Levy | 0 | 7,639 | 0 | 7,639 |
| Adelma | 100,000 | 0 | 0 | 100,000 |
| Supplier Retention | 0 | 9,465 | 0 | 9,465 |
| Staff Funds | 1,273 | 6,703 | (7,858) | 118 |
| | 1,721,379 | 962,237 | (861,600) | 1,822,016 |

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

30. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE PERIODS

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.

Management's assessment of the new and amended pronouncements that are relevant to the City, applicable to future reporting periods and which have not yet been adopted are set out as follows:

| Title | Issued / Compiled | Applicable (1) | Impact |
|--|--------------------------|-----------------------|---|
| (i) AASB 9 Financial Instruments (incorporating AASB 2014-7 and AASB 2014-8) | December 2014 | 1 January 2018 | Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the City, it is not anticipated the Standard will have any material effect. |
| (ii) AASB 15 Revenue from Contracts with Customers | 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. The effect of this Standard will depend on the nature of future transactions the City has with those third parties it has dealings with. It may or may not be significant. |
| (iii) AASB 16 Leases | 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-to-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. Currently, operating lease payments are expensed as incurred. This will cease and will be replaced by both depreciation and interest charges. Based on the current number of operating leases held by the City, the impact is not expected to be significant. |

Notes:

(1) Applicable to reporting periods commencing on or after the given date.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

30. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE PERIODS (Continued)

| Title | Issued / Compiled | Applicable (1) | Impact |
|--|-------------------|----------------|--|
| (iv) AASB 1058 Income of Not-for-Profit Entities (incorporating AASB 2016-7 and AASB 2016-8) | December 2016 | 1 January 2019 | These standards are likely to have a significant impact on the income recognition for NFP's. 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; - Leases entered into at below market rates; and - Volunteer services. |

Whilst it is not possible to quantify the financial impact (or if it is material) of these key areas until the details of future transactions are known, they will all have application to the City's operations.

Notes:

(1) Applicable to reporting periods commencing on or after the given date.

Adoption of New and Revised 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 associate with the amendment of existing standards, the only new standard with material application is as follows:

- (i) AASB 2016-4 Amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities
1 January 2017
- (ii) AASB 2016-7 Amendments to Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities
1 January 2017

31. 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

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 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 even if not expected to be realised in the next 12 months except for land held for sale where it is held as 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 statement, 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 adopted 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.

31. 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 an asset at its current service capacity.

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 such as roads, drains, public buildings and the like, no annual assessment 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.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

32. ACTIVITIES/PROGRAMS

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

| PROGRAM NAME | OBJECTIVE | 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 vouth 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 |
| ECONOMIC | 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. |

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

33. FINANCIAL RATIOS

| | 2018 | 2017 | 2016 |
|-----------------------------------|--------|------|--------|
| Current ratio | 0.85 | 1.31 | 2.00 |
| Asset sustainability ratio | 1.45 | 1.65 | 1.29 |
| Debt service cover ratio | 1.83 | 6.44 | 5.94 |
| Operating surplus ratio | (0.12) | 0.02 | (0.03) |
| Own source revenue coverage ratio | 0.84 | 0.94 | 0.92 |
| Asset consumption ratio | 0.57 | 0.67 | 0.59 |
| Asset renewal funding ratio | 0.86 | 0.88 | 0.86 |

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 sustainability ratio | $\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation expenses}}$ |
| 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 | $\frac{\text{own source operating revenue}}{\text{operating expenses}}$ |
| Asset consumption ratio | $\frac{\text{depreciated replacement costs of assets}}{\text{current replacement cost of depreciable assets}}$ |
| Asset renewal funding ratio | $\frac{\text{NPV of planning capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$ |

Notes:

The current ratio, debt service cover ratio and operating surplus ratio disclosed above were distorted by the early receipt of Financial Assistance Grants and short term borrowings to fund the owners' portion of the Underground Power Project included in current liabilities.

In addition, the debt service cover ratio, operating surplus ratio and own source revenue coverage ratio disclosed above were distorted by the spend on the underground power project which commenced during the year and impairment loss of infrastructure assets through profit or loss.

| | 2017/18 | 2016/17 | 2015/16 |
|---|-----------|---------|---------|
| | \$ | \$ | \$ |
| Amount of Financial Assistance Grant received during the year relating to the subsequent year. Short term borrowings for the owners' portion of the Underground Power Project included in current liabilities | 395,032 | 396,470 | 0 |
| Amount of Financial Assistance Grant received in prior year relating to current year. | 1,652,524 | 0 | 0 |
| Underground power project commenced in 2017/18 | 396,470 | 0 | 394,492 |
| Impairment loss of infrastructure assets through profit or loss | 4,500,000 | 0 | 0 |
| | 1,232,307 | 0 | 0 |

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

33. FINANCIAL RATIOS (continued)

If the events detailed aforesaid did not occur, the impacted ratios in the 2018, 2017 and 2016 columns above would be as follows:

| | 2018 | 2017 | 2016 |
|-----------------------------------|-------------|-------------|-------------|
| Current ratio | 1.02 | 1.27 | N/A |
| Debt service cover ratio | 5.89 | 6.12 | 6.30 |
| Operating surplus ratio | 0.07 | 0.01 | (0.02) |
| Own source revenue coverage ratio | 1.00 | N/A | N/A |

34. EVENTS AFTER THE REPORTING PERIOD

There have been no significant events after the reporting period that are required to be reported in the 2017/18 Annual Financial Report

INDEPENDENT AUDITOR'S REPORT TO: RATEPAYERS OF CITY OF NEDLANDS

Report on the Financial Report

Opinion

We have audited the financial report of **City of Nedlands** (the Council), which comprises the Statement of Financial Position as at 30 June 2018, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity and Statement of Cash Flows and Rate Setting Statement for the year then ended, and a summary of significant accounting policies and other explanatory information and Statement by Chief Executive Officer.

In our opinion, the annual financial report of the **City of Nedlands** is:

- (i) based on proper accounts and records ; and
- (ii) fairly represents, in all material respects, the results of the operations of the Council for the year ended 30 June 2018 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 consistent with the Act, Australian Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Council in accordance with the auditor independence and 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 our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Council's 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. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT (Cont'd)

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

The Chief Executive Officer (CEO) of the Council 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 financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the CEO is responsible for assessing the Council'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 Council.

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

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 this financial report.

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

- Identify and assess the risks of material misstatement of the 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 our 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 Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



INDEPENDENT AUDITOR'S REPORT (Cont'd)


Report on Other Legal and Regulatory Requirements

In accordance with the *Local Government (Audit) Regulations 1996*, we also report that:


- (a) In our opinion, there are no matters that indicate significant adverse trends in the financial position or financial management practices of the Council.
- (b) In our 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:
- (c) All required information and explanations were obtained by us.
- (d) All audit procedures were satisfactorily completed.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the **City of Nedlands** for the year ended 30 June 2018 included on the Council's website. Management is responsible for the integrity of the Council's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the 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 financial report to confirm the information contained in this website version of the financial report.



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CERTIFIED PRACTISING ACCOUNTANTS
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BURSOOD WA 6100



A MACRI
PARTNER

PERTH
DATED THIS 5TH DAY OF NOVEMBER 2018.



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