



Financial Report

Annual Report 2016-2017

CITY OF NEDLANDS
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

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

CITY OF NEDLANDS
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

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 30 June 2017 are in my opinion properly drawn up to present fairly the financial position of the City of Nedlands at 30th June 2017 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed as authorisation of issue on the 26th day of October 2017



Greg Trevaskis
Chief Executive Officer

CITY OF NEDLANDS
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2017

	NOTE	2017 \$	2017 Budget \$	2016 \$
Revenue				
Rates	23	22,045,424	21,783,230	20,899,560
Operating grants, subsidies and contributions	30	2,448,794	1,955,290	1,708,042
Fees and charges	29	7,059,374	6,829,200	6,925,350
Interest earnings	2(a)	608,657	683,050	816,756
Other revenue	2(a)	513,975	614,100	680,394
		<u>32,676,223</u>	<u>31,864,870</u>	<u>31,030,102</u>
Expenses				
Employee costs		(13,204,036)	(12,730,500)	(12,733,973)
Materials and contracts		(9,374,476)	(11,025,650)	(9,135,931)
Utility charges		(884,569)	(778,100)	(878,650)
Depreciation on non-current assets	2(a)	(7,029,311)	(6,828,800)	(7,072,058)
Interest expenses	2(a)	(284,824)	(290,520)	(307,221)
Insurance expenses		(357,782)	(376,800)	(382,593)
Other expenditure		(893,347)	(1,003,500)	(1,323,128)
		<u>(32,028,345)</u>	<u>(33,033,870)</u>	<u>(31,833,554)</u>
		647,879	(1,169,000)	(803,452)
Non-operating grants, subsidies and contributions	30	2,204,087	3,165,000	1,626,227
Profit on asset disposals	21	37,662	30,000	55,316
(Loss) on asset disposals	21	(113,700)	(123,100)	(111,808)
Net result		2,775,928	1,902,900	766,283
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	284,069,059	0	403,022
Total other comprehensive income		284,069,059	0	403,022
Total comprehensive income		286,844,987	1,902,900	1,169,305

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

CITY OF NEDLANDS
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2017

	NOTE	2017 \$	2017 Budget \$	2016 \$
Revenue				
	2(a)			
Governance		351,658	507,200	451,184
General purpose funding		23,887,159	23,307,370	22,098,392
Law, order, public safety		495,277	477,800	110,610
Health		120,374	86,100	141,508
Education and welfare		1,783,902	1,750,300	1,802,795
Community amenities		3,790,379	3,829,700	3,811,933
Recreation and culture		809,780	688,600	806,602
Transport		197,580	71,500	596,805
Economic services		1,160,557	1,081,300	1,144,655
Other property and services		79,559	65,000	65,616
		<u>32,676,225</u>	<u>31,864,870</u>	<u>31,030,100</u>
Expenses				
	2(a)			
Governance		(3,036,395)	(3,646,400)	(3,153,736)
General purpose funding		(369,171)	(357,600)	(309,761)
Law, order, public safety		(949,178)	(939,250)	(886,350)
Health		(680,146)	(753,000)	(649,008)
Education and welfare		(2,370,736)	(2,356,200)	(2,382,503)
Community amenities		(4,647,897)	(4,687,800)	(4,619,055)
Recreation and culture		(8,084,114)	(8,174,000)	(8,271,398)
Transport		(5,352,694)	(5,144,200)	(5,169,316)
Economic services		(5,891,945)	(5,958,200)	(6,044,952)
Other property and services		(361,247)	(726,700)	(40,252)
		<u>(31,743,523)</u>	<u>(32,743,350)</u>	<u>(31,526,331)</u>
Finance costs				
	2(a)			
General purpose funding		(274,227)	(278,677)	(291,471)
Community amenities		(10,597)	(11,843)	(15,750)
		<u>(284,824)</u>	<u>(290,520)</u>	<u>(307,221)</u>
		647,878	(1,169,000)	(803,452)
Non-operating grants, subsidies and contributions	30	2,204,087	3,165,000	1,626,227
Profit on disposal of assets	21	37,662	30,000	55,316
(Loss) on disposal of assets	21	(113,700)	(123,100)	(111,808)
Net result		<u>2,775,928</u>	<u>1,902,900</u>	<u>766,283</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	284,069,059	0	403,022
Total other comprehensive income		<u>284,069,059</u>	<u>0</u>	<u>403,022</u>
Total comprehensive income		<u><u>286,844,987</u></u>	<u><u>1,902,900</u></u>	<u><u>1,169,305</u></u>

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

**CITY OF NEDLANDS
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2017**

	NOTE	2017 \$	2016 \$
CURRENT ASSETS			
Cash and cash equivalents	3	11,020,622	13,205,796
Trade and other receivables	4	1,350,282	1,205,845
Inventories	5	14,232	24,674
TOTAL CURRENT ASSETS		<u>12,385,136</u>	<u>14,436,315</u>
NON-CURRENT ASSETS			
Other receivables	4	531,134	489,060
Other financial assets	6	135,676	135,676
Property, plant and equipment	7	347,422,769	65,251,388
Infrastructure	8	133,376,277	127,005,163
TOTAL NON-CURRENT ASSETS		<u>481,465,856</u>	<u>192,881,287</u>
TOTAL ASSETS		<u>493,850,992</u>	<u>207,317,602</u>
CURRENT LIABILITIES			
Trade and other payables	9	2,734,254	2,312,850
Current portion of long term borrowings	10	983,843	939,810
Provisions	11	2,152,832	2,016,197
TOTAL CURRENT LIABILITIES		<u>5,870,929</u>	<u>5,268,857</u>
NON-CURRENT LIABILITIES			
Long term borrowings	10	5,264,174	6,248,017
Provisions	11	324,341	254,167
TOTAL NON-CURRENT LIABILITIES		<u>5,588,515</u>	<u>6,502,184</u>
TOTAL LIABILITIES		<u>11,459,444</u>	<u>11,771,041</u>
NET ASSETS		<u>482,391,548</u>	<u>195,546,561</u>
EQUITY			
Retained surplus		69,877,933	67,624,740
Reserves - cash backed	12	4,516,629	3,993,894
Revaluation surplus	13	407,996,986	123,927,927
TOTAL EQUITY		<u>482,391,548</u>	<u>195,546,561</u>

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

CITY OF NEDLANDS
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2017

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2015		66,718,260	4,134,091	123,524,905	194,377,256
Comprehensive income					
Net result		766,283	0	0	766,283
Changes on revaluation of assets	13	0	0	403,022	403,022
Total comprehensive income		766,283	0	403,022	1,169,305
Transfers from/(to) reserves		140,197	(140,197)	0	0
Balance as at 30 June 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	13	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

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

CITY OF NEDLANDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2017

	NOTE	2017 Actual \$	2017 Budget \$	2016 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		21,777,719	21,347,565	21,014,281
Operating grants, subsidies and contributions		2,502,364	1,955,290	1,958,042
Fees and charges		7,059,374	6,361,700	6,180,076
Service charges		0	0	0
Interest earnings		608,657	683,050	816,756
Goods and services tax		2,073,419	0	1,810,186
Other revenue		513,975	1,000,440	1,223,855
		<u>34,535,508</u>	<u>31,348,045</u>	<u>33,003,196</u>
Payments				
Employee costs		(12,987,387)	(12,757,700)	(12,548,817)
Materials and contracts		(8,946,772)	(10,204,377)	(9,088,378)
Utility charges		(884,569)	(771,012)	(878,650)
Interest expenses		(290,521)	(290,520)	(299,981)
Insurance expenses		(357,782)	(443,500)	(308,917)
Goods and services tax		(2,055,089)	0	(1,883,573)
Other expenditure		(893,347)	(973,368)	(1,315,293)
		<u>(26,415,467)</u>	<u>(25,440,477)</u>	<u>(26,323,609)</u>
Net cash provided by (used in) operating activities	14(b)	<u>8,120,041</u>	<u>5,907,568</u>	<u>6,679,587</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(3,225,979)	(3,118,212)	(4,388,809)
Payments for construction of infrastructure		(8,944,870)	(11,420,957)	(4,964,020)
Non-operating grants, subsidies and contributions		2,204,087	3,165,000	1,626,227
Proceeds from sale of fixed assets		592,067	571,600	209,557
Net cash provided by (used in) investment activities		<u>(9,374,695)</u>	<u>(10,802,569)</u>	<u>(7,517,045)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of debentures		(939,810)	(939,810)	(790,872)
Advances to Community Groups		0	0	(140,000)
Proceeds from self supporting loans		9,290	12,435	9,080
Proceeds from new debentures		0	0	2,122,000
Net cash provided by (used in) financing activities		<u>(930,520)</u>	<u>(927,375)</u>	<u>1,200,208</u>
Net increase (decrease) in cash held		(2,185,174)	(5,822,376)	362,750
Cash at beginning of year		13,205,796	13,205,796	12,843,046
Cash and cash equivalents at the end of the year	14(a)	<u>11,020,622</u>	<u>7,383,420</u>	<u>13,205,796</u>

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

**CITY OF NEDLANDS
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2017**

	NOTE	2017 Actual \$	2017 Budget \$	2016 Actual \$
Net current assets at start of financial year - surplus/(deficit)		6,100,933	6,100,932	5,957,145
		<u>6,100,933</u>	<u>6,100,932</u>	<u>5,957,145</u>
Revenue from operating activities (excluding rates)				
Governance		351,658	507,200	451,184
General purpose funding		1,841,735	1,524,140	1,198,831
Law, order, public safety		495,277	477,800	110,610
Health		120,374	86,100	141,508
Education and welfare		1,783,902	1,750,300	1,802,795
Community amenities		3,790,379	3,829,700	3,811,933
Recreation and culture		809,780	688,600	806,602
Transport		197,580	71,500	596,805
Economic services		1,160,557	1,081,300	1,037,124
Other property and services		117,221	95,000	116,655
		<u>10,668,463</u>	<u>10,111,640</u>	<u>10,074,047</u>
Expenditure from operating activities				
Governance		(3,036,395)	(3,646,400)	(3,153,736)
General purpose funding		(643,398)	(636,276)	(601,232)
Law, order, public safety		(949,178)	(939,250)	(886,350)
Health		(680,146)	(753,000)	(649,008)
Education and welfare		(2,370,736)	(2,356,200)	(2,382,503)
Community amenities		(4,658,494)	(4,699,643)	(4,634,805)
Recreation and culture		(8,084,114)	(8,193,600)	(8,271,398)
Transport		(5,352,694)	(5,144,200)	(5,169,316)
Economic services		(5,891,945)	(5,958,200)	(6,044,952)
Other property and services		(474,947)	(830,200)	(40,252)
		<u>(32,142,047)</u>	<u>(33,156,969)</u>	<u>(31,833,552)</u>
Operating activities excluded from budget				
(Profit) on disposal of assets	21	(37,662)	(30,000)	(55,316)
Loss on disposal of assets	21	113,700	123,100	111,808
Movement in deferred pensioner rates (non-current)		(54,895)	0	(11,183)
Movement in employee benefit provisions (non-current)		70,174	(400)	63,005
Depreciation and amortisation on assets	2(a)	7,029,311	6,822,800	7,072,058
Amount attributable to operating activities		<u>(8,252,022)</u>	<u>(10,028,897)</u>	<u>(8,621,988)</u>
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		2,204,087	3,165,000	1,626,227
Proceeds from disposal of assets	21	592,067	571,600	209,557
Purchase of property, plant and equipment	7(b)	(3,225,979)	(3,118,212)	(4,388,809)
Purchase and construction of infrastructure	8(b)	(8,944,870)	(11,420,957)	(4,964,020)
Amount attributable to investing activities		<u>(9,374,695)</u>	<u>(10,802,569)</u>	<u>(7,517,045)</u>
FINANCING ACTIVITIES				
Advances to community groups		0	0	(140,000)
Repayment of debentures	22(a)	(939,810)	(939,810)	(790,872)
Proceeds from new debentures	22(a)	0	0	2,122,000
Proceeds from self supporting loans		9,290	12,435	9,080
Transfers to reserves (restricted assets)	12	(522,735)	(643,850)	(503,744)
Transfers from reserves (restricted assets)	12	0	2,175,000	643,941
Amount attributable to financing activities		<u>(1,453,255)</u>	<u>603,775</u>	<u>1,340,405</u>
Surplus(deficiency) before general rates		<u>(19,079,973)</u>	<u>(20,227,691)</u>	<u>(14,798,628)</u>
Total amount raised from general rates	23	<u>22,045,424</u>	<u>21,783,230</u>	<u>20,899,560</u>
Net current assets at June 30 c/fwd - surplus/(deficit)	24	<u><u>2,965,451</u></u>	<u><u>1,555,539</u></u>	<u><u>6,100,932</u></u>

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

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) 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. Material accounting policies which have been adopted in the preparation of this financial report are presented below and have been consistently applied unless stated otherwise.

Except for cash flow and rate setting information, the report has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

All Funds through which the City 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 20 to these financial statements.

(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) 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 of changes in value and bank overdrafts.

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

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) **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.

(d) **Inventories**

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.

Land held for sale

Land held for development and sale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development. Finance costs and holding charges incurred after development is completed are expensed.

Gains and losses are recognised in profit or loss at the time of signing an unconditional contract of sale if significant risks and rewards, and effective control over the land, are passed on to the buyer at this point.

Land held for sale is classified as current except where it is held as non-current based on the Council's intentions to release for sale.

(e) **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.

Mandatory requirement to revalue non-current assets

Effective from 1 July 2012, the Local Government (Financial Management) Regulations were amended and the measurement of non-current assets at Fair Value became mandatory.

During the year ended 30 June 2013, the City of Nedlands commenced the process of adopting Fair Value in accordance with the Regulations.

Whilst the amendments initially allowed for a phasing in of fair value in relation to fixed assets over three years, as at 30 June 2015 all non-current assets were carried at Fair Value in accordance with the requirements.

Thereafter, each asset class must be revalued in accordance with the regulatory framework established and the City of Nedlands revalues its asset classes in accordance with this mandatory timetable.

Relevant disclosures, in accordance with the requirements of Australian Accounting Standards, have been made in the financial report as necessary.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Fixed Assets (Continued)

Land under control

In accordance with Local Government (Financial Management) Regulation 16(a)(ii), the City of Nedlands 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.

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 detailed above.

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 of Nedlands 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 detailed above, are carried at cost less accumulated depreciation as management believes this approximates fair value. They will be subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework detailed above.

Revaluation

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 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 of Nedlands.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Fixed Assets (Continued)

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.

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

	Short Life	Long Life
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	
Drainage	16 to 65 yrs	
Roads		
- Pavement	80 to 200 yrs	
- Sub Grade		100,000 yrs
- Top Surface	17 to 29 yrs	
- Surface Water Channel	15 to 65 yrs	
Footpaths	16 to 78 yrs	
Stormwater		
- Pipes	93 to 126 yrs	
- Pits	84 to 120 yrs	
- Plant	107 to 114 yrs	
Transport	16 to 76 yrs	150 yrs
- Bus Shelters	37 to 78 yrs	
- Roundabouts	15 to 78 yrs	
- Street Lights	29.25 yrs	
Parks	16 to 76 yrs	
Parks Reticulation	17 to 76 yrs	

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.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fair Value of Assets and Liabilities

When performing a revaluation, the City of Nedlands uses a mix of both independent and management valuations using the following as a guide:

Fair Value is the price that the City of Nedlands 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.

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 of Nedlands 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 of Nedlands 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.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fair Value of Assets and Liabilities (Continued)

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 of Nedlands 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.

As detailed above, the mandatory measurement framework imposed by the Local Government (Financial Management) Regulations requires, as a minimum, all assets carried at a revalued amount to be revalued in accordance with the regulatory framework.

(g) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the City of Nedlands becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the City of Nedlands 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.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial Instruments (Continued)

Classification and subsequent measurement (continued)

(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) Loans and receivables

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.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturities and fixed or determinable payments that the City of Nedlands 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.

(iv) 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.

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.

(v) Financial liabilities

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

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial Instruments (Continued)

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).

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.

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.

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 of Nedlands no longer has any significant continual involvement in the risks and benefits associated with the asset.

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.

(h) Impairment of Assets

In accordance with Australian Accounting Standards the City of Nedlands's 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 assets such as roads, drains, public buildings and the like, value in use is represented by the depreciated replacement cost of the asset.

(i) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the City of Nedlands prior to the end of the financial year that are unpaid and arise when the City of Nedlands 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.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Employee Benefits

Short-term employee benefits

Provision is made for the City of Nedlands'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 of Nedlands'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 of Nedlands'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 obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The City of Nedlands's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the City of Nedlands 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.

(k) 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.

(l) Provisions

Provisions are recognised when the City of Nedlands 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.

(m) 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 of Nedlands, 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.

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.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Investment in Associates

An associate is an entity over which the City of Nedlands has significant influence. Significant influence is the power to participate in the financial operating policy decisions of that entity but is not control or joint control of those policies. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the City of Nedlands's share of net assets of the associate. In addition, the City of Nedlands's share of the profit or loss of the associate is included in the City of Nedlands's profit or loss.

The carrying amount of the investment includes, where applicable, goodwill relating to the associate. Any discount on acquisition, whereby the City of Nedlands's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the City of Nedlands and the associate are eliminated to the extent of the City of Nedlands's interest in the associate.

When the City of Nedlands's share of losses in an associate equals or exceeds its interest in the associate, the City of Nedlands discontinues recognising its share of further losses unless it has incurred legal or constructive" obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the City of Nedlands will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

(o) Interests in Joint Arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a joint venture and accounted for using the equity method. Refer to note 1(o) for a description of the equity method of accounting.

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The City of Nedlands's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements. Information about the joint ventures is set out in Note

(p) Rates, Grants, Donations and Other Contributions

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

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

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

(q) Superannuation

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

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) 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 of Nedlands's operational cycle. In the case of liabilities where the City of Nedlands 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.

(s) Rounding Off Figures

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

(t) Comparative Figures

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

When the City of Nedlands 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.

(u) Budget Comparative Figures

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

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) 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 of Nedlands.

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 of Nedlands, 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 upon the nature of future transactions the City of Nedlands has with those third parties it has dealing 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 onto their 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 once 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 of Nedlands, the impact is not expected to be significant.

Notes:

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

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) 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: - 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 of Nedlands's operations.

Notes:

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

(w) Adoption of New and Revised Accounting Standards

During the current year, the City of Nedlands 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 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities

[AASB 10, 124 & 1049]

The objective of this Standard was to extend the scope of AASB 124 *Related Party Disclosures* to include not-for-profit sector entities.

The Standard has had a significant disclosure impact on the financial report of the City of Nedlands as both Elected Members and Senior Management are deemed to be Key Management Personnel and resultant disclosures in accordance to AASB 124 have been necessary.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

2. REVENUE AND EXPENSES

	2017	2016
	\$	\$
(a) Net Result		
The Net result includes:		
(i) Charging as an expense:		
Auditors remuneration		
Audit of the Annual Financial Report	23,140	19,060
Audit of Projects	2,272	2,100
Depreciation		
Buildings - non-specialised	72,565	72,565
Buildings - specialised	2,201,578	2,464,206
Furniture and equipment	296,026	323,333
Plant and equipment	826,449	565,207
Infrastructure - Roads	2,382,073	2,391,466
Infrastructure - Drainage	301,710	301,739
Infrastructure - Footpath	206,841	271,592
Infrastructure - Parks, Gardens & Reserves	705,971	633,828
Infrastructure -Street Furniture	36,098	48,122
	<u>7,029,311</u>	<u>7,072,058</u>
Interest expenses (finance costs)		
Debentures (refer Note 22 (a))	284,824	307,221
	<u>284,824</u>	<u>307,221</u>
Rental charges		
- Operating leases		
Photocopier Leases	87,162	97,472
	<u>87,162</u>	<u>97,472</u>
(ii) Crediting as revenue:		
Other revenue		
Other	513,975	680,394
	<u>513,975</u>	<u>680,394</u>
	2017	2017
	Actual	Budget
	\$	\$
Interest earnings		
- Loans receivable - clubs/institutions	3,852	3,900
- Reserve funds	103,049	100,550
- Other funds	309,477	386,100
Other interest revenue (refer note 28)	192,279	192,500
	<u>608,657</u>	<u>683,050</u>
	<u>608,657</u>	<u>683,050</u>

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

In order to discharge its responsibilities to the community, the City of Nedlands has developed a set of operational and financial objectives. These objectives have been established both on an overall basis, reflected by the City of Nedlands's Community Vision, and for each of its broad activities/programs.

COMMUNITY VISION

The City of Nedlands will endeavour to provide the community services and facilities to meet the needs of the members of the community and enable them to enjoy a pleasant and healthy way of life.

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

GOVERNANCE

Objective:

To provide a decision making process for the efficient allocation of scarce resources.

Activities:

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

Objective:

To collect revenue to allow for the provision of services.

Activities:

Rates, general purpose government grants and interest revenue.

LAW, ORDER, PUBLIC SAFETY

Objective:

To provide services to help ensure a safer and environmentally conscious community.

Activities:

Supervision and enforcement of various local laws relating to fire prevention, animal control and other aspects of public safety including emergency services.

HEALTH

Objective:

To provide an operational framework for environmental and community health.

Activities:

Inspection of food outlets and their control, provision of meat inspection services, noise control and waste disposal compliance.

EDUCATION AND WELFARE

Objective:

To provide services to disadvantaged persons, the elderly, children and youth.

Activities:

Maintenance of child minding centre, playgroup centre, senior citizen centre and aged care centre. Provision and maintenance of home and community care programs and youth services.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective (Continued)

HOUSING

Objective:

To provide and maintain elderly residents housing.

Activities:

Provision and maintenance of elderly residents housing.

COMMUNITY AMENITIES

Objective:

To provide services required by the community.

Activities:

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

Objective:

To establish and effectively manage infrastructure and resource which will help the social wellbeing of the community.

Activities:

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

Objective:

To provide safe, effective and efficient transport services to the community.

Activities:

Construction and maintenance of roads, streets, footpaths, depots, cycle ways, parking facilities and traffic control. Cleaning of streets and maintenance of street trees, street lighting etc.

ECONOMIC SERVICES

Objective:

To help promote the shire and its economic wellbeing.

Activities:

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

Objective:

To monitor and control City of Nedlands's overheads operating accounts.

Activities:

Private works operation, plant repair and operation costs and engineering operation costs.

CITY OF NEDLANDS
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2017

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions

Grant/Contribution	Opening Balance ⁽¹⁾ 1/07/15 \$	Received ⁽²⁾ 2015/16 \$	Expended ⁽³⁾ 2015/16 \$	Closing Balance ⁽¹⁾ 30/06/16 \$	Received ⁽²⁾ 2016/17 \$	Expended ⁽³⁾ 2016/17 \$	Closing Balance 30/06/17 \$
Recreation and culture							
DSR-Kidsports Program	0	5,000	(4,164)	836	6,000	(3,035)	3,801
Total	<u>0</u>	<u>5,000</u>	<u>(4,164)</u>	<u>836</u>	<u>6,000</u>	<u>(3,035)</u>	<u>3,801</u>

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.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	Note	2017 \$	2016 \$
3. CASH AND CASH EQUIVALENTS			
Unrestricted		6,500,193	9,211,066
Restricted		<u>4,520,429</u>	<u>3,994,730</u>
		<u><u>11,020,622</u></u>	<u><u>13,205,796</u></u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Plant Replacement Reserve	12	150,197	146,543
City Development Reserve	12	544,970	447,156
North Street Reserve	12	747,733	728,048
Welfare Reserve	12	485,554	469,039
Service Reserve	12	1,107,960	1,078,565
Insurance Reserve	12	61,266	59,720
Waste Management Reserve	12	580,547	469,850
Building Replacement Reserve	12	527,136	471,826
Swanbourne Development Reserve	12	126,241	123,147
Public Art Reserve	12	85,011	0
Business System Reserve	12	100,013	0
Unspent grants	2(c)	3,801	836
		<u><u>4,520,429</u></u>	<u><u>3,994,730</u></u>

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016
	\$	\$
4. TRADE AND OTHER RECEIVABLES		
Current		
Rates outstanding	401,946	189,136
Sundry debtors	403,328	541,910
GST receivable	275,529	293,859
Self Supporting Loan Debtors	15,966	12,435
Prepayments	254,683	169,675
Provision for Impairment in Receivables	(1,170)	(1,170)
	<u>1,350,282</u>	<u>1,205,845</u>
Non-current		
Rates outstanding - pensioners	425,470	370,575
Self Supporting Loan Debtors	105,664	118,485
	<u>531,134</u>	<u>489,060</u>

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

Rates outstanding	<u>401,946</u>	<u>189,136</u>
Includes:		
Past due and not impaired	<u>401,946</u>	<u>189,136</u>
Sundry debtors	<u>403,328</u>	<u>541,910</u>
Includes:		
Past due and not impaired	402,158	540,740
Impaired	<u>1,170</u>	<u>1,170</u>

5. INVENTORIES

Current		
Fuel & Oil	<u>14,232</u>	<u>24,674</u>

6. FINANCIAL ASSETS

Non-current		
Interest in Local Government House Trust	<u>135,676</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.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016
	\$	\$
7 (a). PROPERTY, PLANT AND EQUIPMENT		
Land - freehold land		
- Independent valuation 2017	139,147,000	35,664,000
	<u>139,147,000</u>	<u>35,664,000</u>
Land - vested in and under the control of Council at:		
- Independent valuation 2017	167,231,000	97,000
	<u>167,231,000</u>	<u>97,000</u>
	<u>306,378,000</u>	<u>35,761,000</u>
Buildings - non-specialised at:		
- Independent valuation 2017	1,330,000	945,393
Buildings - non-specialised - Less: accumulated depreciation	0	(162,173)
	<u>1,330,000</u>	<u>783,220</u>
Buildings - specialised at:		
- Independent valuation 2017	51,995,080	65,265,495
Buildings - specialised - Less: accumulated depreciation	(16,100,460)	(40,611,178)
	<u>35,894,620</u>	<u>24,654,317</u>
	<u>37,224,620</u>	<u>25,437,537</u>
Total land and buildings	<u>343,602,620</u>	<u>61,198,537</u>
Furniture and equipment at:		
- Management valuation 2016	5,186,217	5,186,217
- Additions after valuation - cost	144,142	0
Furniture and equipment - Less: accumulated depreciation	(4,555,762)	(4,280,506)
	<u>774,597</u>	<u>905,711</u>
Plant and equipment at:		
- Management valuation 2016	7,570,025	7,570,025
- Additions after valuation - cost	195,243	0
Plant and equipment - Less: accumulated depreciation	(4,719,716)	(4,422,885)
	<u>3,045,552</u>	<u>3,147,140</u>
	<u>347,422,769</u>	<u>65,251,388</u>

The fair value of property, plant and equipment is determined at least every three years in accordance with the regulatory framework. Additions since the date of valuation are shown as cost, given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening 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.

Change in Valuation Methodology

The significant increase in the fair value of land is attributed to the change in valuation methodology based on Accounting Standard AASB 13 Fair Value Measurement. The previous valuation which was conducted in 2013, involved the usage of a discount method to value the City of Nedland's land which are zoned as parks, recreation and public purpose on the basis the land could not be sold.

The current valuation completed by APV valuers has used the cost approach (replacement cost) under the accounting standard i.e. based on what it would cost the City to acquire such land. Accordingly no discount has been applied to the land values which has resulted in the significant movement in the fair value of Land.

CITY OF NEDLANDS
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2017

7. 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.

	Balance at the Beginning of the Year	Additions	(Disposals)	Revaluation Increments/(Decrements) Transferred to Revaluation	Revaluation (Losses)/Reversals Through to Profit or Loss	Depreciation (Expense)	Transfers	Carrying Amount at the End of Year
	\$	\$	\$	\$	\$	\$	\$	\$
Land - freehold	35,664,000	0	0	103,483,000	0	0	0	139,147,000
Land - vested in and under the control of Council	97,000	0	0	167,134,000	0	0	0	167,231,000
Total land	35,761,000	0	0	270,617,000	0	0	0	306,378,000
Buildings - non-specialised	783,220	0	0	619,345	0	(72,565)	0	1,330,000
Buildings - specialised	24,654,317	1,668,102	0	12,832,714	0	(2,201,578)	(1,058,935)	35,894,620
Total buildings	25,437,537	1,668,102	0	13,452,059	0	(2,274,143)	(1,058,935)	37,224,620
Total land and buildings	61,198,537	1,668,102	0	284,069,059	0	(2,274,143)	(1,058,935)	343,602,620
Furniture and equipment	905,711	164,912	0	0	0	(296,026)	0	774,597
Plant and equipment	3,147,140	1,392,965	(668,104)	0	0	(826,449)	0	3,045,552
Total property, plant and equipment	65,251,388	3,225,979	(668,104)	284,069,059	0	(3,396,618)	(1,058,935)	347,422,769

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

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

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016
	\$	\$
8 (a). INFRASTRUCTURE		
Infrastructure - Roads		
- Management valuation 2015	111,413,794	111,413,794
- Additions after valuation - cost	11,381,505	3,456,257
Infrastructure - Roads - Less: accumulated depreciation	<u>(42,908,040)</u>	<u>(40,525,967)</u>
	79,887,259	74,344,084
Infrastructure - Drainage		
- Management valuation 2015	31,275,978	31,275,978
- Additions after valuation - cost	439,206	327,257
Infrastructure - User defined 2 - Less: accumulated depreciation	<u>(7,915,707)</u>	<u>(7,613,997)</u>
	23,799,477	23,989,238
Infrastructure - Footpath		
- Management valuation 2015	20,788,917	20,788,917
- Additions after valuation - cost	557,999	296,551
Infrastructure - User defined 3 - Less: accumulated depreciation	<u>(4,581,656)</u>	<u>(4,374,816)</u>
	16,765,260	16,710,652
Infrastructure - Parks, Gardens & Reserves		
- Management valuation 2015	14,561,359	14,561,359
- Additions after valuation - cost	2,950,966	1,284,993
Infrastructure - User defined 4 - Less: accumulated depreciation	<u>(5,784,941)</u>	<u>(5,078,972)</u>
	11,727,384	10,767,380
Infrastructure -Street Furniture		
- Management valuation 2015	1,752,857	1,752,857
- Additions after valuation - cost	70,147	30,961
Infrastructure - User defined 5 - Less: accumulated depreciation	<u>(626,107)</u>	<u>(590,009)</u>
	1,196,897	1,193,809
	<u>133,376,277</u>	<u>127,005,163</u>

The fair value of infrastructure is determined at least every three years in accordance with the regulatory framework. Additions since the date of valuation are shown as cost. Given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening 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 infrastructure to be shown at fair value.

CITY OF NEDLANDS
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2017

8. 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.

	Balance as at the Beginning of the Year	Additions (Disposals)	Revaluation Increments/ (Decrements) Transferred to Revaluation	Revaluation (Loss)/ Reversal Transferred to Profit or Loss	Depreciation (Expense)	Transfers	Carrying Amount at the End of the Year
	\$	\$	\$	\$	\$	\$	\$
Infrastructure - Roads	74,344,084	6,884,662	0	0	(2,382,073)	1,040,586	79,887,259
Infrastructure - Drainage	23,989,238	111,949	0	0	(301,710)	0	23,799,477
Infrastructure - Footpath	16,710,652	261,449	0	0	(206,841)	0	16,765,260
Infrastructure - Parks, Gardens & Reserves	10,767,380	1,647,624	0	0	(705,971)	18,351	11,727,384
Infrastructure -Street Furniture	1,193,809	39,186	0	0	(36,098)	0	1,196,897
Total infrastructure	127,005,163	8,944,870	0	0	(3,632,693)	1,058,937	133,376,277

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

8. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Date of last Valuation	Inputs used
Infrastructure - Roads	3	Cost Approach	June 2015	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	3	Cost Approach	June 2015	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	3	Cost Approach	June 2015	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	3	Cost Approach	June 2015	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	3	Cost Approach	June 2015	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.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016
	\$	\$
9. TRADE AND OTHER PAYABLES		
Current		
Sundry creditors	2,563,110	1,964,459
Accrued interest on debentures	34,813	40,510
Accrued salaries and wages	59,887	50,046
Deferred Income	0	250,000
ESL Payable	76,444	7,835
	<u>2,734,254</u>	<u>2,312,850</u>

10. LONG-TERM BORROWINGS

Current		
Secured by floating charge		
Debentures	<u>983,843</u>	<u>939,810</u>
Non-current		
Secured by floating charge		
Debentures	<u>5,264,174</u>	<u>6,248,017</u>

Additional detail on borrowings is provided in Note 22.

11. PROVISIONS

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance at 1 July 2016			
Current provisions	1,014,933	1,001,264	2,016,197
Non-current provisions	0	254,167	254,167
	<u>1,014,933</u>	<u>1,255,431</u>	<u>2,270,364</u>
Additional provision	1,153,837	416,063	1,569,900
Amounts used	<u>(1,109,847)</u>	<u>(253,244)</u>	<u>(1,363,091)</u>
Balance at 30 June 2017	<u>1,058,923</u>	<u>1,418,250</u>	<u>2,477,173</u>
Comprises			
Current	1,058,923	1,093,909	2,152,832
Non-current	0	324,341	324,341
	<u>1,058,923</u>	<u>1,418,250</u>	<u>2,477,173</u>

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

12. RESERVES - CASH BACKED

	Actual 2017 Opening Balance	Actual 2017 Transfer to	Actual 2017 (from)	Actual 2017 Closing Balance	Budget 2017 Opening Balance	Budget 2017 Transfer to	Budget 2017 (from)	Budget 2017 Closing Balance	Actual 2016 Opening Balance	Actual 2016 Transfer to	Actual 2016 (from)	Actual 2016 Closing Balance
Plant Replacement Reserve	146,543	3,654	0	150,197	146,177	3,800	(100,000)	49,977	142,447	4,096	0	146,543
City Development Reserve	447,156	97,814	0	544,970	474,393	54,630	(100,000)	429,023	379,852	76,304	(9,000)	447,156
North Street Reserve	728,048	19,685	0	747,733	703,717	18,300	(685,000)	37,017	1,149,527	29,460	(450,939)	728,048
Welfare Reserve	469,039	16,515	0	485,554	468,020	12,170	(40,000)	440,190	456,150	12,889	0	469,039
Service Reserve	1,078,565	29,395	0	1,107,960	1,075,932	27,970	(1,000,000)	103,902	1,047,412	31,153	0	1,078,565
Insurance Reserve	59,720	1,546	0	61,266	59,585	1,550	0	61,135	58,106	1,614	0	59,720
Waste Management Reserve	469,850	110,697	0	580,547	345,157	108,970	0	454,127	157,248	312,602	0	469,850
Building Replacement Reserve	471,826	55,310	0	527,136	471,945	78,270	(250,000)	300,215	619,755	32,071	(180,000)	471,826
Swanbourne Development Reserve	123,147	3,094	0	126,241	122,876	3,190	0	126,066	119,667	3,480	0	123,147
Public Art Reserve	0	85,011	0	85,011	0	85,000	0	85,000	3,927	75	(4,002)	0
Business System Reserve	0	100,013	0	100,013	0	250,000	0	250,000	0	0	0	0
	3,993,894	522,735	0	4,516,629	3,867,802	643,850	(2,175,000)	2,336,652	4,134,091	503,744	(643,941)	3,993,894

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:

Name of Reserve	Anticipated date of use	Purpose of the reserve
Plant Replacement Reserve	2017-18	To fund replacement of plant and equipment so that the cost is spread over to a number of years.
City Development Reserve	On-going	To fund improvement and purchase of property, plant and equipment.
North Street Reserve	On-going	To fund operational and capital costs of community and recreational facilities at Mt Claremont and Swanbourne, and infrastructure generally.
Welfare Reserve	On-going	To fund the operational and capital costs to welfare services.
Service Reserve	On-going	To fund purchase of property, purchase of land and for parking areas, expense of streets depots, town planning schemes, valuation and legal cost, legal cost, items of works of an urgent nature such as drainage.
Insurance Reserve	On-going	To fund any excess that may arise from having a performance based workers compensation premium.
Waste Management Reserve	On-going	To fund replacement of rubbish bin stock so that the cost is spread over number of years.
Building Replacement Reserve	On-going	To fund the upgrade and/or replacement of council buildings.
Swanbourne Development Reserve	On-going	To fund capital works in the Swanbourne area associated with the Swanbourne Masterplan. Set-up in with proceeds of the insurance claim arising from the fire of council property in Swanbourne
Public Art Reserve	On-going	To fund works of art in the City of Nedlands.
Business System Reserve	On-going	To fund council's business system.

CITY OF NEDLANDS
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2017

13. REVALUATION SURPLUS

	2017			2017			2016			2016		
	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Total Movement on Revaluation	Closing Balance	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Total Movement on Revaluation	Closing Balance		
Revaluation surplus - Land - freehold	17,617,418	103,483,000	0	103,483,000	121,100,418	17,617,418	0	0	0	17,617,418		
Revaluation surplus - Land - vested in and under the control of Council	97,000	167,134,000	0	167,134,000	167,231,000	97,000	0	0	0	97,000		
Revaluation surplus - Buildings - non-specialised	(478,961)	619,345	0	619,345	140,384	(478,961)	0	0	0	(478,961)		
Revaluation surplus - Buildings - specialised	10,171,606	12,832,714	0	12,832,714	23,004,320	10,171,606	0	0	0	10,171,606		
Revaluation surplus - Plant and equipment	732,800	0	0	0	732,800	329,778	403,022	0	403,022	732,800		
Revaluation surplus - Infrastructure - Roads	64,710,548	0	0	0	64,710,548	64,710,548	0	0	0	64,710,548		
Revaluation surplus - Infrastructure - Drainage	18,595,307	0	0	0	18,595,307	18,595,307	0	0	0	18,595,307		
Revaluation surplus - Infrastructure - Footpaths	11,461,909	0	0	0	11,461,909	11,461,909	0	0	0	11,461,909		
Revaluation surplus - Infrastructure - Street Furniture	1,020,300	0	0	0	1,020,300	1,020,300	0	0	0	1,020,300		
	123,927,927	284,069,059	0	284,069,059	407,996,986	123,524,905	403,022	0	403,022	123,927,927		

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.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

14. NOTES TO THE STATEMENT OF CASH FLOWS

(a) 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:

	2017	2017	2016
	\$	Budget	\$
		\$	
Cash and cash equivalents	<u>11,020,622</u>	<u>7,383,420</u>	<u>13,205,796</u>
(b) Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	2,775,928	1,902,900	766,283
Non-cash flows in Net result:			
Depreciation	7,029,311	6,828,800	7,072,058
(Profit)/Loss on sale of asset	76,037	93,100	56,491
Changes in assets and liabilities:			
(Increase)/Decrease in receivables	(195,803)	164,952	(63,451)
(Increase)/Decrease in inventories	10,442	(329)	(6,523)
Increase/(Decrease) in payables	677,101	(199,201)	265,253
Increase/(Decrease) in provisions	(250,000)	282,346	(23,352)
Increase/(Decrease) in Accrued interest payable	(5,697)	0	7,240
Increase/(Decrease) in Employess Leave Entitlements	206,809	0	231,815
Grants contributions for the development of assets	<u>(2,204,087)</u>	<u>(3,165,000)</u>	<u>(1,626,227)</u>
Net cash from operating activities	<u>8,120,041</u>	<u>5,907,568</u>	<u>6,679,587</u>
	2017		2016
	\$		\$
(c) Undrawn Borrowing Facilities			
Credit Standby Arrangements			
Bank overdraft limit	500,000		500,000
Bank overdraft at balance date	0		0
Credit & Purchasing card limit	130,000		125,000
Credit & Purchasing card balance at balance date	<u>(3,140)</u>		<u>(1,017)</u>
Total amount of credit unused	<u>626,860</u>		<u>623,983</u>
Loan facilities			
Loan facilities - current	983,843		939,810
Loan facilities - non-current	<u>5,264,174</u>		<u>6,248,017</u>
Total facilities in use at balance date	<u>6,248,017</u>		<u>7,187,827</u>
Unused loan facilities at balance date	<u>NIL</u>		<u>NIL</u>

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

15. CONTINGENT LIABILITIES

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

16. CAPITAL AND LEASING COMMITMENTS	2017	2016
	\$	\$
(a) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	27,688	73,902
- later than one year but not later than five years	160	27,448
- later than five years	0	0
	<u>27,848</u>	<u>101,350</u>

The City of Nedlands did not have any future operating lease commitments at the reporting date.

(b) Capital Expenditure Commitments

Contracted for:		
- capital expenditure projects	2,382,090	2,308,829
- plant & equipment purchases	0	0
	<u>2,382,090</u>	<u>2,308,829</u>
Payable:		
- not later than one year	<u>2,382,090</u>	<u>2,308,829</u>

17. JOINT VENTURE ARRANGEMENTS

The City of Nedlands has no interest in any Controlled Entities, Associated Entities or Joint Ventures.

18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2017	2016
	\$	\$
Governance	310,704,355	35,930,673
Education and welfare	7,955,354	3,108,647
Community amenities	2,153,665	37,405
Recreation and culture	22,179,394	31,888,530
Transport	133,376,277	119,508,498
Other property and services	17,481,947	16,843,844
	<u>493,850,992</u>	<u>207,317,597</u>

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016	2015
19. FINANCIAL RATIOS			
Current ratio	1.35	2.00	2.01
Asset sustainability ratio	1.65	1.29	0.92
Debt service cover ratio	6.44	5.94	10.75
Operating surplus ratio	0.02	(0.03)	0.60
Own source revenue coverage ratio	0.94	0.92	0.98

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	$\frac{\text{own source operating revenue}}{\text{operating expenses}}$

Notes:

Information relating to the **asset consumption ratio** and the **asset renewal funding ratio** can be found at Supplementary Ratio Information on Page 59 of this document.

Three of the 2017 ratios disclosed above were distorted by the early receipt of half of the allocation of the 2017-18 Financial Assistance Grant in June 2017.

The early payment of the grant increased operating revenue in 2017 by \$396,470.

Two of the 2016 and three of the 2015 ratios disclosed above were distorted by the early receipt of half of the allocation of the 2015-16 Financial Assistance Grant on 30 June 2015.

The early payment of the grant increased operating revenue in 2015 and decreased operating revenue in 2016 by \$394,492.

If recognised in the year to which the allocation related, the calculations in the 2017, 2016 and 2015 columns above would be as follows:

	2017	2016	2015
Current ratio	1.27	N/A	1.92
Debt service cover ratio	6.12	6.30	10.27
Operating surplus ratio	0.01	-0.02	0.04

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

20. 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 2016 \$	Amounts Received \$	Amounts Paid (\$)	30 June 2017 \$
Footpath Bonds	1,071,609	635,007	(545,033)	1,161,583
Hall & Key Bond	44,981	4,543	(2,369)	47,155
Tresi Bond & Miscellaneous	8,408	1,200	(2,213)	7,395
Retention for Non Compliance	10,434	30,869	(324)	40,979
Construction Trainig bond	66,750	603,126	(570,521)	99,355
Building Construction bond	190,095	278,511	(238,529)	230,077
Unclaimed Money	51,862	3,734	(6,000)	49,596
Tresillian Artist Sales	1,563	6,174	(6,272)	1,465
Crossover Bnd	6,000	0	0	6,000
Miscellaneous	25,350	0	(4,877)	20,473
Adelma	100,000	0	0	100,000
	<u>1,577,052</u>			<u>1,764,078</u>

21. DISPOSALS OF ASSETS - 2016/17 FINANCIAL YEAR

The following assets were disposed of 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 \$
Plant and Equipment								
Recreation and culture								
Plant and Equipment	38,150	22,000	0	(16,150)	39,600	20,000	0	(19,600)
Other property and services								
Plant and Equipment	236,007	273,669	37,662	0	236,000	266,000	30,000	0
Plant and Equipment	393,947	296,397	0	(97,550)	389,100	285,600	0	(103,500)
	<u>668,104</u>	<u>592,067</u>	<u>37,662</u>	<u>(113,700)</u>	<u>664,700</u>	<u>571,600</u>	<u>30,000</u>	<u>(123,100)</u>

CITY OF NEDLANDS
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2017

22. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal 1 July 2016 \$	New Loans \$	Principal Repayments		Principal 30 June 2017		Interest Repayments	
			Actual	Budget	Actual	Budget	Actual	Budget
General purpose funding								
Road Infrastructures # 179	963,458	0	96,723	96,723	866,735	866,735	55,283	56,029
Buildings & Infrastructures # 181	1,145,627	0	203,059	203,059	942,568	942,568	61,761	63,261
Buildings & Infrastructures # 182	1,334,873	0	218,056	218,056	1,116,817	1,116,817	58,114	58,557
Buildings & Infrastructures # 183	1,486,560	0	147,470	147,470	1,339,090	1,339,090	39,152	39,798
Buildings & Infrastructures # 184	1,287,499	0	118,332	118,332	1,169,167	1,169,167	38,054	38,794
Buildings & Infrastructures # 185	609,344	0	56,004	56,004	553,340	553,340	18,010	18,361
Buildings & Infrastructures # 186	130,920	0	12,435	12,435	118,485	118,485	3,852	3,877
Community amenities								
Waste Bins # 178	229,546	0	87,733	87,733	141,813	141,813	10,597	11,843
	7,056,907	0	927,375	927,375	6,129,532	6,129,530	280,972	286,643
Self Supporting Loans								
General purpose funding								
Buildings & Infrastructures # 186	130,920	0	12,435	12,435	118,485	118,485	3,852	3,877
	130,920	0	12,435	12,435	118,485	118,485	3,852	3,877
	7,187,827	0	939,810	939,810	6,248,017	6,248,015	284,824	290,520

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.

**CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

22. INFORMATION ON BORROWINGS (Continued)

(b) New Debentures - 2016/17

The City of Nedlands did not take up any new debentures during the year ended 30 June 2017.

(c) Unspent Debentures

The City of Ndlands did not have any unspent debentures as at 30 June2017.

(d) Overdraft

The City of Nedlands has not utilised an overdraft facility during the 2016/17 Financial Year, although an overdraft facility of \$500,000 with the National Australia Bank does exist.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

23. RATING INFORMATION - 2016/17 FINANCIAL YEAR

RATE TYPE	Rate in \$	Number of Properties	Rateable 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 value valuations																				
Residential	0.04698	6,159	320,686,130	15,065,834	417,909	22,528	15,506,271	15,044,860	215,500	9,183	15,269,543	215,500	9,183	15,269,543	215,500	9,183	15,269,543	215,500	9,183	15,269,543
Residential Vacant	0.06652	134	7,683,320	511,094	(33,498)	(16,187)	461,410	513,109	12,000	2,429	527,538	12,000	2,429	527,538	12,000	2,429	527,538	12,000	2,429	527,538
Non Residential	0.05860	395	51,856,258	3,038,777	99,020	(942)	3,136,855	3,033,783	6,500	(2,129)	3,038,154	6,500	(2,129)	3,038,154	6,500	(2,129)	3,038,154	6,500	(2,129)	3,038,154
Sub-Total		6,688	380,225,708	18,615,706	483,431	5,399	19,104,536	18,591,752	234,000	9,483	18,835,235	234,000	9,483	18,835,235	234,000	9,483	18,835,235	234,000	9,483	18,835,235
Minimum payment																				
Minimum \$																				
Gross rental value valuations																				
Residential	1360	1,886	43,273,130	2,564,960	25,814	(761)	2,590,013	2,574,480	0	0	2,574,480	0	0	2,574,480	0	0	2,574,480	0	0	2,574,480
Residential Vacant	1793	85	1,758,635	152,405	(22,690)	(4,768)	124,947	148,819	0	0	148,819	0	0	148,819	0	0	148,819	0	0	148,819
Non Residential	1857	121	2,465,300	224,697	1,231	0	225,928	224,697	0	0	224,697	0	0	224,697	0	0	224,697	0	0	224,697
Sub-Total		2,092	47,497,065	2,942,062	4,355	(5,529)	2,940,888	2,947,996	0	0	2,947,996	0	0	2,947,996	0	0	2,947,996	0	0	2,947,996
Discounts/concessions (refer note 27)																				
Total amount raised from general rate																				
Specified Area Rate (refer note 25)																				
Totals																				
		8,780	427,722,773	21,557,768	487,786	(130)	22,045,424	21,539,748	234,000	9,483	21,783,231	234,000	9,483	21,783,231	234,000	9,483	21,783,231	234,000	9,483	21,783,231
							<u>22,045,424</u>				<u>21,783,230</u>			<u>21,783,230</u>			<u>21,783,230</u>			<u>21,783,230</u>
							<u>0</u>				<u>0</u>			<u>0</u>			<u>0</u>			<u>0</u>
							<u>22,045,424</u>				<u>21,783,230</u>			<u>21,783,230</u>			<u>21,783,230</u>			<u>21,783,230</u>

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

24. NET CURRENT ASSETS

Composition of net current assets

	2017	2017	2016
	(30 June 2017 Carried Forward) \$	(1 July 2016 Brought Forward) \$	(30 June 2016 Carried Forward) \$
Surplus/(Deficit) 1 July 16 brought forward	<u>2,965,451</u>	<u>6,100,933</u>	<u>6,100,933</u>
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	6,500,193	9,211,066	9,211,066
Restricted	4,520,429	3,994,730	3,994,730
Receivables			
Rates outstanding	401,946	189,136	189,136
Sundry debtors	403,328	541,908	541,908
GST receivable	275,529	293,859	293,859
Self Supporting Loan Debtors	15,966	12,435	12,435
Prepayments	254,683	169,673	169,673
Provision for Impairment in Receivables	(1,170)	(1,170)	(1,170)
Inventories			
Fuel & Oil	14,232	24,674	24,674
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(2,563,110)	(1,964,459)	(1,964,459)
Accrued interest on debentures	(34,813)	(40,510)	(40,510)
Accrued salaries and wages	(59,887)	(50,046)	(50,046)
Deferred Income	0	(250,000)	(250,000)
ESL Payable	(76,444)	(7,835)	(7,835)
Current portion of long term borrowings			
Secured by floating charge	(983,843)	(939,810)	(939,810)
Provisions			
Provision for annual leave	(1,058,923)	(1,014,933)	(1,014,933)
Provision for long service leave	(1,093,909)	(1,001,264)	(1,001,264)
Unadjusted net current assets	<u>6,514,203</u>	<u>9,167,452</u>	<u>9,167,452</u>
Adjustments			
Less: Reserves - restricted cash	(4,516,629)	(3,993,894)	(3,993,894)
Less: Self Supporting Loan Debtors	(15,966)	(12,435)	(12,435)
Add: Secured by floating charge	983,843	939,810	939,810
Adjusted net current assets - surplus/(deficit)	<u><u>2,965,451</u></u>	<u><u>6,100,933</u></u>	<u><u>6,100,933</u></u>

Difference

There was no difference between the surplus/(deficit) 1 July 2016 brought forward position used in the 2017 audited financial report and the surplus/(deficit) carried forward position as disclosed in the 2016 audited financial report.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

25. SPECIFIED AREA RATE - 2016/17 FINANCIAL YEAR

No specified area rates were imposed by the City of Nedlands during the year ended 2017.

26. SERVICE CHARGES - 2016/17 FINANCIAL YEAR

No service charges were imposed by the City of Nedlands during the year ended 2017.

**27. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS
- 2016/17 FINANCIAL YEAR**

Discounts or Incentives

The City of Nedlands offered no discounts or incentives for the early payment of rates or any other debts to Council during the 2016/17 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.

Concessions

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

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

28. INTEREST CHARGES AND INSTALMENTS - 2016/17 FINANCIAL YEAR

	Interest Rate %	Admin Charge \$	Revenue \$	Budgeted Revenue \$
Interest on unpaid rates	11.00%		75,028	51,000
ESL interest Income	11.00%		6,754	5,500
Interest on instalment plan	5.50%		100,885	126,000
Deferred Rates Interest			9,611	10,000
Charges on instalment plan		45	88,830	88,000
			281,109	280,500

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

29. FEES & CHARGES	2017	2016
	\$	\$
Governance	177,880	83,815
General purpose funding	5,156	0
Law, order, public safety	75,248	83,539
Health	116,821	79,656
Education and welfare	709,813	754,420
Community amenities	3,790,180	3,710,040
Recreation and culture	725,344	694,564
Transport	477,157	616,988
Economic services	931,117	858,363
Other property and services	50,658	43,965
	<u>7,059,374</u>	<u>6,925,350</u>

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

30. GRANT REVENUE

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

By Nature or Type:	2017	2016
	\$	\$
Operating grants, subsidies and contributions		
Governance	4,865	28,740
General purpose funding	1,138,639	362,679
Law, order, public safety	27,631	27,072
Education and welfare	1,073,221	1,045,001
Recreation and culture	51,811	41,953
Transport	107,407	59,802
Economic services	45,220	142,795
	<u>2,448,794</u>	<u>1,708,042</u>
Non-operating grants, subsidies and contributions		
Recreation and culture	677,326	801,700
Transport	1,526,761	824,527
	<u>2,204,087</u>	<u>1,626,227</u>
	<u>4,652,881</u>	<u>3,334,269</u>

31. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

<u>140</u>	<u>149</u>
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32. ELECTED MEMBERS REMUNERATION

The following fees, expenses and allowances were paid to council members and/or the president.

	2017	2017	2016
	\$	Budget	\$
Meeting Fees	293,705	306,800	302,844
Mayor's allowance	62,727	62,700	61,800
Deputy Mayor's allowance	15,682	15,600	15,448
Telecommunications allowance	43,166	45,500	45,501
	<u>415,280</u>	<u>430,600</u>	<u>425,593</u>

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

33. RELATED PARTY TRANSACTIONS

Key Management Personnel (KMP) Compensation Disclosure

	2017
	\$
The total of remuneration paid to KMP of the City of Nedlands during the year are as follows:	
Short-term employee benefits	1,229,804
Post-employment benefits	120,884
Other long-term benefits	53,616
Termination benefits	0
	1,404,304

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 at Note 32.

Post-employment benefits

These amounts are the current-year's estimated cost of providing for the City of Nedlands'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).

Related Parties

The City of Nedlands's main related parties are as follows:

i. Key management personnel

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

ii. Entities subject to significant influence by the City of Nedlands

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.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

33. RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties

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

The following transactions occurred with related parties:

	2017
	\$
Associated companies/individuals:	
Sale of goods and services	0
Purchase of goods and services	0
Joint venture entities:	
Distributions received from joint venture entities	0
Amounts outstanding from related parties:	
Trade and other receivables	0
Loans to associated entities	0
Loans to key management personnel	0
Amounts payable to related parties:	
Trade and other payables	0
Loans from associated entities	0

Note: Transitional provisions contained within AASB 2015-6 do not require comparative related party disclosures to be presented in the period of initial application. As a consequence, only disclosures in relation to the current year have been presented.

34. MAJOR LAND TRANSACTIONS

The City of Nedlands did not participate in any major land transactions during the 2016/17 financial year

35. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The City of Nedlands did not participate in any trading undertaking or major trading undertakings during the 2016/17 financial year.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

36. FINANCIAL RISK MANAGEMENT

The City of Nedlands's activities expose it to a variety of financial risks including price risk, credit risk, liquidity risk and interest rate risk. The City of Nedlands'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 of Nedlands 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 of Nedlands held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2017	2016	2017	2016
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	11,020,622	13,205,796	11,020,622	13,210,301
Receivables	1,881,416	1,694,905	1,881,416	1,618,479
	<u>12,902,038</u>	<u>14,900,701</u>	<u>12,902,038</u>	<u>14,828,780</u>
Financial liabilities				
Payables	2,734,254	2,312,850	2,734,254	2,371,847
Borrowings	6,248,017	7,187,827	4,897,893	6,666,310
	<u>8,982,271</u>	<u>9,500,677</u>	<u>7,632,147</u>	<u>9,038,157</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.
- Financial assets at fair value through profit and loss, available for sale financial assets - based on quoted market prices at the reporting date or independent valuation.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

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

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

	2017	2016
	\$	\$
Impact of a 1% ⁽¹⁾ movement in interest rates on cash		
- Equity	110,206	132,058
- Statement of Comprehensive Income	110,206	132,058

Notes:

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

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

36. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

The City of Nedlands'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 of Nedlands 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 of Nedlands to recover these debts as a secured charge over the land – that is, the land can be sold to recover the debt. The City of Nedlands 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 of Nedlands 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 of Nedlands's credit risk at balance date was:

	2017	2016
Percentage of rates and annual charges		
- Current	51%	47%
- Overdue	49%	53%
Percentage of other receivables		
- Current	47%	59%
- Overdue	53%	41%

CITY OF NEDLANDS
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2017

36. FINANCIAL RISK MANAGEMENT (Continued)
 (c) Payables
 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 of Nedlands 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 of Nedlands's Payables and Borrowings are set out in the Liquidity Sensitivity Table below:

	<u>2017</u>	<u>2016</u>			
	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
Payables	2,734,254	0	0	2,734,254	2,734,254
Borrowings	1,230,330	4,168,181	1,730,537	7,129,048	6,248,017
	<u>3,964,584</u>	<u>4,168,181</u>	<u>1,730,537</u>	<u>9,863,302</u>	<u>8,982,271</u>
Payables	2,312,850	0	0	2,312,850	2,312,850
Borrowings	1,230,330	4,672,383	2,456,666	8,359,379	7,187,827
	<u>3,543,180</u>	<u>4,672,383</u>	<u>2,456,666</u>	<u>10,672,229</u>	<u>9,500,677</u>

CITY OF NEDLANDS
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2017

36. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables
 Borrowings (continued)

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

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

	<1 year	>1<2 years	>2<3 years	>3<4 years	>4<5 years	>5 years	Total	Weighted Average Effective Interest Rate %
	\$	\$	\$	\$	\$	\$	\$	
Year ended 30 June 2017								
Borrowings								
Fixed rate								
Debtentures	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%		
Year ended 30 June 2016								
Borrowings								
Fixed rate								
Debtentures	0	0	229,543	0	1,145,626	5,812,654	7,187,823	16.30%
Weighted average Effective interest rate			8.45%		16.23%	16.62%		

**CITY OF NEDLANDS
SUPPLEMENTARY RATIO INFORMATION
FOR THE YEAR ENDED 30TH JUNE 2017**

37. EVENTS AFTER THE REPORTING PERIOD

There have been no material events after the reporting period which would affect the financial report of the City of Nedlands for the year ended 30 June 2017 or which would require separate disclosure.

38. RATIO INFORMATION

The following information relates to those ratios which only require attestation they have been checked and are supported by verifiable information. It does not form part of the audited financial report.

	2017	2016	2015
Asset consumption ratio	67%	59%	60%
Asset renewal funding ratio	88%	86%	85%

The above ratios are calculated as follows:

Asset consumption ratio	$\frac{\text{depreciated replacement costs of assets}}{\text{current replacement cost of depreciable assets}}$
Asset renewal funding ratio	$\frac{\text{NPV of planning capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$

INDEPENDENT AUDITOR'S REPORT

TO: THE 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 2017, 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 accompanying financial report of the **City of Nedlands** is in accordance with the *Local Government Act 1995* (as amended), including:

- (a) giving a true and fair view of the financial position of the **City of Nedlands** as at 30 June 2017 and of its financial performance for the year then ended; and
- (b) complying with the Australian Accounting Standards (including Australian Accounting Interpretations) and the *Local Government (Financial Management) Regulations 1996* (as amended).

Report on Other Legal and Regulatory Requirements

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

- (a) There are no matters that in our opinion indicate significant adverse trends in the financial position or financial management practices of the Council.
- (b) There are no other matters indicating non-compliance with Part 6 of the *Local Government Act 1995* (as amended), the *Local Government (Financial Management) Regulations 1996* (as amended) or applicable financial controls of any other written law noted during the course of our audit.
- (c) In relation to the asset consumption ratio and asset renewal funding ratio (presented at **Note 38** of the annual financial report) we have reviewed the calculations as presented and nothing has come to our attention to suggest they are not:
 - (i) reasonably calculated; and
 - (ii) based on verifiable information.
- (d) All necessary information and explanations were obtained by us.
- (e) All audit procedures were satisfactorily completed in conducting our audit.



INDEPENDENT AUDITOR'S REPORT (Cont'd)

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.

Information Other than the Financial Report and Auditor's Report Thereon

The management is responsible for the other information. The other information comprises the information included in the Council's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, the *Local Government Act 1995* (as amended) and the *Local Government (Financial Management) Regulations 1996* (as amended) and for such internal controls as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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:




INDEPENDENT AUDITOR'S REPORT (Cont'd)

- 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.

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 2017 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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A MACRI
PARTNER

PERTH
DATED THIS 26TH DAY OF OCTOBER 2017.





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