



City of Nedlands

# ***Minutes***

## ***Audit and Risk Committee Meeting***

***11 October 2012***

**Attention:**

This is a Committee which has only made recommendations to Council. No action should be taken on any recommendation contained in these Minutes. The Council resolution pertaining to an item will be made at the Ordinary Council Meeting next following this meeting.

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## City of Nedlands

**Minutes of a meeting of the Audit and Risk Committee held in the Council Chamber at 71 Stirling Hwy, Nedlands on Thursday 11 October 2012 at 6.00 pm.**

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### **Declaration of Opening**

The Presiding Member declared the meeting open at 6.00 pm and drew attention to the disclaimer below.

(NOTE: Council at its meeting on 24 August 2004 resolved that should the meeting time reach 11.00 p.m. the meeting is to consider an adjournment motion to reconvene the next day).

### **Present and Apologies and Leave Of Absence (Previously Approved)**

<b>Committee Members</b>	Councillor I S Argyle His Worship the Mayor Councillor L J McManus Councillor T James	(Presiding Member) R M Hipkins Coastal Districts Ward Melvista Ward
<b>Observers</b>	Councillor K Walker	Hollywood Ward
<b>Staff</b>	Mr M Cole Mr R Senathrajah	A/Chief Executive Officer Manager Finance
<b>Guests</b>	Mr Anthony Macri & Mr Terry Tan	Macri Partners
<b>Press</b>	The Post Newspaper representative.	
<b>Leave of Absence (Previously Approved)</b>	Nil.	
<b>Apologies</b>	Mr Ken Eastwood	
<b>Absent</b>	Councillor S J Porter Councillor B G Hodsdon	Dalkeith Ward Hollywood Ward

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### **1. Public Question Time**

A member of the public wishing to ask a question should register that interest by notification in writing to the CEO in advance, setting out the text or substance of the question. Questions tabled at the meeting may be unable to be answered due to the requirement for technical research and will therefore be answered direct afterwards.

Questions must relate to a matter contained within the agenda of this meeting.

There were no public questions.

### **2. Addresses By Members of the Public (only for items listed on the agenda)**

Addresses by members of the public who had completed Public Address Session Forms will be invited to be made at this point.

There were no public addresses.

**3. Disclosures of Financial Interest**

The Presiding Member reminded Councillors and Staff of the requirements of Section 5.65 of the *Local Government Act* to disclose any interest during the meeting when the matter is discussed.

There were no disclosures of financial interest.

**4. Disclosures of Interests Affecting Impartiality**

The Presiding Member reminded Councillors and Staff of the requirements of Council's Code of Conduct in accordance with Section 5.103 of the *Local Government Act*.

There were no disclosures affecting impartiality.

**5. Declarations by Members That They Have Not Given Due Consideration to Papers**

Nil.

**6. Confirmation of Minutes**

**6.1 Audit and Risk Committee Meeting 17 July 2012**

Moved – Councillor McManus  
Seconded – Councillor James

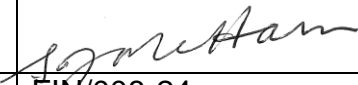
**The minutes of the Audit and Risk Committee held 17 July 2012 are confirmed.**

**CARRIED UNANIMOUSLY 4/-**

**7. Items for Discussion**

Note: Regulation 11(da) of the *Local Government (Administration) Regulations 1996* requires written reasons for each decision made at the meeting that is significantly different from the relevant written recommendation of a committee or an employee as defined in section 5.70, but not a decision to only note the matter or to return the recommendation for further consideration.

**7.1 Financial Report for the year ended 30 June 2012**

<b>Applicant</b>	City of Nedlands
<b>Owner</b>	City of Nedlands
<b>Officer</b>	Rajah Senathirajah – Manager Finance
<b>Director</b>	Shelley Mettam - Acting Director Corporate & Strategy
<b>Director Signature</b>	
<b>File ref.</b>	FIN/008-24
<b>Previous Item No's</b>	Nil
<b>Disclosure of Interest</b>	No officer involved in the preparation of this report had any interest which required it to be declared in accordance with the provisions of the <i>Local Government Act (1995)</i> .

At the invitation of the Presiding Member, Mr A Macri summarised the basis for the Unqualified Audit Report.

**Regulation 11(da) – Not applicable – Recommendation adopted.**

Moved – Councillor James  
 Seconded – Mayor Hipkins

**That the Recommendation to Committee is adopted.**  
 (Printed below for ease of reference)

**CARRIED UNANIMOUSLY 4/-**

**Committee Recommendation / Recommendation to Committee**

**Council**

1. accepts in accordance with the provisions of *Section 5.54 of the Local Government Act 1995*, accepts the Financial Report of the City of Nedlands for the Year ended 30 June 2012 comprising:
  - a. the Financial Report; and
  - b. the Auditor's Report;
2. refers the Financial Report for the year ended 30 June 2012 to the Annual General Meeting of Electors for the City of Nedlands.

## Purpose

To receive the Audited Financial Report for the year ended 30 June 2012, including the Independent Auditor's Report.

## Strategic Plan

KFA 5: Governance

- 5.4 Monitor and review business processes, systems, structure and policies to ensure effective service delivery and organisational performance.
- 5.9 Identify, manage and seek to minimise risk.

## Background

Section 5.53 of the *Local Government Act 1995* requires that a Local Government is to prepare an Annual Report for each financial year. The Annual Report is to contain a report from the Mayor, a report from the Chief Executive Officer, the Financial Report for the Financial Year, the Auditor's Report for the Financial Year, a number of other matters in relation to principal activities and such other information as may be prescribed.

Once received Council is then required by *Section 5.27 of the Local Government Act of 1995* to hold a General Meeting of Electors once every financial year to discuss the contents of the Annual Report for the previous financial year and any other general business.

## Proposal Detail

Attached is the Financial Report for the year ended 30 June 2012 comprising the Financial Report and Independent Auditor's Report.

The Financial Report comprising the Accounts for the year ended 30 June 2012 was completed and submitted to Council's Auditor Macri Partners who completed their audit in September 2012.

## Consultation

Required by legislation: Yes  No

Required by City of Nedlands policy: Yes  No

Not applicable.

## **Legislation**

Sections 5.27, 5.29, 5.53 and 5.54 of the *Local Government Act 1995* respectively deal with the requirement for a General Meeting of Electors each financial year and the requirement for an Annual Report.

## **Budget/Financial Implications**

### **Financial Performance**

In terms of Financial Performance, the City completed the year with an operating surplus of \$1,418,305. This compares with a budgeted operating surplus of \$1,400. The Operating Statement includes all operating revenues and expenses, both cash and non-cash, as well as grants and contributions for acquisition of assets. In terms of setting its rates Council does not budget to raise rates to recover the non-cash costs of depreciation but does budget to generate sufficient operating revenue to fund its capital works program.

There were several significant factors contributing to the favourable variation of actual to budget. The operating revenues, excluding contributions for capital acquisitions, were better than budget by \$1,216,000. The operating expenses show savings of \$1,105,578. Grants and contributions received for capital acquisitions, together with net profit on asset disposals, were below the budget by \$904,672.

The significant reasons for the variances are:

### **Revenue**

1. Operating Grants and Contributions show an improvement over Budget of \$516,595 (32.4%). The main contributor to this variance is the receipt in late June 2012 of \$402,000, being 53% of the operating grant from the WA Grants Commission for 2012/13 financial year.
2. Fees and charges raised were better than budget by \$187,647 (3.1%) due mainly to more than anticipated revenue from parking infringements. Fines by Property Services also contributed to the favourable variance.
3. The City earned \$157,990 more from the investment of funds surplus to its immediate requirements. This was due to a combination of rates being levied earlier (due to the adoption of the Budget in June 2011), better than anticipated interest rates and efficient management of cash flows.
4. Rates levied were \$163,392 (0.99%) more than what was anticipated at the time of Budget adoption. The increase was



due to improvement to properties across the City, resulting in higher Gross Rental Values.

**Operating Expenses**

1. The operating expenses for the year were \$26,567,122 as compared to the Budget of \$27,672,700, an overall ‘savings’ of \$1,105,578 (4 %).
2. Most of the operating expenses were close to budget, with the bulk of the savings coming in the purchase of materials and services (\$849,337). This was partly due to some operating projects being deferred or commencing later in the year.
3. Employee costs were also down by \$159,702 (2 %) compared to the Budget. This was due to staff turnover and the time taken to fill vacant positions.

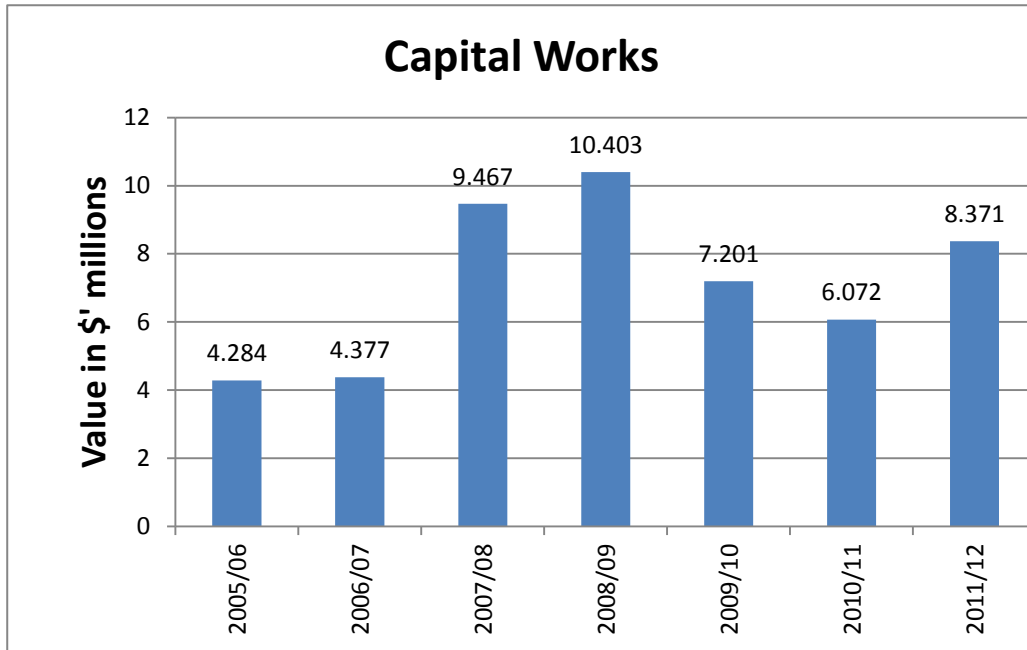
**Capital Works**

During the financial year the City spent \$8.37 million in carrying out its capital works program. The major share of the funds, \$4.76 million, was utilised in improving infrastructure assets –roads, drainage, parks and gardens – with another \$2.62 million used for upgrading and renovating the City’s buildings.

The original capital budget for the year was \$10.13 million. During the mid-year Budget Review this was amended to \$10.71 million. However, a number of projects were not completed during the year and are carried forward to 2012/13. Some of these have been re-budgeted for 2012/13; the funds carried over for the others include:

John Leckie Pavilion (completion)	\$ 300,000
Allan Park Lower Pavillion	\$ 70,000
Nedlands Library	\$ 150,000
Beecham Road (completion)	\$ 545,000
Beaton Park Playground	\$ 100,000
Adams Road	\$ 104,000
Elizabeth Street (2 projects)	\$ 217,000
Broadway/Hampden/Stirling Hwy	<u>\$ 375,000</u>
TOTAL	\$1,861,000

Of the total funds expended, \$1.47 million were from grants and contributions and \$2.2 million were from new borrowings. The balance was made up of operating surplus, sale of plant and depreciation write-back.



### Revaluation of Assets

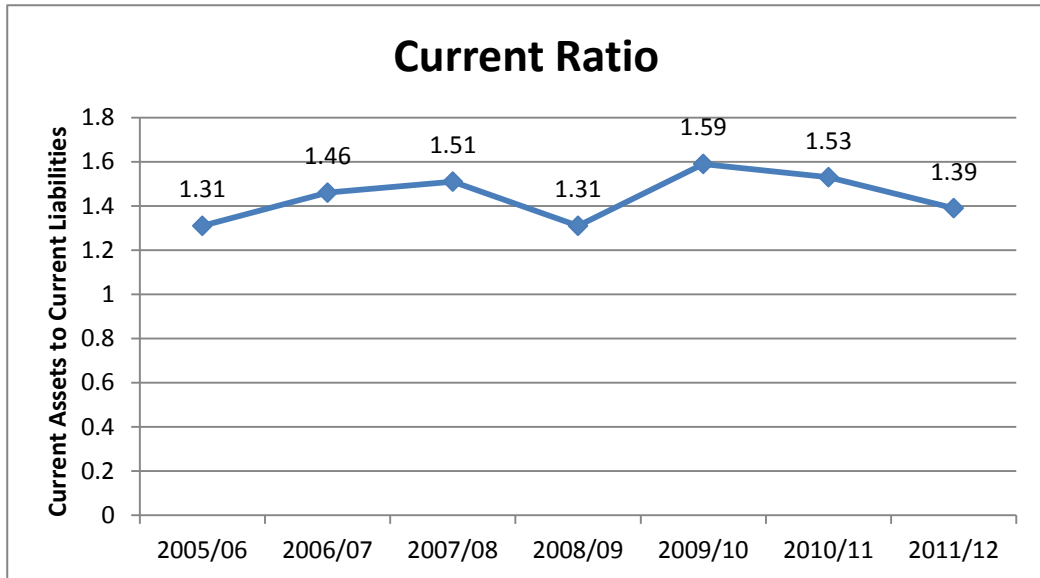
The City's Accounting Policy, as well as the Australian Accounting Standards, requires certain asset classes to be revalued on a regular basis such that the carrying values in the books are not materially different from fair value. Towards the end of 2011/12 financial year the City appointed consultants to assess the fair value of the City's roads network. Their recommendation has been accepted and the relevant asset records amended effective 30 June 2012. The impact of the revaluation is the recognition in Other Comprehensive Income of a notional loss of \$12,681,698, and a corresponding decrease in the Asset Revaluation Reserves.

It is to be noted that the revaluation does not have any impact on the cash position of the City.

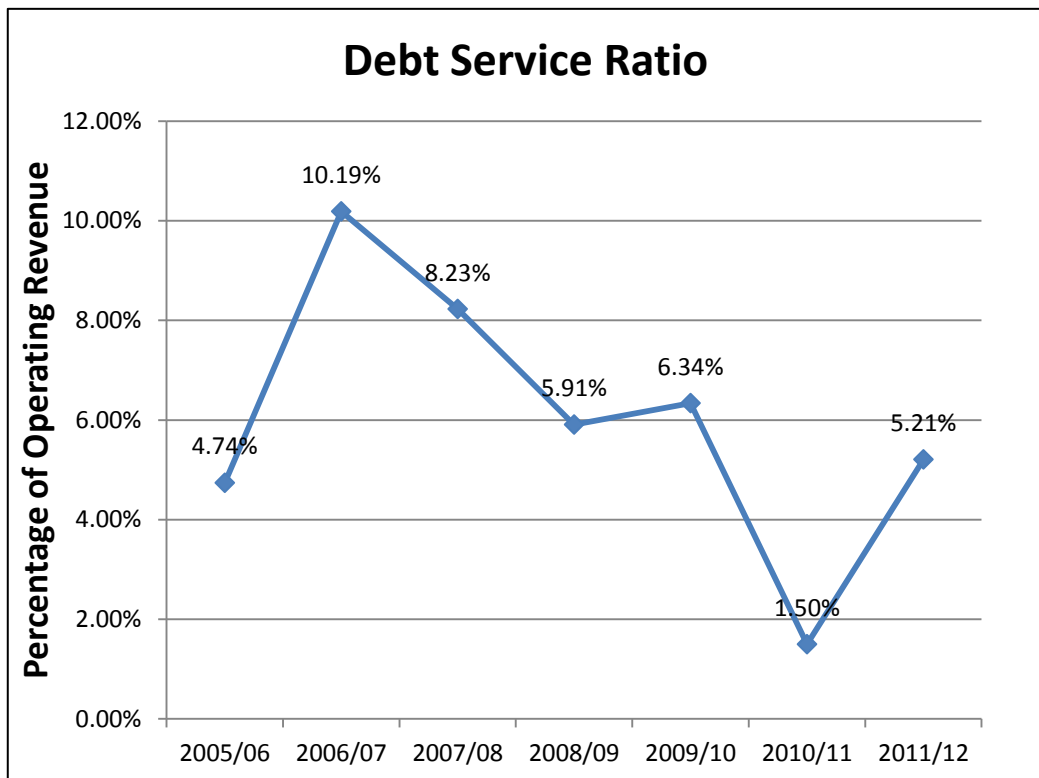
### Financial Performance Indicators

The Financial Ratios in Note 18 to the accounts give an overview of the financial performance of the City in 2011/12 compared with the previous two years. Three of the key indicators are charted below, for the past 7 years.

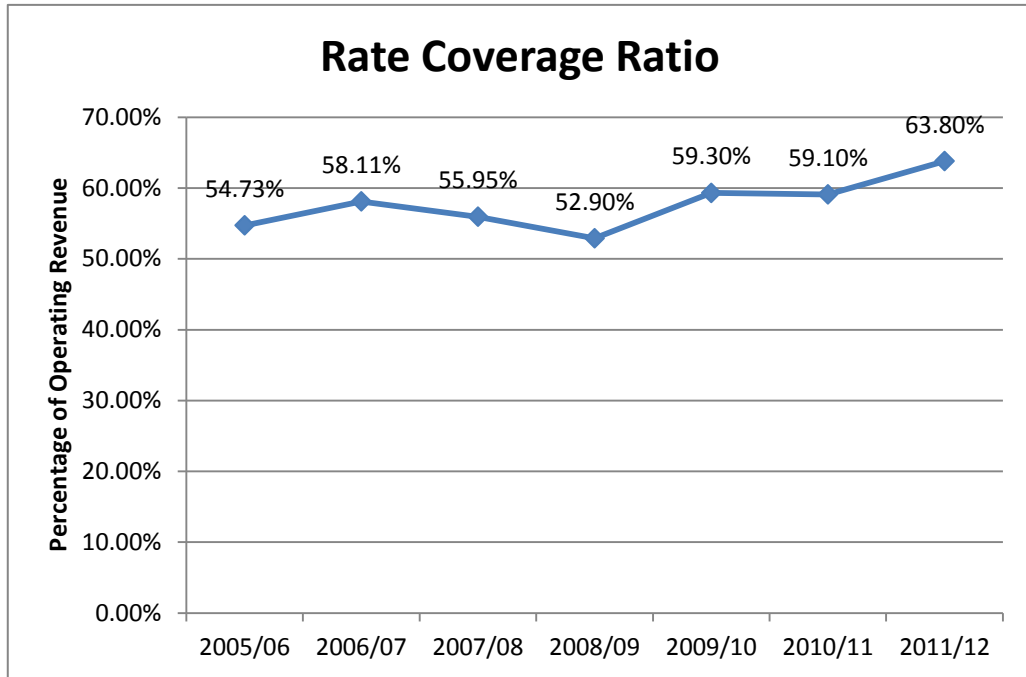
**Current Ratio** - The Current Ratio is a liquidity ratio which indicates the ability of the City to meet its short-term financial obligations out of unrestricted current assets. A ratio greater than 1.00 is preferred. The chart shows that the City has had good liquidity levels of 1.31 to 1.59 over the past 7 years.



**Debt Service Ratio** - The Debt Service Ratio measures the capacity of the City to service its debt (principal and interest, as they become due) out of its available operating revenue. Lending institutions generally prefer debt service ratios of local governments to be not more than 10.5 %. The City's debt service ratio was 5.21 % for 2011/12, and has been below 10.5% for the past 7 years.



**Rate Coverage Ratio** - This ratio is a measure of the City's dependence on rate revenue to fund its operations. The higher the ratio, the less dependent a local government is on grants and external sources to fund its operations. A ratio in the 50% to 60% range is considered healthy for medium sized local governments. The City's Rate Coverage Ratio has increased to 63.8% in 2011/12.



**Audit Report**

The City's Auditor, Macri Partners, has given a standard form unqualified Audit Report for 2011/12.

**Risk Management**

Not applicable.

**Conclusion**

That the Committee recommends to Council the acceptance of the Financial Report for the City of Nedlands for the year ended 30 June 2012 comprising the Financial Report and the Auditor's Report.

**Attachments**

1. Financial Report for the year ended 30 June 2012, incorporating the Independent Audit Report to the Ratepayers of the City.

**8. General Business**

The Acting Chief Executive Officer raised timing of the monthly financial management reports to Council and questioned whether these can come direct to Council. The Committee by consensus agreed that the financial management reports can come direct to Council.

**9. Date of next meeting**

The date of the next meeting of this Committee is to be advised.

**Declaration of Closure**

There being no further business, the Presiding Member declared the meeting closed at 6.30 pm.

**Attachment to Item 1.1**

**Audit & Risk Committee Meeting – 11 October 2012**

**Financial Report for the year ended 30 June 2012**

**CITY OF NEDLANDS**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

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**CITY OF NEDLANDS**

**FINANCIAL REPORT**

**FOR THE YEAR ENDED 30TH JUNE 2012**

**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 other information for the financial year ended 30th June 2012 are in my opinion properly drawn up to present fairly the financial position of the City of Nedlands at 30th June 2012 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 on the

24<sup>th</sup>

day of September

2012



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Michael Cole  
Acting Chief Executive Officer



**CITY OF NEDLANDS**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**BY NATURE OR TYPE**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

	NOTE	2012 \$	2012 Budget \$	2011 \$
<b>Revenue</b>				
Rates	22	16,673,692	16,510,300	15,437,483
Operating Grants, Subsidies and Contributions	27	2,110,895	1,594,300	2,209,034
Fees and Charges	26	6,333,547	6,145,900	5,981,652
Interest Earnings	2(a)	1,214,001	918,800	1,055,723
Other Revenue		125,764	72,600	498,358
		<u>26,457,900</u>	<u>25,241,900</u>	<u>25,182,250</u>
<b>Expenses</b>				
Employee Costs		(9,062,398)	(9,222,100)	(8,525,104)
Materials and Contracts		(9,624,063)	(10,473,400)	(10,061,983)
Utility Charges		(711,933)	(695,000)	(694,691)
Depreciation on Non-Current Assets	2(a)	(5,956,406)	(5,917,000)	(5,667,375)
Interest Expenses	2(a)	(384,167)	(369,100)	(255,576)
Insurance Expenses		(388,059)	(333,800)	(291,474)
Other Expenditure		(440,096)	(662,300)	(540,271)
		<u>(26,567,122)</u>	<u>(27,672,700)</u>	<u>(26,036,474)</u>
		(109,223)	(2,430,800)	(854,224)
Non-Operating Grants, Subsidies and Contributions	27	1,468,030	2,393,200	1,184,449
Profit on Asset Disposals	20	67,596	69,000	145,769
Loss on Asset Disposal	20	(8,098)	(30,000)	(11,707)
		<u>1,418,305</u>	<u>1,400</u>	<u>464,287</u>
<b>Net Result</b>				
<b>Other Comprehensive Income</b>				
Changes on Revaluation of Non-Current Assets		(12,681,698)	-	21,683,357
		<u>(12,681,698)</u>	<u>-</u>	<u>21,683,357</u>
<b>Total Other Comprehensive Income</b>		<u>(12,681,698)</u>	<u>-</u>	<u>21,683,357</u>
<b>Total Comprehensive Income</b>		<u><u>(11,263,393)</u></u>	<u><u>1,400</u></u>	<u><u>22,147,644</u></u>

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 2012**

	NOTE	2012 \$	2012 Budget \$	2011 \$
<b>Revenue</b>				
Governance		187,334	175,000	503,124
General Purpose Funding		18,912,010	18,039,000	17,286,517
Law, Order, Public Safety		70,179	50,400	51,636
Health		45,240	75,000	64,408
Education and Welfare		1,271,194	1,251,600	1,220,627
Community Amenities		4,035,577	4,044,200	3,947,839
Recreation and Culture		684,620	650,200	1,000,774
Transport		435,684	274,700	374,342
Economic Services		801,370	669,800	718,490
Other Property and Services		14,692	12,000	14,492
	2(a)	<u>26,457,900</u>	<u>25,241,900</u>	<u>25,182,249</u>
<b>Expenses</b>				
Governance		(1,740,294)	(1,761,000)	(1,597,520)
General Purpose Funding		(189,891)	(206,300)	(467,075)
Law, Order, Public Safety		(769,801)	(773,400)	(804,761)
Health		(371,971)	(449,700)	(195,082)
Education and Welfare		(2,303,440)	(2,483,500)	(2,228,963)
Community Amenities		(4,787,780)	(5,230,900)	(4,365,197)
Recreation and Culture		(6,567,144)	(6,992,300)	(6,559,503)
Transport		(5,953,874)	(5,683,100)	(5,705,847)
Economic Services		(3,442,230)	(3,038,000)	(3,013,785)
Other Property and Services		(56,531)	(685,400)	(843,165)
	2(a)	<u>(26,182,956)</u>	<u>(27,303,600)</u>	<u>(25,780,898)</u>
<b>Finance Costs</b>				
Transport		-	-	(272)
General Purpose Funding		(384,167)	(369,100)	(255,304)
	2(a)	<u>(384,167)</u>	<u>(369,100)</u>	<u>(255,576)</u>
<b>Non-Operating Grants, Subsidies and Contributions</b>				
Education & Welfare		143,170	166,500	-
Recreation & Culture		520,000	850,000	9,223
Transport		804,860	1,376,700	1,175,226
		<u>1,468,030</u>	<u>2,393,200</u>	<u>1,184,449</u>
<b>Profit/(Loss) on Disposal of Assets</b>				
Transport		59,498	39,000	145,769
Governance		-	-	(11,707)
		<u>59,498</u>	<u>39,000</u>	<u>134,062</u>
<b>Net Result</b>		<u><b>1,418,305</b></u>	<u><b>1,400</b></u>	<u><b>464,287</b></u>
<b>Other Comprehensive Income</b>				
Changes on Revaluation of Non-current Assets		(12,681,698)	-	21,683,357
<b>Total Other Comprehensive Income</b>		<u><b>(12,681,698)</b></u>	<u><b>-</b></u>	<u><b>21,683,357</b></u>
<b>Total Comprehensive Income</b>		<u><u><b>(11,263,393)</b></u></u>	<u><u><b>1,400</b></u></u>	<u><u><b>22,147,644</b></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 2012**

	NOTE	2012 \$	2011 \$
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	3	11,567,629	11,649,263
Trade and Other Receivables	4	893,331	954,182
Inventories	5	31,611	12,539
<b>TOTAL CURRENT ASSETS</b>		<u>12,492,571</u>	<u>12,615,984</u>
<b>NON-CURRENT ASSETS</b>			
Other Receivables	4	305,828	261,190
Property, Plant and Equipment	6	57,950,670	56,108,872
Infrastructure	7	73,048,446	85,461,277
<b>TOTAL NON-CURRENT ASSETS</b>		<u>131,304,944</u>	<u>141,831,339</u>
<b>TOTAL ASSETS</b>		<u>143,797,514</u>	<u>154,447,323</u>
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables	8	2,344,195	2,904,545
Long Term Borrowings	9	1,152,827	917,010
Provisions	10	1,257,100	1,251,732
<b>TOTAL CURRENT LIABILITIES</b>		<u>4,754,122</u>	<u>5,073,287</u>
<b>NON-CURRENT LIABILITIES</b>			
Long Term Borrowings	9	6,009,279	5,049,549
Provisions	10	133,310	160,291
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>6,142,589</u>	<u>5,209,840</u>
<b>TOTAL LIABILITIES</b>		<u>10,896,711</u>	<u>10,283,127</u>
<b>NET ASSETS</b>		<u>132,900,803</u>	<u>144,164,196</u>
<b>EQUITY</b>			
Retained Surplus		60,255,735	59,122,960
Reserves - Cash Backed	11	5,214,390	4,928,860
Reserves - Asset Revaluation	12	67,430,678	80,112,375
<b>TOTAL EQUITY</b>		<u>132,900,803</u>	<u>144,164,196</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 2012**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	ASSET REVALUATION RESERVE \$	TOTAL EQUITY \$
Balance as at 1 July 2010		59,816,711	3,770,822	58,429,019	122,016,552
Net Result		464,287	-	-	464,287
Total Other Comprehensive Income		-	-	21,683,357	21,683,357
Reserve Transfers		(1,158,038)	1,158,038	-	-
<b>Balance as at 30 June 2011</b>		<b>59,122,960</b>	<b>4,928,860</b>	<b>80,112,376</b>	<b>144,164,196</b>
Net Result		1,418,305	-	-	1,418,305
Total Other Comprehensive Expense		-	-	(12,681,698)	(12,681,698)
Reserve Transfers		(285,530)	285,530	-	-
<b>Balance as at 30 June 2012</b>		<b>60,255,735</b>	<b>5,214,390</b>	<b>67,430,678</b>	<b>132,900,803</b>

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 2012**

	NOTE	2012 \$	2012 Budget \$	2011 \$
<b>Cash Flows From Operating Activities</b>				
<b>Receipts</b>				
Rates		16,506,073	16,410,300	15,489,781
Operating Grants, Subsidies and Contributions		2,110,895	1,594,300	1,880,434
Fees and Charges		6,041,865	5,995,900	5,912,565
Interest Earnings		1,214,001	918,800	1,055,723
Other Revenue		639,237	72,600	448,748
		<u>26,512,071</u>	<u>24,991,900</u>	<u>24,787,251</u>
<b>Payments</b>				
Employee Costs		(9,038,796)	(9,222,100)	(8,382,752)
Materials and Contracts		(10,245,020)	(9,923,400)	(10,395,321)
Utility Charges		(711,934)	(695,000)	(694,691)
Insurance Expenses		(388,059)	(333,800)	(291,474)
Interest expenses		(387,848)	(369,100)	(301,602)
Goods and Services Tax		(37,961)	-	(29,718)
Other Expenditure		(440,096)	(662,300)	(540,271)
		<u>(21,249,714)</u>	<u>(21,205,700)</u>	<u>(20,635,829)</u>
<b>Net Cash Provided By (Used In) Operating Activities</b>	13(b)	<u>5,262,361</u>	<u>3,786,200</u>	<u>4,151,422</u>
<b>Cash Flows from Investing Activities</b>				
Payments for Purchase of Property, Plant & Equipment		(3,607,456)	(4,310,100)	(2,557,845)
Payments for Construction of Infrastructure		(4,763,790)	(5,822,700)	(3,514,447)
Non-Operating Grants, Subsidies and Contributions used for the Development of Assets		1,468,030	2,393,200	1,184,449
Proceeds from Sale of Plant & Equipment		363,676	286,000	493,450
		<u>363,676</u>	<u>286,000</u>	<u>493,450</u>
<b>Net Cash Provided By (Used In) Investing Activities</b>		<u>(6,539,540)</u>	<u>(7,453,600)</u>	<u>(4,394,393)</u>
<b>Cash Flows from Financing Activities</b>				
Repayment of Debentures		(1,004,455)	(917,000)	(127,971)
Repayment of Finance Leases		-	-	(7,504)
Proceeds from New Debentures		2,200,000	2,200,000	2,000,000
		<u>2,200,000</u>	<u>2,200,000</u>	<u>2,000,000</u>
<b>Net Cash Provided By (Used In) Financing Activities</b>		<u>1,195,545</u>	<u>1,283,000</u>	<u>1,864,525</u>
<b>Net Increase (Decrease) in Cash Held</b>		(81,634)	(2,384,400)	1,621,554
Cash at Beginning of Year		11,649,263	11,025,500	10,027,708
<b>Cash and Cash Equivalents at the End of the Year</b>	13(a)	<u><u>11,567,629</u></u>	<u><u>8,641,100</u></u>	<u><u>11,649,262</u></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 2012**

	NOTE	2012 Actual \$	2012 Budget \$	2011 Actual \$
<b>Revenue</b>				
Governance		187,334	175,000	503,124
General Purpose Funding		2,238,318	1,528,700	1,849,034
Law, Order, Public Safety		70,179	50,400	51,636
Health		45,240	75,000	64,408
Education and Welfare		1,414,364	1,418,100	1,220,627
Community Amenities		4,035,577	4,044,200	3,947,839
Recreation and Culture		1,204,620	1,500,200	1,009,997
Transport		1,240,544	1,651,400	1,549,568
Economic Services		801,370	669,800	718,490
Other Property and Services		14,692	12,000	14,492
		<u>11,252,238</u>	<u>11,124,800</u>	<u>10,929,215</u>
<b>Expenses</b>				
Governance		(1,740,294)	(1,761,000)	(1,597,520)
General Purpose Funding		(574,058)	(575,400)	(722,379)
Law, Order, Public Safety		(769,801)	(773,400)	(804,761)
Health		(371,971)	(449,700)	(195,082)
Education and Welfare		(2,303,440)	(2,483,500)	(2,228,963)
Community Amenities		(4,787,780)	(5,230,900)	(4,365,197)
Recreation and Culture		(6,567,144)	(6,992,300)	(6,559,503)
Transport		(5,953,874)	(5,683,100)	(5,706,119)
Economic Services		(3,442,230)	(3,038,000)	(3,013,785)
Other Property and Services		(56,531)	(685,400)	(843,165)
		<u>(26,567,123)</u>	<u>(27,672,700)</u>	<u>(26,036,474)</u>
<b>Net Result Excluding Rates</b>		<b>(15,314,885)</b>	<b>(16,547,900)</b>	<b>(15,107,259)</b>
<b>Adjustments for Cash Budget Requirements:</b>				
<b>Non-Cash Expenditure and Revenue</b>				
Movement in Deferred Pensioner Rates (Non-Current)		(44,638)	-	52,298
Movement in Employee Benefit Provisions (Non-Current)		(26,981)	-	49,797
Depreciation and Amortisation on Assets	2(a)	5,956,406	5,917,000	5,667,375
<b>Capital Expenditure and Revenue</b>				
Purchase Land and Buildings		(2,618,188)	(3,260,500)	(1,364,134)
Purchase Infrastructure Assets - Roads		(2,685,895)	(4,786,500)	(2,720,892)
Purchase Infrastructure Assets - Parks & Reserves		(2,077,895)	(1,036,200)	(793,555)
Purchase Plant and Equipment		(630,279)	(724,300)	(980,599)
Purchase Furniture and Equipment		(358,989)	(325,300)	(213,113)
Proceeds from Disposal of Assets	20	363,676	286,000	493,450
Repayment of Debentures	21(a)	(1,004,455)	(917,000)	(135,475)
Proceeds from New Debentures	21	2,200,000	2,200,000	2,000,000
Transfers to Reserves (Restricted Assets)	11	(285,530)	(800,000)	(1,873,026)
Transfers from Reserves (Restricted Assets)	11	-	1,600,000	715,000
ADD Estimated Surplus/(Deficit) July 1 B/Fwd	22(b)	3,530,847	1,920,900	2,303,497
LESS Estimated Surplus/(Deficit) June 30 C/Fwd	22(b)	3,676,886	36,500	3,530,847
<b>Amount Required to be Raised from Rates</b>	<b>22(a)</b>	<b><u>(16,673,692)</u></b>	<b><u>(16,510,300)</u></b>	<b><u>(15,437,483)</u></b>

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 2012**

**1. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies which have been adopted in the preparation of this financial report are:

**(a) Basis of Preparation**

The financial report is a general purpose financial statement which has 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.

Except for cash flow and rate setting information, the report has also been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of the 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.

**(b) The Local Government Reporting Entity**

All Funds through which the Council 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, but a separate statement of those monies appears at Note 19 to these financial statements.

**(c) Goods and Services Tax**

Revenues, expenses and assets capitalised are stated net of any GST recoverable.

Receivables and payables in the statement of financial position are stated inclusive of applicable GST. 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.

**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(d) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, cash at bank, deposits held at call with banks, other short term highly liquid investments with maturities 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 shown as short term borrowings in current liabilities in the statement of financial position.

**(e) Trade and Other Receivables**

Collectibility 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.

**(f) 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 Resale***

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

Revenue arising from the sale of property is recognised in the statement of comprehensive income as at the time of signing an unconditional contract of sale.

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

**(g) Fixed Assets**

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

***Initial Recognition***

All assets are initially recognised at cost. 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 Council includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in the statement of comprehensive income in the period in which they are incurred.



**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(g) Fixed Assets (Continued)**

***Revaluation***

Certain asset classes may be revalued on a regular basis such that the carrying values are not materially different from fair value. For infrastructure and other asset classes where no active market exists, fair value is determined to be the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset.

Increases in the carrying amount arising on revaluation of assets are credited to a revaluation surplus in equity. Decreases that offset previous increases in the same asset are recognised against revaluation surplus directly in equity. All other decreases are recognised as profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Those assets carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses, are to be revalued with sufficient regularity to ensure the carrying amount does not differ materially from that determined using fair value at reporting date.

***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 AASB1051 - 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 Council.

***Depreciation of Non-Current Assets***

All non-current assets having a limited useful life (excluding freehold land) are separately and systematically depreciated over their useful lives in a manner which reflects the consumption of the future economic benefits embodied in those assets.

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time the asset is completed and held ready for use.

**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(g) Fixed Assets (Continued)**

***Depreciation of Non-Current Assets (Continued)***

Depreciation is recognised on a straight-line basis, using rates which are reviewed each reporting period. Major depreciation periods are:

Buildings	40 years
Furniture and Equipment	4 to 10 years
Plant and Equipment	5 to 15 years
Sealed roads and streets	
formation	not depreciated
pavement	50 years
seal	
- bituminous seals	20 years
- asphalt surfaces	20 years
Gravel roads	
formation	not depreciated
pavement	50 years
gravel sheet	12 years
Formed roads	
formation	not depreciated
pavement	50 years
Footpaths - slab	20 years
Sewerage piping	100 years
Water supply piping and drainage systems	75 years

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. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

***Capitalisation Threshold***

Expenditure on items of equipment under \$1,000 is not capitalised. Rather, it is recorded on an asset inventory listing.

**(h) Financial Instruments**

***Initial Recognition and Measurement***

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Council commits itself to either the purchase or sale of the asset (ie 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.

**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(h) Financial Instruments (Continued)**

***Classification and Subsequent Measurement***

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

Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

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;
- (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; and
- (d) less any reduction for impairment.

The effective interest rate 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.

***(i) Financial assets at fair value through profit and loss***

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. 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.

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 and fixed maturities that the Council's management has the positive intention and ability to hold to maturity. They are subsequently measured at amortised cost.

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.

**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(h) Financial Instruments (Continued)**

***Classification and Subsequent Measurement (Continued)***

***(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.

They are subsequently measured at fair value with changes in such fair value (ie 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 the 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 financial assets are classified as non-current.

***(v) Financial liabilities***

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

***Impairment***

At the end of each reporting period, the Council assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified into profit or loss at this point.

***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 Council no longer has any significant continued involvement in the risks and benefits associated with the asset.

Financial liabilities are derecognised where the related obligations are discharged, cancelled or expire. 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.

**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(i) Impairment**

In accordance with Australian Accounting Standards the Council'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 (eg AASB 116). 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.

**(j) Trade and Other Payables**

Trade and other payables represent liabilities for goods and services provided to the Council prior to the end of the financial year that are unpaid and arise when the Council becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

**(k) Employee Benefits**

Provision is made for the Council's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for the benefits. In determining the liability, consideration is given to the employee wage increases and the probability the employee may not satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity matching the expected timing of cash flows.

**(l) 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.

**(m) Provisions**

Provisions are recognised when:

- a) the Council has a present legal or constructive obligation as a result of past events;
- b) for which it is probable that an outflow of economic benefits will result; and
- c) 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.

**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(n) 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 Council, 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.

**(o) Joint Venture**

The Council's interest in a joint venture has been recognised in the financial statements by including its share of any assets, liabilities, revenues and expenses of the joint venture within the appropriate line items of the financial statement. The Council has no joint ventures.

**(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 operation for the current reporting period.

**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(q) Superannuation**

The Council contributes to a number of superannuation funds on behalf of employees. All funds to which the Council contributes are defined contribution plans.

**(r) Events after the Reporting Period**

The Australian Government passed the Clean Energy Act 2011 on 8 November 2011 introducing a carbon pricing mechanism from 1 July 2012.

The Council does not have a direct carbon price liability as it does not fall within the "Major Polluters" as defined by the Australian Government. It will be impacted by the indirect flow-through of the carbon price via increased costs on its operations largely from costs increases in electricity, materials and waste disposal in landfills.

**(s) 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 Council's operational cycle. In the case of liabilities where the Council 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 resale where it is held as non-current based on Council's intentions to release for sale.

**(t) Rounding Off Figures**

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

**(u) Comparative Figures**

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

**(v) Budget Comparative Figures**

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

**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(w) New Accounting Standards and Interpretations for Application in Future Periods**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Council for the annual reporting period ending 30 June 2012.

Council's assessment of these new and amended standards and interpretations is set out below:

<b>Title and Topic</b>	<b>Issued</b>	<b>Applicable (*)</b>	<b>Impact</b>
(i) AASB 9 – Financial Instruments	December 2009	01 January 2013	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 Council, it is not anticipated the standard will have any material effect.
(ii) AASB 1053 - Application of Tiers of Australian Accounting Standards	June 2010	01 July 2013	Nil - Due to its nature and statutory requirements the Council will be deemed a Tier 1 entity and will continue to prepare general purpose financial statements.
(iii) AASB 2009– 11 Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12)	December 2009	01 January 2013	Nil – The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material



**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(w) New Accounting Standards and Interpretations for Application in Future Periods (Continued)**

Title and Topic	Issued	Applicable (*)	Impact
(iv) AASB 2010 - 2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050, & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052]	June 2010	01 July 2013	Nil - None of these amendments will have any effect on the financial report as the standard does not apply in the case of general purpose financial statements.
(v) AASB 2010 – 7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	December 2010	01 January 2013	Nil – The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above).
(vi) AASB 2010 - 8 Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets [AASB 112]	December 2010	01 January 2012	Nil - None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.

**CITY OF NEDLANDS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2012**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(w) New Accounting Standards and Interpretations for Application in Future Periods (Continued)**

Title and Topic	Issued	Applicable (*)	Impact
(vii) AASB 2010 - 10 Further Amendments to Australian Accounting Standards - Removal of Fixed Dates for First-time Adopters [AASB 2009 - 11 & 2010 - 7]	December 2010	01 January 2013	Nil - None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
AASB 2011 - 2 Amendments to Australian Accounting Standards - Arising from the Trans-Tasman Consequence Project - Reduced Disclosure Requirements. [AASB 101 & 1054]	May 2011	01 July 2013	
AASB 2011 - 3 Amendments to Australian Accounting Standards - Orderly Adoption of Changes to ABS GFS manual and related Amendments. [AASB 1049]	May 2011	01 July 2012	
AASB 2011 - 6 Amendments to Australian Accounting Standards - Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation - Reduced Disclosure Requirements [AASB 127, 128 & 131]	July 2011	01 July 2013	

**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(w) New Accounting Standards and Interpretations for Application in Future Periods (Continued)**

Title and Topic	Issued	Applicable (*)	Impact
(viii) AASB 10 - Consolidated Financial Statements, AASB 11 - Joint Arrangements, AASB 12 - Disclosure of Interests in Other Entities, AASB 127 - Separate Financial Statements, AASB 128 - Investments in Associates and Joint Ventures, AASB 2011 - 7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]	August 2011	01 January 2013	Nil - None of these, except for AASB 128, as Council has no joint ventures.

**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(w) New Accounting Standards and Interpretations for Application in Future Periods (Continued)**

Title and Topic	Issued	Applicable (*)	Impact
(ix) AASB 13 - Fair Value Measurement, AASB 2011 - 8 Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132]	September 2011	01 January 2013	AASB 13 defines fair value, establishes a framework for measuring fair value and requires disclosures about fair value measurements. AASB 13 requires inputs to all fair value measurements to be categorised in accordance with fair value hierarchy. AASB 13 also requires enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) measured at fair value. AASB 13 will have particular relevance to the process of the Council adopting fair value methodology in relation to its fixed assets as mandated from 1 July 2012. Apart from the changes in value in relation to assets to be revalued (which are mandated by legislation and not changes to the standard) it is not expected to significantly impact the Council as the framework embodied in AASB 13 does not differ significantly from that which is present in existing standards. The amendments to the legislation requires the phasing in of fair value in relation to fixed assets over the three years from 1 July 2012. It is not possible to estimate the likely amount of any revaluations.
(x) AASB 2011 - 9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	September 2011	01 July 2013	The main change embodied in this standard is the requirement to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently. It effects presentation only and is not expected to significantly impact the Council.

**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(w) New Accounting Standards and Interpretations for Application in Future Periods (Continued)**

Title and Topic	Issued	Applicable (*)	Impact
(xi) AASB 119 - Employee Benefits, AASB 2011 - 10 Amendments to Australian Accounting Standards arising from AASB 119 [AASB 1, 8, 101, 124, 134, 1049 & 2011-8 and Interpretation 14]	September 2011	01 January 2013	The changes in relation to defined benefit plans contained in this standard are not expected to significantly impact the Council nor are the changes to AASBs in relation to termination benefits.
(xii) AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements	September 2011	01 July 2013	Nil – None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
AASB 2011 – 12 Amendments to Australian Accounting Standards arising from Interpretation 20 [AASB 1]	November 2011	01 January 2013	
AASB 2011 – 13 Amendments to Australian Accounting Standards – Improvements to AASB 1049	December 2011	01 July 2012	

Notes:

(\*) 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 2012**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(x) Adoption of New and Revised Accounting Standards**

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

These new and revised standards were:

AASB 124  
AASB 1054  
AASB 2009 - 12  
AASB 2009 - 14  
AASB 2010 - 4  
AASB 2010 - 5  
AASB 2010 - 6  
AASB 2010 - 9  
AASB 2011 - 1

The standards adopted had a minimal effect on the accounting and reporting practices of the Council as they were either largely editorial in nature, were revisions to help ensure consistency with presentation, recognition and measurement criteria of IFRSs or related to topics not relevant to operations.

**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

<b>2. REVENUE AND EXPENSES</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Net Result</b>		
The Net Result includes:		
(i) Charging as an Expense:		
<b>Auditors Remuneration</b>		
- Audit	12,400	17,140
<b>Depreciation</b>		
Buildings	567,479	378,309
Furniture and Equipment	242,836	306,425
Plant and Equipment	651,165	651,178
Roads	3,390,438	3,306,904
Footpaths	417,157	392,573
Drainage	197,536	194,170
Parks, Gardens & Reserves	477,494	437,816
Street Furniture	12,301	-
	<u>5,956,406</u>	<u>5,667,375</u>
<b>Interest Expenses (Finance Costs)</b>		
Debentures ( <i>refer Note 21(a)</i> )	384,167	255,576
	<u>384,167</u>	<u>255,576</u>
<b>Rental Charges</b>		
- Operating Leases	98,425	39,358
	<u>98,425</u>	<u>39,358</u>
(ii) Crediting as Revenue:		
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>Interest Earnings</b>		
Investments		
- Reserve Funds	285,529	230,000
- Other Funds	754,189	653,928
Other Interest Revenue ( <i>refer note 25</i> )	174,283	171,583
	<u>1,214,001</u>	<u>1,055,723</u>
	<u>918,800</u>	<u>1,055,723</u>

**CITY OF NEDLANDS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2012**

**2. REVENUE AND EXPENSES (Continued)**

**(b) Statement of Objective**

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

Council operations as disclosed in this report 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, the administrative support available to the

**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

**HEALTH**

**Objective:** To provide services that will ensure a healthy environment.

**Activities:** Regulation and monitoring of food premises, and management of pest control.

**EDUCATION AND WELFARE**

**Objective:** To provide services that will assist the elderly to enjoy meaningful, independent living

**Activities:** Home and Community Care (HACC) services, Meals on Wheels, Seniors' activities and

**COMMUNITY AMENITIES**

**Objective:** To provide services required by the community.

**Activities:** Rubbish collection services, operation of rubbish disposal sites, litter control,

**REVENUE AND EXPENSES (Continued)**

**Statement of Objective (Continued)**



## **RECREATION AND CULTURE**

**Objective:** To establish and effectively manage infrastructure and resources which will help the

**Activities:** Maintenance of public halls, civic centre, beaches, recreation centres and various  
Operation of library, and facilitating of cultural activities.

## **TRANSPORT**

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

**Activities:** Construction and maintenance of roads, streets, footpaths, depots, cycleways, parking

## **ECONOMIC SERVICES**

**Objective:** To help promote the City and it's economic wellbeing.

**Activities:** Maintenance of the City's buildings and natural areas. Building control.

## **OTHER PROPERTY AND SERVICES**

**Objective:** To monitor and control council's overheads operating accounts.

**Activities:** Private works operation, plant repair and operation costs and infrastructure services

**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

**2. REVENUE AND EXPENSES (Continued)**

Grant/Contribution	Function/ Activity	Opening		2010/11		2011/12		Closing Balance 30-Jun-12 \$
		Balance (*) 1-Jul-10 \$	Balance (*) 30-Jun-11 \$	Received (+) 2010/11 \$	Expended (#) 2010/11 \$	Received (+) 2011/12 \$	Expended (#) 2011/12 \$	
Community Development	Grants Operation	-	4,500	34,046	(29,546)	-	(4,500)	-
Natural Areas	Bushcare	35,030	4,759	103,948	(134,219)	-	(4,759)	-
Office of Crime Prevention	Graffiti	-	15,386	15,386	-	-	(15,386)	-
Swan River Trust	River Wall	-	250,000	250,000	-	-	(250,000)	-
Dept of Sports	Sports for Kids	-	-	-	-	30,000	(4,400)	25,600
Office of Crime Prevention	Boatsafe	-	-	-	-	2,500	-	2,500
<b>Total</b>		<b>35,030</b>	<b>274,645</b>	<b>403,380</b>	<b>(163,765)</b>	<b>32,500</b>	<b>(279,045)</b>	<b>28,100</b>

**Notes:**

(\*) - Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous reporting period.

(+) - 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.

(#) - 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 2012**

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>3. CASH AND CASH EQUIVALENTS</b>		
Unrestricted	5,679,139	5,182,836
Restricted	5,888,490	6,466,427
	<u>11,567,629</u>	<u>11,649,263</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Plant Replacement Reserve	219,815	207,488
City Development Reserve	1,488,358	1,405,919
North St Reserve	1,073,224	1,014,393
Welfare Reserve	392,435	370,047
Services Reserve	1,201,202	1,137,417
Insurance Reserve	51,745	48,843
Waste Management Infrastructure Reserve	139,999	131,942
Building Replacement Reserve	541,074	512,405
Swanbourne Reserve	106,539	100,407
Adelma Account	-	101,481
Bonds and Deposits	-	1,161,440
Unspent Loans	646,000	-
Unspent Grants	28,100	274,645
	<u>5,888,490</u>	<u>6,466,427</u>
<b>4. TRADE AND OTHER RECEIVABLES</b>		
<b>Current</b>		
Rates Outstanding	341,200	218,220
Sundry Debtors	308,389	497,199
Less: Provision for Doubtful Debts	(11,473)	(11,473)
Other Receivables	-	32,981
GST Receivable	255,215	217,255
	<u>893,331</u>	<u>954,182</u>
<b>Non-Current</b>		
Rates Outstanding - Pensioners	305,828	261,190
	<u>305,828</u>	<u>261,190</u>
<b>5. INVENTORIES</b>		
<b>Current</b>		
Fuel and Oil	31,611	12,539
	<u>31,611</u>	<u>12,539</u>

**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

	2012	2011
	\$	\$
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>		
Land - Fair Value	29,344,000	29,344,000
Buildings - Fair Value	25,308,188	22,690,000
Less Accumulated Depreciation	<u>(567,479)</u>	<u>-</u>
	24,740,709	22,690,000
Furniture and Equipment - Cost	3,963,782	3,604,793
Less Accumulated Depreciation	<u>(3,040,400)</u>	<u>(2,797,564)</u>
	923,382	807,229
Plant and Equipment - Cost	5,353,637	5,289,888
Less Accumulated Depreciation	<u>(2,411,058)</u>	<u>(2,022,245)</u>
	2,942,579	3,267,643
	<u>57,950,670</u>	<u>56,108,872</u>

CITY OF NEDLANDS  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
 FOR THE YEAR ENDED 30TH JUNE 2012

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements in Carrying Amounts

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

	Land	Buildings	Furniture & Equipment	Plant & Equipment	Total
	\$	\$	\$	\$	\$
Balance as at the beginning of the year	29,344,000	22,690,000	807,229	3,267,643	56,108,872
Additions	-	2,618,188	358,989	630,279	3,607,456
(Disposals)	-	-	-	(304,178)	(304,178)
Depreciation (Expense)	-	(567,479)	(242,836)	(651,165)	(1,461,480)
<b>Carrying amount at the end of year</b>	<b><u>29,344,000</u></b>	<b><u>24,740,709</u></b>	<b><u>923,382</u></b>	<b><u>2,942,579</u></b>	<b><u>57,950,670</u></b>

**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

	2012	2011
	\$	\$
<b>7. INFRASTRUCTURE</b>		
Roads - Fair Value	50,693,331	68,125,312
Less Accumulated Depreciation	<u>-</u>	<u>(3,363,328)</u>
	50,693,331	64,761,984
Footpaths - Cost	8,504,455	8,343,155
Less Accumulated Depreciation	<u>(2,465,579)</u>	<u>(2,048,422)</u>
	6,038,876	6,294,733
Drainage - Fair Value	7,567,491	7,048,341
Less Accumulated Depreciation	<u>(391,705)</u>	<u>(194,170)</u>
	7,175,786	6,854,171
Parks - Cost	9,332,734	7,254,839
Less Accumulated Depreciation	<u>(1,806,422)</u>	<u>(1,443,680)</u>
	7,526,312	5,811,159
Reticulation - Cost	2,295,040	2,295,040
Less Accumulated Depreciation	<u>(793,566)</u>	<u>(678,814)</u>
	1,501,474	1,616,226
Street Furniture - Cost	242,799	240,836
Less Accumulated Depreciation	<u>(130,132)</u>	<u>(117,832)</u>
	112,667	123,004
Grand Total	<u><u>73,048,446</u></u>	<u><u>85,461,277</u></u>

Council have adopted a policy of re-valuing with sufficient regularity to ensure the carrying amount of each road asset is fairly stated at reporting date. The valuation was last carried out at 30 June 2012.

This policy also accords with AASB 116.

Rights of Ways have been classified with Roads to be consistent with the valuation carried out.

CITY OF NEDLANDS  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
 FOR THE YEAR ENDED 30TH JUNE 2012

7. INFRASTRUCTURE (Continued)

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.

	Roads \$	Footpaths \$	Drainage \$	Parks \$	Reticulation \$	Street Furniture \$	Total \$
Balance at the beginning of the year	64,761,984	6,294,734	6,854,172	5,811,159	1,616,226	123,005	85,461,280
Additions	2,003,483	161,299	519,150	2,077,895	-	1,963	4,763,790
Revaluation - (Decrements)	(12,681,698)	-	-	-	-	-	(12,681,698)
Depreciation (Expense)	(3,390,438)	(417,157)	(197,536)	(362,742)	(114,752)	(12,301)	(4,494,926)
<b>Carrying amount at the end of year</b>	<b>50,693,331</b>	<b>6,038,876</b>	<b>7,175,786</b>	<b>7,526,312</b>	<b>1,501,474</b>	<b>112,667</b>	<b>73,048,446</b>

**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

	2012	2011
	\$	\$
<b>8. TRADE AND OTHER PAYABLES</b>		
<b>Current</b>		
Sundry Creditors	1,966,154	1,406,598
Bonds and Deposits	-	1,161,440
Accrued Interest on Debentures	47,976	51,657
Accrued Salaries and Wages	330,065	284,850
	<u>2,344,195</u>	<u>2,904,545</u>
<b>9. LONG-TERM BORROWINGS</b>		
<b>Current</b>		
Secured by Floating Charge Debentures	1,152,827	917,010
	<u>1,152,827</u>	<u>917,010</u>
<b>Non-Current</b>		
Secured by Floating Charge Debentures	6,009,279	5,049,549
	<u>6,009,279</u>	<u>5,049,549</u>
Additional detail on borrowings is provided in Note 21.		
<b>10. PROVISIONS</b>		
<b>Current</b>		
Provision for Annual Leave	613,648	670,632
Provision for Long Service Leave	643,452	581,100
	<u>1,257,100</u>	<u>1,251,732</u>
<b>Non-Current</b>		
Provision for Long Service Leave	133,310	160,291
	<u>133,310</u>	<u>160,291</u>



**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

	2012 \$	2012 Budget \$	2011 \$
<b>11. RESERVES - CASH BACKED</b>			
<b>(a) Plant Replacement Reserve</b>			
Opening Balance	207,488	208,330	197,130
Amount Set Aside / Transfer to Reserve	12,327	411,700	410,358
Amount Used / Transfer from Reserve	-	(400,000)	(400,000)
	<u>219,815</u>	<u>220,030</u>	<u>207,488</u>
<b>(b) City Development Reserve</b>			
Opening Balance	1,405,918	1,403,500	1,387,205
Amount Set Aside / Transfer to Reserve	82,440	78,600	83,713
Amount Used / Transfer from Reserve	-	(400,000)	(65,000)
	<u>1,488,358</u>	<u>1,082,100</u>	<u>1,405,918</u>
<b>(c) North Street Reserve</b>			
Opening Balance	1,014,393	677,860	638,356
Amount Set Aside / Transfer to Reserve	58,831	38,000	376,037
Amount Used / Transfer from Reserve	-	-	-
	<u>1,073,224</u>	<u>715,860</u>	<u>1,014,393</u>
<b>(d) Welfare Reserve</b>			
Opening Balance	370,047	368,530	348,130
Amount Set Aside / Transfer to Reserve	22,388	20,600	21,917
Amount Used / Transfer from Reserve	-	-	-
	<u>392,435</u>	<u>389,130</u>	<u>370,047</u>
<b>(e) Services Reserve</b>			
Opening Balance	1,137,417	1,136,720	268,218
Amount Set Aside / Transfer to Reserve	63,785	206,600	919,199
Amount Used / Transfer from Reserve	-	(600,000)	(50,000)
	<u>1,201,202</u>	<u>743,320</u>	<u>1,137,417</u>
<b>(g) Insurance Reserve</b>			
Opening Balance	48,843	48,880	46,179
Amount Set Aside / Transfer to Reserve	2,902	2,700	2,664
Amount Used / Transfer from Reserve	-	-	-
	<u>51,745</u>	<u>51,580</u>	<u>48,843</u>
<b>(i) Waste Management Infrastructure Reserve</b>			
Opening Balance	131,942	131,870	124,066
Amount Set Aside / Transfer to Reserve	8,056	7,400	7,876
Amount Used / Transfer from Reserve	-	-	-
	<u>139,999</u>	<u>139,270</u>	<u>131,942</u>
<b>(j) Building Replacement Reserve</b>			
Opening Balance	512,405	507,890	666,886
Amount Set Aside / Transfer to Reserve	28,669	28,400	45,519
Amount Used / Transfer from Reserve	-	(200,000)	(200,000)
	<u>541,074</u>	<u>336,290</u>	<u>512,405</u>
<b>(l) Swanbourne Reserve</b>			
Opening Balance	100,407	100,350	94,650
Amount Set Aside / Transfer to Reserve	6,132	6,000	5,757
Amount Used / Transfer from Reserve	-	-	-
	<u>106,539</u>	<u>106,350</u>	<u>100,407</u>
<b>TOTAL CASH BACKED RESERVES</b>	<u>5,214,390</u>	<u>3,783,930</u>	<u>4,928,861</u>

**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**0**

**RESERVES - CASH BACKED (Continued)**

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

In accordance with council resolutions in relation to each reserve account, the purpose for which the funds are set aside are as follows:

**Plant Replacement Reserve**

To provide for the replacement of Council's plant and equipment so that the cost is spread over a number of years. The use of funds in this reserve is ongoing.

**City Development Reserve**

To fund the improvement of Property, Plant and Equipment. The use of funds in this reserve is ongoing.

**North Street Reserve**

To fund the operational and capital costs of community facilities in Mt Claremont, community and recreation facilities in Swanbourne and infrastructure generally. Use of this reserve is ongoing.

**Welfare Reserve**

To fund the operational and capital costs of welfare services. The use of funds in this reserve is ongoing.

**Services Reserve**

To provide funds for the purchase of land for parking areas, streets, depots etc. town planning schemes, valuation and legal expenses, items of works of an urgent nature such as drainage, street works, provision of street lighting and buildings maintenance. The use of funds in this reserve is ongoing.

**Swanbourne Reserve**

Set-up during the year with proceeds of the insurance claim arising from the fire of Council property in Swanbourne, for future development in that suburb.

**Insurance Reserve**

To cover any excess that may arise from having a performance based workers compensation premium.

**Waste Management Infrastructure Reserve**

To provide for the replacement of Council's Rubbish Bin stock so that the cost is spread over a number of years. The use of funds in this reserve is ongoing.

**Building Replacement Reserve**

To fund the upgrade and/or replacement of Council's buildings. The use of this reserve is ongoing.

**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**0**

<b>12. RESERVES - ASSET REVALUATION</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Asset revaluation reserves have arisen on revaluation of the following classes of non-current assets:		
Revaluations prior to 30th June 2001	17,366,794	17,366,794
<b>(a) Land</b>		
Opening balance	12,354,000	-
Revaluation Increment	-	12,354,000
Revaluation Decrement	-	-
	<u>12,354,000</u>	<u>12,354,000</u>
<b>(b) Buildings</b>		
Opening Balance	9,297,909	-
Revaluation Increment	-	9,297,909
Revaluation Decrement	-	-
	<u>9,297,909</u>	<u>9,297,909</u>
<b>(c) Roads</b>		
Opening Balance	39,126,980	39,126,980
Revaluation Increment	-	-
Revaluation Decrement	(12,681,698)	-
	<u>26,445,282</u>	<u>39,126,980</u>
<b>(d) Drainage</b>		
Opening Balance	1,966,692	1,966,692
Revaluation Increment	-	-
Revaluation Decrement	-	-
	<u>1,966,692</u>	<u>1,966,692</u>
<b>TOTAL ASSET REVALUATION RESERVES</b>	<u><u>67,430,677</u></u>	<u><u>80,112,375</u></u>

**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**0**

**13. 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:

	2012 \$	2012 Budget \$	2011 \$
Cash and Cash Equivalents	<u>11,567,629</u>	<u>8,641,100</u>	<u>11,649,263</u>

**(b) Reconciliation of Net Cash Provided By Operating Activities to Net Result**

Net Result	1,418,305	1,400	464,287
Depreciation	5,956,406	5,917,000	5,667,375
(Profit)/Loss on Sale of Asset	(59,498)	(39,000)	(134,063)
(Increase)/Decrease in Receivables	16,213	100,000	(79,487)
(Increase)/Decrease in Inventories	(19,072)	-	4,544
Increase/(Decrease) in Payables	(560,350)	180,000	(716,081)
Increase/(Decrease) in Employee Provisions	(21,613)	20,000	129,296
Grants/Contributions for the Development of Assets	<u>(1,468,030)</u>	<u>(2,393,200)</u>	<u>(1,184,449)</u>
Net Cash from Operating Activities	<u>5,262,361</u>	<u>3,786,200</u>	<u>4,151,422</u>

**(c) Undrawn Borrowing Facilities**

**Credit Standby Arrangements**

Bank Overdraft limit	500,000	500,000	500,000
Bank Overdraft at Balance Date	-	-	-
Credit Card limit	25,000	28,000	25,000
Credit Card Balance at Balance Date	-	8,000	8,281
<b>Total Amount of Credit Unused</b>	<u>525,000</u>	<u>536,000</u>	<u>533,281</u>

**Loan Facilities**

Loan Facilities - Current	1,152,827	917,000	917,010
Loan Facilities - Non-Current	6,009,279	6,460,500	5,049,549
<b>Total Facilities in Use at Balance Date</b>	<u>7,162,106</u>	<u>7,377,500</u>	<u>5,966,559</u>

<b>Unused Loan Facilities at Balance Date</b>	<u>-</u>	<u>-</u>	<u>-</u>
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**CITY OF NEDLANDS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2012**

**14. CONTINGENT LIABILITIES**

A claim for damages for faulty road construction resulting in a motor vehicle injury has been against the Council. The action is being defended and advice provided by Council's solicitors indicate the likelihood of a judgement against Council is remote. The amount of the claim is \$50,000 excluding legal costs. Council is insured for all except the first \$10,000 of any successful claim.

	2012	2011
	\$	\$
<b>15. CAPITAL AND LEASING COMMITMENTS</b>		
<b>(a) Finance Lease Commitments</b>		
Nil		
<b>(b) Operating Lease Commitments</b>		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	85,802	90,038
- later than one year but not later than five years	88,090	96,918
- later than five years	-	-
	173,892	186,956
<b>(c) Capital Expenditure Commitments</b>		
Contracted for:		
- capital expenditure projects	682,714	215,413
Payable:		
- not later than one year	682,714	215,413
The capital expenditure project outstanding at the end of the current reporting period represents		

**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

**16. JOINT VENTURE**

The City has not entered into any joint venture agreements.

<b>17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Governance	32,244,617	32,161,188
General Purpose Funding	-	-
Law, Order, Public Safety	1,459,727	1,422,326
Health	532,651	621,478
Education and Welfare	3,067,706	2,899,752
Community Amenities	72,291	82,429
Recreation and Culture	25,472,778	21,735,033
Transport	66,905,936	81,578,611
Economic Services	15,835	20,332
Other Property and Services	14,025,974	13,926,174
	<u>143,797,515</u>	<u>154,447,323</u>

**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

18. FINANCIAL RATIOS	2012	2011	2010
Current Ratio	1.39 : 1.00	1.53 : 1.0	1.59 : 1.0
Untied Cash to Unpaid Trade Creditors Ratio	3.19 : 1.00	3.82 : 1.0	2.47 : 1.0
Debt Ratio	7.6%	6.7%	6.9%
Debt Service Ratio	5.2%	1.5%	6.3%
Gross Debt to Revenue Ratio	27.1%	23.6%	17.2%
Gross Debt to Economically Realisable Assets Ratio	10.1%	8.6%	9.2%
Rate Coverage Ratio	63.8%	59.1%	59.3%
Outstanding Rates Ratio	2.0%	1.4%	2.2%

The above ratios are calculated as follows:

Current Ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Untied Cash to Unpaid Trade Creditors Ratio	$\frac{\text{untied cash}}{\text{unpaid trade creditors}}$
Debt Ratio	$\frac{\text{total liabilities}}{\text{total assets}}$
Debt Service Ratio	$\frac{\text{debt service cost}}{\text{available operating revenue}}$
Gross Debt to Revenue Ratio	$\frac{\text{gross debt}}{\text{total revenue}}$
Gross Debt to Economically Realisable Assets Ratio	$\frac{\text{gross debt}}{\text{economically realisable assets}}$
Rate Coverage Ratio	$\frac{\text{net rate revenue}}{\text{operating revenue}}$
Outstanding Rates Ratio	$\frac{\text{rates outstanding}}{\text{rates collectable}}$

**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

**19. TRUST FUNDS**

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

	Balance 1-Jul-11 \$	Amounts Received \$	Amounts Paid (\$)	Balance 30-Jun-12 \$
Bonds and Deposits	1,161,440	1,390,203	(1,283,829)	1,267,814
Unclaimed Monies	18,431	42	-	18,473
Charity donation by staff	6,711	2,015	(7,323)	1,403
	<u>1,186,582</u>			<u>1,287,690</u>

**20. DISPOSALS OF ASSETS - 2011/12 FINANCIAL YEAR**

The following assets were disposed of during the year.

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Plant and Equipment	304,178	247,000	363,676	286,000	59,498	39,000
	304,178	247,000	363,676	286,000	59,498	39,000



**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

**21. INFORMATION ON BORROWINGS**

(a) Repayments - Debentures

Particulars	Principal 1-Jul-11 \$	New Loans \$	Principal Repayments		Principal 30-Jun-12		Interest Repayments	
			Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
New Bin Stock - Loan 178**	597,636		65,107	65,080	532,529	593,025	34,027	34,951
Roads Infrastructure - Loan 179**	1,368,924		71,673	71,673	1,297,251	1,364,753	81,402	81,958
Buildings & Roads - Loan 180**	2,000,000		628,796	628,796	1,371,204	1,371,204	98,041	103,468
Building & Infrastructure - Loan 181**	2,000,000		151,435	151,435	1,848,565	1,848,565	114,888	116,007
Building & Infrastructure - Loan 182**		2,200,000	87,444	-	2,112,556	2,200,000	55,810	32,704
	5,966,560	2,200,000	1,004,455	916,984	7,162,105	7,377,547	384,167	369,088

All other loan repayments were financed by general purpose revenue.

(b) New Debentures - 2011/12

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges \$	Interest Rate %	Amount Used		Balance Unspent \$
	Actual \$	Budget \$						Actual \$	Budget \$	
Building & Infrastructure - Loan 182** (John Leckie Pavilion and other building works)	2,200,000	2,200,000	Treasury Corp	Fixed Interest	10 years	578,250	4.73% pa	1,554,000	2,200,000	646,000

(c) Unspent Debentures

Particulars	Date Borrowed	Balance 1-Jul-11 \$	Borrowed During Year \$	Expended During Year \$	Balance 30-Jun-12 \$
Building & Infrastructure - Loan 182**	15/12/2011	-	2,200,000	1,554,000	646,000
		-	2,200,000	1,554,000	646,000

(d) Overdraft

Council established an overdraft facility of \$150,000 in 2008 to assist with short term liquidity requirements. The balance of the bank overdraft at 1 July 2011 and 30 June 2012 was \$Nil.

CITY OF NEDLANDS  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
 FOR THE YEAR ENDED 30TH JUNE 2012

22. RATING INFORMATION - 2011/12 FINANCIAL YEAR

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
<b>Differential General Rate</b>										
GRV - Residential	0.0503	6,048	228,900,440	11,513,692	131,856	11,645,548	11,494,000	30,000	-	11,524,000
GRV - Vacant Residential	0.0653	195	8,740,648	570,764	(44,891)	525,873	507,900	4,100	-	512,000
GRV - Non Residential	0.0554	383	44,106,042	2,444,357	12,080	2,456,437	2,404,400	-	-	2,404,400
<b>Sub-Totals</b>		6,626	281,747,130	14,528,813	99,045	14,627,859	14,406,300	34,100	-	14,440,400
<b>Minimum Rates</b>										
GRV - Residential	1060	1,619	28,245,558	1,716,140	(17,968)	1,698,172	1,721,400	-	-	1,721,400
GRV - Vacant Residential	1400	103	1,872,660	144,200	3,714	147,914	148,400	-	-	148,400
GRV - Non Residential	1450	140	2,486,190	203,000	(3,253)	199,747	200,100	-	-	200,100
<b>Sub-Totals</b>		1,862	32,604,408	2,063,340	(17,506)	2,045,834	2,069,900	-	-	2,069,900
Discounts (refer note 24)						16,673,692				16,510,300
<b>Totals</b>						16,673,692				16,510,300

**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

**22. RATING INFORMATION - 2011/12 FINANCIAL YEAR**

(b) Information on Surplus/(Deficit) Brought Forward	2012 (1 July 2011 Brought Forward) \$	2011 (30 June 2011 Carried Forward) \$
<b>Surplus/(Deficit) 1 July 2011 Brought Forward</b>	<u>3,256,202</u>	<u>3,256,202</u>
<b><u>Comprises:</u></b>		
Cash - Unrestricted	5,022,545	5,022,545
Cash - Restricted	6,626,718	6,626,718
Investments - Restricted	-	-
Rates - Current	218,220	218,220
Sundry Debtors	518,708	518,708
GST Receivable	217,255	217,255
Inventories		
- Fuel and Materials	12,539	12,539
<b>Less:</b>		
Reserves (Restricted)	(4,928,861)	(4,928,861)
Unspent Grant	-	(274,645)
Sundry Creditors	(2,475,640)	(2,475,640)
Accrued Interest on Debentures	(144,055)	(144,055)
Accrued Salaries and Wages	(284,850)	(284,850)
Current Employee Benefits Provision	(1,251,732)	(1,251,732)
<b>Surplus/(Deficit)</b>	<u>3,530,847</u>	<u>3,256,202</u>

**Difference:**

The Carried Forward position disclosed in the 2011 audited financial report was arrived at after deducting the Unspent Grant. This is not required, and has been rectified in the Brought Forward position used in the 2012 audited financial report.

**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

**23. SPECIFIED AREA RATE - 2011/12 FINANCIAL YEAR**

The City of Nedlands did not levy any Special Area Rate in 2011/12 financial year.

**24. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS  
- 2011/12 FINANCIAL YEAR**

There were no discounts, incentives, concessions or write-offs during the 2011/12 financial year.

**25. INTEREST CHARGES AND INSTALMENTS - 2011/12 FINANCIAL YEAR**

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates	11.00%		69,033	45,000
Interest on Instalments Plan	5.00%		99,658	75,000
Deferred Rates Interest			-	16,000
ESL Interest Income			5,593	22,000
<b>Total Interest income</b>			<b>174,283</b>	<b>158,000</b>
Charges on Instalment Plan		21	46,935	40,000

Ratepayers had the option of paying rates in four equal instalments, due on 15 August 2011, 17 October 2011, 19 December 2011 and 20 February 2012. Administration charges and interest applied for the final three instalments.

**26. FEES & CHARGES**

	2012 \$	2011 \$
Governance	94,536	74,844
General Purpose Funding	56,033	56,662
Law, Order, Public Safety	49,358	34,311
Health	45,240	63,542
Education and Welfare	366,793	349,794
Sanitation Services	3,517,284	3,348,796
Other Community Amenities	517,657	564,785
Recreation and Culture	587,191	567,091
Transport	386,604	318,480
Economic Services	698,159	588,855
Other Property and Services	14,692	14,492
	<u>6,333,547</u>	<u>5,981,652</u>

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

**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

**27. GRANT REVENUE**

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

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>By Nature and Type:</b>		
Operating Grants, Subsidies and Contributions	2,110,895	2,209,034
Non-Operating Grants, Subsidies and Contributions	1,468,030	1,184,449
	<u>3,578,925</u>	<u>3,393,483</u>
<b>By Program:</b>		
Governance	-	-
General Purpose Funding	956,243	736,444
Law, Order, Public Safety	20,821	17,222
Health	-	-
Education and Welfare	1,047,571	933,247
Community Amenities	84,337	103,948
Recreation and Culture	617,429	375,920
Transport	852,524	1,226,702
Economic Services	-	-
Other Property and Services	-	-
	<u>3,578,925</u>	<u>3,393,483</u>

**28. ELECTED MEMBERS REMUNERATION**

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

	<b>2012</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>Budget</b>	<b>\$</b>
		<b>\$</b>	
Meeting Fees	97,323	98,000	98,447
Mayor's Allowance	40,915	41,000	39,730
Deputy Mayor's Allowance	10,225	10,200	9,930
Information Technology Allowance	10,890	10,700	10,394
Travelling Expenses	-	-	300
Telecommunications Allowance	12,250	12,400	12,147
	<u>171,603</u>	<u>172,300</u>	<u>170,948</u>

**29. EMPLOYEE NUMBERS**

The number of full-time equivalent employees at balance date

	<b>2012</b>	<b>2011</b>
	<u>146</u>	<u>139</u>

**CITY OF NEDLANDS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2012**

**30. MAJOR LAND TRANSACTIONS**

The City did not undertake any major land transaction during the 2011/12 financial year.

**31. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS**

The City did not participate in any trading undertakings or major trading undertakings during the 2011/12 financial year.

**INDEPENDENT AUDITOR'S REPORT**

**TO: RATEPAYERS OF CITY OF NEDLANDS**

We have audited the financial report of the City of Nedlands, which comprises the Statement of Financial Position as at 30 June 2012 and the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year ended on that date and a summary of significant accounting policies and other explanatory notes.

**Council's Responsibility for the Financial Report**

Council is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. Our audit has been conducted in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with the relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

**Independence**

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

Auditor's Opinion

In our opinion, the financial report of the City of Nedlands:

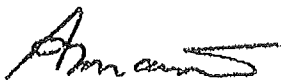
- (i) gives a true and fair view of the financial position of the City of Nedlands as at 30 June 2012 and of its financial performance for the year ended on that date; and
- (ii) complies with the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) and the Australian Accounting Standards (including the Australian Accounting Interpretations).

Statutory Compliance

We did not during the course of our audit become aware of any instances where the Council did not comply with the requirements of the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).


Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of City of Nedlands for the year ended 30 June 2012 included on the City of Nedlands's website. The Council is responsible for the integrity of the City of Nedlands'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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MACRI PARTNERS  
CERTIFIED PRACTISING ACCOUNTANTS  
SUITE 2, 137 BURSWOOD ROAD  
BURSWOOD WA 6100



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A MACRI  
PARTNER

PERTH  
DATED THIS 25th DAY OF SEPTEMBER 2012.