



City of Nedlands

Minutes

Audit and Risk Committee Meeting

16 November 2015

ATTENTION

These minutes are subject to confirmation

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 at the City of Nedlands in the Council Meeting Room at 71 Stirling Hwy, Nedlands on Monday 16 November 2015 at 5.30 pm.

Declaration of Opening

The Director Corporate & Strategy declared the meeting open at 5.30 pm and called for nominations for the role of Presiding Member.

Moved - Cr Hassell
 Seconded - Cr McManus

That Cr I S Argyle be appointed Presiding Member.

CARRIED UNANIMOUSLY 3/-

The Presiding Member drew attention to the disclaimer below.

Present and Apologies and Leave Of Absence (Previously Approved)

Committee Members	Councillor I S Argyle	(Presiding Member/ Dalkeith Ward)
	Councillor W Hassell	Deputy Mayor, representing the Mayor
	Councillor L McManus	Coastal Districts Ward
	Councillor G Hay (from 5.50 pm)	Melvista Ward
Staff	Mr M Cole	Director Corporate & Strategy
	Ms V Jayaraman	Coordinator Financial Accounting
Internal Auditors	Mr A Macri	Partner Macri Partners
	Mr M Gudka	Manager Audit & Assurance, Macri Partners
Press	Nil.	
Leave of Absence	His Worship the Mayor	R M Hipkins
Apologies	Councillor B Hodsdon	Hollywood Ward
	Mr G Trevaskis	Chief Executive Officer

Disclaimer

Members of the public who attend Council meetings should not act immediately on anything they hear at the meetings, without first seeking clarification of Council's position. For example by reference to the confirmed Minutes of Council meeting. Members of the public are also advised to wait for written advice from the Council prior to taking action on any matter that they may have before Council.

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1. Public Question Time

There were no public questions received.

2. Addresses by Members of the Public (only for items listed on the agenda)

There were no addresses by members of the public.

3. Disclosures of Financial Interest

There were no disclosures of financial interests.

4. Disclosures of Interests Affecting Impartiality

There were no disclosures of financial interests.

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

Councillor Hassell advised he had not received the papers prior to the meeting. More time would be given to read if needed.

6. Confirmation of Minutes

6.1 Audit and Risk Committee Meeting 3 September 2015

The minutes of the Audit and Risk Committee held 3 September 2015 are to be confirmed.

Moved - Councillor McManus
Seconded – Councillor Argyle

That the Minutes of the Audit and Risk Committee held 3 September 2015 are confirmed.

CARRIED UNANIMOUSLY 3/-

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 ANNUAL FINANCIAL STATEMENTS FOR YEAR ENDED
30 JUNE 2015**

The Annual Financial Report for the year ended 30 June 2015, including the Audit Representation Letter, is presented to the Audit & Risk Committee for its review. The Committee is requested to recommend to Council that it be received, and be included as part of the City's Annual Report for discussion at the Annual Electors' Meeting.

Councillor Hay joined the meeting at 5.50 pm.

Regulation 11(da) – Not Applicable - Recommendation Adopted.

Moved – Councillor Hassell
Seconded – Councillor McManus

Committee Recommendation

Council accepts the Financial Report for the City of Nedlands for the year ended 30 June 2015 comprising the Financial Report and the Auditor's Report.

Amendment

Moved – Councillor Hassell
Seconded – Councillor McManus

Additional advice notes be added as follows:

- 1. The Committee requested follow up of purchase orders issued after invoices are received;**
- 2. The Committee asked whether CEO credit card would be vetted/authorised by the Mayor; and**
- 3. The Committee asked Macri Partners to look at fuel cards as part of the next audit.**

The Motion was PUT and was CARRIED 4/- and became the Substantive Motion

The Substantive Motion was PUT and was CARRIED UNANIMOUSLY 4/-

Committee Recommendation

Council accepts the Financial Report for the City of Nedlands for the year ended 30 June 2015 comprising the Financial Report and the Auditor’s Report.

The Auditors were thanked for attending and left the meeting.

Strategic Plan

KFA: Governance and Civic Leadership

The report enables Council to assess the financial performance of the City and compliance with the relevant statutory obligations.

Background

Section 5.53 of the Local Government Act 1995 requires a Local Government 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 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 2015 including the Independent Auditor’s Report.

The Financial Report comprising the Annual Financial Statements for the year ended 30 June 2015 was completed and submitted to Council’s Auditor Macri Partners who completed their audit in October 2015.

Consultation

Required by legislation:	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Required by City of Nedlands policy:	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

Legislation

Sections 5.27, 5.29, 5.53, 5.54 and 6.4 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 Financial Report.

Budget/Financial implications

Financial Performance

The City completed the Financial Year 2015 with an operating surplus or Net Result in Statement of Comprehensive Income of \$2,260,330 compared with a surplus of \$1,817,600 in the adopted 2014/15 Budget. The Comprehensive Statement includes all operating revenues and expenses, both cash and non-cash and grants & contributions. 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.

Key factors contributing to the variances by Nature or Type between actual and adopted budget are provided in this report.

The significant reasons for the variances are:

Operating Revenue

1. The operating revenue for the year were \$31,081,473 compared to the Budget of \$29,945,600, this is an overall increase of \$1,135,876 (3.8%).
2. Rates levied were \$181,300 (0.89%) less than what was anticipated at the time of Budget adoption. The decrease was partly due to interim rates which accounted for \$53,377 less with the vacant residential rates responsible for the balance.
3. Operating Grants & Contributions received is \$469,090 (24.2%) more compared to the Budget. This is mainly because the 2015/16 Financial Assistance Grants of \$394,492 were paid in advance, \$238,051 General Purpose and \$156,441 for Roads.
4. Fees and Charges raised were better than budget by \$316,564 (5.0%), with sanitation, child care, and cultural activities as well as the hire of recreational facilities as the major contributors to the increased fees.
5. The City earned \$46,814 (6.3%) more than budgeted from the investment of funds surplus to its immediate requirements. Although wholesale interest rates have declined during 2014/15, the principal amount available for investing is much more than the previous financial year.
6. Other Revenue was more than Budget by \$485,235 (372.1%). This was largely due to 3 items, namely, share of interest in Local Government House Trust \$135,676, Hollywood Bowling Club Parking of \$95,000 and WESROC Project of \$196,800.

Operating Expenses

1. The operating expenses for the year were \$29,622,365 compared to the Budget of \$29,298,200, this is an overall increase of \$324,166 (1.1%).
2. Employee costs were up by \$177,533 (1.5 %) compared to the Budget. This is partly due to the increase in salaries paid.
2. Materials and Contracts costs were down by \$1,418,069 (14.2%) compared to the Budget. This is due to the deferment of some operating projects due to factors outside the City's control and savings due to constant monitoring of expenses by EMT.
3. Utility charges were up by \$108,816 or 15.3% due to a higher than expected increase in charges.
4. Insurance expenses were up marginally by \$5,579 (1.5%) which can be mainly attributed to work cover premiums.
5. Other Expenditure was up by \$135,939 (18.2%). This was due to WESROC expenditure of \$97,000, donations and contributions to community development of \$33,000 and uncollectible infringements of about \$8,000.

Capital Works

During the financial year the City spent \$7.09 million in carrying out its capital works program. The major share of the funds, \$4.64 million, was utilised in improving infrastructure assets – roads, footpaths, drainage, parks and gardens – with another \$2.44 million used for upgrading and renovating the City's buildings and purchase of plant and equipment.

The original capital budget for the year was \$10.14 million. During the mid-year Budget Review this was amended to \$10.96 million. However, a number of projects were not completed during the year and are carried forward to 2015/16. Some of these have been re-budgeted in the 2015/16 budget adopted in June 2015; the funds carried over for those that have not been re-budgeted include:

Footpath Rehabilitation:

Stirling Hwy	\$ 73,700
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Road Rehabilitation:

Hardy Rd	\$ 437,600
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Grant Funded Project:

Princess Rd	\$ 8,400
INTXN-Stirling/Broadway	\$ 108,000

Off Street Parking

Odern Crescent (Swanbourne Bridge Club)	\$ 227,600
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Building:

Hackett Playcentre	\$ 21,300
Maisonettes	\$ 10,000
Mt Claremont Changeroom	\$ 15,000

Parks & Reserves:

Lawler Park	\$ 76,000
Melvista Reserve	\$ 77,000
Swanbourne Beach Reserve	\$ 138,300
River Foreshore Maintenance	\$ 8,500
River Wall Restoration	\$ 33,500
Bore Installation MTC b/Water Monitoring	\$ 60,000
City Wide	\$ 9,700

Greenway Development:

Point Resolution	\$ 67,000
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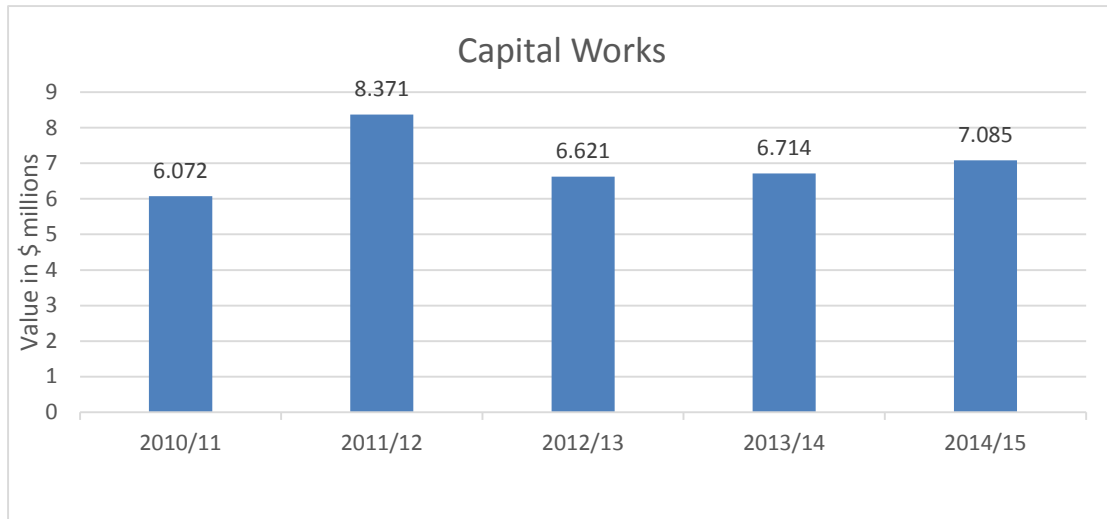
IT Capital Project:

Software	\$ 80,000
Mobility	\$ 32,300

Total	\$ 1,483,900
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Of the total funds expended on capital works, \$626,000 were from grants and contributions. The balance was made up of operating surplus, sale of plant, and proceeds of loans of \$1,058,000.

The values of capital works completed in each of the past five years is shown in the following chart. It is to be noted that the high value of capital works in 2011/12 was due to the renovation of John Leckie Pavilion that year.



Revaluation of Infrastructure Assets

The Local Government (Financial Management) Regulations 1996 require all physical assets to be valued on a fair value basis with full implementation by 30 June 2015. The City had valued its Land and Buildings assets in prior year and therefore, towards the end of 2014/15 financial year, the City appointed APV, independent professional Valuers, to determine the fair value of the City’s Infrastructure Assets. The impact of the revaluation is the recognition in Other Comprehensive Income of a notional gain of \$50,005,378, and a corresponding increase in the Asset Revaluation Reserves, resulting in a Total Comprehensive Income of \$52,265,708.

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

Cash and Cash Equivalents

The cash and cash equivalent balance at 30 June 2015 was \$12,843,046 compared to \$9,513,653, an increase of \$3,329,393. Reserves included in this balance amounted to \$4,768,439 or 37% of the total.

Receivables

The increase in Receivables amount in 2015 of \$392,308 more than the previous year was mainly due to prepayments of insurance and valuations.

One of the risk factors evaluated in the Notes to the Accounts (Note 4) is receivables – the risk that the debts may not be collected by the City. Credit risk on rates and annual charges is minimal as they are charges on the associated properties, and the City has the ability to recover these debts from the sale of the properties if necessary. An increase in the provision for doubtful debts and some credit management strategy have improved this situation as compared to previous year.

Payables

The increase in payables of \$334,805 was largely due to a higher amount of supplier payment at the year end.

Borrowings

During 2015, the City borrowed \$1,630,000 and utilised \$1,057,988 in the Capex with the balance of \$572,012 sitting as Restricted Cash in Reserves. At 30 June 2015, the City had total borrowings of \$5,856,699 after principal repayment of \$563,160 compare to 2014 total borrowings of \$4,789,859.

Provisions

The provision showed a small decrease of \$66,093 compared to a substantial increase of \$401,596 for the corresponding 12 months in 2014. Factors affecting this include the buying out of annual leave, methods of leave calculation and the monitoring of excessive leave balance of employees.

Financial Performance Indicators

The Financial Ratios in Note 18 to the accounts give an overview of the financial performance of the City in 2014/15 compared with the previous two years. All the ratios indicate the City is above the recommended standard benchmark set by the Department of Local Government.

FINANCIAL RATIOS	Formula	2015	2014	2013
Current Ratio		2.01	1.51	1.52
The ability of the City to meet its short- term financial obligations out of unrestricted current assets	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$	(Standard >= 1)		
Asset Sustainability Ratio		0.92	1.17	1.33
An approximation of the extent to which the assets managed by the City are being replaced as these reach the end of their useful lives	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation expenses}}$	(Standard >= 0.9)		
Debt Service Cover Ratio		10.75	4.44	3.59
The measurement of the City's ability to produce enough cash to cover its debt payments	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$	(Standard >= 2)		
Operating Surplus Ratio		0.06	0.05	0.01

The % of City's total own source revenue available to help fund proposed capital expenditure, transfer to cash reserves or to reduce debt	$\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$	(Standard >=0.01)		
Own Source Revenue Coverage Ratio			0.98	0.99
The City's ability to cover its costs through its own taxing and revenue efforts	$\frac{\text{own source operating revenue}}{\text{operating expenses}}$	(Standard >=0.4)		

Audit Report

The City's Auditor, Macri Partners, have completed the audit of the Annual Financial Statements in line with current Australian Standards and have stated that they will give an Unqualified Opinion following the meeting with the Audit and Risk Committee.

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 2015 comprising the Financial Report and the Auditor's Report.

Attachments

1. Annual Financial Report for the year ended 30 June 2015; and
2. Audit Completion Report by Macri Partners

CITY OF NEDLANDS
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

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**CITY OF NEDLANDS
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

**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 30 June 2015 are in my opinion properly drawn up to present fairly the financial position of the City of Nedlands at 30th June 2015 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed as authorisation of issue on the 5th day of November 2015



Greg Trevaskis
Chief Executive Officer

CITY OF NEDLANDS
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2015

	NOTE	2015 \$	2015 Budget \$	2014 \$
Revenue				
Rates	22(a)	20,168,870	20,350,700	19,140,028
Operating Grants, Subsidies and Contributions	28	2,409,290	1,940,200	1,614,147
Fees and Charges - Sanitation	27	3,310,570	3,937,000	3,602,873
Fees and Charges - Others	27	3,784,394	2,841,400	3,518,258
Interest Earnings	2(a)	792,714	745,900	747,043
Other Revenue		615,635	130,400	370,149
		<u>31,081,473</u>	<u>29,945,600</u>	<u>28,992,498</u>
Expenses				
Employee Costs		(11,771,033)	(11,593,500)	(11,417,917)
Materials and Contracts		(8,545,231)	(9,963,300)	(8,849,070)
Utility Charges		(821,416)	(712,600)	(845,156)
Depreciation on Non-Current Assets	2(a)	(6,951,499)	(5,623,300)	(5,165,836)
Interest Expenses	2(a)	(259,769)	(273,600)	(302,196)
Insurance Expenses		(388,779)	(383,200)	(363,682)
Other Expenditure		(884,639)	(748,700)	(831,990)
		<u>(29,622,365)</u>	<u>(29,298,200)</u>	<u>(27,775,847)</u>
		1,459,108	647,400	1,216,651
Non-Operating Grants, Subsidies and Contributions				
Non-Operating Grants, Subsidies and Contributions	28	626,341	1,110,600	535,897
Profit on Asset Disposals	20	116,427	67,500	81,567
Loss on Asset Disposals	20	(7,222)	(7,900)	(8,964)
Loss on Asset Impairment	6(a)	(70,000)	-	-
Change in Equity in LG House Trust	16	135,676	-	-
		<u>801,222</u>	<u>1,170,200</u>	<u>608,500</u>
NET RESULT		2,260,330	1,817,600	1,825,151
Other Comprehensive Income				
Changes on Revaluation of Non-Current Assets	12	50,005,378	-	5,630,407
Total Other Comprehensive Income		<u>50,005,378</u>	<u>-</u>	<u>5,630,407</u>
Total Comprehensive Income		<u><u>52,265,708</u></u>	<u><u>1,817,600</u></u>	<u><u>7,455,558</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 2015

	NOTE	2015 \$	2015 Budget \$	2014 \$
Revenue				
Governance		504,324	212,200	388,732
General Purpose Funding		22,228,200	21,901,000	20,373,959
Law, Order, Public Safety		118,031	109,100	103,926
Health		97,019	94,000	157,183
Education and Welfare		1,792,598	1,745,800	1,567,879
Community Amenities		3,781,942	3,937,000	4,261,633
Recreation and Culture		803,586	599,700	736,621
Transport		497,487	455,000	499,131
Economic Services		1,225,599	873,800	880,323
Other Property and Services		32,687	18,000	23,111
	2(a)	<u>31,081,473</u>	<u>29,945,600</u>	<u>28,992,498</u>
Expenses				
Governance		(2,717,757)	(2,565,100)	(2,509,931)
General Purpose Funding		(285,633)	(283,300)	(243,448)
Law, Order, Public Safety		(1,036,804)	(948,700)	(944,863)
Health		(553,295)	(577,700)	(558,257)
Education and Welfare		(2,455,918)	(2,402,300)	(2,112,326)
Community Amenities		(4,470,943)	(5,018,100)	(4,969,292)
Recreation & Culture		(7,393,371)	(7,377,900)	(7,294,138)
Transport		(4,838,402)	(5,122,500)	(4,656,794)
Economic Services		(5,277,996)	(3,869,000)	(3,783,920)
Other Property and Services		(332,477)	(860,000)	(400,682)
	2(a)	<u>(29,362,596)</u>	<u>(29,024,600)</u>	<u>(27,473,651)</u>
Financial Costs				
General Purpose Funding		(259,769)	(273,600)	(302,196)
	2(a)	<u>(259,769)</u>	<u>(273,600)</u>	<u>(302,196)</u>
Non-Operating Grants, Subsidies and Contributions				
Education and Welfare		375,000	-	90,795
Recreation & Culture		66,570	475,000	55,819
Transport		184,771	635,600	389,283
		<u>626,341</u>	<u>1,110,600</u>	<u>535,897</u>
Profit/(Loss) on Disposal/Impairment of Assets				
	20			
Governance		(70,000)	-	-
Other Property and Services		109,205	59,600	72,603
		<u>39,205</u>	<u>59,600</u>	<u>72,603</u>
Change in Equity - LG House Trust				
Governance	16	135,676	-	-
		<u>135,676</u>	<u>-</u>	<u>-</u>
Net Result		<u>2,260,330</u>	<u>1,817,600</u>	<u>1,825,151</u>
Other Comprehensive Income				
Changes on revaluation of non-current assets	12	50,005,378	-	5,630,407
		<u>50,005,378</u>	<u>-</u>	<u>5,630,407</u>
Total Comprehensive Income		<u><u>52,265,708</u></u>	<u><u>1,817,600</u></u>	<u><u>7,455,558</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 2015

	NOTE	2015 \$	2014 \$
CURRENT ASSETS			
Cash and Cash Equivalents	3	12,843,046	9,513,653
Trade and Other Receivables	4	1,117,787	725,479
Inventories	5	<u>18,148</u>	<u>30,555</u>
TOTAL CURRENT ASSETS		<u>13,978,981</u>	<u>10,269,687</u>
NON-CURRENT ASSETS			
Other Receivables	4	359,394	351,360
Property, Plant and Equipment	6	64,150,914	65,384,132
Infrastructure	7	125,687,891	74,632,023
Financial Assets	16	<u>135,676</u>	<u>-</u>
TOTAL NON-CURRENT ASSETS		<u>190,333,875</u>	<u>140,367,515</u>
TOTAL ASSETS		<u><u>204,312,856</u></u>	<u><u>150,637,202</u></u>
CURRENT LIABILITIES			
Trade and Other Payables	8	2,040,356	1,705,522
Current Portion of Long Term Borrowings	9	696,636	542,957
Provisions	10	<u>1,847,389</u>	<u>1,902,847</u>
TOTAL CURRENT LIABILITIES		<u>4,584,381</u>	<u>4,151,326</u>
NON-CURRENT LIABILITIES			
Long Term Borrowings	9	5,160,063	4,246,902
Provisions	10	<u>191,160</u>	<u>201,795</u>
TOTAL NON-CURRENT LIABILITIES		<u>5,351,223</u>	<u>4,448,697</u>
TOTAL LIABILITIES		<u><u>9,935,604</u></u>	<u><u>8,600,023</u></u>
EQUITY			
Retained Surplus		66,718,256	64,550,976
Reserves - Cash Backed	11	4,134,091	3,966,676
Revaluation Surplus	12	<u>123,524,905</u>	<u>73,519,527</u>
TOTAL EQUITY		<u><u>194,377,252</u></u>	<u><u>142,037,179</u></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 2015**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2013		62,796,111	3,810,643	67,889,120	134,495,874
Comprehensive Income					
Net Result		1,825,151	-	-	1,825,151
Changes on Revaluation of Non-Current Assets	12	85,747	-	5,630,407	5,716,154
Total Comprehensive Income		<u>1,910,898</u>	<u>-</u>	<u>5,630,407</u>	<u>7,541,305</u>
Transfers from/(to) Reserves		(156,033)	156,033	-	-
Balance as at 30 June 2014		64,550,976	3,966,676	73,519,527	142,037,179
Comprehensive Income					
Net Result		2,260,330	-	-	2,260,330
Changes on Revaluation of Non-Current Assets	12	74,365	-	50,005,378	50,079,743
Total Comprehensive Income		<u>2,334,695</u>	<u>-</u>	<u>50,005,378</u>	<u>52,340,073</u>
Transfers from/(to) Reserves		(167,415)	167,415	-	-
Balance as at 30 June 2015		<u>66,718,256</u>	<u>4,134,091</u>	<u>123,524,905</u>	<u>194,377,252</u>

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 2015**

	NOTE	2015 \$	2015 Budget \$	2014 \$
Cash Flows From Operating Activities				
Receipts				
Rates		20,119,735	20,306,800	19,716,799
Operating Grants, Subsidies and Contributions		2,373,775	1,940,200	1,501,928
Fees and Charges		7,094,964	6,787,000	7,121,131
Interest Earnings		792,714	745,900	747,043
Goods and Services Tax		(60,833)	-	(5,448)
Other Revenue		615,635	130,400	370,149
		<u>30,935,990</u>	<u>29,910,300</u>	<u>29,451,602</u>
Payments				
Employee Costs		(12,115,973)	(11,509,700)	(11,028,672)
Materials and Contracts		(7,922,917)	(9,967,300)	(8,827,706)
Utility Charges		(821,416)	(712,600)	(845,156)
Interest Expenses		(255,994)	(273,600)	(311,795)
Insurance Expenses		(632,128)	(383,200)	(363,682)
Goods and Services Tax		(11,510)	-	(17,094)
Other Expenditure		(884,639)	(748,700)	(831,990)
		<u>(22,644,577)</u>	<u>(23,595,100)</u>	<u>(22,226,095)</u>
Net Cash Provided By (Used In) Operating Activities	13(b)	<u>8,291,413</u>	<u>6,315,200</u>	<u>7,225,507</u>
Cash Flows from Investing Activities				
Payments for Purchase of Property, Plant & Equipment		(2,444,942)	(3,264,900)	(2,010,564)
Payments for Construction of Infrastructure		(4,640,232)	(6,870,500)	(4,704,066)
Non-Operating Grants, Subsidies and Contributions		626,341	1,110,600	535,897
Proceeds from Sale of Fixed Assets		429,973	357,500	421,715
Net Cash Provided by (Used in) Investment Activities		<u>(6,028,860)</u>	<u>(8,667,300)</u>	<u>(5,757,018)</u>
Cash Flows from Financing Activities				
Repayment of Debentures		(563,160)	(575,900)	(1,219,420)
Proceeds from New Debentures		1,630,000	1,630,000	-
Net Cash Provided By (Used In) Financing Activities		<u>1,066,840</u>	<u>1,054,100</u>	<u>(1,219,420)</u>
Net Increase (Decrease) in Cash and Cash Equivalents at Beginning of Year		3,329,393	(1,298,000)	249,069
Cash and Cash Equivalents at the End of the Year	13(a)	<u>12,843,046</u>	<u>7,295,400</u>	<u>9,513,653</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 2015**

	NOTE	2015 Actual \$	2015 Budget \$	2014 Actual \$
Revenue				
Governance		640,000	212,200	388,732
General Purpose Funding		2,059,330	1,550,300	1,233,931
Law, Order, Public Safety		118,031	109,100	103,926
Health		97,019	94,000	157,183
Education and Welfare		1,792,598	1,745,800	1,658,674
Community Amenities		3,781,942	3,937,000	4,261,633
Recreation and Culture		803,586	599,700	792,440
Transport		497,487	514,600	888,414
Economic Services		1,225,599	873,800	880,323
Other Property and Services		141,892	18,000	104,678
		<u>11,157,484</u>	<u>9,654,500</u>	<u>10,469,934</u>
Expenses				
Governance		(2,787,757)	(2,565,100)	(2,509,931)
General Purpose Funding		(545,402)	(556,900)	(545,644)
Law, Order, Public Safety		(1,036,804)	(948,700)	(944,863)
Health		(553,295)	(577,700)	(558,257)
Education and Welfare		(2,455,918)	(2,402,300)	(2,112,326)
Community Amenities		(4,470,943)	(5,018,100)	(4,969,292)
Recreation and Culture		(7,393,371)	(7,377,900)	(7,294,138)
Transport		(4,838,402)	(5,122,500)	(4,656,794)
Economic Services		(5,277,996)	(3,869,000)	(3,783,920)
Other Property and Services		(332,477)	(860,000)	(409,646)
		<u>(29,692,365)</u>	<u>(29,298,200)</u>	<u>(27,784,811)</u>
Net Result Excluding Rates		(18,534,881)	(19,643,700)	(17,314,877)
Adjustments for Cash Budget Requirements:				
(Profit)/Loss on Asset Disposals	20	(109,205)	(59,600)	(72,603)
Impairment - Buildings	6(a)	70,000	-	-
Movement in Deferred Pensioner Rates (Non-current)		(8,034)	7,500	(18,650)
Movement in Employee Benefit Provisions (Non-current)		(10,635)	(20,600)	(41,815)
Movement in Non Current Investment		(135,676)	-	-
Depreciation and Amortisation on Assets	2(a)	6,951,499	5,623,300	5,165,836
Capital Expenditure and Revenue				
Purchase Land and Buildings	6(a)	(230,340)	(2,428,100)	(307,680)
Construction of Buildings - Work in Progress	6(a)	(1,057,988)	-	-
Purchase Furniture and Equipment	6(a)	(334,242)	(323,600)	(678,812)
Purchase Plant and Equipment	6(a)	(822,372)	(513,200)	(1,024,072)
Construction of Infrastructure Assets - Roads	7(a)	(3,200,169)	(4,955,300)	(3,139,150)
Construction of Infrastructure Assets - Work in Progress (Roads)	7(a)	(432,000)	-	-
Construction of Infrastructure Assets - Footpaths	7(a)	(71,348)	-	(176,659)
Construction of Infrastructure Assets - Drainage	7(a)	(162,865)	-	(311,214)
Construction of Infrastructure Assets - Parks, Gardens, Reserves & Reticulation	7(a)	(772,120)	(1,915,200)	(951,281)
Construction of Infrastructure Assets - Street Furniture	7(a)	(1,731)	-	(125,762)
Proceeds from Disposal of Fixed Assets	20	429,973	357,500	421,715
Capital Grants & Contributions	28	626,341	1,110,600	-
Repayment of Debentures	21(a)	(563,160)	(575,900)	(1,219,420)
Proceeds from New Debentures	21(b)	1,630,000	1,630,000	-
Transfers to Reserves (Restricted Assets)	11	(167,415)	(165,700)	(314,233)
Transfers from Reserves (Restricted Assets)	11	-	158,200	158,200
ADD Estimated Surplus/(Deficit) July 1 B/Fwd	22(b)	2,694,642	1,205,800	3,505,091
LESS Estimated Surplus/(Deficit) June 30 C/Fwd	22(b)	5,957,145	(157,300)	2,694,642
Total Amount Raised from General Rate	22(a)	<u>(20,168,870)</u>	<u>(20,350,700)</u>	<u>(19,140,028)</u>

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

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report comprises general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1995 and accompanying regulations. Material accounting policies which have been adopted in the preparation of this financial report are presented below and have been consistently applied unless stated otherwise.

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

Critical Accounting Estimates

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

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

The Local Government Reporting Entity

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 19 to these financial statements.

(b) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST receivable or payable.

The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables in the statement of financial position.

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

(c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

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

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Trade and Other Receivables

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

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

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

(e) Inventories

General

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

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

Land Held for Sale

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

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

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

(f) Property, Plant and Equipment and Infrastructure

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

Mandatory Requirement to Revalue Non-Current Assets

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

The amendments allow for a phasing in of fair value in relation to fixed assets over three years as follows:

- (a) for the financial year ending on 30 June 2013, the fair value of all of the assets of the local government that are plant and equipment; and
 - (b) for the financial year ending on 30 June 2014, the fair value of all of the assets of the local government -
 - (i) that are plant and equipment; and
 - (ii) that are -
 - (I) land and buildings; or-
 - (II) Infrastructure;
- and
- (c) for a financial year ending on or after 30 June 2015, the fair value of all of the assets of the local government.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Property, Plant and Equipment and Infrastructure (Continued)

Mandatory Requirement to Revalue Non-Current Assets (Continued)

Thereafter, in accordance with the regulations, each asset class must be revalued at least every 3 years.

The City has commenced the process of adopting Fair Value in accordance with the Regulations.

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

Land Under Control

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

The City has two golf courses which have been leased to private clubs. They have been revalued along with other land in accordance with the other policies detailed in this Note during this financial year.

Initial Recognition and Measurement between Mandatory Revaluation Dates

All assets are initially recognised at cost and subsequently revalued in accordance with the mandatory measurement framework detailed above.

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

Individual assets acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework detailed above, are carried at cost less accumulated depreciation as management believes this approximates fair value. They will be subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework detailed above.

Revaluation

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

**CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Property, Plant and Equipment and Infrastructure (Continued)

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

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

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

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

Depreciation

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

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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

	Short Life	Long Life
Buildings - Structure	3 - 47 years	-
Buildings - Fit-outs	1 - 9 years	-
Buildings - Mechanical	2 - 14 years	-
Buildings - Roof Cladding	3 - 47 years	-
Furniture and Equipment	4 to 10 years	-
Plant and Equipment	5 to 15 years	-
Drainage	16 to 65 years	-
Roads - Pavement	80 to 200 years	-
Roads - Sub Grade	-	100,000 years
Roads - Top Surface	17 - 29 years	-
Footpaths	16 - 78 years	45 - 150 years
Stormwater Pipes	93 - 126 years	-
Stormwater Pits	84 - 120 years	-
Stormwater Plant	107 - 114 years	-
Street Furniture	16 - 76 years	150 years

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

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Property, Plant and Equipment and Infrastructure (Continued)

Depreciation (Continued)

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

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

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

Capitalisation Threshold

Expenditure on items of equipment under \$2,000 is not capitalised. Rather, it is recorded on an asset inventory listing.

(g) Fair Value of Assets and Liabilities

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

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

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

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

Fair Value Hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fair Value Hierarchy (Continued)

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

As detailed above, the mandatory measurement framework imposed by the Local Government (Financial Management) Regulations requires, as a minimum, all assets carried at a revalued amount to be revalued at least every 3 years.

(h) Financial Instruments

Initial Recognition and Measurement

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

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

Classification and Subsequent Measurement

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

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Classification and Subsequent Measurement (Continued)

Amortised cost is calculated as:

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

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

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

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

(ii) Loans and receivables

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

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

(iii) Held-to-maturity investments

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

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

(iv) Available-for-sale financial assets

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

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

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Classification and Subsequent Measurement (Continued)

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

(v) Financial liabilities

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

Impairment

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

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

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

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

Derecognition

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

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

(i) Impairment of Assets

In accordance with Australian Accounting Standards the City'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.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of Assets (Continued)

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

For non-cash generating assets such as roads, drains, public buildings and the like, value in use is represented by the depreciated replacement cost of the asset.

(j) Trade and Other Payables

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

(k) Employee Benefits

Short-Term Employee Benefits

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

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

Other Long-Term Employee Benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations or service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

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

(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 until such time as the asset is substantially ready for its intended use or sale.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Provisions

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

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

(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 City, are classified as finance leases.

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

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) Investment in Associates

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

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

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

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

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Interests in Joint Arrangements

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. Information about the joint venture is set out in Note 16.

The Council's interest in joint venture entities are recorded using the equity method of accounting (refer to Note 1(o) for details) in the financial report.

When the Council contributes assets to the joint venture or if the Council purchases assets from the joint venture, only the portion of gain or loss not attributable to the Council's share of the joint venture shall be recognised. The Council recognises the full amount of any loss when the contribution results in a reduction in the net realisable value of current assets or an impairment loss.

(q) Rates, Grants, Donations and Other Contributions

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

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

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 2(c). That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current reporting period.

(r) Superannuation

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

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

(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.

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

(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 2015**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the City.

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

Title	Issued / Compiled	Applicable ⁽ⁱ⁾	Impact
(i) AASB 9 Financial Instruments (incorporating AASB 2014-7 and AASB 2014-8)	December 2014	1 January 2018	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the City, it is not anticipated the Standard will have any material effect.
(ii) AASB 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]	September 2012	1 January 2018	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 City (refer (i) above).
(iii) AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2017	This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The effect of this Standard will depend upon the nature of future transactions the City has with those third parties it has dealings with. It may or may not be significant.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(iv) AASB 2013-9 Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments [Operative date: Part C Financial Instruments - 1 January 2015]	December 2013	Refer title column	Part C of this Standard makes consequential amendments to AASB 9 and numerous other Standards and amends the permissions around certain applications relating to financial liabilities reissued at fair value. As the bulk of changes relate either to editorial or reference changes it is not expected to have a significant impact on the City.
(v) AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	August 2014	1 January 2016	This Standard amends AASB 11: Joint Arrangements to require the acquirer of an interest (both initial and additional) in a joint operation in which the activity constitutes a business, as defined in AASB 3: Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations. Since adoption of this Standard would impact only acquisitions of interests in joint operations on or after 1 January 2016, management believes it is impracticable at this stage to provide a reasonable estimate of such impact on the City's financial statements.
(vi) AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & 138]	August 2014	1 January 2016	This Standard amends AASB 116 and AASB 138 to establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. It also clarifies the use of revenue-based methods to calculate the depreciation of an asset is not appropriate nor is revenue generally an appropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. Given the City currently uses the expected pattern of consumption of the future economic benefits of an asset as the basis of calculation of depreciation, it is not expected to have a significant impact.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(vii) AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	December 2014	1 January 2017	Consequential changes to various Standards arising from the issuance of AASB 15.
(viii) AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	January 2015	1 January 2016	It will require changes to reflect the impact of AASB 15. This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements. This Standard also makes editorial and consequential amendments as a result of amendments to the Standards listed in the title column.
[AASB 7, 101, 134 & 1049]			It is not anticipated it will have any significant impact on disclosures.
(ix) AASB 2015-3 Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality	January 2015	1 July 2015	This Standard completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing it to be completely withdrawn. It is not anticipated it will have a significant impact as the principles of materiality remain largely unchanged.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(x) AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, 124 & 1049]	March 2015	1 July 2016	The objective of this Standard is to extend the scope of AASB 124 Related Party Disclosures to include not-for-profit sector entities. The Standard is expected to have a significant disclosure impact on the financial report of the City as both Elected Members and Senior Management will be deemed to be Key Management Personnel and resultant disclosures will be necessary.

Notes:

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

(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 were compiled, became mandatory and which were applicable to its operations.

These new and revised standards were:

- AASB 2011-7
- AASB 2012-3
- AASB 2013-3
- AASB 2013-8
- AASB 2013-9 Parts A & B

Most of the standards adopted had a minimal effect on the accounting and reporting practices of the Council as they did not have a significant impact on the accounting or reporting practices or were either not applicable, 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 2015

2. REVENUE AND EXPENSES	2015	2014	
	\$	\$	
(a) Net Result			
The Net Result includes:			
(i) Charging as an Expense:			
Auditors Remuneration			
- Audit of the annual financial report	20,860	19,030	
- Audit of projects	3,400	-	
	<u>24,260</u>	<u>19,030</u>	
Depreciation			
Buildings	2,386,539	669,793	
Furniture and Equipment	338,418	349,839	
Plant and Equipment	601,435	642,044	
Roads	2,332,829	2,182,051	
Footpaths	428,839	415,740	
Drainage	238,793	229,026	
Parks, Gardens, Reserves & Reticulation	597,690	666,076	
Street Furniture	26,956	11,267	
	<u>6,951,499</u>	<u>5,165,836</u>	
Interest Expenses (Finance Costs)			
Debentures (<i>refer Note 21.(a)</i>)	259,769	302,196	
	<u>259,769</u>	<u>302,196</u>	
Rental Charges			
- Operating Leases	157,927	95,682	
	<u>157,927</u>	<u>95,682</u>	
(ii) Crediting as Revenue:			
	2015	2015	2014
	Actual	Budget	Actual
	\$	\$	\$
Other Revenue			
Other	<u>615,635</u>	<u>130,400</u>	<u>370,149</u>
Interest Earnings			
Investments			
- Reserve Funds	128,283	165,700	152,202
- Other Funds	473,634	384,300	389,129
Other Interest Revenue (<i>refer note 26</i>)	190,797	195,900	205,713
	<u>792,714</u>	<u>745,900</u>	<u>747,043</u>

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

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

COMMUNITY VISION

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

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

GOVERNANCE

Objective:

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

Activities:

Includes the activities of members of council and the administrative support available to the council for the provision of governance of the district. Other costs relate to the task of assisting elected members and ratepayers on matters which do not concern specific council services.

GENERAL PURPOSE FUNDING

Objective:

To collect revenue to allow for the provision of services.

Activities:

Rates, general purpose government grants and interest revenue.

LAW, ORDER, PUBLIC SAFETY

Objective:

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

Activities:

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

HEALTH

Objective:

To provide an operational framework for environmental and community health.

Activities:

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

EDUCATION AND WELFARE

Objective:

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

Activities:

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

**CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective (Continued)

COMMUNITY AMENITIES

Objective:

To provide services required by the community.

Activities:

Rubbish collection services, operation of rubbish disposal sites, litter control, construction and maintenance of urban storm water drains, protection of the environment and administration of town planning schemes, cemetery and public conveniences.

RECREATION AND CULTURE

Objective:

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

Activities:

Maintenance of public halls, civic centres, aquatic centre, beaches, recreation centres and various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of library, museum and other cultural facilities.

TRANSPORT

Objective:

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

Activities:

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

ECONOMIC SERVICES

Objective:

To help promote the shire and its economic wellbeing.

Activities:

Tourism and area promotion including the maintenance and operation of a caravan park. Provision of rural services including weed control, vermin control and standpipes. Building Control.

OTHER PROPERTY AND SERVICES

Objective:

To monitor and control council's overheads operating accounts.

Activities:

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

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions		Opening	Received ⁽²⁾	Expended ⁽³⁾	Closing	Received ⁽²⁾	Expended ⁽³⁾	Closing
Grant/Contribution	Function/ Activity	Balance ⁽¹⁾ 01/07/13	2013/14	2013/14	Balance ⁽¹⁾ 30/06/14	2014/15	2014/15	Balance 30/06/15
		\$	\$	\$	\$	\$	\$	\$
DSR - Kidsports Program	Recreation and Culture	22,469	-	(12,179)	10,290	-	(10,290)	-
Office of Crime Prevention - Boatsafe Program	Recreation and Culture	2,500	-	-	2,500	-	(2,500)	-
HACC - Capital grant	Education	-	82,375	(77,093)	5,282	-	(5,282)	-
River Foreshore Management - WESROC	and Welfare	-	-	-	-	-	-	-
Karda, Karak & Waarlitj Bidi - WESROC	Governance	-	-	-	-	68,760	(28,817)	39,943
Long Day Care Professional Funding - PRCC	Governance	-	-	-	-	30,000	(13,700)	16,300
Children's Book Week 2015 - Nedlands Library	Education and Welfare	-	-	-	-	20,773	(15,580)	5,193
Total		24,969	82,375	(89,272)	18,072	120,433	(76,169)	900
								62,336

Notes:

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

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

	Note	2015 \$	2014 \$
3. CASH AND CASH EQUIVALENTS			
Unrestricted		8,074,607	5,528,905
Restricted		<u>4,768,439</u>	<u>3,984,748</u>
		<u><u>12,843,046</u></u>	<u><u>9,513,653</u></u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Plant Replacement Reserve	11	142,447	137,871
City Development Reserve	11	379,852	361,725
North Street Reserve	11	1,149,527	1,110,649
Welfare Reserve	11	456,150	426,597
Services Reserve	11	1,047,412	1,012,524
Insurance Reserve	11	58,106	56,115
Waste Management Reserve	11	157,248	152,105
Building Replacement Reserve	11	619,755	589,506
Swanbourne Reserve	11	119,667	115,753
Public Art Reserve	11	3,927	3,831
Unspent Grants	2(c)	62,336	18,072
Unspent Loans	21(c)	<u>572,012</u>	<u>-</u>
		<u><u>4,768,439</u></u>	<u><u>3,984,748</u></u>
4. TRADE AND OTHER RECEIVABLES			
Current			
Rates Outstanding		315,038	273,937
Sundry Debtors		363,448	309,336
GST Receivable		220,474	148,131
Prepayments		243,349	-
Less: Provision for Doubtful Debts		<u>(24,522)</u>	<u>(5,925)</u>
		<u><u>1,117,787</u></u>	<u><u>725,479</u></u>
Non-Current			
Rates Outstanding - Pensioners		<u><u>359,394</u></u>	<u><u>351,360</u></u>
5. INVENTORIES			
Current			
Fuel and Oil		<u><u>18,148</u></u>	<u><u>30,555</u></u>

**CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

	2015	2014
	\$	\$
6. PROPERTY, PLANT AND EQUIPMENT		
Land		
Freehold Land at:		
- Independent Valuation 2014	<u>35,664,000</u>	<u>35,625,000</u>
	35,664,000	35,625,000
Land Vested In and Under the Control of Council at:		
- Independent Valuation 2014	<u>97,000</u>	<u>97,000</u>
	97,000	97,000
Total Land	<u><u>35,761,000</u></u>	<u><u>35,722,000</u></u>
Total Buildings		
- Independent Valuation 2014	61,361,000	61,431,000
- Additions after Valuation - Cost	230,340	-
Less Accumulated Depreciation	<u>(38,270,039)</u>	<u>(35,883,500)</u>
	<u>23,321,301</u>	<u>25,547,500</u>
Work In Progress - Buildings	<u>1,057,988</u>	<u>-</u>
Total Land and Buildings	<u><u>60,140,289</u></u>	<u><u>61,269,500</u></u>
Furniture and Equipment at:		
- Management Valuation 2013	4,095,234	4,095,234
- Additions after Valuation - Cost	1,013,054	678,812
Less Accumulated Depreciation	<u>(3,958,671)</u>	<u>(3,620,253)</u>
	<u>1,149,617</u>	<u>1,153,793</u>
Plant and Equipment at:		
- Management Valuation 2013	5,005,431	5,494,543
- Additions after Valuation - Cost	1,846,444	1,024,072
Less Accumulated Depreciation	<u>(3,990,867)</u>	<u>(3,557,776)</u>
	<u>2,861,008</u>	<u>2,960,839</u>
	<u><u>64,150,914</u></u>	<u><u>65,384,132</u></u>

Land

Where there is comparable market evidence Level 2 valuation inputs are used to value land held in freehold title as well as land used for special purposes that are restricted in use under current zoning rules. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Land (Continued)

Where there was no observable market evidence for a land asset due to its configuration, or council zoning restrictions, Level 3 valuation inputs are used. This provides only a low level of comparability.

The Cottesloe and Nedlands Golf Courses were valued on the basis that both courses were developed privately and, whilst a lease is in place for a nominal amount per year for 21 years for each of the Courses, the independent valuation consultant applied Present Values to the remaining periods of the ground leases.

Land that is vested or held under a management order has not been valued in accordance with Regulation 16, Local Government (Financial Management) Regulations 1996, and is not included as an asset in this annual financial report.

Buildings

The City's building and improvement assets such as the City's Depot, community centres, pavilions, etc. which are considered to be of a "specialised nature" (non-market type properties which are not readily traded in the market place) were valued by professionally qualified Registered Valuer using the cost approach. This approach is commonly referred to as the depreciated replacement cost (DRC) method.

The "DRC" approach considers the cost (sourced from cost guides such as Rawlinsons, Cordell, professional quantity surveyors and recent construction costs for similar projects throughout Western Australia) to reproduce or replace similar assets with an asset in new condition, including allowance for installation, less an amount for depreciation to accommodate accrued physical wear and tear, economic and functional obsolescence. The depreciation consists of a combination of unit rates based on square metres and quantification of the component parts of the asset. Other inputs (i.e. remaining useful life, asset condition and utility) required extensive professional judgement and impacted significantly on the final determination of fair value. Therefore, specialised building assets were classified as having been valued using Level 3 valuation inputs.

Plant and Equipment

Plant and equipment were revalued in 2013 as part of the mandatory requirements embodied in Local Government (Financial Management) Regulation 17A. The additions since 1 July 2013 have been brought into the books at cost. Given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered that the recorded written down values approximate fair values.

Plant and Equipment will be comprehensively revalued during the year ending 30 June 2016.

Most plant and equipment assets are generally valued using the market and cost approach using comparable sales and relevant industry market price reference guides, and have been classified as being valued at Level 2 of the fair value hierarchy. The most significant inputs into this valuation approach are the make, size, year of manufacture and condition.

Furniture and Equipment:

It has been determined that the Current Written Down Values of Furniture and Equipment as well as IT equipment are accurate representation of the value of Furniture and Equipment for the current Financial year. Due to the nature of the assets and their use by the City it would not be efficient to obtain a revaluation of these assets. The City has determined that written down value based on original purchase price sufficiently represents the value of the Furniture and Equipment. Further valuation of these assets would not add value to the recognition of these assets in our books.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Movements in Carrying Amounts

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

	Balance at the Beginning of the Year	Additions	(Disposals)	Revaluation Increments/ (Decrements)	Impairment (Losses)/ Reversals	Depreciation (Expense)	Carrying Amount at the End of Year
	\$	\$	\$	\$	\$	\$	\$
Freehold Land	35,625,000	-	-	39,000	-	-	35,664,000
Land Vested In and Under the Control of Council	97,000	-	-	-	-	-	97,000
Total Land	<u>35,722,000</u>	<u>-</u>	<u>-</u>	<u>39,000</u>	<u>-</u>	<u>-</u>	<u>35,761,000</u>
Total Buildings	25,547,500	230,340	-	-	(70,000)	(2,386,539)	23,321,301
Work In Progress - Buildings	-	1,057,988	-	-	-	-	1,057,988
Total Land and Buildings	<u>61,269,500</u>	<u>1,288,328</u>	<u>-</u>	<u>39,000</u>	<u>(70,000)</u>	<u>(2,386,539)</u>	<u>60,140,289</u>
Furniture and Equipment	1,153,793	334,242	-	-	-	(338,418)	1,149,617
Plant and Equipment	2,960,839	822,372	(320,768)	-	-	(601,435)	2,861,008
Total Property, Plant and Equipment	<u>65,384,132</u>	<u>2,444,942</u>	<u>(320,768)</u>	<u>39,000</u>	<u>(70,000)</u>	<u>(3,326,392)</u>	<u>64,150,914</u>

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

	2015	2014
	\$	\$
7. INFRASTRUCTURE		
Roads		
- Independent Valuation 2015	108,213,625	-
- Management Valuation	-	52,512,174
- Cost	3,200,169	3,139,150
Less Accumulated Depreciation	<u>(38,134,501)</u>	<u>(4,169,290)</u>
	73,279,293	51,482,034
Work In Progress - Roads	432,000	-
Footpaths		
- Independent Valuation 2015	20,717,568	-
- Cost	71,349	8,857,997
Less Accumulated Depreciation	<u>(4,103,224)</u>	<u>(3,276,722)</u>
	16,685,693	5,581,275
Drainage		
- Independent Valuation 2015	31,113,113	-
- Management Valuation	-	7,938,084
- Cost	162,865	311,214
Less Accumulated Depreciation	<u>(7,312,258)</u>	<u>(838,265)</u>
	23,963,720	7,411,033
Parks, Gardens, Reserves & Reticulation		
- Management Valuation 2015	14,561,359	13,789,239
Less Accumulated Depreciation	<u>(4,445,144)</u>	<u>(3,847,453)</u>
	10,116,215	9,941,786
Street Furniture		
- Independent Valuation 2015	1,751,126	-
- Cost	1,731	368,561
Less Accumulated Depreciation	<u>(541,887)</u>	<u>(152,666)</u>
	1,210,970	215,895
	<u>125,687,891</u>	<u>74,632,023</u>

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

7. INFRASTRUCTURE (Continued)

(a) Movements in Carrying Amounts

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

	Balance as at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) \$	Depreciation (Expense) \$	Carrying Amount at the End of Year \$
Roads	51,482,034	3,200,169	-	20,929,919	(2,332,829)	73,279,293
Work In Progress - Roads	-	432,000	-	-	-	432,000
Footpaths	5,581,275	71,348	-	11,461,909	(428,839)	16,685,693
Drainage	7,411,033	162,865	-	16,628,615	(238,793)	23,963,720
Parks, Gardens, Reserves & Reticulation	9,941,786	772,120	-	-	(597,690)	10,116,216
Street Furniture	215,895	1,731	-	1,020,300	(26,956)	1,210,970
Total	<u>74,632,023</u>	<u>4,640,232</u>	<u>-</u>	<u>50,040,743</u>	<u>(3,625,107)</u>	<u>125,687,891</u>

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

	2015	2014
	\$	\$
8. TRADE AND OTHER PAYABLES		
Current		
Sundry Creditors	1,910,383	1,300,476
Accrued Interest on Debentures	33,270	29,495
Accrued Salaries and Wages	96,703	375,551
	<u>2,040,356</u>	<u>1,705,522</u>

9. LONG-TERM BORROWINGS

Current		
Secured by Floating Charge Debentures	<u>696,636</u>	<u>542,957</u>
Non-Current		
Secured by Floating Charge Debentures	<u>5,160,063</u>	<u>4,246,902</u>

Additional detail on borrowings is provided in Note 21.

10. PROVISIONS

Analysis of Total Provisions

Current	1,847,389	1,902,847
Non-Current	191,160	201,795
	<u>2,038,549</u>	<u>2,104,642</u>

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance at 1 July 2014	754,823	1,349,819	2,104,642
Additional provision	251,505	(143,736)	107,769
Amounts used	(104,248)	(69,614)	(173,862)
Balance at 30 June 2015	<u>902,080</u>	<u>1,136,469</u>	<u>2,038,549</u>

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

	2015	2015 Budget	2014
	\$	\$	\$
11. RESERVES - CASH BACKED			
(a) Plant Replacement Reserve			
Opening Balance	137,871	137,100	229,701
Interest Earned	4,576	8,800	8,170
Amount Set Aside / Transfer to Reserve	-	-	-
Amount Used / Transfer from Reserve	-	-	(100,000)
	<u>142,447</u>	<u>145,900</u>	<u>137,871</u>
(b) City Development Reserve			
Opening Balance	361,725	357,400	346,329
Interest Earned	9,127	33,200	15,396
Amount Set Aside / Transfer to Reserve	9,000	-	-
Amount Used / Transfer from Reserve	-	-	-
	<u>379,852</u>	<u>390,600</u>	<u>361,725</u>
(c) North Street Reserve			
Opening Balance	1,110,649	1,061,100	1,125,114
Interest Earned	38,878	43,000	43,735
Amount Set Aside / Transfer to Reserve	-	-	-
Amount Used / Transfer from Reserve	-	-	(58,200)
	<u>1,149,527</u>	<u>1,104,100</u>	<u>1,110,649</u>
(d) Welfare Reserve			
Opening Balance	426,597	424,800	411,565
Interest Earned	14,423	15,700	15,032
Amount Set Aside / Transfer to Reserve	15,130	-	-
Amount Used / Transfer from Reserve	-	-	-
	<u>456,150</u>	<u>440,500</u>	<u>426,597</u>
(e) Services Reserve			
Opening Balance	1,012,524	1,010,600	821,074
Interest Earned	34,888	31,400	33,250
Amount Set Aside / Transfer to Reserve	-	-	158,200
Amount Used / Transfer from Reserve	-	(158,200)	-
	<u>1,047,412</u>	<u>883,800</u>	<u>1,012,524</u>
(f) Insurance Reserve			
Opening Balance	56,115	55,800	54,072
Interest Earned	1,991	2,100	2,043
Amount Set Aside / Transfer to Reserve	-	-	-
Amount Used / Transfer from Reserve	-	-	-
	<u>58,106</u>	<u>57,900</u>	<u>56,115</u>
(g) Waste Management Reserve			
Opening Balance	152,105	151,500	146,745
Interest Earned	5,143	5,600	5,360
Amount Set Aside / Transfer to Reserve	-	-	-
Amount Used / Transfer from Reserve	-	-	-
	<u>157,248</u>	<u>157,100</u>	<u>152,105</u>

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

	2015	2015 Budget	2014
	\$	\$	\$
11. RESERVES - CASH BACKED (Continued)			
(h) Building Replacement Reserve			
Opening Balance	589,506	582,500	564,370
Interest Earned	15,249	21,600	25,136
Amount Set Aside / Transfer to Reserve	15,000	-	-
Amount Used / Transfer from Reserve	-	-	-
	<u>619,755</u>	<u>604,100</u>	<u>589,506</u>
(i) Swanbourne Reserve			
Opening Balance	115,753	115,300	111,673
Interest Earned	3,914	4,300	4,080
Amount Set Aside / Transfer to Reserve	-	-	-
Amount Used / Transfer from Reserve	-	-	-
	<u>119,667</u>	<u>119,600</u>	<u>115,753</u>
(j) Public Art Reserve			
Opening Balance	3,831	3,900	-
Interest Earned	96	-	-
Amount Set Aside / Transfer to Reserve	-	-	3,831
Amount Used / Transfer from Reserve	-	-	-
	<u>3,927</u>	<u>3,900</u>	<u>3,831</u>
TOTAL RESERVES	<u>4,134,091</u>	<u>3,907,500</u>	<u>3,966,676</u>
Opening Balance	3,966,676	3,900,000	3,810,643
Interest Earned	128,285	165,700	152,202
Amount Set Aside / Transfer to Reserve	39,130	-	162,031
Amount Used / Transfer from Reserve	-	(158,200)	(158,200)
TOTAL RESERVES	<u>4,134,091</u>	<u>3,907,500</u>	<u>3,966,676</u>

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

**CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

11. RESERVES - CASH BACKED (continued)

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

(a) Plant Replacement Reserve

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

(b) City Development Reserve

To provide funds for the improvement of property, plant and and equipment. The use of funds in this reserve is on going.

(c) North Street Reserve

To provide funds for the operational and capital costs of community facilities in Mt Claremont, community and recreation facilities in Swanbourne and infrastructure generally. The use of funds in this reserve is on going.

(d) Welfare Reserve

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

(e) 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 building maintenance. The use of funds in this reserve is ongoing.

(f) Insurance Reserve

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

(g) Waste Management Reserve

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

(h) Building Replacement Reserve

To fund the upgrade and/or replacement of City buildings. The use of funds in this reserve is ongoing.

(i) Swanbourne Reserve

To provide funds for the capital works in the swanbourne area associated with the Swanbourne Masterplan. The use of funds in this reserve is ongoing.

(j) Public Art Reserve

To provide funds for the works of art in the City. The use of funds in this reserve is ongoing.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

12. REVALUATION SURPLUS	2015	2014
	\$	\$
Revaluation surpluses have arisen on revaluation of the following classes of non-current assets:		
(a) Land		
Opening Balance	17,675,418	12,354,000
Revaluation Increment	39,000	5,321,418
Revaluation Decrement	-	-
	<u>17,714,418</u>	<u>17,675,418</u>
(b) Buildings		
Opening Balance	9,692,645	9,297,909
Revaluation Increment	-	394,736
Revaluation Decrement	-	-
	<u>9,692,645</u>	<u>9,692,645</u>
(c) Plant & Equipment		
Opening Balance	404,143	489,890
Revaluation Increment	-	-
Reversal of Revaluation Increments (disposals)	(74,365)	(85,747)
	<u>329,778</u>	<u>404,143</u>
(d) Roads		
Opening Balance	43,780,629	43,780,629
Revaluation Increment	20,929,919	-
Revaluation Decrement	-	-
	<u>64,710,548</u>	<u>43,780,629</u>
(e) Drainage		
Opening Balance	1,966,692	1,966,692
Revaluation Increment	16,628,615	-
Revaluation Decrement	-	-
	<u>18,595,307</u>	<u>1,966,692</u>
(f) Footpaths		
Opening Balance	-	-
Revaluation Increment	11,461,909	-
Revaluation Decrement	-	-
	<u>11,461,909</u>	<u>-</u>
(g) Street Furniture		
Opening Balance	-	-
Revaluation Increment	1,020,300	-
Revaluation Decrement	-	-
	<u>1,020,300</u>	<u>-</u>
TOTAL ASSET REVALUATION SURPLUS	<u><u>123,524,905</u></u>	<u><u>73,519,527</u></u>
Summary of Revaluation Surplus		
Opening Balance	73,519,527	67,889,120
Revaluation Increments	50,079,743	5,716,154
Revaluation Decrement	-	-
Reversal of Revaluation Increments (disposals)	(74,365)	(85,747)
Closing Balance	<u><u>123,524,905</u></u>	<u><u>73,519,527</u></u>

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

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:

	2015	2015 Budget	2014
	\$	\$	\$
Cash and Cash Equivalents	<u>12,843,046</u>	<u>7,295,400</u>	<u>9,513,653</u>

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

Net Result	2,260,330	1,817,600	1,825,151
Depreciation	6,951,499	5,623,300	5,165,836
(Profit)/Loss on Sale of Asset	(109,205)	(59,600)	(72,603)
Loss on Impairment	70,000	-	-
(Increase)/Decrease in Receivables	(400,341)	(29,700)	459,103
(Increase)/Decrease in Inventories	12,407	-	(17,033)
Increase/(Decrease) in Payables	334,834	27,200	(646)
Increase/(Decrease) in Employee Provisions	(66,093)	52,600	401,595
Change in Equity in LG House Trust	(135,676)	-	-
Grants Contributions for the Development of Assets	<u>(626,341)</u>	<u>(1,110,600)</u>	<u>(535,897)</u>
Net Cash from Operating Activities	<u>8,291,414</u>	<u>6,320,800</u>	<u>7,225,506</u>

	2015	2014
	\$	\$
(c) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Bank Overdraft limit	500,000	500,000
Bank Overdraft at Balance Date	-	-
Credit Card limit	25,000	25,000
Credit Card Balance at Balance Date	(2,881)	(2,881)
Purchasing Card limit	100,000	100,000
Purchasing Card Balance at Balance Date	-	(1,476)
Total Amount of Credit Unused	<u>622,119</u>	<u>620,643</u>
Loan Facilities		
Loan Facilities - Current	696,636	542,957
Loan Facilities - Non-Current	5,160,063	4,246,902
Total Facilities in Use at Balance Date	<u>5,856,699</u>	<u>4,789,859</u>
Unused Loan Facilities at Balance Date	<u>NIL</u>	<u>NIL</u>

**CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

14. CONTINGENT LIABILITIES

The City is not aware of any legal claims against the City.

15. CAPITAL AND LEASING COMMITMENTS	2015	2014
	\$	\$
(a) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	84,854	49,012
- later than one year but not later than five years	73,073	46,670
- later than five years	-	-
	<u>157,927</u>	<u>95,682</u>

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

(b) Capital Expenditure Commitments

Contracted for:		
- capital expenditure projects	<u>1,661,650</u>	<u>291,800</u>
Payable:		
- not later than one year	<u>1,661,650</u>	<u>291,800</u>

The capital expenditure project outstanding at the end of the current reporting period represents David Cruickshank Football Club Facility, and Blackspot projects on Stirling Highway and Broadway Road.

16. FINANCIAL ASSETS

Non-Current

Available-for-sale Financial Assets:

Interest in Local Government House Trust	<u>135,676</u>	<u>-</u>
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This represents the equity the City has in the Local Government House Trust as a consequence of a contribution towards the cost of purchasing Local Government House. The total contribution by all Councils towards the cost of the WALGA building was \$582,000 of which the City of Nedlands contributed \$8,000. There are 620 units in the Local Government House Trust, 8 of which are held by the City of Nedlands. The City has capitalised its share in the Local Government House Trust this year.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2015	2014
	\$	\$
Governance	39,192,270	39,064,633
Law, Order, Public Safety	1,190,122	1,393,587
Health	244,723	339,357
Education and Welfare	2,743,911	2,805,769
Community Amenities	66,460	56,758
Recreation and Culture	27,141,410	27,762,067
Transport	118,492,120	67,682,598
Economic Services	7,636	9,248
Other Property and Services	15,234,204	11,523,185
	<u>204,312,856</u>	<u>150,637,202</u>

18. FINANCIAL RATIOS	2015	2014	2013
Current Ratio	2.01	1.51	1.52
Asset Sustainability Ratio	0.92	1.17	1.33
Debt Service Cover Ratio	10.75	4.44	3.59
Operating Surplus Ratio	0.06	0.05	0.01
Own Source Revenue Coverage Ratio	0.98	0.99	0.94

The above ratios are calculated as follows:

Current Ratio	<u>current assets minus restricted assets</u> current liabilities minus liabilities associated with restricted assets
Asset Sustainability Ratio	<u>capital renewal and replacement expenditure</u> Depreciation expenses
Debt Service Cover Ratio	<u>annual operating surplus before interest and depreciation</u> principal and interest
Operating Surplus Ratio	<u>operating revenue minus operating expenses</u> own source operating revenue
Own Source Revenue Coverage Ratio	<u>own source operating revenue</u> operating expenses

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

18. FINANCIAL RATIOS (continued)

ADDITIONAL RATIOS

The following information relates to those ratios which only require as attestation they have been checked and are supported by verifiable information.

	2015	2014	2013
Asset Consumption Ratio	0.60	0.65	0.86
Asset Renewal Funding Ratio	0.85	0.67	1

The above ratios are calculated as follows:

Asset Consumption Ratio $\frac{\text{depreciated replacement costs of assets}}{\text{current replacement cost of depreciable assets}}$

Asset Renewal Funding Ratio $\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$

19. TRUST FUNDS

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

<u>Particular</u>	Balance 1 July 2014 \$	Amounts Received \$	Amounts Paid (\$)	Balance 30 June 2015 \$
Bonds and Deposits	1,448,146	1,638,542	(1,635,280)	1,451,408
Unclaimed Monies	18,564	33,360	(151)	51,773
	<u>1,466,710</u>	<u>1,671,902</u>	<u>(1,635,431)</u>	<u>1,503,182</u>

20. DISPOSALS OF ASSETS - 2014/15 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						
Other property and Services	320,768	297,900	429,973	357,500	109,205	59,600
	<u>320,768</u>	<u>297,900</u>	<u>429,973</u>	<u>357,500</u>	<u>109,205</u>	<u>59,600</u>
					Profit	67,500
					Loss	(7,900)
					<u>109,205</u>	<u>59,600</u>

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

21. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Loan #	Principal 1 July 2014 \$	New Loans \$	Principal Repayments		Principal 30 June 2015		Interest Repayments	
				Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
General Purpose Funding									
Waste Bins	178	390,064		98,069	77,900	291,995	312,200	21,088	22,200
Road Infrastructures	179	1,140,347		85,795	85,800	1,054,553	1,054,500	67,167	67,800
Buildings & Infrastructures	181	1,517,692		180,577	180,600	1,337,115	1,337,100	85,529	86,900
Buildings & Infrastructures	182	1,741,755	1,630,000	198,719	198,700	1,543,036	1,543,100	78,705	79,100
Buildings & Infrastructures	183	-	1,630,000	-	32,900	1,630,000	1,597,100	7,279	17,600
		4,789,858	1,630,000	563,160	575,900	5,856,699	5,844,000	259,769	273,600

All loan repayments were financed by general purpose revenue.

(b) New Debentures - 2014/15

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges \$	Interest Rate %	Amount Used		Balance Unspent \$
	Actual \$	Budget \$						Actual \$	Budget \$	
Buildings & Infrastructures - #183	1,630,000	1,630,000	WATC	Fixed	10	242,676	2.78	1,057,988	1,630,000	572,012
	1,630,000	1,630,000				242,676		1,057,988	1,630,000	572,012

(c) Unspent Debentures

Particulars	Date Borrowed	Balance 1-Jul-14 \$	Borrowed During Year \$	Expended During Year \$	Balance 30-Jun-15 \$
Buildings & Infrastructures - #183	4 May 2015	-	1,630,000	1,057,988	572,012
		-	1,630,000	1,057,988	572,012

(d) Overdraft

Council established an overdraft facility of \$500,000 in 2008 to assist with short term liquidity requirements. The balance of the bank overdraft at 1 July 2014 and 30 June 2015 was \$ 0.

CITY OF NEDLANDS
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2015

22. RATING INFORMATION - 2014/15 FINANCIAL YEAR

(a) Rates		Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Total Revenue \$
RATE TYPE											
Differential General Rate / General Rate											
Residential		0.0445	6,013	308,803,550	13,741,758	155,428	65,177	13,962,363	13,739,800	60,000	13,799,800
Residential Vacant		0.0630	143	8,763,060	552,073	(47,143)	(108,963)	395,967	3,010,400	20,000	3,030,400
Non Residential		0.0555	395	54,696,945	3,035,681	(71,662)	(50,156)	2,913,863	556,200	10,000	566,200
Sub-Totals			6,551	372,263,555	17,329,512	36,623	(93,942)	17,272,192	17,306,400	90,000	17,396,400
Minimum Payment											
Residential		1,288	1,974	45,315,460	2,542,512	(32,426)	(303)	2,509,783	2,542,500	-	2,542,500
Residential Vacant		1,758	109	2,059,180	185,082	(19,460)	(1,994)	163,629	223,300	-	223,300
Non Residential		1,698	127	2,580,070	223,266	-	-	223,266	188,500	-	188,500
Sub-Totals			2,210	49,954,710	2,950,860	(51,885)	(2,297)	2,896,678	2,954,300	-	2,954,300
Totals								20,168,870			20,350,700

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

22. RATING INFORMATION - 2014/15 FINANCIAL YEAR (Continued)

(b) Information on Surplus/(Deficit) Brought Forward

	2015 (30 June 2015 Carried Forward) \$	2015 (1 July 2014 Brought Forward) \$	2014 (30 June 2014 Carried Forward) \$
Surplus/(Deficit) Brought / Carried Forward	<u>5,957,145</u>	<u>2,694,642</u>	<u>2,694,642</u>
Comprises:			
Cash and Cash Equivalents			
Unrestricted	8,074,607	5,528,905	5,528,905
Restricted	4,768,439	3,984,748	3,984,748
Receivables			
Rates Outstanding	315,038	273,937	273,937
Sundry Debtors	363,448	309,336	309,336
GST Receivable	220,474	148,131	148,131
Prepayments	243,349	-	-
Less: Provision for Doubtful Debts	(24,522)	(5,925)	(5,925)
Inventories			
Fuel and Oil	18,148	30,555	30,555
Less:			
Trade and other Payables			
Sundry Creditors	(1,910,383)	(1,300,476)	(1,300,476)
Accrued Interest on Debentures	(33,270)	(29,495)	(29,495)
Accrued Salaries and Wages	(96,703)	(375,551)	(375,551)
Current Portion of Long Term Borrowings			
Secured by Floating Charge Debentures	(696,636)	(542,957)	(542,957)
Provisions			
Provision for Annual Leave	(902,080)	(754,822)	(754,822)
Provision for Long Service Leave	(945,309)	(1,148,025)	(1,148,025)
Net Current Assets	<u>9,394,600</u>	<u>6,118,361</u>	<u>6,118,361</u>
Less:			
Reserves - Restricted Cash	(4,134,091)	(3,966,676)	(3,966,676)
Add:			
Secured by Floating Charge Debentures	696,636	542,957	542,957
Surplus/(Deficit)	<u>5,957,145</u>	<u>2,694,642</u>	<u>2,694,642</u>

Difference

There was no difference between the Surplus/(Deficit) 1 July 2014 Brought Forward position used in the 2015 audited financial report and the Surplus/(Deficit) Carried Forward position as disclosed in the 2014 audited financial report.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

23. SPECIFIED AREA RATE - 2014/15 FINANCIAL YEAR

The City of Nedlands did not levy any Special Area Rate in 2014/15 financial year.

24. SERVICE CHARGES - 2014/15 FINANCIAL YEAR

The City of Nedlands did not impose any service charges.

**25. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS
- 2014/15 FINANCIAL YEAR**

There were no discounts, incentives, concessions, and write-offs during the 2014/15 financial year.

26. INTEREST CHARGES AND INSTALMENTS - 2014/15 FINANCIAL YEAR

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates	11.00%		69,845	60,000
ESL Interest Income	11.00%		5,884	5,300
Interest on Instalments Plan	5.50%		102,588	120,000
Deferred Rates Interest			12,480	10,600
Total Interest Income			190,797	195,900
Admin Charges on Instalment Plan		36.00	74,772	58,000
			265,569	253,900

Ratepayers had the option of paying rates in four equal instalments, due on 18 August 2014, 20 October 2014, 22 December 2014 and 23 February 2015. Administration charges and interest applied for the final three instalments.

27. FEES & CHARGES	2015 \$	2014 \$
Governance	83,595	89,582
General Purpose Funding	75,062	68,172
Law, Order, Public Safety	89,130	80,051
Health	93,918	154,666
Education and Welfare	730,745	581,350
Community Amenities	3,778,162	4,261,633
Recreation and Culture	707,251	638,926
Transport	470,560	449,600
Economic Services	1,036,400	774,211
Other Property and Services	30,141	22,940
	<u>7,094,964</u>	<u>7,121,131</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 2015

28. GRANT REVENUE

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

	2015	2014
	\$	\$
By Nature or Type:		
Operating Grants, Subsidies and Contributions	2,409,290	1,614,147
Non-Operating Grants, Subsidies and Contributions	626,341	535,897
	<u>3,035,631</u>	<u>2,150,043</u>
By Program:		
Community Amenities	-	-
Economic Services	10,152	49,181
Education and Welfare	1,029,267	1,075,428
General Purpose Funding	1,163,719	345,941
Governance	27,834	72,690
Health	26,210	-
Law, Order, Public Safety	24,128	23,748
Other Property and Services	-	-
Recreation and Culture	546,411	144,243
Transport	207,910	438,813
	<u>3,035,631</u>	<u>2,150,043</u>

29. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

<u>164</u>	<u>153</u>
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30. ELECTED MEMBERS REMUNERATION

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

	2015	2015	2014
	\$	Budget	\$
Meeting Fees	300,326	293,500	293,499
Mayor's Allowance	59,436	58,000	57,935
Deputy Mayor's Allowance	14,857	14,500	14,484
Communication Allowance	45,156	45,500	45,501
	<u>419,774</u>	<u>411,500</u>	<u>411,419</u>

31. MAJOR LAND TRANSACTIONS

The City did not undertake any major land transaction during the 2014/15 financial year

32. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

Council did not participate in any trading undertakings or major trading undertakings during the 2014/15 financial year.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

33. FAIR VALUE MEASUREMENT

The City of Nedlands measures the following assets and liabilities on a recurring basis:

- Land
- Buildings
- Furniture & Equipment
- Plant and equipment
- Roads
- Footpaths
- Drainage
- Parks, Gardens, Reserves and Reticulation
- Street Furniture

The City of Nedlands does not measure any other assets and liabilities on a non-recurring basis.

The following table provides the fair values of the City's assets measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

Recurring Fair Value Measurements

Non-Financial Assets

	Note	30 June 2015			Total
		Level 1	Level 2	Level 3	
		\$	\$	\$	\$
Land	6	-	35,664,000	97,000	35,761,000
Buildings	6	-	321,110	23,000,191	23,321,301
Furniture and Equipment	6	-	1,149,617	-	1,149,617
Plant and Equipment	6	-	2,861,008	-	2,861,008
Roads	7	-	-	73,279,293	73,279,293
Footpaths	7	-	-	16,685,693	16,685,693
Drainage	7	-	-	23,963,720	23,963,720
Parks, Gardens, Reserves and Reticulation	7	-	-	10,116,215	10,116,215
Street Furniture	7	-	-	1,210,970	1,210,970
Total non-financial assets recognised at fair value on a recurring basis		-	39,995,735	148,353,082	188,348,817

Non-Financial Assets

	Note	30 June 2014			Total
		Level 1	Level 2	Level 3	
		\$	\$	\$	\$
Land	6	-	35,625,000	97,000	35,722,000
Buildings	6	-	353,000	25,194,500	25,547,500
Furniture and Equipment	6	-	1,153,792	-	1,153,792
Plant and Equipment	6	-	2,960,838	-	2,960,838
Total non-financial assets recognised at fair value on a recurring basis		-	40,092,630	25,291,500	65,384,130

(a) Transfers Policy

The policy of the City of Nedlands is to recognise transfers into and transfer out of the fair value hierarchy levels as at the end of the reporting period. There were no transfers in and out of Levels 1, 2 or 3 measurements.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

33. FAIR VALUE MEASUREMENT (Continued)

(b) Highest and Best Use

There were no assets valued where it was assumed that the highest and best use was other than their current use.

(c) Valuation techniques and inputs used to derive fair values

The following table summarises valuation inputs and techniques used to determine the fair value for each asset class.

Asset Class	Level of Valuation Input	Fair Value at 30 June 2015	Valuation Technique(s)	Inputs Used
Land	2	35,664,000	Market Approach	Price per square metre
Land	3	97,000	Cost Approach	Ground rent included with the cost of developing the golf course and applied the Depreciated Replacement Cost over the estimated economic working life, assuming the lease will be renewed, utilising the straight line depreciation method
Buildings	2	321,110	Market Approach	Price per square metre
Buildings	3	23,000,191	Cost Approach	Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount
Furniture and Equipment	2	1,149,617	Cost Approach	Make, size, year of manufacture and condition.
Plant and Equipment	2	2,861,008	Market Approach	Make, size, year of manufacture and condition.
Roads	3	73,279,293	Cost Approach	Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount
Footpaths	3	16,685,693	Cost Approach	Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount
Drainage	3	23,963,720	Cost Approach	Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount
Parks, Gardens, Reserves and Reticulation	3	10,116,215	Cost Approach	Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount
Street Furniture	3	1,210,970	Cost Approach	Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount
Total		<u><u>188,348,817</u></u>		

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

33. FAIR VALUE MEASUREMENT (Continued)

(c) Valuation techniques and inputs used to derive fair values (Continued)

(i) Recurring fair value measurements

The following methods are used to determine the fair value measurements.

Land

Level 2 valuation inputs are used to value land held in freehold title as well as land used for special purposes that are restricted in use under current zoning rules (i.e. Commercial, Industrial or Residential). Sales prices of land sites in close proximity are adjusted for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

The Golf Course has been valued on the basis that the City of Nedlands developed the course and, whilst a lease is in place for a nominal amount per year, the Present Value of a typical ground lease was applied over the period of the lease. The ground rent has been included with the cost approach of developing the golf course (including fairways, sand greens, bunkers, tee boxes etc.) and applied the Depreciated Replacement Cost (DRC) approach, based on the original or effective age of the asset, depreciated over the Estimated Economic Working Life (EEWL), assuming the lease will be renewed, utilising the straight line depreciation method.

Buildings

The City's buildings assets are considered to be of a specialised nature (non-market type properties which are not readily traded in the market place) were valued by professionally qualified registered valuers using the cost approach. This approach is commonly referred to as the depreciated replacement cost (DRC). The "DRC" approach considers the cost (sourced from cost guides such as Rawlinsons, Cordell, professional quantity construction costs for similar projects throughout Western Australia) to reproduce or replace similar assets with an asset in new condition, including allowance for installation, less an amount for depreciation in the form of accrued physical wear and tear, economic and functional obsolescence. This approach is an accepted method in arriving at a market value.

Plant and Equipment

Plant and equipment were revalued in 2013 a part of the mandatory requirements embodied in Local Government (Financial Management) regulations 17A. Whilst the additions since 1 July 2013 have been brought in the books at cost, given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered that the recorded written down values approximate fair values.

Thus, the value of class of assets in the City's books is considered to be in accordance with Local Government Financial Management Regulation 17A (2) which requires these assets to be shown at fair value.

Plant and Equipment will be revalued during the year ended 30 June 2016 in accordance with the mandatory asset measurement framework detailed at Note 1 (f). Most plant and equipment assets are generally valued using the market and cost approach using comparable sales and relevant industry market price reference guides, and have been classified as being valued at Level 2 of the fair value hierarchy. The most significant inputs into this valuation approach are the make, size, year of manufacture and condition.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

33. FAIR VALUE MEASUREMENT (Continued)

(i) Recurring fair value measurements (Continued)

Furniture and Equipment

Furniture and equipment were revalued in 2013 a part of the mandatory requirements embodied in Local Government (Financial Management) regulations 17A. Whilst the additions since 1 July 2013 have been brought in the books at cost, given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered that the recorded written down values approximate fair values.

Thus, the value of class of assets in the City's books is considered to be in accordance with Local Government Financial Management Regulation 17A(2) which requires these assets to be shown at fair value.

Furniture and Equipment will be revalued during the year ended 30 June 2016 in accordance with the mandatory asset measurement framework detailed at Note 1 (f).

The income approach is not appropriate given the City does not generate cash flows from the use of these assets. The market value approach that would be best achieved through a qualified valuer is an expensive exercise for an asset class that lacks materiality. Given there is not an active or liquid market for much of the City's Furniture and Equipment it is questionable if the market approach is deemed to be fair value of furniture and Equipment.

Infrastructure - Road, Footpaths, Drainage, Street Furniture

All Road, Footpaths, Drainage, Street Furniture infrastructure assets were valued using level 3 valuation inputs using the cost approach.

The approach estimated the replacement cost for each asset by componentising assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square metres or similar capacity could be supported from market evidence (level 2) other inputs (such as estimates of residual value, useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

During the year there were a number of new projects completed where the actual cost was recorded and the impact of depreciation at year end was negligible. While these could be classified as valued at level 2, given the low proportion of the total portfolio that these represented and the likelihood that in future valuations they would most likely be valued at level 3, we have adopted a policy that all Road, Footpaths, Drainage, Street Furniture infrastructure assets are deemed to be valued at level 3.

Infrastructure - Parks, Gardens, Reserves and Reticulation

The Parks, Gardens, Reserves and Reticulation Asset Class is wholly comprised of specialised homogenous assets. It was determined that the valuation of this asset class would be an expensive exercise for an asset class that lacks materiality. Given there is not an active or liquid market for much of the City's Parks, Gardens, Reserves and Reticulation assets, management deemed the depreciated replacement cost of the assets in the asset register as an acceptable surrogate for the fair value for the asset class.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

33. FAIR VALUE MEASUREMENT (Continued)

(c) Valuation techniques and inputs used to derive fair values (Continued)

(i) Recurring fair value measurements (Continued)

The quantitative disclosures of the remaining service potential relating to each corresponding condition score for each of the patterns of consumption utilised in this valuation are as follows:

Consumption Score	Description	% RSP of Depreciable Amount				
		Straight -Line	Low	Mod	High	Extreme
0	New or very good condition – very high level of remaining service potential.	100%	100%	100%	100%	100%
1	Not new but in very good condition with no indicators of any future obsolescence and providing a high level of remaining service potential.	85%	92%	94%	98%	100%
2	Aged and in good condition, providing an adequate level of remaining service potential. No signs of immediate or short term obsolescence.	50%	65%	75%	85%	99%
3	Providing an adequate level of remaining service potential but there are some concerns over the asset's ability to continue to provide an adequate level of service in the short to medium term. May be signs of obsolescence in short to mid-term.	25%	40%	54%	70%	90%
4	Indicators showing the need to renew, upgrade or scrap in near future. Should be reflected by inclusion in the Capital Works Plan to renew or replace in short-term. Very low level of remaining service potential.	10%	20%	34%	45%	70%
5	At intervention point. No longer providing an acceptable level of service. If remedial action is not taken immediately the asset will need to be closed or decommissioned.	0%	0%	0%	0%	0%

(ii) Non-recurring fair value measurements

No assets were valued as a non-recurring valuation.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

33. FAIR VALUE MEASUREMENT (Continued)

Recurring Fair Value Measurements (Continued)

(d) Quantitative Information about significant unobservable inputs and relationship to fair value

The following table summarises the quantitative information about the key significant unobservable inputs inputs (level 3 fair value hierarchy), the ranges of those inputs and the relationships of unobservable inputs to the fair value measurements.

Description and fair value as at 30 June 2015	Valuation Techniques	Unobservable Inputs	Range of Inputs (probability weighted average)	Relationship of unobservable inputs to fair value
Land vested and under the control of Council (\$97,000)	Income and Cost approach	Ground rent	+/-10%	A change of 10% would result in an increase/decrease of \$9,700
Buildings (\$22,968,301)	Cost approach (depreciated replacement cost)	Relationship between asset consumption rating scale and the level of consumed service potential	+/-10%	A change of 10% would result in an increase/decrease of \$2,296,830
Roads (\$73,279,293)	Cost approach (depreciated replacement cost)	Relationship between asset consumption rating scale and the level of consumed service potential	+/-10%	A change of 10% would result in an increase/decrease of \$7,327,929
Footpaths (\$16,685,693)	Cost approach (depreciated replacement cost)	Relationship between asset consumption rating scale and the level of consumed service potential	+/-10%	A change of 10% would result in an increase/decrease of \$1,668,569
Drainage (\$23,963,720)	Cost approach (depreciated replacement cost)	Relationship between asset consumption rating scale and the level of consumed service potential	+/-10%	A change of 10% would result in an increase/decrease of \$2,396,372
Parks, Gardens, Reserves, and Reticulations (\$10,116,215)	Cost approach (depreciated replacement cost)	Relationship between asset consumption rating scale and the level of consumed service potential	+/-10%	A change of 10% would result in an increase/decrease of \$1,011,622
Street Furniture (\$1,210,970)	Cost approach (depreciated replacement cost)	Relationship between asset consumption rating scale and the level of consumed service potential	+/-10%	A change of 10% would result in an increase/decrease of \$121,097

(e) Valuation processes

The City engages external, independent and qualified valuers to determine the fair value of the City's land, buildings, roads, footpaths, drainage and street furniture assets. Management determine the fair value of the City's plant and equipment and furniture and equipment assets

An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. If any variation is considered material a revaluation is undertaken either by comprehensive revaluation or by applying an interim revaluation using appropriate indices.

Changes in level 2 and 3 fair values are analysed at the end of each reporting period and discussed between the Manager Financial Services, Director Corporate & Strategy and the valuation team. As part of this process the team presents a report that explains the reasons for the fair value movements.

As at 30 June 2015 a comprehensive revaluation was undertaken for all asset classes subject to revaluation by independent qualified valuers and Council management.

**CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

33. FAIR VALUE MEASUREMENT (Continued)

(e) Valuation processes (Continued)

The main level 3 inputs used are derived and evaluated as follows:

1. Asset Condition

In some instances there is either very large number of assets or assets can be spread over a substantial geographical area. In such circumstances it is not always physically possible to inspect every asset for the purposes of completing a valuation. As a consequence reliance is placed on the accuracy of data held in the asset management system and its associated internal controls. This includes regular planned inspections and updates to the system following maintenance activities and renewal treatments. To provide assurance over the accuracy of this information and taking into account the cost- benefit of undertaking physical inspections valuations often rely upon a sampling approach of approximately 5%, where the data held in the system is verified by a physical inspection. While the sampling approach, combined with internal controls associated with the asset management system, provides a high level of comfort over the condition data held in the asset management system it does not provide a guarantee that all the data is correct and the condition as recorded is valid as at the date of valuation.

2. Relationship between asset consumption rating scale and the level of consumed service potential

Under the cost approach the estimated cost to replace the asset is calculated and then adjusted to take account of an accumulated depreciation. In order to achieve this the valuer determines an asset consumption rating scale for each asset type based on the inter-relationship between a range of factors. These factors and their relationship to the fair value require professional judgment and include asset condition, legal and commercial obsolescence and the determination of key depreciation related assumptions such as residual value, useful life and pattern of consumption of the future economic benefit (including the split between short-life and long-life parts of each component).

The consumption rating scales were based initially on the past experience of the valuation firm and industry guides and were then updated to take into account the experience and understanding of council's own engineers, asset management and finance staff. The results of the valuation were further evaluated by confirmation against council's own understanding of the assets and the level of remaining service potential.

(f) Disclosed Fair Value Measurements

The following assets and liabilities are not measured at fair value in the statement of financial position, but their fair values are disclosed in the notes:

Description	Note	Fair Value Hierarchy Level	Valuation Technique	Inputs Used
Liabilities				
Borrowings	34	2	Income approach using discounted cash flow methodology	Current treasury borrowing rates for similar instruments

There has been no change in the valuation technique(s) used to calculate the fair values disclosed in the notes to the financial statements.

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

34. FINANCIAL RISK MANAGEMENT

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

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

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

The City held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2015	2014	2015	2014
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	12,843,046	9,513,653	12,843,046	9,513,653
Receivables	1,477,181	1,076,839	1,477,181	1,076,839
	<u>14,320,227</u>	<u>10,590,492</u>	<u>14,320,227</u>	<u>10,590,492</u>
Financial Liabilities				
Payables	2,040,356	1,705,522	2,040,356	1,705,522
Borrowings	5,856,699	4,789,859	5,262,246	4,315,478
	<u>7,897,055</u>	<u>6,495,381</u>	<u>7,302,602</u>	<u>6,021,000</u>

Fair value is determined as follows:

- Cash and Cash Equivalents, Receivables, Payables - estimated to the carrying value which approximates net market value.
- Borrowings, Held to Maturity Investments, estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.
- Financial Assets at Fair Value through profit and loss, Available for Sale Financial Assets - based on quoted market prices at the reporting date or independent valuation.

**CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

34. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

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

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

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

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

City manages these risks by diversifying its portfolio and only investing in registered commercial banks. City also seeks advice from independent advisers (where applicable) before placing any cash and investments.

	2015	2014
	\$	\$
Impact of a 1% ⁽¹⁾ (2014 - 1%) movement in interest rates on cash		
- Equity	128,400	95,100
- Statement of Comprehensive Income	128,400 ⁽²⁾	95,100

Notes:

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

⁽²⁾ Maximum impact.

**CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

34. FINANCIAL RISK MANAGEMENT (Continued)
(b) Receivables

City's major receivables comprise rates and annual charges and user charges and fees. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. City manages this risk by monitoring outstanding debt and employing debt recovery policies. It also encourages ratepayers to pay rates by the due date through incentives.

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

The level of outstanding receivables is reported to City monthly and benchmarks are set and monitored for acceptable collection performance.

City makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

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

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

	2015	2014
Percentage of Rates and Annual Charges		
- Current	47%	44%
- Overdue	53%	56%
Percentage of Other Receivables		
- Current	54%	51%
- Overdue	46%	49%

CITY OF NEDLANDS
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2015

34. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables
 Borrowings

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

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

	<u>2015</u>	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
Payables	2,040,356	-	-	-	2,040,356	2,040,356
Borrowings	966,014	3,794,783	1,957,192	-	6,717,989	5,856,699
	<u>3,006,370</u>	<u>3,794,783</u>	<u>1,957,192</u>	<u>1,957,192</u>	<u>8,758,345</u>	<u>7,897,055</u>
Payables	1,341,330	-	-	-	1,341,330	1,641,017
Borrowings	798,950	3,145,771	1,719,746	-	5,664,467	4,789,859
	<u>2,140,280</u>	<u>3,145,771</u>	<u>1,719,746</u>	<u>1,719,746</u>	<u>7,005,797</u>	<u>6,430,876</u>

CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

34. FINANCIAL RISK MANAGEMENT (Continued)

**(c) Payables
 Borrowings (Continued)**

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

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

	<1 year \$	>1<2 years \$	>2<3 years \$	>3<4 years \$	>4<5 years \$	>5 years \$	Total \$	Weighted Average Effective Interest Rate %
Year Ended 30 June 2015								
Borrowings								
Fixed Rate Debentures	-	-	-	-	291,995	5,564,704	5,856,699	4.74%
Weighted Average Effective Interest Rate					6.01%	4.67%		
Year Ended 30 June 2014								
Borrowings								
Fixed Rate Debentures	-	-	-	-	-	4,789,859	4,789,859	5.55%
Weighted Average Effective Interest Rate						5.55%		

**CITY OF NEDLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

35. EVENTS AFTER THE REPORTING PERIOD

There have been no significant events after the reporting period that are required to be 2014/15 Annual Financial Report.



Certified Practising Accountants

CITY OF NEDLANDS



City of Nedlands

Audit Completion Report to the Audit Committee For the Year Ended 30 June 2015

11 November 2015

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1. Executive Summary

Under the requirements of Australian Auditing Standard ASA 260: "*Communication with Those Charged with Governance*", we are required to communicate audit matters arising from the audit of financial statements to those charged with governance of an entity. This Annual Audit Completion Report together with our previous External Audit Plan reported to the Audit Committee in May 2015 discharges the requirements of the Auditing Standard.

This report has been prepared for the Audit Committee to summarise the significant matters that have arisen from our year-end audit of the City of Nedlands for the year ended 30 June 2015.

1.1 Status of Audit

Our audit field work at the City of Nedlands for the financial year ended 30 June 2015 has been completed.

Before our Independent Auditor's Report is signed off and issued to the Council, the following outstanding matter is required to be attended to:

- Completion of audit procedures relating to Auditing Standard ASA 560 *Subsequent Events* to be performed up to the date of signing the Independent Auditor's Report.

1.2 Deliverables

Output	Timing
External Audit Plan	May 2015
Interim Audit Management Letter	9 July 2015
Present this report (Audit Completion Report) to the Audit Committee	16 November 2015
Provide Independent Auditor's Report on the Financial Report	After recommendation of Financial Report by Audit Committee

2. Financial Statements and Audit Opinion

Audit Opinion

We have completed the audit of the City of Nedlands' accounts in line with current Australian Auditing Standards and will give an **Unqualified Opinion** [subject to subsequent events procedures] that the financial report of the City of Nedlands:

- (a) gives a true and fair view of the financial position of the City of Nedlands as at 30 June 2015 and of its financial performance for the year ended on that date; and
- (b) complies with the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) and the Australian Accounting Standards.

Refer to **Appendix 1** for our Proposed Draft Independent Auditor's Report

3. Current Year Areas of Audit Focus

Our audit procedures were focused on those areas of City of Nedlands' activities that are considered to represent the key audit risks identified in our external audit plan and through discussions with management during the course of our audit.

	Risk Area	Audit Response
1	<p>Infrastructure Valuations</p> <ul style="list-style-type: none"> • Roads • Footpaths • Drainage • Street Furniture 	<p>The City's Footpaths and Street Furniture infrastructure asset classes were externally valued at fair value from the historical cost basis for the first time during the year ended 30 June 2015 by external valuers, APV Valuers and Asset Management.</p> <p>The City's Roads and Drainage infrastructure asset classes were also externally valued at fair value by the same external valuers from the previous valuations undertaken by management internally.</p> <p>Audit evaluated the professional competence and objectivity of the expert and the adequacy of the scope of the expert's work. We are satisfied that the expert is suitably independent of the Council, objective and experienced in undertaking this work.</p> <p>Audit procedures tested capital asset additions on a sample basis for accuracy to supporting documentation. Audit also reviewed the basis of the asset valuations (at fair value) undertaken and considered the judgements, assumptions and data used together with the reasonableness of any estimation techniques applied. Asset reconciliation schedules were verified against trial balance reported amounts.</p> <p>We have relied upon the values adopted by the external valuers.</p>

		Results of the audit procedures conducted did not note any material misstatement of the infrastructure asset classes for Roads, Footpaths, Drainage and Street Furniture.
2	<p>Infrastructure Valuations</p> <ul style="list-style-type: none"> • Parks, Gardens, Reserves and Reticulation 	<p>The Parks, Gardens, Reserves and Reticulation infrastructure asset class was reviewed for fair valuation purposes. Consideration was given to practicality, usefulness to value, reliability and overall cost benefit.</p> <p>Management deemed the depreciated replacement cost of the Parks, Gardens, Reserves and Reticulation infrastructure assets in the asset register as representing the fair value for the asset class. Audit concurs with management's view.</p> <p>Audit procedures tested capital asset additions on a sample basis for accuracy to supporting documentation.</p> <p>Results of the audit procedures conducted did not note any material misstatement of the Parks, Gardens, Reserves and Reticulation infrastructure asset class.</p>
3	Contingent Liabilities	<p>Audit procedures included discussions with management, review of Council minutes and reviewing the solicitor's representation letters to identify the possible existence of contingencies which may require disclosure in the financial statements.</p> <p>At this date, we are satisfied with the current disclosure in the financial report.</p>

We are satisfied that these key areas of focus have been addressed appropriately based on our audit procedures and are properly reflected in the City's financial report.

4. Assessment of Internal Controls

Our interim phase of the audit indicated that the current internal control systems and processes are reasonable. They are designed adequately for the City's current business operations.

However, a separate Interim Audit Management Letter has been provided to management following our interim audit which provides details of the internal control and compliance matters raised.

We will be following up on the implementation of the management comments during our next interim audit visit. The result of our follow-up will be reported within our next Interim Audit Management Letter.

5. Key Findings During Final Phase of Audit

During our audit planning procedures and risk identification process, we identified a number of key focus areas as outlined in Section 3 above. During the course of our year-end fieldwork, all matters were resolved and there are no matters to report.

General Comments:

Given the significant work undertaken in the revaluation of the City's Property, Plant and Equipment and Infrastructure Assets during the financial years ended 30 June 2013, 2014 and 2015, we recommend that Asset Management Plans for each asset class be reviewed and updated with the most recently acquired data collected to ensure all future projections of required capital maintenance and upgrades remain reliable for strategic decision making purposes.

Updated projections from the Asset Management Plans should be factored into the City's Long Term Financial Plan estimates to ensure appropriate planning for future funding requirements are appropriately planned for and known.

6. Specific Required Communications

The Australian Auditing Standard ASA 260: "Communication with Those Charged with Governance" requires the auditor to communicate certain matters to the Audit Committee that may assist them in overseeing management's financial reporting and disclosure process. Below we summarise these required communications as they apply to your organisation.

Reporting Requirement	Detailed Comments
Changes to Audit Approach Outlined in External Audit Plan	<ul style="list-style-type: none"> ➤ There were no changes to the audit approach outlined in the External Audit Plan.
Significant accounting policies	<ul style="list-style-type: none"> ➤ Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Nedlands including new pronouncements adopted during the year, are described in Note 1 to the financial statements. ➤ There were no significant changes in the application of existing policies during the year ended 30 June 2015. The accounting policies adopted in the financial statements are appropriately disclosed.
Sensitive Accounting Estimates and Disclosures	Refer to "Current Year of Audit Focus" section
Misstatements and significant audit adjustments	<ul style="list-style-type: none"> ➤ We are required to report to you all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature.

	<p>In the context of the City of Nedlands, we consider that amounts of a value less than \$30,000 should be considered trivial. This represents 5% of materiality.</p> <ul style="list-style-type: none"> ➤ A number of disclosure adjustments to the financial statements have been discussed and amended during the course of our audit. ➤ All financial adjustments that have been raised through our audit work have been adjusted in the financial report meaning there are no unadjusted misstatements to report.
Significant Weaknesses in Internal Controls	<ul style="list-style-type: none"> ➤ No significant weaknesses in internal control were identified. Refer to our Interim Audit Management Letter.
Disagreements with management	<ul style="list-style-type: none"> ➤ There have been no significant disagreements with management during the course of the audit.
<p>Serious Difficulties Encountered in Dealing with Management when Performing the Audit such as:</p> <ul style="list-style-type: none"> • Significant delays in management providing required information • An unnecessarily brief time within which to complete the audit • Extensive unexpected effort required to obtain sufficient appropriate audit evidence • The unavailability of expected information • Restrictions imposed on the auditor by management 	<ul style="list-style-type: none"> ➤ There were no serious difficulties encountered in dealing with management when performing the audit.
Fraud and Illegal Acts	<ul style="list-style-type: none"> ➤ We are not aware of any matters that require communication. ➤ We would request that the Audit Committee members raise with us any areas of risk not addressed in our communications and that they inform us of their knowledge of any actual or suspected fraud.
Compliance with laws and regulations	<ul style="list-style-type: none"> ➤ In performing our audit procedures, we have not become aware of any non-compliance with applicable laws or regulations that would have an impact on the determination of material amounts and disclosures in the financial report. ➤ We have also received representations from management confirming that the Council is in compliance with all laws and regulations that impact the Council.

Books and records and conduct of the audit	<ul style="list-style-type: none"> ➤ We have been presented with all the necessary books and explanations requested of management to support the amounts and disclosures contained in the financial statements in a timely and efficient manner.
Other Information in Documents Containing Audited Financial Statements	<ul style="list-style-type: none"> ➤ Our financial statement audit opinion relates only to the financial statements and accompanying notes. <p>However, we also review other information in the Annual Report, such as Management's Discussion and Analysis, for consistency with the audited financial statements. Once the annual report is prepared and provided to us, we will review the Annual Report for consistency between the audited financial statements and other sections of that document.</p>
Related Party Transactions	<ul style="list-style-type: none"> ➤ None of which we are aware.
Major Issues Discussed with Management in Connection with Initial or Recurring Retention	<ul style="list-style-type: none"> ➤ None.
Going concern	<ul style="list-style-type: none"> ➤ As part of our audit, we have assessed and agreed with the conclusions reached by the management concerning the application of the going concern concept.
Independence	<ul style="list-style-type: none"> ➤ We confirm that, as the date of this report, we are independent having regard to Macri Partners' policies, professional rules and relevant statutory requirements regarding auditor independence. ➤ During the year ended 30 June 2015, Macri Partners has not provided any non-audit services to the City of Nedlands.

7. Disclaimer

This report has been prepared for the Audit Committee and management of the City of Nedlands only. It should not be quoted or referred to, in whole or in part, without our prior written consent. No warranty is given to, and no liability will be accepted from, any party other than the City of Nedlands.

8. Appendix 1 - Proposed Audit Opinion

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 2015 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 information and Statement by Chief Executive Officer.

Management's Responsibility for the Financial Report

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

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 management'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 Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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 accounting bodies.

7.2 APPOINTMENT OF COMMUNITY MEMBERS

The purpose of this report is to consider nominations for appointment of community members to the Audit and Risk Committee.

Regulation 11(da) –Recommendation Adopted with the addition of an extra community member.

Moved – Councillor McManus
Seconded – Councillor Hassell

Committee Recommendation

Council appoints Mr Ken Eastwood and Mr Rajah Senathirajah as community members of the Audit and Risk Committee.

Amendment

Moved – Councillor McManus
Seconded – Councillor Hassell

- 1. That the recommendation to Council include the appointment of an additional community member, Mr Paul Setchell; and**
- 2. The Director Corporate & Strategy to arrange a meeting with the Presiding Member and Mr Paul Setchell prior to Council considering this matter.**

The Motion was PUT and was CARRIED 4/- and became the Substantive Motion

The Substantive Motion was PUT and CARRIED UNANIMOUSLY 4/-

Committee Recommendation / Recommendation to Council

Council appoints Mr Ken Eastwood, Mr Rajah Senathirajah and Mr Paul Setchell as community members of the Audit and Risk Committee.

Strategic Plan

KFA: Governance

The Audit and Risk Committee is a legislative requirement and the Terms of Reference have been prepared to ensure compliance with statutory requirements and guidelines.

Background

At the Special Council meeting of 27 October 2015, Council resolved to appoint up to two community members of the Audit and Risk Committee. An advertisement calling for nominations to the Committee was advertised in the local press.

Consultation

The Audit and Risk Committee is being consulted prior to formal consideration by Council.

Legislative Requirement

Local Government Act 1995 sets out the requirements for the establishment of the Audit Committee and provides for community members.

Budget Implications

Not Applicable.

Discussion

In response to an advertisement in the local press, Administration received three expressions of interest from residents and one from a non-resident. A requirement under the current terms of reference is for the nominees to be residents of the City of Nedlands, therefore only the three nominations from residents have been put forward for consideration of the Committee.

The following nominations from residents are presented for consideration:

- Mr Ken Eastwood;
- Mr Rajah Senathirajah; and
- Mr Paul Setchell

Copies of their CVs have been provided to Committee Members under confidential cover.

Conclusion

The current terms of reference allow up to two community members of the Audit and Risk Committee. Mr Eastwood and Mr Senathirajah are well qualified for this position and their appointment to the Committee is recommended.

Attachments

1. Confidential – CV's of Ken Eastwood; Mr Rajah Senathiraja and Mr Paul Setchell.

8. Date of Next Meeting

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

9. Declaration of Closure

There being no further business, the Presiding Member declared the meeting closed at 6.33 pm.