

**CITY OF NEDLANDS**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

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**CITY OF NEDLANDS  
FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2014**

**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 2014 are in my opinion properly drawn up to present fairly the financial position of the City of Nedlands at 30th June 2014 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.

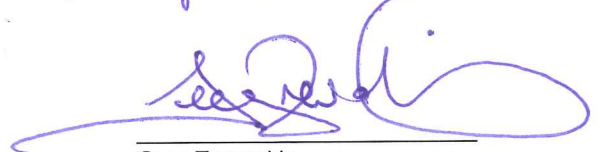
Signed as authorisation of issue on the

30<sup>th</sup>

day of

September

2014



Greg Trevaskis  
Chief Executive Officer

**CITY OF NEDLANDS**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**BY NATURE OR TYPE**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

	NOTE	2014 \$	2014 Budget \$	2013 \$
<b>Revenue</b>				
Rates	22	19,140,028	19,338,900	17,900,311
Operating Grants, Subsidies and Contributions	28	1,614,147	1,875,800	1,884,311
Fees and Charges - Sanitation	27	3,602,873	3,587,100	3,615,868
Fees and Charges - Others	27	3,518,258	2,988,600	2,856,945
Interest Earnings	2(a)	747,043	1,063,200	894,142
Other Revenue		<u>370,149</u>	<u>113,800</u>	<u>154,480</u>
		28,992,498	28,967,400	27,306,056
<b>Expenses</b>				
Employee Costs		(11,417,917)	(10,599,900)	(10,267,931)
Materials and Contracts		(8,849,070)	(10,000,500)	(9,839,168)
Utility Charges		(845,156)	(895,200)	(813,551)
Depreciation on Non-Current Assets	2(a)	(5,165,836)	(5,169,800)	(4,843,963)
Interest Expenses	2(a)	(302,196)	(311,800)	(358,615)
Insurance Expenses		(363,682)	(429,300)	(360,134)
Other Expenditure		<u>(831,990)</u>	<u>(683,300)</u>	<u>(620,549)</u>
		<u>(27,775,847)</u>	<u>(28,089,800)</u>	<u>(27,103,911)</u>
		1,216,651	877,600	202,145
Non-Operating Grants, Subsidies and Contributions				
	28	535,897	2,397,100	914,045
Profit on Asset Disposals	20	81,567	95,800	20,468
Loss on Asset Disposals	20	<u>(8,964)</u>	<u>(22,000)</u>	<u>(29)</u>
<b>NET RESULT</b>		1,825,151	3,348,500	1,136,629
<b>Other Comprehensive Income</b>				
Changes on Revaluation of Non-Current Assets	12	5,630,407	-	458,442
<b>Total Other Comprehensive Income</b>		<u>5,630,407</u>	<u>-</u>	<u>458,442</u>
<b>Total Comprehensive Income</b>		<u><u>7,455,558</u></u>	<u><u>3,348,500</u></u>	<u><u>1,595,071</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 2014**

	NOTE	2014 \$	2014 Budget \$	2013 \$
<b>Revenue</b>				
Governance		388,732	147,900	203,178
General Purpose Funding		20,373,959	21,180,700	19,659,768
Law, Order, Public Safety		103,926	72,200	60,664
Health		157,183	62,800	95,309
Education and Welfare		1,567,879	1,431,000	1,362,059
Community Amenities		4,261,633	4,205,100	4,167,728
Recreation and Culture		736,621	613,400	645,042
Transport		499,131	522,600	519,143
Economic Services		880,323	719,100	578,153
Other Property and Services		23,111	12,600	15,012
	<b>2(a)</b>	<u>28,992,498</u>	<u>28,967,400</u>	<u>27,306,056</u>
<b>Expenses</b>				
Governance		(2,509,931)	(1,821,100)	(1,786,031)
General Purpose Funding		(243,448)	(157,600)	(211,844)
Law, Order, Public Safety		(944,863)	(935,100)	(873,666)
Health		(558,257)	(431,100)	(418,897)
Education and Welfare		(2,112,326)	(2,414,200)	(2,509,624)
Community Amenities		(4,969,292)	(5,594,000)	(5,286,980)
Recreation & Culture		(7,294,138)	(7,066,000)	(7,246,473)
Transport		(4,656,794)	(4,809,000)	(4,576,164)
Economic Services		(3,783,920)	(3,626,200)	(3,554,070)
Other Property and Services		(400,682)	(923,700)	(281,547)
	<b>2(a)</b>	<u>(27,473,651)</u>	<u>(27,778,000)</u>	<u>(26,745,296)</u>
<b>Financial Costs</b>				
General Purpose Funding		(302,196)	(311,800)	(358,615)
	<b>2(a)</b>	<u>(302,196)</u>	<u>(311,800)</u>	<u>(358,615)</u>
<b>Non-Operating Grants, Subsidies and Contributions</b>				
Education and Welfare		90,795	-	-
Community Amenities		-	200,000	-
Recreation & Culture		55,819	289,300	258,263
Transport		389,283	1,907,800	655,782
		<u>535,897</u>	<u>2,397,100</u>	<u>914,045</u>
<b>Profit/(Loss) on Disposal of Assets</b>				
Governance		-	-	(29)
Other Property and Services		72,603	73,800	20,468
		<u>72,603</u>	<u>73,800</u>	<u>20,439</u>
<b>Net Result</b>		<u>1,825,151</u>	<u>3,348,500</u>	<u>1,136,629</u>
<b>Other Comprehensive Income</b>				
Changes on revaluation of non-current assets	12	5,630,407	-	458,442
<b>Total Other Comprehensive Income</b>		<u>5,630,407</u>	<u>-</u>	<u>458,442</u>
<b>Total Comprehensive Income</b>		<u><u>7,455,558</u></u>	<u><u>3,348,500</u></u>	<u><u>1,595,071</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 2014**

	NOTE	2014 \$	2013 \$
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	3	9,513,653	9,264,584
Trade and Other Receivables	4	725,479	1,186,140
Inventories	5	30,555	13,522
<b>TOTAL CURRENT ASSETS</b>		<u>10,269,687</u>	<u>10,464,246</u>
<b>NON-CURRENT ASSETS</b>			
Other Receivables	4	351,360	332,710
Property, Plant and Equipment	6	65,384,132	59,668,201
Infrastructure	7	74,632,023	73,432,117
<b>TOTAL NON-CURRENT ASSETS</b>		<u>140,367,515</u>	<u>133,433,028</u>
<b>TOTAL ASSETS</b>		<u>150,637,202</u>	<u>143,897,274</u>
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables	8	1,705,522	1,689,075
Current Portion of Long Term Borrowings	9	542,957	1,219,420
Provisions	10	1,902,847	1,459,436
<b>TOTAL CURRENT LIABILITIES</b>		<u>4,151,326</u>	<u>4,367,931</u>
<b>NON-CURRENT LIABILITIES</b>			
Long Term Borrowings	9	4,246,902	4,789,859
Provisions	10	201,795	243,610
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>4,448,697</u>	<u>5,033,469</u>
<b>TOTAL LIABILITIES</b>		<u>8,600,023</u>	<u>9,401,400</u>
		<u>142,037,179</u>	<u>134,495,874</u>
<b>EQUITY</b>			
Retained Surplus		64,550,976	62,796,111
Reserves - Cash Backed	11	3,966,676	3,810,643
Revaluation Surplus	12	73,519,527	67,889,120
<b>TOTAL EQUITY</b>		<u>142,037,179</u>	<u>134,495,874</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 2014**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
<b>Balance as at 1 July 2012</b>		60,255,735	5,214,390	67,430,678	132,900,803
Comprehensive Income					
Net Result		1,136,629	-	-	1,136,629
Changes on Revaluation of Non-Current Assets	12	-	-	458,442	458,442
Total Comprehensive Income		<u>1,136,629</u>	<u>-</u>	<u>458,442</u>	<u>1,595,071</u>
Transfers from/(to) Reserves		1,403,747	(1,403,747)	-	-
		<u>1,403,747</u>	<u>(1,403,747)</u>	<u>-</u>	<u>-</u>
<b>Balance as at 30 June 2013</b>		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	-	-
		<u>(156,033)</u>	<u>156,033</u>	<u>-</u>	<u>-</u>
<b>Balance as at 30 June 2014</b>		<u><u>64,550,976</u></u>	<u><u>3,966,676</u></u>	<u><u>73,519,527</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 CASH FLOWS  
FOR THE YEAR ENDED 30TH JUNE 2014**

	NOTE	2014 \$	2014 Budget \$	2013 \$
<b>Cash Flows From Operating Activities</b>				
<b>Receipts</b>				
Rates		19,716,799	19,338,900	17,345,271
Operating Grants, Subsidies and Contributions		1,501,928	1,875,780	1,884,311
Fees and Charges		7,121,131	6,575,700	6,578,537
Interest Earnings		747,043	1,063,200	894,142
Goods and Services Tax		(5,448)	-	23,932
Other Revenue		370,149	129,020	154,480
		<u>29,451,602</u>	<u>28,982,600</u>	<u>26,880,673</u>
<b>Payments</b>				
Employee Costs		(11,028,672)	(10,799,900)	(9,897,459)
Materials and Contracts		(8,827,706)	(9,721,500)	(10,525,153)
Utility Charges		(845,156)	(895,200)	(813,551)
Interest Expenses		(311,795)	(311,800)	(360,134)
Insurance Expenses		(363,682)	(429,200)	(367,497)
Goods and Services Tax		(17,094)	-	105,693
Other Expenditure		(831,990)	(333,800)	(620,549)
		<u>(22,226,095)</u>	<u>(22,491,400)</u>	<u>(22,478,650)</u>
<b>Net Cash Provided By (Used In) Operating Activities</b>	13(b)	<u>7,225,507</u>	<u>6,491,200</u>	<u>4,402,023</u>
<b>Cash Flows from Investing Activities</b>				
Payments for Purchase of Property, Plant & Equipment		(2,010,564)	(1,533,500)	(3,044,563)
Payments for Construction of Infrastructure		(4,704,066)	(7,103,700)	(3,576,503)
Non-Operating Grants, Subsidies and Contributions		535,897	2,397,100	914,045
Proceeds from Sale of Fixed Assets		421,715	407,400	154,782
		<u>421,715</u>	<u>407,400</u>	<u>154,782</u>
<b>Net Cash Provided by (Used in) Investment Activities</b>		(5,757,018)	(5,832,700)	(5,552,239)
<b>Cash Flows from Financing Activities</b>				
Repayment of Debentures		(1,219,420)	(1,219,500)	(1,152,827)
		<u>(1,219,420)</u>	<u>(1,219,500)</u>	<u>(1,152,827)</u>
<b>Net Cash Provided By (Used In) Financing Activities</b>		(1,219,420)	(1,219,500)	(1,152,827)
<b>Net Increase (Decrease) in Cash Held</b>		249,069	(561,000)	(2,303,045)
Cash at Beginning of Year		9,264,584	8,863,600	11,567,629
<b>Cash and Cash Equivalents at the End of the Year</b>	13(a)	<u><u>9,513,653</u></u>	<u><u>8,302,600</u></u>	<u><u>9,264,584</u></u>

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

**CITY OF NEDLANDS  
RATE SETTING STATEMENT  
FOR THE YEAR ENDED 30TH JUNE 2014**

	NOTE	2014 Actual \$	2014 Budget \$	2013 Actual \$
<b>Revenue</b>				
Governance		388,732	147,900	203,178
General Purpose Funding		1,233,931	1,841,800	1,759,457
Law, Order, Public Safety		103,926	72,200	60,664
Health		157,183	62,800	95,309
Education and Welfare		1,658,674	1,431,000	1,362,059
Community Amenities		4,261,633	4,405,100	4,167,728
Recreation and Culture		792,440	902,700	903,305
Transport		888,414	2,430,400	1,174,925
Economic Services		880,323	719,100	578,153
Other Property and Services		104,678	108,400	35,480
		<u>10,469,934</u>	<u>12,121,400</u>	<u>10,340,258</u>
<b>Expenses</b>				
Governance		(2,509,931)	(1,821,100)	(1,786,060)
General Purpose Funding		(545,644)	(469,400)	(570,459)
Law, Order, Public Safety		(944,863)	(935,100)	(873,666)
Health		(558,257)	(431,100)	(418,897)
Education and Welfare		(2,112,326)	(2,414,200)	(2,509,624)
Community Amenities		(4,969,292)	(5,594,000)	(5,286,980)
Recreation and Culture		(7,294,138)	(7,066,000)	(7,246,473)
Transport		(4,656,794)	(4,809,000)	(4,576,164)
Economic Services		(3,783,920)	(3,626,200)	(3,554,070)
Other Property and Services		(409,646)	(945,700)	(281,547)
		<u>(27,784,811)</u>	<u>(28,111,800)</u>	<u>(27,103,940)</u>
<b>Net Result Excluding Rates</b>		(17,314,877)	(15,990,400)	(16,763,682)
<b>Adjustments for Cash Budget Requirements:</b>				
(Profit)/Loss on Asset Disposals	20	(72,603)	(73,800)	(20,439)
Movement in Deferred Pensioner Rates (Non-Current)		(18,650)	-	(26,882)
Movement in Employee Benefit Provisions (Non-current)		(41,815)	-	110,300
Depreciation and Amortisation on Assets	2(a)	5,165,836	5,169,800	4,843,963
<b>Capital Expenditure and Revenue</b>				
Purchase Land and Buildings	6(a)	(307,680)	(229,000)	(2,518,323)
Purchase Furniture and Equipment	6(a)	(678,812)	(398,000)	(131,486)
Purchase Plant and Equipment	6(a)	(1,024,072)	(906,500)	(394,754)
Purchase Infrastructure Assets - Roads	7(a)	(3,139,150)	(5,617,300)	(2,366,319)
Purchase Infrastructure Assets - Footpaths	7(a)	(176,659)	-	-
Purchase Infrastructure Assets - Drainage	7(a)	(311,214)	-	-
Purchase Infrastructure Assets - Parks, Gardens & Reserves	7(a)	(951,281)	(1,486,400)	(1,210,184)
Purchase Infrastructure Assets - Street Furniture	7(a)	(125,762)	-	-
Proceeds from Disposal of Fixed Assets	20	421,715	407,400	154,782
Repayment of Debentures	21(a)	(1,219,420)	(1,219,500)	(1,152,827)
Transfers to Reserves (Restricted Assets)	11	(314,233)	(102,100)	(305,937)
Transfers from Reserves (Restricted Assets)	11	158,200	200,000	1,709,684
<b>ADD</b> Estimated Surplus/(Deficit) July 1 B/Fwd	22(b)	3,505,091	1,448,900	3,676,886
<b>LESS</b> Estimated Surplus/(Deficit) June 30 C/Fwd	22(b)	2,694,642	542,000	3,505,091
<b>Total Amount Raised from General Rate</b>	22(a)	<u>(19,140,028)</u>	<u>(19,338,900)</u>	<u>(17,900,309)</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 2014**

**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 2014**

**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 2014**

**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.

***Transitional Arrangements***

During the time it takes to transition the carrying value of non-current assets from the cost approach to the fair value approach, the City may still be utilising both methods across differing asset classes.

Those assets carried at cost will be carried in accordance with the policy detailed in the ***Initial Recognition*** section as detailed above.

Those assets carried at fair value will be carried in accordance with the ***Revaluation*** Methodology section as detailed above.

***Early Adoption of AASB 13 - Fair Value Measurement***

Whilst the new accounting standard in relation to Fair Value, AASB 13 – Fair Value Measurement only become applicable for the year ended 30 June 2014 (in relation to City), given the legislative need to commence using Fair Value methodology in the previous reporting period (year ended 30 June 2013) the City chose to early adopt AASB 13.

**CITY OF NEDLANDS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2014**

**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:

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

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

**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**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 \$1,000 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 2014**

**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 2014**

**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 2014**

**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 2014**

**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 2014**

**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 2014**

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

**(p) Interests in Joint Arrangements**

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

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

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The City's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements. The City has not entered into any joint venture arrangements.

**(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 2014**

**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 Council.

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 <sup>(1)</sup>	Impact
(i) AASB 9 – Financial Instruments	December 2013	1 January 2017	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Council, it is not anticipated the standard will have any material effect.
(ii) AASB 2010 -7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	December 2013	1 January 2017	Nil - The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above).
[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]			

**CITY OF NEDLANDS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2014**

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

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

Title	Issued / Compiled	Applicable <sup>(1)</sup>	Impact
<p>(iii) AASB 2011 - 7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards [Not-For-Profit entities]</p> <p>[AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 131, 132, 133, 138, 139, 1023 &amp; 1038 and Interpretations 5, 9, 16 &amp; 17]</p>	December 2012	1 January 2014	<p>Consequential changes to various standards arising from the issuance of AASB 10, 11, 12, 127 and 128.</p> <p>It is not expected to have a significant impact on Council.</p>
<p>(iv) AASB 2012-3: Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities</p> <p>[AASB 132]</p>	June 2012	1 January 2014	<p>This Standard adds application guidance to AASB 132: Financial Instruments: Presentation to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.</p> <p>This Standard is not expected to significantly impact the Council's financial statements.</p>

**CITY OF NEDLANDS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2014**

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

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

Title	Issued / Compiled	Applicable <sup>(1)</sup>	Impact
(v) AASB 2013 - 3: Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets	June 2013	1 January 2014	<p>This standard makes amendments to AASB 136 and includes requirements to disclose additional information when present value techniques are used to measure the recoverable amount of impaired assets.</p> <p>It is not expected to have a significant impact on Council.</p>
(vi) AASB 2013-8: Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities  [AASB 10, 12 & 1049]	October 2013	1 January 2014	<p>This standard adds Appendix E to AASB 10 to provide implementation guidance for Not-for-Profit entities regarding control criteria from the perspective of not-for-profit entities.</p> <p>It is not expected to have a significant impact on Council.</p>
(vii) AASB 2013-9: Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments  [Operative dates: Part A Conceptual Framework – 20 December 2013; Part B Materiality – 1 January 2014; Part C Financial Instruments – 1 January 2015]	December 2013	Refer Title column	<p>Part A of this standard makes various editorial corrections to Australian Accounting Standards.</p> <p>Part B of this standard deletes references to AASB 1031 in various Australian Accounting Standards in advance of the withdrawal of AASB 1031.</p> <p>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.</p> <p>As the bulk of changes related either to editorial or reference changes it is not expected to have a significant impact on Council.</p>

Notes:

<sup>(1)</sup> Applicable to reporting periods commencing on or after the given date.

**CITY OF NEDLANDS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2014**

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

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

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

These new and revised standards were:

AASB 10	AASB 128	AASB 2012 - 2
AASB 11	AASB 2011 - 7	AASB 2012 - 3
AASB 12	AASB 2011 - 9	AASB 2012 - 5
AASB 119	AASB 2011 - 10	AASB 2012 - 10
AASB 127		

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 2014**

<b>2. REVENUE AND EXPENSES</b>	<b>2014</b>	<b>2013</b>	
	<b>\$</b>	<b>\$</b>	
<b>(a) Net Result</b>			
The Net Result includes:			
(i) Charging as an Expense:			
<b>Auditors Remuneration</b>			
- Audit of the annual financial report	19,030	22,030	
- Audit of projects	-	1,700	
	<u>19,030</u>	<u>23,730</u>	
<b>Depreciation</b>			
Buildings	669,793	687,573	
Furniture and Equipment	349,839	230,014	
Plant and Equipment	642,044	733,544	
Roads	2,182,051	1,987,239	
Footpaths	415,740	395,403	
Drainage	229,026	217,534	
Parks, Gardens & Reserves	666,076	581,389	
Street Furniture	11,267	11,267	
	<u>5,165,836</u>	<u>4,843,963</u>	
<b>Interest Expenses (Finance Costs)</b>			
Debentures ( <i>refer Note 21.(a)</i> )	302,196	358,615	
	<u>302,196</u>	<u>358,615</u>	
<b>Rental Charges</b>			
- Operating Leases	95,682	68,636	
	<u>95,682</u>	<u>68,636</u>	
(ii) Crediting as Revenue:			
	<b>2014</b>	<b>2014</b>	<b>2013</b>
	<b>Actual</b>	<b>Budget</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Other Revenue</b>			
Other	370,149	113,800	154,480
	<u>370,149</u>	<u>113,800</u>	<u>154,480</u>
<b>Interest Earnings</b>			
Investments			
- Reserve Funds	152,202	275,000	225,937
- Other Funds	389,129	620,000	465,359
Other Interest Revenue ( <i>refer note 26</i> )	205,713	168,200	202,846
	<u>747,043</u>	<u>1,063,200</u>	<u>894,142</u>



**CITY OF NEDLANDS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2014**

**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 2014**

**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 2014**

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

**(c) Conditions Over Grants/Contributions**

<b>Grant/Contribution</b>	<b>Function/ Activity</b>	<b>Opening Balance <sup>(1)</sup> 1/07/12 \$</b>	<b>Received <sup>(2)</sup> 2012/13 \$</b>	<b>Expended <sup>(3)</sup> 2012/13 \$</b>	<b>Closing Balance <sup>(1)</sup> 30/06/13 \$</b>	<b>Received <sup>(2)</sup> 2013/14 \$</b>	<b>Expended <sup>(3)</sup> 2013/14 \$</b>	<b>Closing Balance 30/06/14 \$</b>
DSR - Kidsports Program	Recreation and Culture	25,600	-	(3,131)	22,469	-	(12,179)	10,290
Office of Crime Prevention - Boatsafe Program	Recreation and Culture	2,500	-	-	2,500	-	-	2,500
HACC - Capital grant	Education and Welfare	-	-	-	-	82,375	(77,093)	5,282
<b>Total</b>		<u>28,100</u>	<u>0</u>	<u>(3,131)</u>	<u>24,969</u>	<u>82,375</u>	<u>(89,272)</u>	<u>18,072</u>

**Notes:**

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

**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

	Note	2014 \$	2013 \$
<b>3. CASH AND CASH EQUIVALENTS</b>			
Unrestricted		5,528,905	5,428,972
Restricted		3,984,748	3,835,612
		<u>9,513,653</u>	<u>9,264,584</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Plant Replacement Reserve	11	137,871	229,701
Ctiy Development Reserve	11	361,725	346,329
North Street Reserve	11	1,110,649	1,125,114
Welfare Reserve	11	426,597	411,565
Services Reserve	11	1,012,524	821,074
Insurance Reserve	11	56,115	54,072
Waste Management Reserve	11	152,105	146,745
Building Replacement Reserve	11	589,506	564,370
Swanbourne Reserve	11	115,753	111,673
Public Art Reserve	11	3,831	-
Unspent Grants	2(c)	18,072	24,969
		<u>3,984,748</u>	<u>3,835,612</u>
<b>4. TRADE AND OTHER RECEIVABLES</b>			
<b>Current</b>			
Rates Outstanding		273,937	869,358
Sundry Debtors		309,336	202,665
GST Receivable		148,131	125,590
Less: Provision for Doubtful Debts		(5,925)	(11,473)
		<u>725,479</u>	<u>1,186,140</u>
<b>Non-Current</b>			
Rates Outstanding - Pensioners		<u>351,360</u>	<u>332,710</u>
<b>5. INVENTORIES</b>			
<b>Current</b>			
Fuel and Oil		<u>30,555</u>	<u>13,522</u>

**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>		
Land		
Freehold Land at:		
- Independent Valuation 2014	<u>35,625,000</u>	<u>30,400,582</u>
	35,625,000	30,400,582
Land Vested In and Under the Control of Council at:		
- Independent Valuation 2014	<u>97,000</u>	<u>-</u>
	97,000	-
<b>Total Land</b>	<u><b>35,722,000</b></u>	<u><b>30,400,582</b></u>
<b>Total Buildings</b>	<u><b>25,547,500</b></u>	<u><b>25,514,877</b></u>
<b>Total Land and Buildings</b>	<u><b>61,269,500</b></u>	<u><b>55,915,459</b></u>
Furniture and Equipment at:		
- Management Valuation 2013	824,820	824,825
- Additions after Valuation - Cost	678,812	-
Less Accumulated Depreciation	<u>(349,839)</u>	<u>-</u>
	<u><b>1,153,793</b></u>	<u><b>824,825</b></u>
Plant and Equipment at:		
- Management Valuation 2013	2,578,811	2,927,917
- Additions after Valuation - Cost	1,024,072	-
Less Accumulated Depreciation	<u>(642,044)</u>	<u>-</u>
	<u><b>2,960,839</b></u>	<u><b>2,927,917</b></u>
	<u><b>65,384,132</b></u>	<u><b>59,668,201</b></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 2014**

**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 have been 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 has 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 Section 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 2014**

**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.

	<b>Balance at the Beginning of the Year</b>	<b>Additions</b>	<b>(Disposals)</b>	<b>Revaluation Increments/ (Decrements)</b>	<b>Depreciation (Expense)</b>	<b>Carrying Amount at the End of Year</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Freehold Land	30,400,582	-	-	5,224,418	-	35,625,000
Land Vested In and Under the Control of Council	-	-	-	97,000	-	97,000
<b>Total Land</b>	30,400,582	-	-	5,321,418	-	35,722,000
<b>Total Buildings</b>	25,514,877	307,680	-	394,736	(669,793)	25,547,500
<b>Total Land and Buildings</b>	55,915,459	307,680	-	5,716,154	(669,793)	61,269,500
Furniture and Equipment	824,825	678,812	(5)	-	(349,839)	1,153,793
Plant and Equipment	2,927,917	1,024,072	(349,106)	-	(642,044)	2,960,839
<b>Total Property, Plant and Equipment</b>	<u>59,668,201</u>	<u>2,010,564</u>	<u>(349,111)</u>	<u>5,716,154</u>	<u>(1,661,676)</u>	<u>65,384,132</u>

**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>7. INFRASTRUCTURE</b>		
Roads		
- Management Valuation	52,512,174	52,512,174
- Additions after Valuation - Cost	3,139,150	-
Less Accumulated Depreciation	<u>(4,169,290)</u>	<u>(1,987,239)</u>
	51,482,034	50,524,935
Footpaths		
- Cost	8,857,997	8,681,338
Less Accumulated Depreciation	<u>(3,276,722)</u>	<u>(2,860,982)</u>
	5,581,275	5,820,356
Drainage		
- Management Valuation	7,938,084	7,938,084
- Additions after Valuation - Cost	311,214	-
Less Accumulated Depreciation	<u>(838,265)</u>	<u>(609,239)</u>
	7,411,033	7,328,845
Parks, Gardens & Reserves		
- Cost	11,494,199	10,542,918
Less Accumulated Depreciation	<u>(2,824,383)</u>	<u>(2,273,059)</u>
	8,669,816	8,269,859
Street Furniture		
- Cost	368,561	242,799
Less Accumulated Depreciation	<u>(152,666)</u>	<u>(141,399)</u>
	215,895	101,400
Reticulation		
- Cost	2,295,040	2,295,040
Less Accumulated Depreciation	<u>(1,023,070)</u>	<u>(908,318)</u>
	1,271,970	1,386,722
	<u>74,632,023</u>	<u>73,432,117</u>



**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**7. INFRASTRUCTURE (Continued)**

**Movements in Carrying Amounts**

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

	<b>Balance as at the Beginning of the Year</b>	<b>Additions</b>	<b>(Disposals)</b>	<b>Revaluation Increments/ (Decrements)</b>	<b>Depreciation (Expense)</b>	<b>Carrying Amount at the End of Year</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Roads	50,524,935	3,139,150	-	-	(2,182,051)	51,482,034
Footpaths	5,820,356	176,659	-	-	(415,740)	5,581,275
Drainage	7,328,845	311,214	-	-	(229,026)	7,411,033
Parks, Gardens & Reserves	8,269,859	951,281	-	-	(551,324)	8,669,816
Street Furniture	101,400	125,762	-	-	(11,267)	215,895
Reticulation	1,386,722	-	-	-	(114,752)	1,271,970
<b>Total</b>	<u><u>73,432,117</u></u>	<u><u>4,704,066</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>(3,504,160)</u></u>	<u><u>74,632,023</u></u>

**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>8. TRADE AND OTHER PAYABLES</b>		
<b>Current</b>		
Sundry Creditors	1,300,476	1,262,079
Accrued Interest on Debentures	29,495	39,094
Accrued Salaries and Wages	375,551	387,902
	<u>1,705,522</u>	<u>1,689,075</u>

**9. LONG-TERM BORROWINGS**

<b>Current</b>		
Secured by Floating Charge Debentures	<u>542,957</u>	<u>1,219,420</u>
<b>Non-Current</b>		
Secured by Floating Charge Debentures	<u>4,246,902</u>	<u>4,789,859</u>

Additional detail on borrowings is provided in Note 21.

**10. PROVISIONS**

Analysis of Total Provisions

Current	1,902,847	1,459,436
Non-Current	201,795	243,610
	<u>2,104,642</u>	<u>1,703,046</u>

	<b>Provision for Annual Leave \$</b>	<b>Provision for Long Service Leave \$</b>	<b>Total \$</b>
Opening balance at 1 July 2013	717,539	985,507	1,703,046
Additional provision	747,117	436,000	1,183,117
Amounts used	(709,833)	(71,688)	(781,521)
Balance at 30 June 2014	<u>754,823</u>	<u>1,349,819</u>	<u>2,104,642</u>

**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

	2014	2014 Budget	2013
	\$	\$	\$
<b>11. RESERVES - CASH BACKED</b>			
<b>(a) Plant Replacement Reserve</b>			
Opening Balance	229,701	180,900	219,815
Amount Set Aside / Transfer to Reserve	8,170	6,990	9,886
Amount Used / Transfer from Reserve	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
	<u>137,871</u>	<u>87,890</u>	<u>229,701</u>
<b>(b) City Development Reserve</b>			
Opening Balance	346,329	383,300	1,488,358
Amount Set Aside / Transfer to Reserve	15,396	11,500	137,204
Amount Used / Transfer from Reserve	<u>-</u>	<u>-</u>	<u>(1,279,233)</u>
	<u>361,725</u>	<u>394,800</u>	<u>346,329</u>
<b>(c) North Street Reserve</b>			
Opening Balance	1,125,114	1,137,600	1,073,224
Amount Set Aside / Transfer to Reserve	43,735	34,130	51,890
Amount Used / Transfer from Reserve	<u>(58,200)</u>	<u>(100,000)</u>	<u>-</u>
	<u>1,110,649</u>	<u>1,071,730</u>	<u>1,125,114</u>
<b>(d) Welfare Reserve</b>			
Opening Balance	411,565	416,000	392,435
Amount Set Aside / Transfer to Reserve	15,032	12,480	19,130
Amount Used / Transfer from Reserve	<u>-</u>	<u>-</u>	<u>-</u>
	<u>426,597</u>	<u>428,480</u>	<u>411,565</u>
<b>(e) Services Reserve</b>			
Opening Balance	821,074	341,600	1,201,202
Amount Set Aside / Transfer to Reserve	191,450	10,250	50,323
Amount Used / Transfer from Reserve	<u>-</u>	<u>-</u>	<u>(430,451)</u>
	<u>1,012,524</u>	<u>351,850</u>	<u>821,074</u>
<b>(f) Insurance Reserve</b>			
Opening Balance	54,072	54,800	51,745
Amount Set Aside / Transfer to Reserve	2,043	1,650	2,327
Amount Used / Transfer from Reserve	<u>-</u>	<u>-</u>	<u>-</u>
	<u>56,115</u>	<u>56,450</u>	<u>54,072</u>
<b>(g) Waste Management Reserve</b>			
Opening Balance	146,745	148,400	139,998
Amount Set Aside / Transfer to Reserve	5,360	4,500	6,747
Amount Used / Transfer from Reserve	<u>-</u>	<u>-</u>	<u>-</u>
	<u>152,105</u>	<u>152,900</u>	<u>146,745</u>

**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

	2014	2014 Budget	2013
	\$	\$	\$
<b>11. RESERVES - CASH BACKED (Continued)</b>			
<b>(h) Building Replacement Reserve</b>			
Opening Balance	564,370	573,600	541,074
Amount Set Aside / Transfer to Reserve	25,136	17,210	23,296
Amount Used / Transfer from Reserve	-	-	-
	<u>589,506</u>	<u>590,810</u>	<u>564,370</u>
<b>(i) Swanbourne Reserve</b>			
Opening Balance	111,673	112,900	106,539
Amount Set Aside / Transfer to Reserve	4,080	3,390	5,134
Amount Used / Transfer from Reserve	-	-	-
	<u>115,753</u>	<u>116,290</u>	<u>111,673</u>
<b>(j) Public Art Reserve</b>			
Opening Balance	-	-	-
Amount Set Aside / Transfer to Reserve	3,831	3,900	-
Amount Used / Transfer from Reserve	-	-	-
	<u>3,831</u>	<u>3,900</u>	<u>-</u>
<b>TOTAL RESERVES</b>	<u>3,966,676</u>	<u>3,255,100</u>	<u>3,810,643</u>
Total Opening Balance	3,810,643	3,349,100	5,214,390
Total Amount Set Aside / Transfer to Reserve	314,233	102,100	305,937
Total Amount Used / Transfer from Reserve	<u>(158,200)</u>	<u>(200,000)</u>	<u>(1,709,684)</u>
<b>TOTAL RESERVES</b>	<u>3,966,676</u>	<u>3,251,200</u>	<u>3,810,643</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 2013**

**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 2014**

<b>12. REVALUATION SURPLUS</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Revaluation surpluses have arisen on revaluation of the following classes of non-current assets:		
<b>(a) Land</b>		
Opening Balance	12,354,000	12,354,000
Revaluation Increment	5,321,418	-
Revaluation Decrement	-	-
	<u>17,675,418</u>	<u>12,354,000</u>
<b>(b) Buildings</b>		
Opening Balance	9,297,909	9,297,909
Revaluation Increment	394,736	-
Revaluation Decrement	-	-
	<u>9,692,645</u>	<u>9,297,909</u>
<b>(c) Plant &amp; Equipment</b>		
Opening Balance	489,890	31,447
Revaluation Increment	-	458,443
Transfer to retained surplus (disposal)	(85,747)	-
	<u>404,143</u>	<u>489,890</u>
<b>(d) Roads</b>		
Opening Balance	43,780,629	-
Revaluation Increment	-	43,780,629
Revaluation Decrement	-	-
	<u>43,780,629</u>	<u>43,780,629</u>
<b>(e) Drainage</b>		
Opening Balance	1,966,692	-
Revaluation Increment	-	1,966,692
Revaluation Decrement	-	-
	<u>1,966,692</u>	<u>1,966,692</u>
<b>TOTAL ASSET REVALUATION SURPLUS</b>	<u><u>73,519,527</u></u>	<u><u>67,889,120</u></u>

**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**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:

	<b>2014</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>Budget</b>	<b>\$</b>
		<b>\$</b>	
Cash and Cash Equivalents	<u>9,513,653</u>	<u>8,302,600</u>	<u>9,264,584</u>

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

Net Result	1,825,151	3,348,500	1,136,629
Depreciation	5,165,836	5,169,800	4,843,963
(Profit)/Loss on Sale of Asset	(72,603)	73,800	(20,439)
(Increase)/Decrease in Receivables	459,103	(463,200)	(319,691)
(Increase)/Decrease in Inventories	(17,033)	-	18,089
Increase/(Decrease) in Payables	(646)	699,100	(655,120)
Increase/(Decrease) in Employee Provisions	401,595	60,300	312,637
Grants Contributions for the Development of Assets	<u>(535,897)</u>	<u>(2,397,100)</u>	<u>(914,045)</u>
Net Cash from Operating Activities	<u>7,225,507</u>	<u>6,491,200</u>	<u>4,402,023</u>

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>(c) Undrawn Borrowing Facilities</b>		
<b>Credit Standby Arrangements</b>		
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	3,806
Purchasing Card limit	100,000	100,000
Purchasing Card Balance at Balance Date	<u>1,476</u>	<u>10,015</u>
<b>Total Amount of Credit Unused</b>	<u>620,643</u>	<u>611,179</u>
<b>Loan Facilities</b>		
Loan Facilities - Current	542,957	1,219,420
Loan Facilities - Non-Current	<u>4,246,902</u>	<u>4,789,859</u>
<b>Total Facilities in Use at Balance Date</b>	<u>4,789,859</u>	<u>6,009,279</u>
<b>Unused Loan Facilities at Balance Date</b>	<u>NIL</u>	<u>NIL</u>

**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**14. CONTINGENT LIABILITIES**

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

**15. CAPITAL AND LEASING COMMITMENTS**

**2014**                      **2013**  
**\$**                                      **\$**

**(a) Operating Lease Commitments**

Non-cancellable operating leases contracted for but not capitalised in the accounts.

Payable:

- not later than one year	49,012	29,999
- later than one year but not later than five years	46,670	38,637
- later than five years	-	-
	<u>95,682</u>	<u>68,636</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>291,800</u>	<u>500,000</u>
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Payable:

- not later than one year	<u>291,800</u>	<u>500,000</u>
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The capital expenditure project outstanding at the end of the current reporting period represents Blackspot projects on Stirling Highway, Broadway Road, West Coast Highway and North Street and renewal of dirt bicycle track at College Park.

**16. JOINT VENTURE ARRANGEMENTS**

The City has not entered into any joint venture arrangements.

**17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY**

**2014**                      **2013**  
**\$**                                      **\$**

Governance	39,064,633	33,837,841
General Purpose Funding	-	-
Law, Order, Public Safety	1,393,587	1,419,912
Health	339,357	436,324
Education and Welfare	2,805,769	2,996,471
Community Amenities	56,758	63,649
Recreation and Culture	27,762,067	26,246,781
Transport	67,682,598	66,432,473
Economic Services	9,248	12,198
Other Property and Services	11,523,185	12,450,224
Unallocated	-	1,401
	<u>150,637,202</u>	<u>143,897,274</u>



**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>18. FINANCIAL RATIOS</b>			
Current Ratio	1.51	1.52	1.39
Asset Sustainability Ratio	1.17	1.33	1.36
Debt Service Cover Ratio	4.44	3.59	4.53
Operating Surplus Ratio	0.05	0.01	0.00
Own Source Revenue Coverage Ratio	0.99	0.94	0.91

The above ratios are calculated as follows:

Current Ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset Sustainability Ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{Depreciation expenses}}$
Debt Service Cover Ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating Surplus Ratio	$\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$
Own Source Revenue Coverage Ratio	$\frac{\text{own source operating revenue}}{\text{operating expenses}}$

**ADDITIONAL RATIOS**

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

	<b>2014</b>	<b>2013</b>	<b>2012</b>
Asset Consumption Ratio	0.66	0.86	*N/A
Asset Renewal Funding Ratio	0.67	1.0	*N/A

The above ratios are calculated as follows:

Asset Consumption Ratio	$\frac{\text{depreciated replacement costs of assets}}{\text{current replacement cost of depreciable assets}}$
Asset Renewal Funding Ratio	$\frac{\text{NPV of planning capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$

\*N/A - In keeping with amendments to Local Government (Financial Management) Regulations 50, comparatives for 2012 have not been reported as financial information is not available.

**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**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>	<b>Balance 1 July 2013</b>	<b>Amounts Received</b>	<b>Amounts Paid</b>	<b>Balance 30 June 2014</b>
	\$	\$	(\$)	\$
Bonds and Deposits	1,477,015	1,306,517	(1,335,386)	1,448,146
Unclaimed Monies	17,484	1,648	(568)	18,564
	<u>1,494,499</u>			<u>1,466,710</u>

**20. DISPOSALS OF ASSETS - 2013/14 FINANCIAL YEAR**

The following assets were disposed of during the year.

	<b>Net Book Value</b>		<b>Sale Price</b>		<b>Profit (Loss)</b>	
	<b>Actual</b>	<b>Budget</b>	<b>Actual</b>	<b>Budget</b>	<b>Actual</b>	<b>Budget</b>
	\$	\$	\$	\$	\$	\$
<b>Plant and Equipment</b>						
Other property and Services	349,106	333,600	421,715	407,400	72,609	73,800
<b>Furniture and equipment</b>						
Other property and Services	6	-	-	-	(6)	-
	<u>349,112</u>	<u>333,600</u>	<u>421,715</u>	<u>407,400</u>	<u>72,603</u>	<u>73,800</u>

Profit	81,567	95,800
Loss	<u>(8,964)</u>	<u>(22,000)</u>
	<u>72,603</u>	<u>73,800</u>

**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**21. INFORMATION ON BORROWINGS**

(a) Repayments - Debentures

Particulars	Loan #	Principal 1 July 2013 \$	New Loans \$	Principal Repayments		Principal 30 June 2014		Interest Repayments	
				Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
<b>General Purpose Funding</b>									
Waste Bins	178	463,421		73,357	73,400	390,064	390,100	25,661	26,700
Road Infrastructures	179	1,221,150		80,802	80,800	1,140,347	1,140,300	72,200	72,800
Buildings & Roads	180	705,269		705,269	705,300	-	-	20,703	26,900
Buildings & Infrastructures	181	1,687,980		170,288	170,300	1,517,692	1,517,700	95,893	97,200
Buildings & Infrastructures	182	1,931,459		189,704	189,700	1,741,755	1,741,800	87,740	88,200
		6,009,279	-	1,219,420	1,219,500	4,789,859	4,789,900	302,196	311,800

All loan repayments were financed by general purpose revenue.

(b) New Debentures - 2013/14

The City did not take up any new debentures during the year ended 30 June 2014.

(c) Unspent Debentures

The City did not have any unspent debentures as at 30 June 2014.

(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 2013 and 30 June 2014 was \$ 0.

**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**22. RATING INFORMATION - 2013/14 FINANCIAL YEAR**

**(a) Rates**

<b>RATE TYPE</b>	<b>Rate in \$</b>	<b>Number of Properties</b>	<b>Rateable Value \$</b>	<b>Rate Revenue \$</b>	<b>Interim Rates \$</b>	<b>Back Rates \$</b>	<b>Total Revenue \$</b>	<b>Budget Rate Revenue \$</b>	<b>Budget Interim Rate \$</b>	<b>Budget Total Revenue \$</b>
<b>Differential General Rate / General Rate</b>										
Residential	0.0565	6,130	237,981,814	13,450,730	99,801	18,894	13,569,426	13,400,500	15,000	13,415,500
Residential Vacant	0.0734	159	7,356,970	539,781	32,124	(11,641)	560,264	828,100	-	828,100
Non residential	0.0623	380	44,531,073	2,694,200	4,139	2,726	2,701,064	2,766,500	(15,000)	2,751,500
<b>Sub-Totals</b>		6,669	289,869,857	16,684,712	136,064	9,979	16,830,754	16,995,100	-	16,995,100
<b>Minimum Payment</b>	<b>Minimum \$</b>									
Residential	1,214	1,596	27,990,923	1,937,544	(26,518)	(2,131)	1,908,895	1,940,000		1,940,000
Residential Vacant	1,603	105	1,798,500	168,315	2,868	116	171,299	174,700		174,700
Non residential	1,660	138	2,460,950	229,080	-	-	229,080	229,100		229,100
<b>Sub-Totals</b>		1,839	32,250,373	2,334,939	(23,651)	(2,015)	2,309,274	2,343,800	-	2,343,800
<b>Totals</b>							<b>19,140,028</b>			<b>19,338,900</b>

**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**22. RATING INFORMATION - 2013/14 FINANCIAL YEAR (Continued)**

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

	<b>2014</b> <b>(30 June 2014</b> <b>Carried Forward)</b>	<b>2014</b> <b>(1 July 2013</b> <b>Brought Forward)</b>	<b>2013</b> <b>(30 June 2013</b> <b>Carried Forward)</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Surplus/(Deficit) Brought / Carried Forward</b>	<u>2,694,642</u>	<u>3,505,091</u>	<u>3,505,091</u>
<b><u>Comprises:</u></b>			
Cash and Cash Equivalents			
Unrestricted	5,528,905	5,428,972	5,428,972
Restricted	3,984,748	3,835,612	3,835,612
Receivables			
Rates Outstanding	273,937	869,357	869,357
Sundry Debtors	309,336	202,665	202,665
GST Receivable	83,626	125,590	125,590
Less: Provision for Doubtful Debts	(5,925)	(11,473)	(11,473)
Inventories			
Fuel and Oil	30,555	13,522	13,522
<b><u>Less:</u></b>			
Trade and other Payables			
Sundry Creditors	(1,300,476)	(1,262,079)	(1,262,079)
Accrued Interest on Debentures	(29,495)	(39,094)	(39,094)
Accrued Salaries and Wages	(375,551)	(387,902)	(387,902)
GST Receivable	64,505	-	-
Current Portion of Long Term Borrowings			
Secured by Floating Charge Debentures	(542,957)	(1,219,420)	(1,219,420)
Provisions			
Provision for Annual Leave	(754,822)	(717,539)	(717,539)
Provision for Long Service Leave	(1,148,025)	(741,897)	(741,897)
<b><u>Net Current Assets</u></b>	<u>6,118,361</u>	<u>6,096,314</u>	<u>6,096,314</u>
Less:			
Reserves - Restricted Cash	(3,966,676)	(3,810,643)	(3,810,643)
Add:			
Secured by Floating Charge Debentures	542,957	1,219,420	1,219,420
<b>Surplus/(Deficit)</b>	<u>2,694,642</u>	<u>3,505,091</u>	<u>3,505,091</u>

**Difference**

There was no difference between the Surplus/(Deficit) 1 July 2013 Brought Forward position used in the 2014 audited financial report and the Surplus/(Deficit) Carried Forward position as disclosed in the 2013 audited financial report.

**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**23. SPECIFIED AREA RATE - 2013/14 FINANCIAL YEAR**

The City of Nedlands did not levy any Special Area Rate in 2013/14 financial year.

**24. SERVICE CHARGES - 2013/14 FINANCIAL YEAR**

The City of Nedlands did not impose any service charges.

**25. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS  
- 2013/14 FINANCIAL YEAR**

There were no discounts, incentives, concessions, and write-offs during the 2013/14 financial year.

**26. INTEREST CHARGES AND INSTALMENTS - 2013/14 FINANCIAL YEAR**

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates	11.00%		68,377	62,500
ESL Interest Income	11.00%		5,779	3,200
Interest on Instalments Plan	5.50%		121,238	92,200
Deferred Rates Interest			10,319	10,300
<b>Total Interest Income</b>			<b>205,713</b>	<b>168,200</b>
Admin Charges on Instalment Plan		27	57,798	52,500
			<b>263,511</b>	<b>220,700</b>

Ratepayers had the option of paying rates in four equal instalments, due on 19 August Month 2013, 18 November 2013, 20 January 2014 and 24 March 2014. Administration charges and interest applied for the final three instalments.

<b>27. FEES &amp; CHARGES</b>	<b>2014</b> \$	<b>2013</b> \$
Governance	89,582	69,679
General Purpose Funding	68,172	49,875
Law, Order, Public Safety	80,051	38,597
Health	154,666	95,309
Education and Welfare	581,350	424,686
Community Amenities	4,261,633	4,164,333
Recreation and Culture	638,926	559,376
Transport	449,600	480,139
Economic Services	774,211	575,807
Other Property and Services	22,940	15,012
	<u>7,121,131</u>	<u>6,472,813</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 2014**

**28. GRANT REVENUE**

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

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>By Nature or Type:</b>		
Operating Grants, Subsidies and Contributions	1,614,147	1,884,311
Non-Operating Grants, Subsidies and Contributions	535,897	914,045
	<u>2,150,043</u>	<u>2,798,356</u>
<b>By Program:</b>		
Community Amenities	-	2,346
Economic Services	49,181	-
Education and Welfare	1,075,428	910,251
General Purpose Funding	345,941	760,970
Governance	72,690	65,011
Law, Order, Public Safety	23,748	21,867
Other Property and Services	-	100,000
Recreation and Culture	144,243	260,190
Transport	438,813	677,721
	<u>2,150,043</u>	<u>2,798,356</u>

**29. EMPLOYEE NUMBERS**

The number of full-time equivalent employees at balance date

<u>153</u>	<u>148</u>
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**30. ELECTED MEMBERS REMUNERATION**

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

	<b>2014</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>Budget</b>	<b>\$</b>
Meeting Fees	293,499	98,000	95,394
Mayor's Allowance	57,935	43,800	41,831
Deputy Mayor's Allowance	14,484	10,950	10,380
Information Technology Allowance	1,843	11,700	10,741
Telecommunications Allowance	43,658	13,650	12,636
	<u>411,419</u>	<u>178,100</u>	<u>170,982</u>

**31. MAJOR LAND TRANSACTIONS**

The City did not undertake any major land transaction during the 2013/14 financial year

**32. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS**

Council did not participate in any trading undertakings or major trading undertakings during the 2013/14 financial year.

**CITY OF NEDLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**33. FAIR VALUE MEASUREMENT**

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

- Land and buildings;
- Plant and equipment; and
- Furniture & Office Equipment

The City does not measure any other assets and liabilities at fair value on a 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

	<b>30 June 2014</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	\$	\$	\$	\$
Land	-	35,625,000	97,000	35,722,000
Buildings	-	353,000	25,194,500	25,547,500
Furniture and Equipment	-	1,153,792	-	1,153,792
Plant and Equipment	-	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

There were no assets valued where it was assumed that the highest and best use was other than their current use. It is to be noted that there was a transfer of \$1,016,675 of building assets from Level 2 to Level 3 prior to revaluation.

Non-Financial Assets

	<b>30 June 2013</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	\$	\$	\$	\$
Land	-	30,400,582	-	30,400,582
Buildings	-	1,812,673	23,702,204	25,514,877
Furniture and Equipment	-	824,825	-	824,825
Plant and Equipment	-	2,927,917	-	2,927,917
Total non-financial assets recognised at fair value on a recurring basis	-	35,965,997	23,702,204	59,668,201



**CITY OF NEDLANDS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2014**

**33. FAIR VALUE MEASUREMENT (Continued)**

**Recurring Fair Value Measurements (Continued)**

The City's land and buildings were independently valued in June 2011 on market value basis. Management decided that the values obtained in 2011, less accumulated depreciation for buildings, represent fair value as at 30 June 2013. Additions since the independent valuation until 30 June 2013 were included at cost. The policy of the City of Nedlands is to recognise transfers into and transfers out of the fair value hierarchy levels as at the end of the reporting period.

**Quantitative Information about the significant unobservable inputs and relationship to fair value**

Description	Land vested and under the Control of City - Golf Courses	Specialised buildings
Value as at 30 June 2014	\$97,000	\$25,194,500
Valuation technique	Income and Cost approach	Cost approach (depreciated replacement cost)
Unobservable inputs	Ground rent	Relationship between asset consumption rating scale and the level of consumed service potential
Range of inputs (probability-weighted average)	+/- 5%	+/- 5%
Relationship of unobservable inputs to fair value	A change of 5 % would result in a change in fair value by \$4,850	A change of 5 % would result in a change in fair value by \$1,259,724

**Valuation processes**

The council engages external, independent and qualified valuers to determine the fair value of the entity's land, buildings, infrastructure and major plant on a regular basis.

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.

As at 30 June 2014 a comprehensive revaluation was undertaken for all land and building assets by Griffin Valuation Advisory.

**CITY OF NEDLANDS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2014**

**33. FAIR VALUE MEASUREMENT (Continued)**

**Valuation processes (Continued)**

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

Income Capitalisation Approach for Vested Land under the Control of the City. This approach considers income and expense data relating to the property being valued and estimates value through a capitalisation process. Capitalisation relates income, usually a net income figure, and a defined value type by converting an income amount into a value estimate. This process may consider direct relationships, yield or discount rates.

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 interrelationship between a range of factors. These factors and their relationship to the fair value require professional judgement 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.

**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:

- Borrowings

The following table provides the level of fair value hierarchy within which the disclosed fair value measurements are categorised in their entirety and a description of the valuation technique and inputs used:

<b>Description</b>	<b>Note</b>	<b>Fair Value Hierarchy Level</b>	<b>Valuation Technique</b>	<b>Inputs Used</b>
<b>Liabilities</b>				
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 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 2014**

**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:

	<b>Carrying Value</b>		<b>Fair Value</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial Assets</b>				
Cash and cash equivalents	9,513,653	9,264,584	9,513,653	9,264,584
Receivables	<u>1,076,839</u>	<u>1,518,850</u>	<u>1,076,839</u>	<u>1,518,850</u>
	<u><u>10,590,492</u></u>	<u><u>10,783,434</u></u>	<u><u>10,590,492</u></u>	<u><u>10,783,434</u></u>
<b>Financial Liabilities</b>				
Payables	1,705,522	1,689,075	1,705,522	1,689,075
Borrowings	<u>4,789,859</u>	<u>6,009,279</u>	<u>4,315,478</u>	<u>5,374,901</u>
	<u><u>6,495,381</u></u>	<u><u>7,698,354</u></u>	<u><u>6,021,000</u></u>	<u><u>7,063,976</u></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  
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**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.

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Impact of a 1% <sup>(1)</sup> (2013 - 2%) movement in interest rates on cash		
- Equity	95,100	185,300
- Statement of Comprehensive Income	95,100 <sup>(2)</sup>	185,300 <sup>(1)</sup>

*Notes:*

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

<sup>(2)</sup> Maximum impact.

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**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:

	<b>2014</b>	<b>2013</b>
Percentage of Rates and Annual Charges		
- Current	1.43%	4.86%
- Overdue	3.27%	6.72%
Percentage of Other Receivables		
- Current	51.38%	22.97%
- Overdue	48.62%	77.03%

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**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:

	<b>Due within 1 year \$</b>	<b>Due between 1 &amp; 5 years \$</b>	<b>Due after 5 years \$</b>	<b>Total contractual cash flows \$</b>	<b>Carrying values \$</b>
<b><u>2014</u></b>					
Payables	1,341,330	-	-	1,341,330	1,641,017
Borrowings	<u>798,950</u>	<u>3,145,771</u>	<u>1,719,746</u>	<u>5,664,467</u>	<u>4,789,859</u>
	<u><u>2,140,280</u></u>	<u><u>3,145,771</u></u>	<u><u>1,719,746</u></u>	<u><u>7,005,797</u></u>	<u><u>6,430,876</u></u>
<b><u>2013</u></b>					
Payables	1,689,075	-	-	1,689,075	1,689,075
Borrowings	<u>1,531,213</u>	<u>3,195,800</u>	<u>2,468,667</u>	<u>7,195,680</u>	<u>6,009,279</u>
	<u><u>3,220,288</u></u>	<u><u>3,195,800</u></u>	<u><u>2,468,667</u></u>	<u><u>8,884,755</u></u>	<u><u>7,698,354</u></u>

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**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:

	<u>&lt;1 year</u>	<u>&gt;1&lt;2 years</u>	<u>&gt;2&lt;3 years</u>	<u>&gt;3&lt;4 years</u>	<u>&gt;4&lt;5 years</u>	<u>&gt;5 years</u>	<u>Total</u>	<u>Weighted Average Effective Interest Rate</u>
	\$	\$	\$	\$	\$	\$	\$	%
<b><u>Year Ended 30 June 2014</u></b>								
<b>Borrowings</b>								
<b>Fixed Rate</b>								
Debentures	-	-	-	-	-	4,789,859	4,789,859	5.55%
Weighted Average Effective Interest Rate						5.55%		
<b><u>Year Ended 30 June 2013</u></b>								
<b>Borrowings</b>								
<b>Fixed Rate</b>								
Debentures	705,269	-	-	-	-	5,304,011	6,009,280	5.58%
Weighted Average Effective Interest Rate	5.78%					5.55%		