

# CITY OF SOUTH PERTH

ANNUAL REPORT 2015/16  
CREATING A COMMUNITY FOR ALL

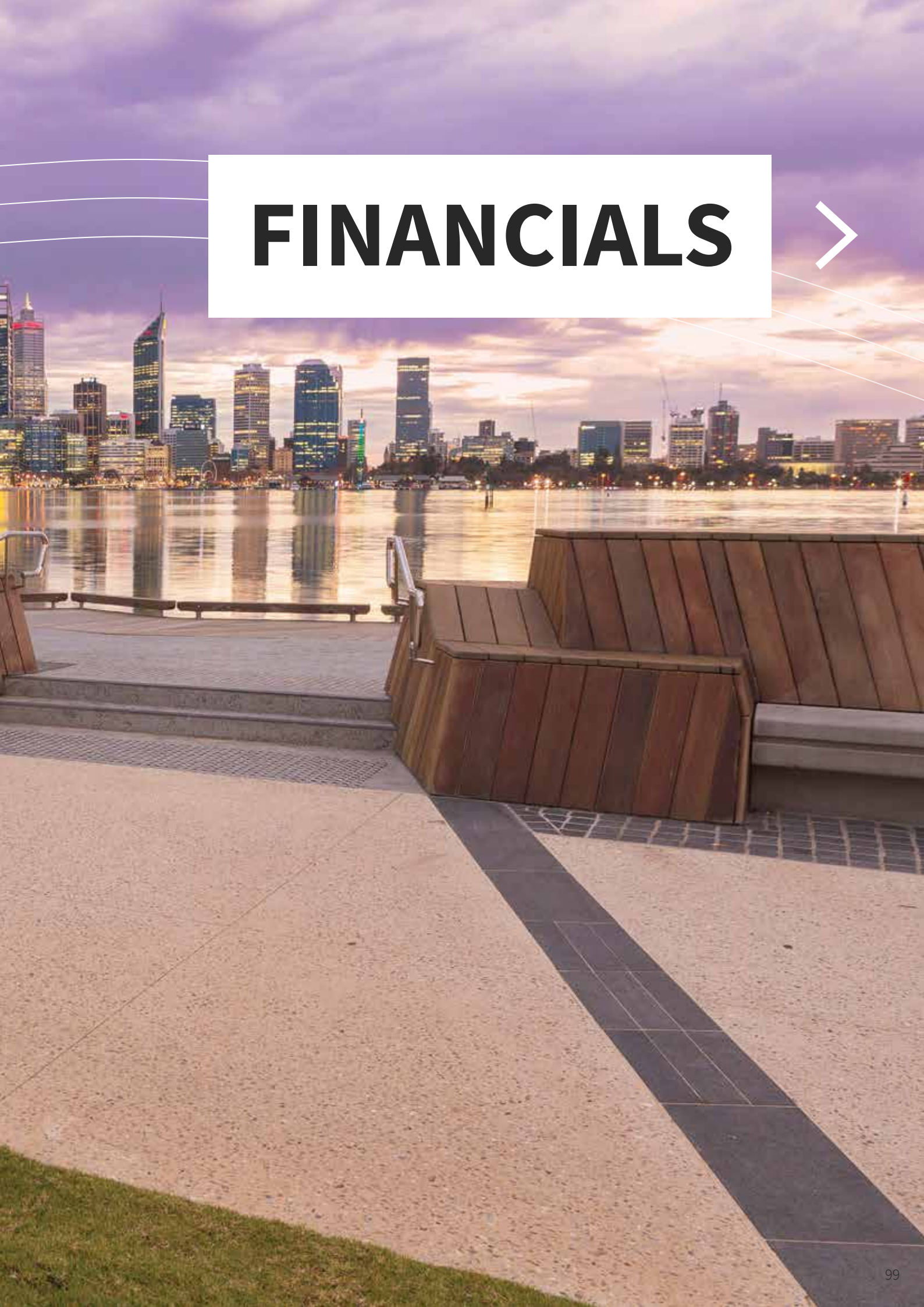


City of  
South Perth





# FINANCIALS



# UNDERSTANDING OUR FINANCIALS

## STATEMENT OF PROFIT OR LOSS

(PAGE 104)

The 'Statement of Profit or Loss' shows whether the City's operations were in surplus or deficit for the year. It shows the items grouped by program (used by the ABS) and by Nature & Type classification. The net result is calculated as Total Revenue less Total Expenses.

A positive result does not necessarily mean that there are extra funds available for spending - nor does a negative result mean that there are insufficient funds, providing the shortfall is made up from other sources such as existing cash reserves.

The 'Statement of Profit or Loss' is reconciled to a 'Statement of Comprehensive Income' which also includes non-cash entries in our accounts to reflect the increase in value of fixed assets (buildings, roads, paths, land etc) held by the City.

## STATEMENT OF FINANCIAL POSITION

(PAGE 107)

The 'Statement of Financial Position' shows what the City owns (our Assets) and what we owe (our Liabilities).

'Current Assets' are items that can be readily converted into cash within 12 months. Any other assets such as infrastructure, property and equipment are classified as 'Non Current' as it would generally take longer than 12 months to convert them to cash.

Liabilities that are expected to have to be paid within the next 12 months are classified as 'Current Liabilities' whilst all other liabilities are 'Non Current'.

## STATEMENT OF CHANGES IN EQUITY

(PAGE 108)

The 'Statement of Changes in Equity' shows how much our investment in community assets is worth. Our 'Net Worth' is calculated as Total Assets less Total Liabilities.

Some of this 'Net Worth' is represented by 'Cash Backed Reserves' whilst the remainder (Retained Surplus from Prior Years and Asset Revaluation Surplus) is backed by other assets rather than by cash.

## STATEMENT OF CASH FLOWS

(PAGE 109)

The 'Statement of Cash Flows' indicates how cash flows into the City and what the cash outflows are over the year. It indicates our ability to pay our debts when they are due and have money left for the future.

Cash flows can occur through:

- Operating Activities  
(receipt of rates, fees, interest, operating grants or other revenue)
- Investing Activities  
(sale, purchase or construction of property, plant or equipment, capital grants)
- Financing Activities  
(repayment of borrowings or proceeds of new loans)

## RATE SETTING STATEMENT

(PAGES 110-111)

The 'Rate Setting Statement Flows' demonstrates how the City arrived at the amount of money required to be derived from Rates. In effect it looks at the proposed expenditures then allows for funding from all sources other than rates. The remaining portion represents the cash required to be raised from Rates.

Each of these major financial statements will have cross references to 'Notes to the Accounts' which provide more detail on how a particular number shown on the statements is made up.

## FINANCIAL RATIOS

(PAGE 24)

A good way to get an understanding of the City's financial health is to look at the 'Financial Ratios'. These demonstrate the relationships between key numbers in the financial reports. Each ratio has an industry benchmark that indicates a preferred measure if a local government is to be financially sustainable. It is important to look at the trends indicated by the ratios and not just at a single year in isolation.

The major ratios include:

### Current Ratio

This indicates our capacity to meet our short term (current) financial obligations. The preferred ratio is a number greater than 100%.

# UNDERSTANDING OUR FINANCIALS

## **Operating Surplus Ratio**

This is an indicator of how well the revenue raised covers operational expenses and provides available cash for capital expenditures. Ideally the ratio should be positive and between 0% and 15% - but it is not critical if the ratio is less than zero providing there are cash reserves to fund the deficit.

## **Own Source Revenue Coverage Ratio**

This indicates the extent of the City's financial autonomy. That is, our capacity to generate revenues to meet operating costs from our own sources. The preferred ratio is a number greater than 40%.

## **Debt Service Ratio**

This ratio indicates our capacity to meet our debt obligations (loan repayments) as they become due and payable. Ideally the ratio should be a number larger than 2.00 to 1.

## **Rates Outstanding Ratio**

This indicates the effectiveness of our rates collection processes. That is, how much of the rates revenue raised has been collected and converted to cash. The smaller the number indicated by this ratio - the better, but it should always be less than 5%.

## **Asset Consumption Ratio**

This ratio indicates the aged condition of our fixed assets. It shows the written down (depreciated) value of our assets today as compared to the cost of replacing them with brand new ones. The preferred ratio is between 50% and 70% of their new asset cost.

## **Asset Sustainability Ratio**

This indicates the extent to which assets are being either replaced or renewed as they reach the end of their useful lives. Ideally the expenditure on asset renewal and replacement should be more than 90% of the amount the assets depreciate by each year.

## **Asset Renewal Funding Ratio**

The ratio shows the relationship between what the City plans to spend on renewing its assets (from the Long Term Financial Plan) and what is required to be spent on renewing its assets (from its Asset Management Plans). The preferred ratio is between 95% and 100%.

## **Financial Health Indicator (FHI)**

The results from calculating each of the above ratios are then 'standardised' and used to calculate a Financial Health Indicator (FHI) score, which is a composite assessment of a local government's financial health. This is derived using a specialised model developed by the Western Australian Treasury.

A FHI score of at least 70 is required to demonstrate sound financial health. The City's FHI score as at 30 June 2016 is 84%.

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# STATEMENT BY CHIEF EXECUTIVE OFFICER

## FOR THE YEAR ENDED 30 JUNE 2016

*Local Government Act 1995*

Local Government (Financial Management) Regulations 1996

### **STATEMENT BY CHIEF EXECUTIVE OFFICER**

The attached financial report of the City of South Perth comprising the annual financial report and supporting notes and other information for the year ended 30 June 2016 are, in my opinion, properly drawn up to present fairly the financial position of the City of South Perth at 30 June 2016 and the results of the City's operations for the year then ended in accordance with Australian Accounting Standards and comply with the provisions of the *Local Government Act 1995* and Regulations under that act.

Signed as authorisation of issue on the 8th day of November, 2016.

A handwritten signature in black ink, consisting of a large, stylized 'G' followed by a smaller 'G' and a final flourish.

**Geoff Glass**  
**CHIEF EXECUTIVE OFFICER**

# STATEMENT OF PROFIT OR LOSS BY FUNCTION / PROGRAM

FOR THE YEAR ENDED 30 JUNE 2016

DETAILS	NOTE	BUDGET \$	2016 \$	2015 \$
<b>REVENUE</b>	3,4			
General Purpose Funding		36,817,923	36,719,354	36,259,900
Governance		105,000	150,156	296,815
Law, Order & Public Safety		110,000	136,359	330,440
Education		0	0	0
Health		116,000	136,536	111,496
Welfare		0	0	0
Housing		1,558,592	1,652,154	1,502,515
Community Amenities		7,021,550	6,988,139	5,843,999
Recreation & Culture		4,289,950	4,349,843	5,447,859
Transport		2,112,000	2,130,187	2,246,169
Economic Services		660,250	766,913	647,571
Other Property & Services		134,500	122,544	184,187
		<b>52,925,765</b>	<b>53,152,185</b>	<b>52,870,951</b>
<b>EXPENSES</b>	3,4			
General Purpose Funding		332,757	328,680	323,688
Governance		7,228,028	6,360,324	6,334,425
Law, Order & Public Safety		839,457	874,180	843,358
Education		70,500	66,015	104,569
Health		559,037	562,162	482,600
Welfare		510,841	493,901	497,313
Housing		2,275,207	2,406,393	2,394,308
Community Amenities		9,514,960	9,300,811	8,770,866
Recreation & Culture		17,807,009	17,495,088	16,968,046
Transport		14,401,573	15,241,238	12,892,744
Economic Services		833,070	873,801	724,346
Other Property & Services		612,928	741,358	648,060
		<b>54,985,367</b>	<b>54,743,951</b>	<b>50,984,323</b>
<b>BORROWING EXPENSES</b>	4			
General Purpose Funding		349,247	329,739	334,313
Recreation & Culture		212,126	186,820	202,279
		<b>561,373</b>	<b>516,559</b>	<b>536,592</b>
<b>DISPOSAL OF ASSETS</b>	4			
Profit on Disposal of Assets		3,891,467	3,355,811	24,321,961
Loss on Disposal of Assets		(0)	(26,991)	(35,473)
		<b>3,891,467</b>	<b>3,328,820</b>	<b>24,286,488</b>
<b>GRANTS - ASSET DEVELOPMENT</b>	4	<b>3,707,000</b>	<b>3,714,558</b>	<b>1,752,015</b>
<b>MOVEMENT IN EQUITY</b>	12	<b>(0)</b>	<b>(58,164)</b>	<b>(37,336)</b>
<b>REVALUATION DECREMENT</b>		<b>(0)</b>	<b>(0)</b>	<b>(310,313)</b>
<b>NET RESULT</b>		<b>\$4,977,492</b>	<b>\$4,876,889</b>	<b>\$27,040,890</b>

The accompanying notes form part of the financial statements



# STATEMENT OF PROFIT OR LOSS BY NATURE & TYPE

FOR THE YEAR ENDED 30 JUNE 2016

DETAILS	NOTE	BUDGET \$	2016 \$	2015 \$
<b>REVENUE</b>	3,4			
Rates Revenue		32,906,251	32,903,932	31,293,887
Fees & Charges		14,158,880	14,175,275	14,378,103
Grants & Subsidies - Operational		1,140,000	1,141,400	2,553,541
Contributions & Reimbursements		394,000	532,806	640,455
Interest Revenue		2,629,084	2,523,789	2,691,552
Service Charges		0	41	0
Other Revenue		1,697,550	1,874,944	1,313,413
		<b>52,925,765</b>	<b>53,152,187</b>	<b>52,870,951</b>
<b>EXPENSES</b>	3,4			
Employee Expenses		20,849,947	20,453,461	19,398,285
Materials & Contracts		20,281,169	18,804,203	17,532,042
Utilities & Insurances		2,588,500	2,642,316	2,542,890
Depreciation		9,365,750	11,121,276	9,424,260
Amortisation Expense		72,000	72,252	56,012
Other Expenses		1,828,001	1,650,443	2,030,834
		<b>54,985,367</b>	<b>54,743,951</b>	<b>50,984,323</b>
<b>BORROWING EXPENSES</b>	4			
Interest Expense		<b>561,373</b>	<b>516,559</b>	<b>536,592</b>
<b>DISPOSAL OF ASSETS</b>	4			
Profit on Disposal of Assets		3,891,467	3,355,811	24,321,961
Loss on Disposal of Assets		(0)	(26,991)	(35,473)
<b>PROFIT / (LOSS) ON DISPOSAL</b>		<b>3,891,467</b>	<b>3,328,820</b>	<b>24,286,488</b>
<b>GRANTS - ASSET DEVELOPMENT</b>	4			
Grants - Asset Acquisition		<b>3,707,000</b>	<b>3,714,558</b>	<b>1,752,015</b>
<b>MOVEMENT IN EQUITY</b>	12	<b>(0)</b>	<b>(58,164)</b>	<b>(37,336)</b>
<b>REVALUATION DECREMENT</b>	40	<b>(0)</b>	<b>(0)</b>	<b>(310,313)</b>
<b>NET RESULT</b>		<b>\$4,977,492</b>	<b>\$4,876,889</b>	<b>\$27,040,890</b>

The accompanying notes form part of the financial statements

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

DETAILS	NOTE	BUDGET \$	2016 \$	2015 \$
<b>NET RESULT</b>		<b>4,977,492</b>	<b>4,876,889</b>	<b>27,040,890</b>
(as disclosed on Statement of Profit or Loss)				
<b>OTHER COMPREHENSIVE INCOME</b>				
Gain (Loss) on Revaluation of Land	23, 39	0	520,000	0
Gain (Loss) on Revaluation of Buildings	23, 39	0	2,447,412	6,390,696
Gain (Loss) on Revaluation of Furniture	23, 39	0	30,000	0
Gain (Loss) on Revaluation of Artworks	23, 39	0	0	9,445
Gain (Loss) on Revaluation of Roads	23, 40	0	63,819,385	16,156,885
Gain (Loss) on Revaluation of Paths	23, 40	0	1,257,870	404,670
Gain (Loss) on Revaluation of Drainage Asset	23, 40	0	(56,361)	(24,895,119)
Gain (Loss) on Revaluation of Parks Assets	23, 40	0	1,137,746	49,670,906
Gain (Loss) on Revaluation of St Furniture	23, 40	0	168,582	0
Net Gain (Loss) on Revaluation of Assets		0	69,324,634	47,737,483
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>		<b>0</b>	<b>69,324,634</b>	<b>47,737,483</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>\$4,977,492</b>	<b>\$74,201,523</b>	<b>\$74,778,373</b>

The accompanying notes form part of the financial statements

# STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

DETAILS	NOTE	2016 \$	2015 \$
<b>CURRENT ASSETS</b>			
Cash & Cash Equivalents	5, 35	66,606,660	72,376,870
Trade & Other Receivables	6	1,844,114	2,965,050
Inventories - Materials	7	129,768	106,238
Assets Held for Sale	8	134,792	2,180,348
Other Current Assets	9	616,951	818,186
<b>TOTAL CURRENT ASSETS</b>		<b>69,332,285</b>	<b>78,446,692</b>
<b>NON-CURRENT ASSETS</b>			
Other Receivables	10	1,822,443	2,091,973
Assets Held for Sale	11	766,464	946,464
Investments	12	226,041	284,205
Property, Plant & Equipment	13, 39	384,166,128	368,082,798
Infrastructure	14, 40	312,388,767	244,849,679
Intangibles	15	896,667	627,761
<b>TOTAL NON-CURRENT ASSETS</b>		<b>700,266,510</b>	<b>616,882,880</b>
<b>TOTAL ASSETS</b>		<b>769,598,795</b>	<b>695,329,572</b>
<b>CURRENT LIABILITIES</b>			
Trade & Other Payables	16	3,969,667	7,651,205
Borrowings	17, 38	1,392,360	1,149,859
Provisions	18	3,769,965	4,011,833
Leaseholder Liability	19	29,940,576	29,921,148
<b>TOTAL CURRENT LIABILITIES</b>		<b>39,072,568</b>	<b>42,734,045</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	20, 38	11,689,036	8,081,397
Provisions	21	406,185	284,648
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>12,095,221</b>	<b>8,366,045</b>
<b>TOTAL LIABILITIES</b>		<b>51,167,789</b>	<b>51,100,090</b>
<b>NET ASSETS</b>		<b>\$718,431,006</b>	<b>\$644,229,482</b>
<b>EQUITY</b>			
Retained Surplus		122,884,178	110,437,627
Reserves - Cash Backed	22	51,759,380	59,329,041
Revaluation Surplus	23	543,787,448	474,462,814
<b>TOTAL EQUITY</b>		<b>\$718,431,006</b>	<b>\$644,229,482</b>

The accompanying notes form part of the financial statements

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

DETAILS	NOTE	RETAINED SURPLUS \$	CASH RESERVES \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
<b>Balance as at 1 July 2014</b>					
Revaluation Write back on Assets Held for Sale - Buildings	23	107,564,020 (1,065,828)	36,227,587 0	425,659,503 1,065,828	569,451,110 0
<b>Comprehensive Income</b>					
Net Operating Result		27,040,890	0	0	27,040,890
Other Comprehensive Income - Revaluation of Non Current Assets	23	0	0	47,737,483	47,737,483
Total Comprehensive Income		27,040,890	0	47,737,483	74,778,373
<b>Reserve Movements</b>					
Transfer to Reserve	22	(35,284,066)	35,284,066	0	0
Transfer from Reserves	22	12,182,612	(12,182,612)	(0)	0
Total Reserve Movements		(23,101,455)	23,101,455	0	0
<b>Balance at 30 June 2015</b>	22, 23	<b>\$110,437,627</b>	<b>\$59,329,041</b>	<b>\$474,462,814</b>	<b>\$644,229,482</b>
<b>Balance as at 1 July 2015</b>					
Net Operating Result		110,437,627	59,329,041	474,462,814	644,229,482
Other Comprehensive Income - Revaluation of Non Current Assets	23	4,876,889 0	0 0	0 69,324,634	4,876,889 69,324,634
Total Comprehensive Income		4,876,889	0	69,324,634	74,201,523
<b>Reserve Movements</b>					
Transfer to Reserve	22	(12,713,753)	12,713,753	0	0
Transfer from Reserves	22	20,283,414	(20,283,414)	(0)	0
Total Reserve Movements		7,569,661	(7,569,661)	0	0
<b>Balance at 30 June 2016</b>	22, 23	<b>\$122,884,177</b>	<b>\$51,759,380</b>	<b>\$543,787,448</b>	<b>\$718,431,006</b>

The accompanying notes form part of the financial statements

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

DETAILS	NOTE	BUDGET \$	2016 \$	2015 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Rates Revenue		32,731,251	32,780,113	31,275,198
Fees & Charges		15,770,280	15,531,355	18,017,173
Interest Revenue		2,791,084	2,720,930	2,425,261
Other Revenue		1,164,687	2,399,435	1,955,260
Grants - Operating		992,000	1,148,800	2,556,297
Service Charges		50,275	22,433	183,926
GST Refunded by ATO		1,434,575	5,017,125	0
Total Operating Cash Receipts		54,934,152	59,620,191	56,413,115
<b>Payments</b>				
Employee Costs		(20,935,841)	(20,446,031)	(18,986,443)
Materials & Contracts		(19,933,694)	(24,981,587)	(20,504,435)
Interest Expense		(722,560)	(522,416)	(542,162)
Utilities & Insurance Costs		(2,395,725)	(2,696,884)	(2,524,152)
Other Expenses		(1,558,056)	(1,650,444)	(2,030,835)
GST Payable to ATO		(0)	(0)	(1,611,497)
Total Operating Cash Payments		(45,545,876)	(50,297,362)	(46,199,524)
<b>Net Cash Flow from Operating Activities</b>	35	<b>9,388,276</b>	<b>9,322,828</b>	<b>10,213,591</b>
Proceeds from Sale of Land		4,660,659	1,620,000	27,310,000
Proceeds of Sale of Property, Plant & Equipment		328,330	441,683	249,667
Proceeds of Deferred Settlement Land Sale		565,356	565,356	565,356
Purchase / Construction of Assets	39,40	(35,690,815)	(25,567,528)	(10,866,362)
Grants for Development of Assets	4	3,185,000	3,714,558	1,968,885
<b>Net Cash used in Investing Activities</b>		<b>(26,951,470)</b>	<b>(19,225,931)</b>	<b>19,227,546</b>
Repayment of Borrowings	38	(1,278,611)	(1,149,859)	(1,632,687)
Self-Supporting Loan Receipts		263,326	263,325	252,160
Incoming (Outgoing) CPV Contributions	19	750,000	19,428	598,802
Proceeds from Borrowings	38	5,000,000	5,000,000	100,000
Self Supporting Loan Advanced	38	(0)	(0)	(100,000)
<b>Net Cash Flow from Financing Activities</b>		<b>4,734,715</b>	<b>4,132,894</b>	<b>(781,725)</b>
<b>Net Increase / (Decrease) in Cash Held</b>		<b>(12,828,479)</b>	<b>(5,770,209)</b>	<b>28,659,412</b>
Cash & Cash Equivalents at Beginning of Year		72,819,512	72,376,869	43,717,458
<b>Cash &amp; Cash Equivalents at End of Year</b>	35	<b>\$59,991,033</b>	<b>\$66,606,660</b>	<b>\$72,376,870</b>

The accompanying notes form part of the financial statements

# RATE SETTING STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

DETAILS	NOTE	BUDGET \$	2016 \$	2015 \$
<b>OPERATING REVENUE (Excluding Rates)</b>				
General Purpose Funding		4,079,672	3,815,422	4,966,013
Governance		75,000	150,156	296,815
Law, Order & Public Safety		103,000	136,359	330,440
Education		0	0	0
Health		95,500	136,536	111,496
Welfare		0	0	0
Housing		1,570,593	1,652,154	1,502,515
Community Amenities		7,161,550	6,988,139	5,843,999
Recreation & Culture		4,280,950	4,349,843	5,447,859
Transport		1,948,000	2,130,187	2,246,169
Economic Services		620,250	766,913	647,571
Other Property & Services		108,500	122,545	184,187
Total Operating Revenue Excluding Rates		20,043,015	20,248,254	21,577,064
<b>OPERATING EXPENDITURE</b>				
General Purpose Funding		(797,004)	(716,583)	(695,338)
Governance		(6,576,028)	(6,360,324)	(6,334,425)
Law, Order & Public Safety		(779,457)	(874,180)	(843,358)
Education		(70,500)	(66,015)	(104,569)
Health		(559,037)	(562,162)	(482,600)
Welfare		(510,841)	(493,901)	(497,313)
Housing		(2,251,707)	(2,406,393)	(2,394,308)
Community Amenities		(8,877,960)	(9,300,811)	(8,770,866)
Recreation & Culture		(18,930,135)	(17,681,908)	(17,170,326)
Transport		(13,448,573)	(15,241,238)	(13,203,057)
Economic Services		(773,070)	(873,801)	(724,346)
Other Property & Services		(329,928)	(741,358)	(648,054)
Total Operating Expenditure		(53,904,240)	(55,318,673)	(51,868,560)
<b>Net Operating Result - Excluding Rates</b>		<b>(33,861,225)</b>	<b>(35,070,419)</b>	<b>(30,291,496)</b>
<b>Adjust for Cash Budget Requirements</b>				
Depreciation of Assets	4	10,395,250	11,121,276	9,424,260
Amortisation Expense	4	48,000	72,252	56,013
Revaluation Decrement - Street Furniture	4	0	0	310,313
Movement in Employee Benefit Provisions	21	0	121,536	(25,363)
Movement in CPV Liability	19	750,000	19,428	598,802
Movement in Deferred Pensioner Rates	10	(4,697)	(5,726)	(14,578)
Movement in Non Current Debtors - UGP	10	0	0	13,444
Movement in Non Current Investment	12	0	58,164	37,336
<b>Net Non Cash Items</b>		<b>11,188,553</b>	<b>11,386,930</b>	<b>10,403,227</b>

The accompanying notes form part of the financial statements

# RATE SETTING STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

DETAILS	NOTE	BUDGET \$	2016 \$	2015 \$
<b>ACQUISITIONS - NON CURRENT ASSETS</b>				
Acquisition of Buildings	39	(1,293,000)	(397,049)	(1,333,539)
Acquisition of Land	39	(600,000)	(493,871)	(0)
Acquisition of Furniture	39	(545,000)	(0)	(7,654)
Acquisition of Technology	39	(417,000)	(191,776)	(207,503)
Acquisition of Plant & Equipment	39	(183,400)	(65,887)	(133,733)
Acquisition of Mobile Plant	39	(1,264,415)	(1,496,007)	(1,252,574)
Construction of Infrastructure Assets	40	(13,356,000)	(7,835,269)	(4,342,714)
Acquisition of Artworks	39	(120,000)	(75,601)	(36,000)
Acquisition of Software	15	(370,000)	(341,158)	(202,371)
WIP - Property Plant & Equipment	13	(16,307,000)	(13,579,925)	(787,556)
WIP - Infrastructure	14	(1,235,000)	(1,277,344)	(3,082,657)
Total Cash Demand for Asset Acquisition		(35,690,815)	(25,753,887)	(11,386,301)
<b>REPAYMENT OF LOANS</b>				
Loan Principal Repayments	38	(1,278,611)	(1,149,859)	(1,632,689)
Self Supporting Loan Advanced	38	(0)	(0)	(100,000)
Total Cash Demand for Loan Repayments		(1,278,611)	(1,149,859)	(1,732,689)
<b>Net Capital Expenditure</b>		<b>(36,969,426)</b>	<b>(26,903,746)</b>	<b>(13,118,990)</b>
<b>CAPITAL REVENUES</b>				
Proceeds from Disposal of Land	4	5,255,712	1,620,000	27,310,000
Proceeds from Asset Disposals	4	328,330	441,684	249,667
Cash Deposit Received - Deferred Land Sale		565,356	1,130,712	0
Grants for Acquisition of Assets	4	3,185,000	3,714,558	1,752,015
Proceeds of New Loans	38	5,000,000	5,000,000	100,000
Self Supporting Loan Repayments Recouped	38	263,326	263,325	252,160
<b>Net Capital Revenues</b>		<b>14,597,724</b>	<b>12,170,279</b>	<b>29,663,842</b>
<b>RESERVE TRANSFERS</b>				
Transfers to Reserves	22	(14,534,793)	(12,713,753)	(35,284,067)
Transfers from Reserves	22	20,931,744	20,283,414	12,182,612
<b>Net Reserve Transfers</b>		<b>6,396,951</b>	<b>7,569,661</b>	<b>(23,101,455)</b>
<b>Net Funds Demand</b>		<b>(38,647,423)</b>	<b>(30,847,295)</b>	<b>(26,444,872)</b>
Add				
Opening Position - Surplus (Deficit)		8,642,782	7,366,589	2,517,574
Less				
Closing Position - (Surplus) Deficit	31	(2,776,610)	(9,423,226)	(7,366,589)
<b>AMOUNT TO BE MADE UP FROM RATES</b>		<b>(\$ 32,781,251)</b>	<b>(\$32,903,932)</b>	<b>(\$31,293,887)</b>

The accompanying notes form part of the financial statements

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 1. SUMMARY OF ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of these financial statements are:

### (a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not for profit entities), Australian Accounting Interpretations, authoritative pronouncements of the Australian Accounting Standards Board, Local Government Act (1995) and accompanying regulations.

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

### (b) 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 entity, all inter-fund transactions and balances have been eliminated upon consolidation.

### (c) Critical Accounting Estimates

Preparation of these financial statements to conform to Australian Accounting Standards has required management to make professional judgements and estimates that may affect the application of policies and the reported amounts of assets, liabilities, revenues and expenses.

All such estimates are based on historical experience and other factors that are believed to be reasonable under the circumstances. This experience and other relevant factors combine to form the basis for making professional judgements about the carrying values of assets and liabilities that may not otherwise be readily apparent. Realised actual results may therefore differ from these professional estimates.

### (d) Comparatives

Where it is applicable, prior year comparative figures have been adjusted to reflect changes in presentation for the current year. Budget comparisons (excluding the Rate Setting Statement and Statement of Cash Flows) reflect the revised budget as amended by Budget Reviews conducted during the year.

### (e) Rounding of Figures

Figures in this financial report, other than the rate in the \$, are rounded to the nearest dollar.

### (f) Allocation of Corporate Costs

Allocation of corporate costs using Activity Based Costing principles has been included in this financial report. This allocation of costs has a neutral impact upon the overall operating result of the City but results in a more accurate reflection of the costs of providing specific services by incorporating an allocation for corporate services provided to other service areas.

### (g) Goods & Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities recoverable from or payable to the ATO are classified as operating cash flows in the statement.

### (h) Cash and Cash Equivalents

Cash and cash equivalents include cash held in bank accounts, deposits held at call and term deposits with financial institutions.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

### (i) Rates, Grants, Donations and Other Contributions

Rates, grants, donations and other contributions are recognised as revenues when the City obtains control over the assets comprising the contributions. Control over assets acquired from rates is obtained at the commencement of the rating year or earlier upon receipt of the rates. Control over granted assets is normally obtained upon their receipt or upon prior notification that a grant has been secured. Contributions over which the City has control but which had not been received at reporting date are accrued and recognised as receivable.

### (j) Investments & Other Financial Instruments

#### Initial Recognition and Measurement

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

Amortised cost is calculated as:

- (a) the amount at 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 amounts initially recognised and the maturity amount calculated using the effective interest rate method.

The effective interest method used is 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

### (j) Investments & Other Financial Instruments (Continued)

#### (iii) Held-to-maturity investments

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

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

#### (iv) Available-for-sale financial assets

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

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

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

#### (v) Financial liabilities

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

### 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 has 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.

Loss events for financial assets carried at amortised cost may include: indications that the debtors or 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 correlating 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.

### De-recognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the Council no longer has any significant 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.

### (k) Inventories - Stores and Materials

Inventories held at reporting date have been valued at the lower of cost and net realisable value.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

### (l) Assets Held for Sale

Land (and the buildings affixed to it) specifically identified as 'Held for Sale' in the City's Long Term Financial Plan has been independently valued at net realisable value for disposal purposes but is recorded in the financial statements at the lower of net realisable value or cost.

Revenue arising from the disposal of real property is recognised in the Statement of Comprehensive Income at the time of signing a binding contract of sale.

### (m) Trade & 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 and services performed in the ordinary course of business. The receivables are carried at their nominal amounts due less a provision for impairment of debts. The likelihood of collecting debts is reviewed on an ongoing basis. Debts that are recognised as uncollectible are written off when identified. A provision for impaired debts is made when there is objective evidence that the debt will not be collectible.

### (n) Infrastructure, Property, Plant and Equipment

Each class of fixed assets within the property, plant and equipment or infrastructure groupings, is carried at fair value, or for assets acquired / disposed of since revaluation date at cost, as indicated, less, where applicable, any accumulated depreciation and impairment losses.

#### Mandatory Requirement to Revalue Non-Current Assets

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

During the year ended June 2013, the City commenced the process of adopting fair value in accordance with the regulations.

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

Thereafter, each asset class must be revalued in accordance with the regulatory framework established.

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 Council 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. Council has included such crown land (which comes under this regulation) in its 2012/2013 and subsequent annual financial statements.

#### 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 Council 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

#### Depreciation

The depreciable amounts of all non-infrastructure fixed assets 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. Infrastructure Assets are depreciated based on the asset component condition with most asset classes able to be reliably assessed by inspection with the exception of drainage assets which are valued using (reliable) age data as a reasonable proxy for condition.

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

• Artwork	50 years
• Buildings	15 - 200 years (based on components)
• Plant and Equipment	10 years
• Furniture and Fittings	10 years
• Computer Equipment	3 - 10 years
• Mobile Plant	3 - 10 years
• Infrastructure - Roads	20 - 60 years for individual components
• Infrastructure - Drains	100 years
• Infrastructure - Paths	40 - 60 years dependent on path type
• Infrastructure - Street Furniture	20 years
• Infrastructure - Parks Equipment	20 years
• Foreshore Assets	100 years

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

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

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

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is treated in one of the following ways:

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

### (n) Infrastructure, Property, Plant and Equipment (Continued)

#### 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 or not there is any indication that they may be impaired. Where such an indication exists, an estimate of the recoverable amount of the asset is made in accordance with the provisions of AASB 136 Impairment of Assets - and appropriate adjustments are made. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating capacity exceeds its recoverable amount. Impairment losses are recognised immediately in the Statement of Comprehensive Income.

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

### (o) Intangibles

#### (i) Easements

Local governments are required to recognise easements in their financial statements where the asset can be identified and reliably measured. The City has easements over certain small portions of land but it is not possible to reliably measure these. Accordingly they are recognised at nil value.

#### (ii) Software

Costs incurred in developing software that will contribute to future period financial benefits through revenue generation or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of software development including consultancy, programming and data migration services. Amortisation is calculated on a straight line basis over 10 years. Technology development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the City has an intention and ability to use the asset.

### (p) Trade & Other Payables

Trade and other payables represent liabilities for goods and services that are unpaid at the end of the reporting period. The liability arises when the City becomes obligated to make future payments in respect of those goods and services. These amounts are generally unsecured.

### (q) Borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. Following initial recognition, interest bearing loans and borrowings are measured at amortised cost. Fees paid on the establishment of loan facilities that are yield related are included in the carrying amount of the borrowings. Interest bearing loans and borrowings are classified as current liabilities unless the City has an unconditional right to defer settlement of that liability for at least 12 months after balance date.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

### (r) Employee Entitlements

#### Short-Term Employee Benefits

Provision is made for the Council'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 Council'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 Council'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 re-measurements 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. Employee entitlement benefits accumulated as a result of employees rendering services up to the reporting date are accrued annually. These benefits include wages and salaries, annual leave, long service leave and other relevant associated costs such as superannuation and workers compensation premiums.

### (s) Superannuation

Superannuation expense for the period reflects the City's contribution to the WA Local Government Superannuation Fund which provides benefits to the City's employees. The plan is a cash accumulation scheme and the City bears no liability for obligations that may otherwise arise if the scheme were a defined benefit scheme.

### (t) Trust Funds

The City is required under the Local Government Act to maintain a separate and distinct Trust Fund to account for all monies held by way of deposit or in trust for any person, all monies held on behalf of the Government for specific purposes, and all monies and property held in trust for any charitable or public purpose. The City performs only a custodial role in respect of these monies, and they cannot be used for City purposes. All Trust funds and the related liabilities to repay those deposits and bonds are excluded from the annual financial statements.

### (u) Leaseholder Liability

The leaseholder liability represents the City's obligation to repay the unit lease purchase price (less the deposit premium and refurbishment levy) paid by residents of the Collier Park Village upon individual leaseholders relinquishing their leases.

As the City does not have a right to defer settlement of the refund for more than one year upon a lease being relinquished, the entire liability is required to be disclosed as a Current Liability.

Notwithstanding this, the City recognises that only a portion of the leases for units within the complex will be relinquished in the next twelve months. Whilst there is some subjectivity in establishing the rate of turnover in tenancies and the quantum of payments to individual leaseholders in different stages of the complex, the City establishes a historical rolling five year average of the number of vacated units and then applies that percentage (7.3%) to the overall leaseholder liability to determine the anticipated obligation likely to become due in the next twelve months.

Classification of the liability showing the timing of anticipated cash outflows is detailed in Note 37 to these financial statements. An amount greater than the outgoing payment for the next twelve months is quarantined in a cash-backed reserve maintained specifically for this purpose.

### (v) Operating Leases

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

### (w) Investments in Associates

An associate is an entity over which the Council 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 Council's share of net assets of the associate. In addition, the Council's share of the profit or loss of the associate is included in the Council's profit or loss.

The carrying amount of the investment includes, where applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Council'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 Council and the associate are eliminated to the extent of the Council's interest in the associate.

When the Council's share of losses in an associate equals or exceeds its interest in the associate, the Council 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 Council will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

### Interests in Joint Ventures

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required. Separate joint ventures providing the joint venturers with an interest in the net assets are classified as a joint venture and are accounted for using the equity method.

### (x) Current and Non-Current Classification

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle.

In the case of liabilities where the Council does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months.

Inventories held for trading are classified as current even if not expected to be realised in the next 12 months except for Assets Held for Sale which is classified as either current or non-current based on the City's intentions to release land for sale.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

### (y) Fair Value Measurement of Assets & Liabilities

When performing a revaluation, the Council uses a mix of both independent and management valuations using the following as a guide: Fair Value is the price that Council 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).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

#### Fair Value Hierarchy

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

##### Level 1

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

##### Level 2

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

##### Level 3

Measurements based on unobservable inputs for the asset or liability.

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

#### Valuation techniques

The Council 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 Council 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.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

### (y) Fair Value Measurement of Assets & Liabilities (Continued)

#### Cost approach

Valuation techniques reflect the current replacement cost of an asset at 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 Council 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.

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the City for the annual reporting period ended 30 June 2016. The City's assessment of these new standards and interpretations is set out below.

Title & Topic	Issued	Applies	Impact on Statements
AASB 9 - Financial Instruments (incorporating AASB 2014 - 7 and AASB 2014 - 8)	Dec 14	1 Jan 18	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 City's financial assets, its effect is not expected to be material.
AASB 15: Revenue from Contracts with Customers	Dec 14	1 Jan 19	This standard establishes the principles for entities reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The impact of this standard depends on the nature of future transactions between the City and those third parties.
AASB 16 Leases	Feb 16	1 Jan 19	Under AASB 16, there is no longer a distinction between finance and operating leases. Lessees now bring to account a right-to-use asset and the lease liability onto their statement of financial position for all leases. Effectively this means the vast majority of operating leases as defined by the current AASB 117 Leases which currently do not impact the statement of financial position are required to be capitalised on the statement of financial position once AASB 16 is adopted.  Operating lease payments are currently expensed as incurred. This will cease and will be replaced by both depreciation and interest charges. Based on the current number of operating leases held by the City, the impact is not expected to be significant.
AASB 2014 -3: Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	Aug 14	1 Jan 16	This standard amends AASB 11: Joint Arrangements to require the acquirer of an interest in a joint operation in which the activity constitutes a business as defined in AASB 3 to apply all of the principles on business combinations accounting except for those principles that conflict with AASB 11.  Since the adoption of the standard would impact only acquisitions of interests in joint operations on or after 1 January 2016, management believes that it is impracticable to provide a reasonable estimate of the impact on the City's financial statements.
AASB 2014 - 5: Amendments to Australian Accounting Standards arising from AASB 15	Dec 14	1 Jan 17	Consequential changes to various standards arising from the issuance of AASB 15.  It will require changes to reflect the impact of AASB 15.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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

Title & Topic	Issued	Applies	Impact on Statements
AASB 2014 - 4: Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation & Amortisation. [AASB 116 & 138]	Aug 14	1 Jan 16	<p>This standard amends AASB 116 &amp; AASB 138 to establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future benefits of an asset.</p> <p>It also confirms that the use of revenue based methods to calculate the depreciation of an asset is not appropriate nor is revenue generally regarded as an appropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.</p> <p>Given that the City generally uses the expected pattern of the future benefits of an asset as the basis to calculate depreciation, this change is not expected to have a significant impact.</p>
AASB 2015 - 2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 & 1049]	Jan 15	1 Jan 16	<p>This standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the standard proposes narrow focus amendments responding to concerns expressed regarding the presentation and disclosure requirements and to ensure that entities can use judgement when determining what to disclose in the financial statements.</p> <p>The standard also makes editorial and consequential amendments as a result of changes to the standards as noted in the Title column.</p> <p>It is not anticipated that this standard will have any significant impact on the City's disclosures as they currently exist. Any changes are likely to only impact presentation.</p>
AASB 2015 - 6 Amendments to Australian Accounting Standards - Extending Related Parties disclosures to Not For Profit Public Sector Entities	Mar 15	1 Jul 16	<p>The objective of this standard is to extend the applicability of AASB 1024 Related Party Disclosures to include Not For Profit Public Sector Entities.</p> <p>This standard is expected to have a significant impact on the financial report of the City as Elected Members and Senior Management will be deemed to be Key Management Personnel and the resultant statutory disclosures will be required.</p>

#### Adoption of New & Revised Accounting Standards

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

The new and revised standards adopted by the City were:

AASB 2015 - 3

Amendments to Australian Accounting Standards arising from withdrawal of AASB 1031

AASB 2015 - 7

Amendments to Australian Accounting Standards Fair Value Disclosures - Not for Profit Entities

Most of the Australian accounting standards adopted had a minimal impact on the accounting and reporting practices of the City as they did were not applicable, were largely editorial in nature, were revisions of existing standards to ensure consistency with presentation, recognition and measurement criteria of IFRS or were related to topics that were not relevant to the City's operations.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 2. ACCOUNTING POLICY

All accounting policies adopted are consistent with those of the previous year unless otherwise noted. Where it has been necessary to accommodate changes in disclosure requirements upon receipt of definitive guidance from the Department of Local Government or through the application of new or revised accounting standards, the comparative figures have been adjusted to reflect changes in presentation for the current year.

From the 2015/2016 year, the Leaseholder Liability associated with the Collier Park Village is recorded as a current liability rather than as a non-current liability as has previously been the case. Comparative figures have been adjusted to reflect similar treatment in these financial statements.

### Statement of Certain Liabilities at Net Present Value

The City does not disclose the liability for monies to be refunded to outgoing residents of the Collier Park Village in the primary financial statements at their net present value - preferring to continue to show them at the nominal values at which they are have previously been disclosed. In this case, the nominal values disclosed are actually more conservative and disclosed at higher than the discounted values.

The reasons for this decision are provided below and the separate disclosures of the timing of contractual obligations of the leaseholder liability are provided separately at Note 37 - Financial Risk Management.

The practice of disclosing the Collier Park Village (CPV) liabilities at their current nominal value is considered by the City to be a more meaningful, objective and useful disclosure to users of the financial statements - including the residents of the Collier Park Village for the following reasons:

- The liability to each individual resident of the Retirement Complex has no defined term - and is subject to change according to the state of health of each individual resident
- There is therefore considerable subjectivity in determining the likely due dates for repayment of refundable monies to departing residents
- The aggregate liability is also required to be specifically 'cash backed' by quarantined Reserve Funds rather than being represented by unspecified assets
- All transactions relating to leasehold obligations in the village, whether incoming or outgoing are transacted through the related cash backed reserve fund
- Reconciling a liability recorded at Net Present Value to the associated cash backing of that liability maintained at nominal value is problematic.

## 3. OUR VISION & MISSION STATEMENT

### Mission Statement

Our mission statement outlines the purpose and core business of the City of South Perth. This statement identifies the important roles of the community, Council and staff in ensuring that the strategies outlined in the Strategic Plan can be achieved.

The City's mission statement is: 'Working Together to Create a City for Everyone'.

### Vision

Our vision statement describes how the City of South Perth will respond to the community's aspirations and priorities in the future. The community vision was identified through the Our Vision Ahead project:

'We belong to an engaged and cohesive community that is linked by vibrant local centres and shared spaces. We live and travel in ways that nurture our environment; and our housing and amenities meet the diverse needs of a changing society'.

### Corporate Values

The City conducts its business based on its adopted corporate values. These govern the way in which we engage with our community, the pride with which we undertake our work and the services that we deliver to our community. Our corporate values are Trust, Respect, Understanding and Teamwork.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## OBJECTIVES & FUNCTIONS (PROGRAMS) OF THE CITY

### Statement of Objective

The City of South Perth is dedicated to providing high quality customer focussed services to the community through its adoption of the principles of business excellence. Outcomes are pursued through the various service orientated programs that the City has established.

Activities relating to the components reported on the Income Statement are as follows:

### Law, Order & Public Safety

This program embraces parking management, animal control, fire prevention and Safer Cities.

### Education

This program includes the maintenance of pre-school facilities including the operating costs for utilities, building maintenance and grounds maintenance for each of these facilities.

### Health

The health program includes food premises inspections, pest control, environmental health administration and operation and maintenance of the buildings and grounds of child health centres.

### Welfare

This program includes the operation and maintenance of the buildings and grounds of two senior citizens centres including staff costs for coordinators at the centres and other voluntary services.

### Housing

The largest single component of this program is the operation and maintenance of the Collier Park Retirement Village. This includes all operating costs for the facilities and the revenue streams arising from residents' fees at the Collier Park Village.

### Community Amenities

This program includes household rubbish collection services, recycling collections and operation of the waste transfer station. Also embraced within this program are environmental management and noise control. The other major component of the Community Amenities program is administration of the town planning scheme and orderly planning of the district.

### Recreation & Culture

This program includes operation and maintenance of our halls and recreation centre. The operation of two libraries and a local studies facility fall within this program which also includes the maintenance and upkeep of sporting and passive reserves, sporting pavilions and other public facilities.

Another major component of the revenue stream for this program is the operation of a 27 hole golf course at Collier Park. The acclaimed City of South Perth Fiesta forms part of the Recreation & Culture program as do activities associated with supporting community and cultural organisations.

### Transport

The transport program includes the maintenance and rehabilitation of roads, drainage networks, paths, parking facilities, streetscape and verge maintenance as well as maintenance of traffic devices and traffic signs and expenses relating to street lighting.

### Economic Services

This program includes building control, pool inspections and the operation of the City's plant nursery.

### Other Property & Services

This program includes public works overheads and operation of the City's fleet and plant services.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 4. OPERATING REVENUE & EXPENSES

<b>Significant Revenues</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Profit on Disposal of Land - Bradshaw Crescent, Manning	1,574,444	0
Profit on Disposal of Land - Ray St, South Perth	1,486,363	0
Profit on Disposal of Land - Civic Triangle	0	24,246,623
	<b>\$3,060,807</b>	<b>\$24,246,623</b>

### Grant Revenue by Program (Function)

<b>Program Name</b>	<b>BUDGET</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
General Purpose Funding	473,000	457,264	1,451,324
Governance	0	0	107,055
Law, Order & Public Safety	0	0	200,000
Education & Welfare	0	0	0
Health	0	0	13,924
Housing	0	0	0
Community Amenities	0	64,000	0
Recreation & Culture	2,837,000	2,590,082	1,648,759
Transport	1,537,000	1,744,612	884,494
Economic Services	0	0	0
Other Property & Services	0	0	0
<b>Total Grants Revenue</b>	<b>\$4,847,000</b>	<b>\$4,855,958</b>	<b>\$4,305,556</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 4. OPERATING REVENUE & EXPENSES

### Conditions over Grants & Contributions

Conditional Grants	Function	Balance July 2014	Received 2014/2015	Expended 2014/2015	Balance 30 June 2015	Received 2015/2016	Expended 2015/2016	Balance 30 June 2016
Digital Engagement Initiative	Governance	0	107,055	(107,055)	0	0	(0)	0
Mosquito Management	Environmental Health	0	13,924	(13,924)	0	0	(0)	0
River Wall Repairs	Protection of Environment	0	855,342	(855,342)	0	0	(0)	0
Foreshore Remediation	Protection of Environment	0	65,261	(65,261)	0	0	(0)	0
Natural Areas Maintenance	Protection of Environment	0	187,028	(30,055)	156,973	64,000	(190,973)	30,000
Manning Men's Shed	Recreation & Culture	0	150,000	(150,000)	0	0	(0)	0
Aquatic Centre Feasibility Study	Recreation & Culture	0	27,000	(27,000)	0	18,000	(15,000)	3,000
Major Events Grants	Recreation & Culture	0	300,000	(300,000)	0	300,000	(300,000)	0
Minor Events	Recreation & Culture	0	40,818	(40,818)	0	33,454	(33,454)	0
Kid Sport Grants	Recreation & Culture	0	0	(0)	0	45,000	(38,622)	6,378
Manning Community Facility	Recreation & Culture	0	0	(0)	0	1,000,000	(1,000,000)	0
James Miller Oval Upgrade	Recreation & Culture	0	200,000	(200,000)	0	400,000	(400,000)	0
South Perth Tennis Club	Recreation & Culture	0	0	(0)	0	792,727	(44,895)	747,832
Bicycle Network	Transport	0	4,950	(4,950)	0	0	(0)	0
Road Rehabilitation	Transport	0	191,379	(191,379)	0	1,457,831	(1,322,071)	135,760
<b>Unconditional Grants &amp; Contributions</b>								
Unconditional Grants	General Revenue	0	1,451,324	(1,451,324)	0	457,264	(457,264)	0
Unconditional Grants	Transport	0	711,475	(711,475)	0	286,781	(286,781)	0
Minor Works Contributions	Transport	0	0	(0)	0	50,695	(50,695)	0
<b>Total Grants &amp; Contributions</b>		<b>\$0</b>	<b>\$4,305,556</b>	<b>(\$4,148,583)</b>	<b>\$156,973</b>	<b>\$4,905,752</b>	<b>(\$4,139,755)</b>	<b>\$922,970</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 4. OPERATING REVENUE & EXPENSES (CONTINUED)

### Fees & Charges Revenue by Program (Function)

Program Name	BUDGET	2016	2015
	\$	\$	\$
General Purpose Funding	340,000	350,576	377,986
Governance	0	0	0
Law, Order & Public Safety	100,000	116,147	118,360
Education & Welfare	0	0	0
Health	41,000	53,611	35,601
Housing	963,630	963,939	1,394,202
Community Amenities	6,941,550	6,918,136	6,876,201
Recreation & Culture	3,699,950	3,665,658	3,770,791
Transport	1,640,000	1,587,284	1,349,983
Economic Services	430,250	519,924	454,563
Other Property & Services	2,500	0	416
<b>Total Grant Revenue</b>	<b>\$14,158,880</b>	<b>\$14,175,275</b>	<b>\$14,378,103</b>

### Interest Revenue

The City invests funds awaiting dispensation in short-term financial instruments. Interest is recognised when earned rather than when received.

Details	BUDGET	2016	2015
	\$	\$	\$
Interest Revenue - Municipal	650,000	610,780	617,762
Interest Revenue - Reserves	1,719,084	1,618,391	1,781,084
Interest Revenue - Rates	260,000	294,618	292,706
<b>Total Interest Revenue</b>	<b>\$2,629,084</b>	<b>\$2,523,789</b>	<b>\$2,691,552</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 4. OPERATING REVENUE & EXPENSES (CONTINUED)

### Interest Expense

	BUDGET	2016	2015
	\$	\$	\$
General Purpose Funding	349,247	329,739	334,313
Recreation & Culture	212,126	186,820	202,279
<b>Total</b>	<b>\$561,373</b>	<b>\$516,559</b>	<b>\$536,592</b>

### Audit Expense Details

	BUDGET	2016	2015
	\$	\$	\$
Audit of Financial Report	40,000	31,080	36,090
Audit of Grant Acquittals	10,000	5,000	2,800
<b>Total</b>	<b>\$50,000</b>	<b>\$36,080</b>	<b>\$38,890</b>

### Significant Expenditure Items Details

	BUDGET	2016	2015
	\$	\$	\$
Amortisation - Software	72,000	72,252	56,013
Impaired Debts Expense	65,000	38,820	44,377
Loss on Investments	0	58,164	37,336
<b>Total</b>	<b>\$137,000</b>	<b>\$169,236</b>	<b>\$137,726</b>

### Assets Attributed by Function / Program

	2016	2015
Program Name	\$	\$
General Purpose Funding	72,012,876	79,305,225
Governance	22,457,137	21,963,504
Law, Order & Public Safety	1,141,988	1,151,622
Education	3,740,398	3,691,567
Health	35,342	63,703
Welfare	4,729,539	4,705,357
Housing	27,206,679	26,498,804
Community Amenities	5,183,452	3,687,080
Recreation & Culture	277,155,030	262,458,528
Transport	278,656,285	213,675,816
Economic Services	241,842	199,147
Other Property & Services	77,038,227	77,929,219
<b>Total</b>	<b>\$769,598,795</b>	<b>\$695,329,572</b>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 4. OPERATING REVENUE & EXPENSES (CONTINUED)

<b>Depreciation by Asset Category</b>	<b>2016</b>	<b>2015</b>
<b>Details</b>	<b>\$</b>	<b>\$</b>
Artworks	6,665	9,484
Buildings	1,580,131	1,553,682
Technology Equipment	266,509	301,796
Furniture & Fittings	124,821	127,151
Mobile Plant	1,131,077	1,077,549
Plant & Equipment	111,323	112,285
Infrastructure - Roads	5,138,990	3,593,372
Infrastructure - Paths	1,067,823	1,013,999
Infrastructure - Drains	435,819	432,332
Infrastructure - Street Furniture	73,228	59,693
Infrastructure - Parks	1,184,889	1,142,917
Infrastructure - Foreshore Assets	0	0
<b>Total Depreciation</b>	<b>\$11,121,275</b>	<b>\$9,424,260</b>

### Asset Disposals by Category

#### Details - Actual

	<b>Proceeds</b>	<b>Book Value</b>	<b>Profit (Loss)</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Assets Held for Sale	5,106,363	(2,045,556)	3,060,807
Technology Equipment	0	(22,046)	(22,046)
Furniture	0	(4,945)	(4,945)
Mobile Plant	441,683	(146,679)	295,004
Plant & Equipment	0	(0)	0
<b>Total</b>	<b>\$5,548,046</b>	<b>(\$2,219,226)</b>	<b>\$3,328,820</b>

### Asset Disposals by Category

#### Details - Budget

	<b>Proceeds</b>	<b>Book Value</b>	<b>Profit (Loss)</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Assets Held for Sale	6,091,819	(2,465,556)	3,626,263
Technology Equipment	(0)	(0)	0
Furniture	0	(0)	0
Mobile Plant	449,330	(184,226)	265,204
Plant & Equipment	0	(0)	0
<b>Total</b>	<b>\$6,541,149</b>	<b>(\$2,649,782)</b>	<b>\$3,891,467</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 5. CASH & CASH EQUIVALENTS

Cash and Cash Equivalents include cash held in bank accounts, deposits held at call and term deposits with financial institutions.

At reporting date, Cash & Cash Equivalents were represented by:

<b>Details</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Cash at Bank / On Hand	2,823,668	2,831,276
At Call / Term Deposits	63,782,992	69,545,594
<b>Total Cash &amp; Cash Equivalents</b>	<b>\$66,606,660</b>	<b>\$72,376,870</b>

### Restricted Cash

The following cash holding restrictions are imposed either by regulations or other externally imposed requirements.

Restricted Cash represents the portion of the City's Net Current Asset position that must be excluded in the calculation of the Budget Opening Position. Amounts relating to cash backing for employee entitlements are not included from the calculation of the opening position.

<b>Details</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Plant Replacement Reserve	578,817	206,828
Future Municipal Works Reserve	0	361,283
Collier Park Village Residents Offset Reserve	21,512,744	20,907,740
Collier Park Golf Course Reserve	486,605	428,875
Waste Management Reserve	3,797,715	3,429,075
Reticulation and Pump Reserve	344,070	231,350
Information Technology Reserve	1,014,458	984,584
Insurance Risk Reserve	436,147	178,476
Asset Enhancement (Major Community Facilities) Reserve	17,299,030	24,697,052
Footpath Reserve	0	6,958
Underground Power Reserve	106,582	103,669
Parking Facilities Reserve	401,665	168,148
Collier Park Village Reserve	1,505,025	1,484,043
River Wall Reserve	162,636	164,191
Railway Station Precincts Reserve	756,868	736,187
Future Building Projects Reserve	0	2,950,623
Future Transport Projects Reserve	0	513,518
Future Parks Works Reserve	0	100,078
Future Streetscapes Reserve	0	5,158
Sustainable Infrastructure Reserve	3,255,066	1,671,205
Public Art Reserve	101,952	0
<b>Total Reserve Funds</b>	<b>51,759,380</b>	<b>59,329,041</b>
Unexpended Grant Funds	992,970	156,973
<b>Total Restricted Cash</b>	<b>\$52,752,350</b>	<b>\$59,486,014</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 5. CASH & CASH EQUIVALENTS

<b>Reconciliation of Cash &amp; Cash Equivalents</b>	<b>2016</b>	<b>2015</b>
<b>Details</b>	<b>\$</b>	<b>\$</b>
Unrestricted Cash & Cash Equivalents	13,854,310	12,890,856
Restricted Cash & Cash Equivalents	52,752,350	59,486,014
<b>Total Cash &amp; Cash Equivalents</b>	<b>\$66,606,660</b>	<b>\$72,376,870</b>

## 6. TRADE & OTHER RECEIVABLES - CURRENT

<b>Details</b>	<b>2016</b>	<b>2015</b>
<b>Details</b>	<b>\$</b>	<b>\$</b>
Rates Outstanding	322,470	221,509
Loans - Clubs and Institutions	275,256	263,326
Sundry Debtors	508,336	651,709
Infringement Debtors	348,732	329,379
GST Receivable from ATO	435,196	1,594,535
Pensioner Rebate Receivable	14,450	9,389
Underground Power Service Charge - Stage 3 & 5	27,883	50,275
ESL Debtors	54,428	46,113
	1,986,751	3,166,235
Less: Provision for Impairment of Debts	(142,637)	(201,185)
<b>Total Current Trade and Other Receivables</b>	<b>\$1,844,114</b>	<b>\$2,965,050</b>

## 7. INVENTORIES - MATERIALS

<b>Details</b>	<b>2016</b>	<b>2015</b>
<b>Details</b>	<b>\$</b>	<b>\$</b>
Materials and Fuel at Cost	12,399	16,878
Nursery Green Stock at Cost	117,369	89,360
<b>Total Inventories - Materials</b>	<b>\$129,768</b>	<b>\$106,238</b>

## 8. ASSETS HELD FOR SALE - CURRENT

<b>Details</b>	<b>2016</b>	<b>2015</b>
<b>Details</b>	<b>\$</b>	<b>\$</b>
Assets Held for Sale at Cost	134,792	2,180,348
<b>Total Current Assets Held for Sale</b>	<b>\$134,792</b>	<b>\$2,180,348</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 9. OTHER CURRENT ASSETS

	2016	2015
Details	\$	\$
Prepayments	323,278	327,372
Accrued Income	293,673	490,814
<b>Total Other Current Assets</b>	<b>\$616,951</b>	<b>\$818,186</b>

## 10. TRADE & OTHER RECEIVABLES - NON CURRENT

	2016	2015
Details	\$	\$
Commercial Lease Debtors	0	0
Rates Outstanding - Pension Deferrals	412,177	407,526
ESL Outstanding - Pension Deferrals	57,030	55,956
Loans - Clubs and Institutions	1,353,236	1,628,491
<b>Total Current Trade and Other Receivables</b>	<b>\$1,822,443</b>	<b>\$2,091,973</b>

## 11. ASSETS HELD FOR SALE - NON CURRENT

	2016	2015
Details	\$	\$
Assets Held for Sale at Cost	766,464	946,464
<b>Total Non-Current Assets Held for Sale</b>	<b>\$766,464</b>	<b>\$946,464</b>

## 12. INVESTMENTS - NON CURRENT

	2016	2015
Details	\$	\$
Equity Share in Joint Venture - Rivers Regional Council (12.80% share of Net Assets of \$ 530,335)	67,883	
(12.40% share of Net Assets of \$924,231)		114,604
Investment in WALGA Local Govt House Trust (10 units) (Trust audited 2014/2015 financial statements)	158,158	169,600
<b>Total Non-Current Investments</b>	<b>\$226,041</b>	<b>\$284,204</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 13. PROPERTY, PLANT & EQUIPMENT

Freehold land is recorded in the financial statements at independent valuation at 30 June 2013 based on observed open market transactions adjusted for highest and best use of the land - with the exception of assets held for sale (and specifically identified as such in the City's Long Term Financial Plan) which is disclosed at the lower of cost or net realisable value under Assets Held for Sale at Notes 8 & 11.

Buildings were independently valued and recorded at fair value as at 30 June 2016 including an allowance for the expired portion of each building's estimated useful life.

Plant and Equipment is recorded at fair value as at 30 June 2016 using a condition based assessment of each asset. Where this was impractical, the age of the asset relative to its expected useful life was used as a proxy to establish fair value.

Movements in each class of Property, Plant & Equipment are disclosed at Note 39.

<b>Asset Category</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Freehold Land at Fair Value	277,102,500	276,402,500
Land under Control at Fair Value	3,000,000	3,000,000
Acquisitions (Disposals) since valuation at Cost	493,871	0
	<b>280,596,371</b>	<b>279,402,500</b>
Buildings at Fair Value	104,426,814	101,963,006
Acquisitions (Disposals) since valuation at Cost	0	0
Less Accumulated Depreciation	(20,441,302)	(19,241,824)
	<b>83,985,512</b>	<b>82,721,182</b>
Artworks at Independent Valuation	304,022	304,022
Acquisitions (Disposals) since valuation at Cost	109,201	33,600
Less Accumulated Depreciation	(44,260)	(37,595)
	<b>368,963</b>	<b>300,027</b>
Technology Equipment at Fair Value	1,808,092	1,942,496
Acquisitions (Disposals) since valuation at Cost	0	176,945
Less Accumulated Depreciation	(1,166,797)	(1,522,547)
	<b>641,295</b>	<b>596,894</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 13. PROPERTY, PLANT & EQUIPMENT (CONTINUED)

Asset Category	2016	2015
	\$	\$
Furniture at Fair Value	1,906,312	2,216,497
Acquisitions (Disposals) since valuation at Cost	0	7,654
Less Accumulated Depreciation	(1,544,252)	(1,762,325)
	<b>362,060</b>	<b>461,826</b>
Mobile Plant at Fair Value	8,341,106	7,160,125
Acquisitions (Disposals) since valuation at Cost	0	1,078,245
Less Accumulated Depreciation	(5,298,248)	(5,413,764)
	<b>3,042,858</b>	<b>2,824,606</b>
Plant & Equipment at Fair Value	2,542,243	2,416,944
Acquisitions (Disposals) since valuation at Cost	0	133,733
Less Accumulated Depreciation	(2,003,276)	(1,966,274)
	<b>538,967</b>	<b>584,403</b>
Capital Works in Progress - Buildings		
Manning Community Facility	14,234,092	944,241
EJ Oval Precinct Upgrade	396,011	105,938
	<b>14,630,103</b>	<b>1,050,178</b>
Capital Works in Progress - Technology		
Unified Communications Project	0	141,180
	<b>0</b>	<b>141,180</b>
<b>Total Property, Plant &amp; Equipment</b>	<b>\$384,166,128</b>	<b>\$368,082,798</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 14. INFRASTRUCTURE

Roads, Drains, Paths & Park Infrastructure are valued by City Officers using approved valuation techniques to establish the current replacement value having regard to the condition, age and remaining useful lives of the assets. The valuation was last updated at 30 June 2016 with the valuation methodology being independently validated and assessed by an asset management consultant.

Movements in classes of Infrastructure during the reporting period are disclosed at Note 40. Information relating to the fair value methodology and the levels of valuation inputs for infrastructure assets is provided at Note 41.

Asset Category	2016	2015
	\$	\$
Infrastructure - Roads at Fair Value	269,924,748	173,958,484
Less Accumulated Depreciation	(93,142,181)	(59,398,801)
	<b>176,782,567</b>	<b>114,559,683</b>
Infrastructure - Drainage at Fair Value	43,132,748	41,423,111
Less Accumulated Depreciation	(23,675,710)	(22,193,123)
	<b>19,457,038</b>	<b>19,229,988</b>
Infrastructure - Paths at Fair Value	54,509,789	51,494,094
Less Accumulated Depreciation	(18,766,694)	(18,287,059)
	<b>35,743,095</b>	<b>33,207,037</b>
Infrastructure - Street Furniture at Fair Value	2,319,037	1,792,090
Less Accumulated Depreciation	(1,329,479)	(1,083,709)
	<b>989,558</b>	<b>708,381</b>
Infrastructure - Park Assets at Fair Value	83,759,757	82,853,657
Less Accumulated Depreciation	(9,364,593)	(8,822,018)
	<b>74,395,164</b>	<b>74,031,639</b>
Infrastructure - Foreshore Assets at Fair Value	3,744,001	0
Less Accumulated Depreciation	(0)	(0)
	<b>3,744,001</b>	<b>0</b>
<b>Capital Work In Progress</b>		
Capital Work in Progress - Path Infrastructure	0	19,338
Capital Work in Progress - Park Infrastructure	1,277,344	842,350
Capital Work in Progress - Foreshore Infrastructure	0	2,251,265
	<b>1,277,344</b>	<b>3,112,953</b>
<b>Total Infrastructure</b>	<b>\$312,388,767</b>	<b>\$244,849,679</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 15. INTANGIBLES

Details	2016	2015
	\$	\$
Computer Software	1,081,460	740,302
Less Accumulated Amortisation	(184,793)	(112,541)
<b>Total Intangibles</b>	<b>\$896,667</b>	<b>\$627,761</b>
<b>Movement in Carrying Amount - Intangibles</b>		
Balance at 1 July	627,761	481,403
Additions	341,158	202,371
Amortisation	(72,252)	(56,013)
<b>Balance at 30 June</b>	<b>\$896,667</b>	<b>\$627,761</b>

## 16. TRADE & OTHER PAYABLES - CURRENT

Details	2016	2015
	\$	\$
Accounts Payable	3,438,121	4,273,198
Income in Advance	53,589	3,021,954
Accrued Wages	452,005	324,243
Accrued Interest Expense	25,952	31,810
<b>Total Current Trade and Other Payables</b>	<b>\$3,969,667</b>	<b>\$7,651,205</b>

## 17. BORROWINGS - CURRENT

Details	2016	2015
	\$	\$
Loans - City	839,692	622,544
Loans - Collier Park Golf Course	277,412	263,989
Loans - Self Supporting	275,256	263,326
<b>Total Current Borrowings</b>	<b>\$1,392,360</b>	<b>\$1,149,859</b>

The City uses loan borrowings as part of a responsibly balanced funding strategy to support the construction of long term assets or major infrastructure works.

All City borrowings relate to the General Purpose Funding program and were undertaken in accordance with Section 6.20 of the Local Government Act and City Policy P604 - Use of Debt as a Funding Option. Loans are secured over the future rate revenue of the City. There are no encumbrances on specific assets in relation to any of the loan borrowings. Details of all loan borrowings are disclosed in the Schedule of Loan Borrowings at Note 38.

The financial statements also reflect self-supporting loans to community groups. The City's role in respect of these loans is that of guarantor only. All payments are met by the relevant community group and there is no impost on City funds for repayment of the self-supporting loans. A receivable amount equivalent to the outstanding balance on the loan is recognised in the Statement of Financial Position.

During the reporting period, new City borrowings of \$5.0M were undertaken. This new fixed rate City borrowing was for a principal amount of \$5.0M repayable monthly over a 20 year term (Loan 231).



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 18. PROVISIONS - CURRENT

Details	2016	2015
	\$	\$
Annual Leave	2,287,452	2,217,707
Long Service Leave	1,482,513	1,794,127
<b>Total Current Provisions</b>	<b>\$3,769,965</b>	<b>\$4,011,834</b>

## 19. LEASEHOLDER LIABILITY - CURRENT

Details	2016	2015
	\$	\$
Leaseholder Liability - Collier Park Village	29,940,576	29,921,148
<b>Total Current Leaseholder Liability</b>	<b>\$29,940,576</b>	<b>\$29,921,148</b>

## 20. BORROWINGS - NON CURRENT

Details	2016	2015
	\$	\$
Loans - City	6,998,335	2,838,027
Loans - Collier Park Golf Course	3,337,466	3,614,879
Loans - Self Supporting	1,353,235	1,628,491
<b>Total Non-Current Borrowings</b>	<b>\$11,689,036</b>	<b>\$8,081,397</b>

## 21. PROVISIONS - NON CURRENT

Details	2016	2015
	\$	\$
Long Service Leave	406,185	284,648
<b>Total Non Current Provisions</b>	<b>\$406,185</b>	<b>\$284,648</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 22. RESERVE FUNDS - PURPOSE OF RESERVES

### **Plant Replacement Reserve**

This reserve is used to fund the balance of the purchase price of plant and equipment associated with City works (after trade-in, discounts and allowances).

### **Future Municipal Works Reserve**

Initially established to accumulate funds for future discretionary municipal works, the reserve is no longer active and the balance of the reserve was transferred to the Major Community Facilities Reserve as part of the 2015/2016 Budget process.

### **Collier Park Village Residents Offset Reserve**

This reserve was established to partially cash back the loan liability due to residents on departing the village complex. The reserve is funded by the premium on the difference between the sale price of the units in the village to the ingoing resident and the amount of the refund to the departing resident. Funds in the reserve are maintained at an appropriate level to ensure that the draw of funds by departing residents in any given year is fully cash backed and available on demand.

### **Collier Park Golf Course Reserve**

This reserve was established to quarantine funds relating to the Collier Park Golf Course, to purchase plant & equipment, reticulation equipment and to repay debt (if any) associated with the Golf Course. The reserve is funded by an amount equal to a specified percentage of the annual operating surplus excluding depreciation with the remainder returned to the City's Municipal Fund as a dividend in accordance with Council Policy P608.

### **Waste Management Reserve**

This reserve was established to provide for investment in new waste management initiatives and is funded by an annual allocation equal to the operating surplus (deficit) from the waste operations.

### **Reticulation & Pump Replacement Reserve**

This reserve was established to provide funds for the replacement of reticulation and pumps at various parks and gardens. As part of the 2015/2016 Budget process, the balances of the Future Park Works and Future Streetscapes Reserves were consolidated into this reserve.

### **Information Technology Reserve**

This reserve was established to finance the acquisition and enhancement of technology and digital service delivery initiatives. The municipal fund provides ongoing appropriations as and when needed.

### **Insurance Risk Reserve**

This reserve is set up to manage the 'burning cost' workers compensation premium. It meets the difference between the deposit premium and adjusted premium in the event of a significant claim.

### **Major Community Facilities Reserve - formerly Asset Enhancement Reserve**

This reserve was established to accumulate funds including those from major strategic land sales for significant discretionary community facility projects in future years; alleviating the impacts of inter-generational equity in funding major facilities.

### **Path Reserve**

This reserve was established to quarantine funding for path construction and replacement. The reserve was consolidated into the Sustainable Infrastructure Reserve as part of the 2015/2016 Budget process.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 22. RESERVE FUNDS - PURPOSE OF RESERVES (CONTINUED)

### **Underground Power Reserve**

This reserve was established to accumulate funding to support the City's contribution to the under-grounding of existing overhead electrical cables within specified precincts in the city.

### **Parking Facilities Reserve**

This reserve is used to quarantine funds contributed by developers in lieu of providing parking facilities. Funds are used to provide parking within the district in the vicinity of these developments as opportunities arise in the future.

### **Collier Park Village Reserve**

This reserve accumulates the lease premium and refurbishment levy paid by ingoing residents of the retirement village as well as the operating result (adjusted for depreciation) for the Village each year. Capital purchases and refurbishment costs associated with this complex are funded from this reserve. In the event of an operating shortfall, the reserve is expected to subsidise the difference so that the facility's operations do not impose a financial burden upon the City's ratepayers.

### **River Wall Reserve**

This reserve was established to quarantine monies to be used to attract matching funding from state government with a view towards sharing financial responsibility for maintaining the river walls.

### **Railway Station Precincts Reserve**

This reserve was established to quarantine monies to be used to provide streetscapes and infrastructure around (future) railway stations constructed as part of the Perth to Mandurah railway.

### **Future Building Works Reserve**

This reserve was initially established to quarantine monies to be used to support funding models for future major upgrades of City and Civic buildings to spread the burden of major community building infrastructure more equitably over the years. This reserve was consolidated into the Major Community Facilities Reserve as part of the 2015/2016 Budget process.

### **Future Transport Works Reserve**

This reserve was established to quarantine monies to be used to provide future road projects or to hold previously allocated monies for projects that are unable to be completed within the current year due to contractor or material shortages. This reserve was consolidated into the Sustainable Infrastructure Reserve as part of the 2015/2016 Budget process.

### **Future Streetscape Works Reserve**

Initially established to fund future streetscape projects, this reserve was consolidated into the Reticulation & Pump Replacement Reserve as part of the 2015/2016 Budget process.

### **Future Parks Works Reserve**

Initially established to provide funding for future major park development works, this reserve was consolidated into the Pump Replacement Reserve as part of the 2015/2016 Budget process.

### **Sustainable Infrastructure Reserve**

This reserve was created to support the financially sustainable management of our community infrastructure including roads, paths, drainage, river walls and parks. The Future Transport & Path Reserves were consolidated into this reserve as part of the 2015/2016 budget process.

### **Public Art Reserve**

This reserve was created to quarantine contributions obtained under the Public Art (Percent for Art) policy and to support the creation of public art pieces within City precincts.

### **Reserve Fund Movements**

All active reserves may have funds applied to projects or may be reimbursed from the Municipal Fund as determined by Council during the budget process.

The City's Long Term Financial Plan details funding plans for all major discretionary capital projects. These specified funding plans incorporate funding from sources including grants, land sale proceeds, municipal funds and cash backed reserves created specifically to support those projects. In particular, the Major Community Facilities Reserve, Sustainable Infrastructure Reserve, River Wall Reserve and Railway Station Precinct Reserves are relevant to these funding models.

Any change in the purpose of reserve funds is made in accordance with the Local Government Act and Local Government Financial Management Regulations.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 22. RESERVE FUNDS (CONTINUED)

Details	BUDGET \$	2016 \$	2015 \$
<b>Plant Replacement Reserve</b>			
Balance at 1 July	206,828	206,828	688,629
Transfers from Surplus	370,629	371,989	18,199
Transfers to Surplus	(0)	(0)	(500,000)
<b>Balance at 30 June</b>	<b>577,457</b>	<b>578,817</b>	<b>206,828</b>
<b>Future Municipal Works Reserve</b>			
Balance at 1 July	361,283	361,283	349,817
Transfers from Surplus	0	0	11,466
Transfers to Surplus	(361,283)	(361,283)	(0)
<b>Balance at 30 June</b>	<b>0</b>	<b>0</b>	<b>361,283</b>
<b>Collier Park Village Residents Offset Reserve</b>			
Balance at 1 July	20,907,740	20,907,740	19,579,543
Transfers from Surplus	3,936,519	3,775,576	3,276,645
Transfers to Surplus	(2,250,000)	(3,170,571)	(1,948,448)
<b>Balance at 30 June</b>	<b>22,594,259</b>	<b>21,512,745</b>	<b>20,907,740</b>
<b>Collier Park Golf Course Reserve</b>			
Balance at 1 July	428,875	428,875	147,329
Transfers from Surplus	713,784	787,381	1,012,182
Transfers to Surplus	(664,349)	(729,651)	(730,636)
<b>Balance at 30 June</b>	<b>478,310</b>	<b>486,605</b>	<b>428,875</b>
<b>Waste Management Reserve</b>			
Balance at 1 July	3,429,075	3,429,075	2,935,401
Transfers from Surplus	411,139	517,146	829,220
Transfers to Surplus	(323,400)	(148,505)	(335,546)
<b>Balance at 30 June</b>	<b>3,516,814</b>	<b>3,797,715</b>	<b>3,429,075</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 22. RESERVE FUNDS (CONTINUED)

Details	BUDGET \$	2016 \$	2015 \$
<b>Reticulation &amp; Pump Reserve</b>			
Balance at 1 July	231,350	231,350	223,195
Transfers from Surplus	113,071	112,720	8,155
Transfers to Surplus	(0)	(0)	(0)
<b>Balance at 30 June</b>	<b>344,421</b>	<b>344,070</b>	<b>231,350</b>
<b>Information Technology Reserve</b>			
Balance at 1 July	984,584	984,584	486,576
Transfers from Surplus	27,030	29,873	498,008
Transfers to Surplus	(0)	(0)	(0)
<b>Balance at 30 June</b>	<b>1,011,614</b>	<b>1,014,457</b>	<b>984,584</b>
<b>Insurance Risk Reserve</b>			
Balance at 1 July	178,476	178,476	172,121
Transfers from Surplus	254,906	257,671	6,355
Transfers to Surplus	(0)	(0)	(0)
<b>Balance at 30 June</b>	<b>433,382</b>	<b>436,147</b>	<b>178,476</b>
<b>Major Community Facilities Reserve</b>			
Balance at 1 July	24,697,052	24,697,052	3,455,684
Transfers from Surplus	4,505,877	4,216,978	27,691,368
Transfers to Surplus	(11,615,000)	(11,615,000)	(6,450,000)
<b>Balance at 30 June</b>	<b>17,587,929</b>	<b>17,299,030</b>	<b>24,697,052</b>
<b>Path Reserve</b>			
Balance at 1 July	6,958	6,958	153,058
Transfers from Surplus	0	0	3,900
Transfers to Surplus	(6,958)	(6,958)	(150,000)
<b>Balance at 30 June</b>	<b>0</b>	<b>0</b>	<b>6,958</b>
<b>Underground Power Reserve</b>			
Balance at 1 July	103,669	103,669	100,015
Transfers from Surplus	2,855	2,912	3,654
Transfers to Surplus	(0)	(0)	(0)
<b>Balance at 30 June</b>	<b>106,524</b>	<b>106,581</b>	<b>103,669</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 22. RESERVE FUNDS (CONTINUED)

Details	BUDGET \$	2016 \$	2015 \$
<b>Parking Facilities Reserve</b>			
Balance at 1 July	168,148	168,148	137,862
Transfers from Surplus	254,616	257,317	50,286
Transfers to Surplus	(23,800)	(23,800)	(20,000)
<b>Balance at 30 June</b>	<b>398,964</b>	<b>401,665</b>	<b>168,148</b>
<b>Collier Park Village Reserve</b>			
Balance at 1 July	1,484,043	1,484,043	1,657,384
Transfers from Surplus	554,963	629,251	554,642
Transfers to Surplus	(714,376)	(608,269)	(727,983)
<b>Balance at 30 June</b>	<b>1,324,630</b>	<b>1,505,025</b>	<b>1,484,043</b>
<b>River Wall Reserve</b>			
Balance at 1 July	164,191	164,191	1,449,814
Transfers from Surplus	4,641	0	34,377
Transfers to Surplus	(0)	(0)	(1,320,000)
<b>Balance at 30 June</b>	<b>168,832</b>	<b>164,191</b>	<b>164,191</b>
<b>Railway Station Precincts Reserve</b>			
Balance at 1 July	736,187	736,187	710,237
Transfers from Surplus	20,279	19,127	25,950
Transfers to Surplus	(0)	(0)	(0)
<b>Balance at 30 June</b>	<b>756,466</b>	<b>755,314</b>	<b>736,187</b>
<b>Future Building Works Reserve</b>			
Balance at 1 July	2,950,623	2,950,623	2,114,882
Transfers from Surplus	0	0	835,741
Transfers to Surplus	(2,950,623)	(2,950,623)	(0)
<b>Balance at 30 June</b>	<b>0</b>	<b>0</b>	<b>2,950,623</b>
<b>Future Transport Works Reserve</b>			
Balance at 1 July	513,518	513,518	495,417
Transfers from Surplus	0	0	18,101
Transfers to Surplus	(513,518)	(513,518)	(0)
<b>Balance at 30 June</b>	<b>0</b>	<b>0</b>	<b>513,518</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 22. RESERVE FUNDS (CONTINUED)

	BUDGET	2016	2015
Details	\$	\$	\$
<b>Future Streetscapes Works</b>			
Balance at 1 July	100,078	100,078	96,550
Transfers from Surplus	0	0	3,528
Transfers to Surplus	(100,078)	(100,078)	(0)
<b>Balance at 30 June</b>	<b>0</b>	<b>0</b>	<b>100,078</b>
<b>Future Parks Works Reserve</b>			
Balance at 1 July	5,158	5,158	4,976
Transfers from Surplus	0	0	182
Transfers to Surplus	(5,158)	(5,158)	(0)
<b>Balance at 30 June</b>	<b>0</b>	<b>0</b>	<b>5,158</b>
<b>Sustainable Infrastructure Reserve</b>			
Balance at 1 July	1,671,205	1,671,205	1,269,097
Transfers from Surplus	1,587,457	1,583,861	402,108
Transfers to Surplus	(0)	(0)	(0)
<b>Balance at 30 June</b>	<b>3,258,662</b>	<b>3,255,066</b>	<b>1,671,205</b>
<b>Public Art Reserve</b>			
Balance at 1 July	0	0	0
Transfers from Surplus	151,375	151,952	0
Transfers to Surplus	(50,000)	(50,000)	(0)
<b>Balance at 30 June</b>	<b>101,375</b>	<b>101,952</b>	<b>0</b>
<b>Total Cash Backed Reserves</b>	<b>\$52,659,639</b>	<b>\$51,759,380</b>	<b>\$59,329,041</b>
<b>Summary of Cash Backed Reserves</b>			
Details	BUDGET	2016	2015
Details	\$	\$	\$
Balance at 1 July	59,329,041	59,329,041	36,227,587
Transfers from Surplus	12,909,141	12,713,753	35,284,066
Transfers to Surplus	(19,578,543)	(20,283,414)	(12,182,612)
<b>Balance at 30 June</b>	<b>\$52,659,639</b>	<b>\$51,759,380</b>	<b>\$59,329,041</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 23. REVALUATION SURPLUS

Revaluation surpluses have arisen on revaluation of the following classes of Non Current Assets:

Details	2016	2015
	\$	\$
<b>Land</b>		
Balance at 1 July	223,502,500	223,502,500
Current Year Revaluation Increment	520,000	0
Previously Re-valued Asset Decrement	(0)	(0)
<b>Balance at 30 June</b>	<b>\$224,022,500</b>	<b>\$223,502,500</b>
<b>Buildings</b>		
Balance at 1 July	48,807,612	41,351,088
Current Year Revaluation Increment	2,447,412	6,390,696
Previously Re-valued Assets De-recognised	0	1,065,828
<b>Balance at 30 June</b>	<b>\$51,255,024</b>	<b>\$48,807,612</b>
<b>Artworks</b>		
Balance at 1 July	161,437	151,991
Current Year Revaluation Increment	0	9,446
Previously Re-valued Asset Decrement	(0)	(0)
<b>Balance at 30 June</b>	<b>\$161,437</b>	<b>\$161,437</b>
<b>Technology Equipment</b>		
Balance at 1 July	0	0
Current Year Revaluation Increment	0	0
Previously Re-valued Asset Decrement	(0)	(0)
<b>Balance at 30 June</b>	<b>\$0</b>	<b>\$0</b>
<b>Furniture &amp; Fittings</b>		
Balance at 1 July	0	0
Current Year Revaluation Increment	30,000	0
Previously Re-valued Asset Decrement	(0)	(0)
<b>Balance at 30 June</b>	<b>\$30,000</b>	<b>\$0</b>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 23. REVALUATION SURPLUS (CONTINUED)

Details	2016	2015
	\$	\$
<b>Mobile Plant</b>		
Balance at 1 July	274,432	274,432
Current Year Revaluation Increment	0	0
Previously Re-valued Asset Decrement	(0)	(0)
<b>Balance at 30 June</b>	<b>\$274,432</b>	<b>\$274,432</b>
<b>Plant &amp; Equipment</b>		
Balance at 1 July	0	0
Current Year Revaluation Increment	0	0
Previously Re-valued Asset Decrement	(0)	(0)
<b>Balance at 30 June</b>	<b>\$0</b>	<b>\$0</b>
<b>Roads Infrastructure</b>		
Balance at 1 July	110,582,461	94,425,577
Current Year Revaluation Increment	63,819,385	16,156,884
Previously Re-valued Asset Decrement	(0)	(0)
<b>Balance at 30 June</b>	<b>\$174,401,846</b>	<b>\$110,582,461</b>
<b>Paths Infrastructure</b>		
Balance at 1 July	25,278,467	24,873,797
Current Year Revaluation Increment	1,257,870	404,670
Previously Re-valued Asset Decrement	(0)	(0)
<b>Balance at 30 June</b>	<b>\$26,536,337</b>	<b>\$25,278,467</b>
<b>Drainage Infrastructure</b>		
Balance at 1 July	8,443,570	33,338,689
Current Year Revaluation Increment	0	0
Previously Re-valued Asset Decrement	(56,361)	(24,895,119)
<b>Balance at 30 June</b>	<b>\$8,387,209</b>	<b>\$8,443,570</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 23. REVALUATION SURPLUS (CONTINUED)

Details	2016	2015
	\$	\$
<b>Street Furniture</b>		
Balance at 1 July	0	0
Current Year Revaluation Increment	168,582	0
Previously Re-valued Asset Decrement	(0)	(0)
<b>Balance at 30 June</b>	<b>\$168,582</b>	<b>\$0</b>
<b>Parks Infrastructure</b>		
Balance at 1 July	57,412,335	7,741,429
Current Year Revaluation Increment	1,137,746	49,670,906
Previously Re-valued Asset Decrement	(0)	(0)
<b>Balance at 30 June</b>	<b>\$58,550,081</b>	<b>\$57,412,335</b>
<b>Foreshore Assets</b>		
Balance at 1 July	0	0
Current Year Revaluation Increment	0	0
Previously Re-valued Asset Decrement	(0)	(0)
<b>Balance at 30 June</b>	<b>\$0</b>	<b>\$0</b>
<b>Total Revaluation Surplus</b>	<b>\$543,787,448</b>	<b>\$474,462,814</b>
<b>Summary of Revaluation Surplus</b>		
	<b>2016</b>	<b>2015</b>
<b>Details</b>	<b>\$</b>	<b>\$</b>
Balance at 1 July	474,462,814	425,659,503
Revaluation Increments	69,380,995	72,632,602
Revaluation Decrements	(56,361)	(24,895,119)
Adjustment to Prior Year Revaluation	0	0
Adjustment to Revaluation on Disposed Buildings	0	1,065,828
<b>Balance at 30 June</b>	<b>\$543,787,448</b>	<b>\$474,462,814</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 24. TRUST FUNDS

Trust transactions are required to be treated as non-controlled transactions. That is, all transactions relating to movements in trust liabilities and related trust deposits are eliminated prior to preparing the financial statements. For accountability purposes, the annual movements and balances of each category of Trust Fund are recorded below.

<b>Details</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Footpath Deposits	857,700	540,200
Tender Deposits	0	0
Hall Bonds	4,250	5,932
Lessee Bonds	21,945	16,215
Sundry Trusts	35,731	38,853
Private Crossover Deposits	0	0
<b>Total Trust Liabilities</b>	<b>\$919,626</b>	<b>\$601,200</b>
<b>Trust Assets</b>	<b>2016</b>	<b>2015</b>
<b>Details</b>	<b>\$</b>	<b>\$</b>
Cash at Bank	144,626	76,200
Investments	775,000	525,000
<b>Total Trust Assets</b>	<b>\$919,626</b>	<b>\$601,200</b>
<b>Movement in Trust Funds</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Footpath Deposits</b>		
Opening Balance	540,200	775,105
Deposits	809,800	300,500
Refunds	(459,936)	(424,155)
Retentions	(32,364)	(111,250)
<b>Closing Balance</b>	<b>\$857,700</b>	<b>\$540,200</b>
<b>Hall Bonds</b>		
Opening Balance	5,932	470
Deposits	7,265	11,831
Refunds	(8,947)	(5,429)
Retentions	(0)	(940)
<b>Closing Balance</b>	<b>\$4,250</b>	<b>\$5,932</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 24. TRUST FUNDS (CONTINUED)

Details	2016	2015
	\$	\$
<b>Lessee Bonds</b>		
Opening Balance	16,215	10,250
Deposits	5,730	14,090
Refunds	(0)	(7907)
Retentions	(0)	(218)
Closing Balance	\$21,945	\$16,215
<b>Sundry Trusts Deposits</b>		
Opening Balance	38,853	48,244
Deposits	12,096	13,633
Refunds	(15,218)	(15,030)
Retentions	0	(7,994)
<b>Closing Balance</b>	<b>\$35,731</b>	<b>\$38,853</b>

## 25. EMPLOYEE NUMBERS

Detailed below is the approved Full Time Equivalent (FTE) staff headcount involved in delivering local government services to the South Perth community.

Details	2016	2015
Number of FTE Employees at Reporting Date	220.9	214.0

## 26. COUNCIL MEMBERS' ENTITLEMENTS

For the year ended 30 June 2016, meeting attendance fees, local government allowances and communications and technology allowances within the permissible limits have been paid to the City's Council Members as provided for under the Local Government Act. Fees and allowances are paid quarterly 'in advance'. Detailed below are direct costs associated with Elected Members.

Details	BUDGET	2016	2015
	\$	\$	\$
Meeting Attendance Fees	215,000	211,480	211,665
Local Government Allowances	80,000	77,250	77,250
Technology Allowances	45,000	43,478	42,097
Legal Expenses	0	0	95,160
Insurances	27,500	27,911	24,740
Training & Conferences	50,000	11,202	31,329
Election Expenses	80,000	81,088	0
Subscriptions	45,000	47,945	42,498
Other Expenses	32,650	36,690	38,274
Depreciation	48,000	52,593	47,064
<b>Total Entitlements</b>	<b>\$623,150</b>	<b>\$589,637</b>	<b>\$610,077</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 27. OPERATING LEASES

The City does not have outstanding obligations under non-cancellable operating leases at reporting date, other than the operating lease for rental of photocopier / printer units with Xerox Australia.

At reporting date, the City has the following obligations under non-cancellable operating leases for equipment used in administrative functions. These obligations are currently not recognised in the Statement of Financial Position as liabilities.

Details	2016	2015
	\$	\$
Not later than 1 Year	70,987	53,448
Later than 1 Year and not later than 5 Years	283,948	22,270
Later than 5 Years	0	0
<b>Total Operating Lease Obligations</b>	<b>\$354,935</b>	<b>\$75,718</b>

## 28. CONTINGENT LIABILITIES

The City has no contingent liabilities as at reporting date.

## 29. TRADING UNDERTAKINGS & MAJOR LAND TRANSACTIONS

During the reporting period, the City did not engage in any trading undertakings or major land transactions as defined in Local Government Financial Management Regulation 45.

## 30. CAPITAL COMMITMENTS

The City has contracted for items of capital expenditure that were not recognised as liabilities in the Statement of Financial Position at reporting date but are detailed as capital commitments because they are the subject of an irrevocable commitment for the goods or services as at reporting date.

Details	2016	2015
	\$	\$
Manning Community Hub Facility - Tender 2/2015	2,549,299	15,513,068
Millers Pool Precinct Upgrade - Tender 11/2016	2,023,497	0
South Perth Tennis Club Upgrade - Tender 6/2016	775,749	0
<b>Total Capital Commitments</b>	<b>\$5,348,545</b>	<b>\$15,513,068</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 31. OPENING / CLOSING POSITION

Net current (unrestricted) assets carried forward at 1 July 2015 as disclosed for the purpose of the budget were \$8,642,782. This amount differs from the net current (unrestricted) assets (calculated in accordance with Department of Local Government Guideline No 8) shown in the audited financial statements for the year ended 30 June 2015 of \$7,366,589.

Net current assets for the purposes of preparing the Annual Budget is calculated as the projected difference between current assets (adjusted by the exclusion of "restricted" assets - money set aside exclusively to cash back Reserves) and current liabilities as disclosed on the budgeted balance sheet (adjusted by the exclusion of current loan liabilities).

The difference arose as a consequence of the use of 'estimated' account balances to facilitate the early adoption of the Annual Budget on 13 July 2015. This has no detrimental effect on operations during the year. The practice of deriving the budget position using projected balances allows Council to adopt its Annual Budget in early July and levy its rates promptly, thereby avoiding the need to arrange short term cash accommodation with its bankers to fund Council's operations during July and August.

Details	BUDGET \$	2016 \$	2015 \$
<b>Current Assets</b>			
Cash & Cash Equivalents	59,991,033	66,606,660	72,376,870
Trade & Other Receivables			
Rates	196,509	322,470	221,509
Sundry Debtors	150,204	508,336	651,709
Infringement Debtors	370,400	348,732	329,379
GST Debtors	948,863	435,196	1,594,535
Pension Rebate Receivable	18,262	14,450	9,389
UGP Debtors	0	27,883	50,275
ESL Debtors	56,006	54,428	46,113
Self-Supporting Loan Debtors	275,256	275,256	263,326
Provision for Doubtful Debts	(199,436)	(142,637)	(201,185)
Inventories - Materials	136,238	129,768	106,238
Inventories - Land Held for Resale	0	134,792	2,180,348
Accrued Interest Revenue	539,858	293,673	490,814
Prepayments	446,014	323,279	327,372
Sub Total	62,929,207	69,332,286	78,446,692
Exclude:			
Inventories - Land Held for Resale	(0)	(134,792)	(2,180,348)
Self-Supporting Loan Debtors	(275,256)	(275,256)	(263,326)
Adjusted Current Assets	62,653,951	68,922,238	76,003,018

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 31. OPENING / CLOSING POSITION (CONTINUED)

Details	BUDGET	2016	2015
	\$	\$	\$
<b>Current Liabilities</b>			
Trade & Other Payables			
Accounts Payable	(2,285,828)	(3,438,120)	(4,273,198)
Income in Advance	(93,373)	(53,589)	(3,021,954)
Accrued Wages	(477,224)	(452,005)	(324,243)
Accrued Interest Expense	(35,310)	(25,952)	(31,810)
Leaseholder Liability	(30,671,148)	(29,940,576)	(29,921,148)
Interest Bearing Liabilities	(1,388,389)	(1,392,360)	(1,149,859)
Employee Provisions - Annual Leave	(2,065,683)	(2,287,452)	(2,217,707)
Employee Provisions - Long Service Leave	(1,987,834)	(1,482,513)	(1,794,127)
Sub Total	(39,004,789)	(39,072,568)	(42,734,046)
Exclude:			
Interest Bearing Liabilities	1,388,389	1,392,360	1,149,859
Liabilities Associated with Restricted Assets	30,671,148	29,940,576	32,276,799
Adjusted Current Liabilities	(6,945,252)	(7,739,632)	(9,307,388)
(Adjusted) Net Current Assets	55,708,699	61,182,606	66,695,630
Less			
Restricted Assets - Cash Reserves	(52,932,089)	(51,759,380)	(59,329,041)
<b>SURPLUS (DEFICIT)</b>	<b>\$2,776,610</b>	<b>\$9,423,226</b>	<b>\$7,366,589</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 32. RATING INFORMATION

### Rate In the Dollar

A rate of 6.3098 cents in the dollar (6.0700 cents in 2015) was applied to the Gross Rental Value (GRV) of all rateable properties in the municipality excepting for those subject to the approved minimum rate. This rate was applied to both residential and commercial property within the district.

### Minimum Rate

A \$910.00 Minimum Rate was applied (\$875.00 in 2015). This rate was determined to reflect the basic cost incurred in servicing lots within the district for the 2015/2016 rating year. Some 11.5% of rateable properties attracted this minimum rate - well under the allowable threshold of 50%.

### Instalment Options

In accordance with the statutory provisions the City offers ratepayers a choice of payment of rates by either one, two or four instalments. To offset the cost of offering the instalment payment option, the City charges a \$10.00 administration fee on the second, third and fourth instalments plus interest at the prescribed rate of 5.5% per annum on instalment payments. This fee supports the cost of administering debts, issuing instalment reminder notices and processing payments received.

### Penalty Interest

An interest charge of 11% was applied to all rates outstanding beyond the due date for the rates notice (excluding pensioner deferrals) as provided in the Local Government Act (1995). The rate of interest on outstanding rates is consistent with the penalty interest rate gazetted by the state government and applied to outstanding balances for the Emergency Services Levy.

### Revenue from Rates Admin Fees & Interest

Details	BUDGET	2016	2015
	\$	\$	\$
Administration Fee - Instalments	145,000	150,214	143,980
Pre Interest on Rates Instalments	170,000	172,192	176,467
Interest on Overdue Rates	90,000	122,426	116,238
<b>Total Charges and Interest</b>	<b>\$405,000</b>	<b>\$444,832</b>	<b>\$436,685</b>

### Concessions

In accordance with the provisions of the Pensioner Rates Rebates and Deferrals Act, concessions were offered to eligible pensioners and seniors to allow them to either defer their rates or receive a percentage rebate of their rates provided they registered within the specified period and paid the balance of the rates within the year in which they were assessed. Eligibility for a concession is determined by meeting the requirements specified in the Pensioner Rates (Rebates & Deferrals) Act.

### Incentive Scheme

The incentive scheme to encourage the early payment of rates did not operate in the 2015/2016 rating year.

### Emergency Services Levy

During the 2015/2016 year the City was required to perform the role of third party collection agent for the Emergency Services Levy (ESL) for properties within the district. The ESL is a state government levy used to fund the operations of the career and volunteer fire brigades. For the 2015/2016 year, the City used the method of progressively remitting nominated portions of the total ESL levies to the Fire & Emergency Services Levy irrespective of whether they had been collected or not at 30 June 2016. Accordingly, the uncollected ESL funds at year end are now included in the City's Statement of Financial Position as a debt owing to the City.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 33. SCHEDULE OF RATES LEVIED

### ACTUAL

Particulars	Rateable Value \$	Rate in \$ Cents	Rate Yield \$	Min No.	Min Yield (\$)	Total Yield \$
<b>General - GRV</b>						
Residential	464,188,241	6.3098	27,164,795	2,242	2,040,220	29,205,015
Commercial	55,343,365	6.3098	3,457,321	51	46,410	3,503,731
Interim Rates	4,969,113	6.3098	195,186	0	0	195,186
<b>TOTAL</b>	<b>524,500,719</b>		<b>30,817,302</b>	<b>2,293</b>	<b>2,086,630</b>	<b>32,903,932</b>

### ANNUAL ADOPTED BUDGET

Particulars	Rateable Value \$	Rate in \$ Cents	Rate Yield \$	Min No.	Min Yield (\$)	Total Yield \$
<b>General - GRV</b>						
Residential	460,029,452	6.3098	27,181,469	2,229	2,028,390	29,209,859
Commercial	54,898,006	6.3098	3,424,072	52	47,320	3,471,392
Interim Rates	0	6.3098	100,000	0	0	100,000
<b>TOTAL</b>	<b>514,927,458</b>		<b>30,705,541</b>	<b>2,281</b>	<b>2,075,710</b>	<b>32,781,251</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 34. GENERAL PURPOSE FUNDING

### Details

#### General Rate

GRV - 17,732 Assessments

Rate in \$ of 6.3098 cents

GRV - 17,593 Assessments

Rate in \$ of 6.0700 cents

#### Minimum Rate

GRV - 2,293 Assessments at \$ 910.00

GRV - 2,268 Assessments at \$ 875.00

#### Interim Rates

GRV - Rate in \$ of 6.3098 cents

GRV - Rate in \$ of 6.0700 cents

#### Sub Total

Plus - Late Payment Penalties / Interest

Plus - Admin & Legal Fees Recouped

Less - Rates Written Off

#### Total Amount from Rates

#### Grant Revenue

General (Untied) Grant

#### Sub Total

#### Other General Purpose Income

Pensioner's Deferred Rates Interest

Interest Revenue (Including Reserves)

UGP Financing Interest

ESL Transaction Processing Fee

Change in Equity - Local Govt House Trust

Other General Purpose Revenue

#### Sub Total

#### Total General Purpose Revenue

#### Expenses

Rates Collection / Valuation Expenses

Interest Expense - Loans

Financing Expense

Change in Equity - Joint Venture

Allocated Outwards

#### Total General Purpose Expenses

	BUDGET	2016	2015
	\$	\$	\$
	30,630,541	30,622,116	
			29,098,455
	2,075,710	2,086,630	
			1,984,500
	200,000	195,186	
			210,932
<b>Sub Total</b>	<b>32,906,251</b>	<b>32,903,932</b>	<b>31,293,887</b>
Plus - Late Payment Penalties / Interest	260,000	294,618	292,706
Plus - Admin & Legal Fees Recouped	210,000	225,856	223,518
Less - Rates Written Off	(10,000)	(9,863)	(10,052)
<b>Total Amount from Rates</b>	<b>33,366,251</b>	<b>33,414,542</b>	<b>31,800,059</b>
General (Untied) Grant	448,000	444,788	1,437,647
<b>Sub Total</b>	<b>448,000</b>	<b>444,788</b>	<b>1,437,647</b>
Pensioner's Deferred Rates Interest	25,000	12,476	13,677
Interest Revenue (Including Reserves)	2,326,121	2,187,725	2,341,060
UGP Financing Interest	0	0	7,359
ESL Transaction Processing Fee	40,000	39,470	39,750
Change in Equity - Local Govt House Trust	0	0	0
Other General Purpose Revenue	602,551	610,489	610,297
<b>Sub Total</b>	<b>2,993,672</b>	<b>2,850,160</b>	<b>3,012,142</b>
<b>Total General Purpose Revenue</b>	<b>\$36,807,923</b>	<b>\$36,709,490</b>	<b>\$36,249,848</b>
Rates Collection / Valuation Expenses	(319,401)	(344,711)	(316,337)
Interest Expense - Loans	(349,247)	(329,739)	(334,313)
Financing Expense	(25,000)	(13,110)	(16,341)
Change in Equity - Joint Venture	(0)	(58,164)	(37,336)
Allocated Outwards	21,644	39,004	19,042
<b>Total General Purpose Expenses</b>	<b>(\$672,004)</b>	<b>(\$706,720)</b>	<b>(\$685,285)</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 35. NOTES TO THE STATEMENT OF CASHFLOWS

### RECONCILIATION TO THE STATEMENT OF CASH FLOWS

For the purpose of preparing the Statement of Cash Flows, the City considers cash and cash equivalents to include cash on hand, in banks and invested in money market instruments. Cash at the end of the reporting period as shown on the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Details	2016	2015
	\$	\$
Cash on Hand	3,385	3,385
Cash at Bank	2,820,283	2,827,891
Cash Equivalents	63,782,992	69,545,594
<b>Total Cash &amp; Cash Equivalents</b>	<b>\$66,606,660</b>	<b>\$72,376,870</b>

### RECONCILIATION - NET CASH USED IN OPERATIONS TO OPERATING RESULT

Details	2016	2015
	\$	\$
<b>Net Operating Result</b>	4,876,889	27,040,890
Add (Less) Non Cash Items		
Depreciation	11,121,276	9,424,260
Amortisation	72,252	56,012
Profit on Sale of Assets	(3,328,820)	(24,286,488)
Change in Equity - Investments	58,164	37,336
Revaluation Decrement of Initial Recognition St. Furniture	0	310,312
<b>Non Operating Items</b>		
Grants for the Construction of Assets	(3,714,558)	(1,752,015)
<b>Changes in Assets &amp; Liabilities during Year</b>		
(Increase) / Decrease in Current Receivables	1,132,866	(1,263,213)
(Increase) / Decrease in Inventory	(23,530)	43,930
(Increase) / Decrease in Prepayments	4,094	110,583
(Increase) / Decrease in Accrued Income	197,141	(266,291)
Increase / (Decrease) in Current Payables	(1,027,293)	356,187
Increase / (Decrease) in Income in Advance	(47,358)	(11,618)
Increase / (Decrease) in Accrued Expenses	127,763	82,356
Increase / (Decrease) in Current Provisions	(241,869)	354,849
(Increase) / Decrease in Non Current Receivables	(5,725)	1,865
Increase / (Decrease) in Non Current Provisions	121,536	(25,364)
<b>Net Cash Provided by Operations</b>	<b>\$9,322,828</b>	<b>\$10,213,591</b>
<b>LOAN FACILITIES</b>		
Self Supporting Loans	1,628,491	1,891,817
Golf Course Loans	3,614,878	3,878,867
City Loans	7,838,028	3,460,571
<b>Net Loan Liability</b>	<b>\$13,081,397</b>	<b>\$9,231,255</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 36. CREDIT STANDBY ARRANGEMENTS

An Overdraft facility exists with the Commonwealth Banking Corporation for the daily operational requirements of the City. This facility has no specific dollar value limit but is guaranteed and monitored by the level of short term deposits held with the bank. Any overdraft shown in the Statement of Financial Position exists only as a consequence of timing differences in unpresented cheques and does not represent a draw-down of funds from a facility provided by the City's bankers. The City has access to a corporate credit card facility to a potential funding limit of \$40,000 (2015: \$40,000). Any outstanding balances are settled monthly.

## 37. FINANCIAL RISK MANAGEMENT

The City's activities may expose it to financial risks including price risk, credit risk, liquidity risk and interest rate risk. The overall risk management strategy focuses on the unpredictability of financial markets - seeking to minimise potential adverse effects on the City's financial performance. There is no exposure to foreign currency risk as the City does not engage in foreign currency transactions.

The City held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2016	2015	2016	2015
Financial Assets	\$	\$	\$	\$
Cash & Cash Equivalents	66,606,660	72,376,870	66,606,660	72,376,870
Receivables	3,666,557	5,057,023	3,666,557	5,057,023
<b>Total</b>	<b>\$70,273,217</b>	<b>\$77,433,893</b>	<b>\$70,273,217</b>	<b>\$77,433,893</b>
<b>Financial Liabilities</b>				
Payables	3,969,667	7,651,205	3,969,667	7,651,205
Borrowings	13,081,397	9,231,256	11,225,667	8,001,561
Leaseholder Liability	29,940,576	29,921,148	26,867,293	26,849,858
<b>Total</b>	<b>\$46,991,640</b>	<b>\$46,803,609</b>	<b>\$42,062,627</b>	<b>\$42,502,624</b>

Fair value is determined as follows:

### Cash and Cash Equivalents, Receivables & Current Payables

Estimated as the carrying value - which approximates net market value

### Borrowings

Estimated future cash flows discounted by current market rates applicable to assets and liabilities having a similar risk profile.

### Cash & Cash Equivalents

The City's objective is to maximise its return on cash and investments - whilst preserving capital and maintaining an adequate level of liquidity to support operational needs. The investment portfolio is managed in accordance with Policy P603 - Investment of Surplus Funds and Department of Local Government Guideline 19. A comprehensive Investment Register is maintained at all times and an Investment Report disclosing the composition of the portfolio, counterparty risk, credit quality and investment performance is provided to Council on a monthly basis.

The major risk associated with investments is price risk - that is, 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 subject to interest rate risk - the risk that movements in interest rates could affect returns. Cash and investments are subject to credit risk - the risk that a contracting entity may not complete its obligations under a financial instrument resulting in a financial loss to Council. Council manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 37. FINANCIAL RISK MANAGEMENT (CONTINUED)

The impact of a 1% change in interest rates on holdings of Cash & Cash Equivalents is shown below:

<b>Details</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Sensitivity Analysis - 1% Change in Interest Rate</b>		
Equity	666,066	723,769
Income Statement	666,066	723,769

### Receivables

The City's major receivables comprise rates, service charges and user fees & charges. The major risk associated with these receivables is credit risk - the risk that the debts may not be repaid. This is managed by monitoring outstanding debts and employing timely, effective debt recovery practices.

Credit risk on Rates, Rubbish Charges and UGP Service Charges is minimised through the City's ability to recover these debts as a secured charge over the land - that is, the land can be sold to recover the debt. The City also charges interest on overdue rates and rubbish charges at higher than market rates which further encourages payment. The level of outstanding receivables is monitored against benchmarks for acceptable collection performance and reported monthly.

A suitable provision for doubtful receivables is made as required following a critical assessment of outstanding receivables by class each year. 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>Details</b>	<b>2016</b>	<b>2015</b>
<b>Rates &amp; Charges</b>		
Current	99.1%	99.4%
Overdue	0.9%	0.6%
<b>Other Receivables</b>		
Current	90.9%	95.0%
Overdue	9.1%	5.0%

### Short Term Deposits

The accounting policy applied in respect of short term deposits is as stated at Note 1 (j). Interest is recognised as earned rather than upon receipt. The average maturity of short term investments undertaken during the reporting period was 155 days. The weighted average interest rate yield was 2.88% on investments and an average rate of 1.71% on at call funds.

### Payables & Borrowings

Payables and borrowings are both subject to liquidity risk - that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The City manages this risk by dynamically monitoring its cash flow requirements and liquidity levels to ensure that an adequate cash buffer is maintained at all times.

Payments are made in accordance with agreed terms or statutory obligations - whichever is applicable. Credit terms may be extended or overdraft facilities drawn upon if required.

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 over long terms and fixing the interest rate to the situation considered the most advantageous at the time of negotiation.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 37. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 AND 5 YEARS</b>	<b>DUE AFTER 5 YEARS</b>	<b>TOTAL CONTRACTUAL CASH FLOWS</b>	<b>CARRYING VALUES</b>
<b>2016</b>					
Payables	3,969,667	0	0	3,969,667	3,969,667
Leaseholder Liability (Retirement Facility)	2,196,823	8,787,293	18,956,460	29,940,576	29,940,576
Borrowings	2,028,603	6,926,858	8,178,138	17,133,599	13,081,397
	<b>\$8,195,093</b>	<b>\$15,714,151</b>	<b>\$27,134,598</b>	<b>\$51,043,842</b>	<b>\$46,991,640</b>
<b>2015</b>					
Payables	7,651,205	0	0	7,651,205	7,651,205
Leaseholder Liability (Retirement Facility)	2,094,480	8,377,921	19,448,746	29,921,148	29,921,148
Borrowings	1,671,987	6,192,931	3,795,980	11,660,899	9,231,256
	<b>\$11,417,672</b>	<b>\$14,570,852</b>	<b>\$23,244,726</b>	<b>\$49,233,252</b>	<b>\$46,803,609</b>

## CARRYING AMOUNTS OF BORROWINGS

### WITH INTEREST RATE SENSITIVITY

	<b>&lt; 1 YEAR</b>	<b>1-2 YEARS</b>	<b>2-3 YEARS</b>	<b>3-4 YEARS</b>	<b>4-5 YEARS</b>	<b>&gt; 5 YEARS</b>	<b>TOTAL</b>
<b>2016</b>							
Fixed Rate	1,361,722	1,418,249	1,430,982	1,110,036	874,439	5,030,238	11,225,667
Weighted Ave Interest Rate	5.261%	5.250%	5.304%	4.942%	4.587%	4.326%	3.593%
<b>2015</b>							
Fixed Rate	1,116,064	1,140,965	1,170,209	1,200,264	873,336	2,500,722	8,001,561
Weighted Ave Interest Rate	5.566%	5.568%	5.573%	5.579%	5.283%	4.955%	4.685%

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 38. INTEREST BEARING BORROWINGS

The City undertakes borrowings for its own purposes as part of a balanced funding model. It also acts as a guarantor for Self Supporting Loans to a number of community groups. City borrowings are regarded as part of the overall municipal funding package and with the exception of borrowings associated with the Collier Park Golf Course (Recreation & Culture Program) are not directly attributed to operational programs other than General Purpose Revenue. They are secured against the future general revenue of the City. Loan No 223, 225A, 225B and 231 are City loans.

Self Supporting Loans are guaranteed by the City on behalf of a nominated community sporting group. Responsibility for all payments of principal and interest rests with the beneficiary community sporting group. All payments are reimbursed by the relevant group - meaning that there is no financial impost on the City for these loans. Loan No 218, 220, 224, 228, 229 and 230 are Self Supporting Loans. Loan 227 relates to the Collier Park Golf Course and the course is responsible for servicing all of its own loan repayments from its own sources - without impost on ratepayers.

All loans borrowings detailed below are undertaken with WA Treasury Corporation. Loan terms, payment frequencies and interest rates vary as agreed at the time of negotiating the loan. Individual loan details are as specified in the following table.

Loan No	Loan Term	Maturity Date	Interest Rate	Instalment Frequency	Balance 1 Jul 15	New Borrowings	Principal Repayment	Interest Repayment	Total Repayment	Balance 30 Jun 16
<b>City Loans</b>										
223	10 Yr	Jun 2019	6.32%	Monthly	1,426,207	0	(324,088)	(88,931)	(413,019)	1,102,119
225A	10 Yr	Jun 2021	5.48%	Monthly	1,328,070	0	(192,227)	(76,564)	(268,792)	1,135,843
225B	10 Yr	Jun 2021	4.02%	Monthly	706,294	0	(106,229)	(30,946)	(137,174)	600,065
231	20 Yr	Jun 2036	3.21%	Monthly	0	5,000,000	(0)	(288)	(288)	5,000,000
<b>Golf Course Loans</b>										
227	15 Yr	Sep 2026	4.97%	Monthly	3,878,867	0	(263,989)	(212,126)	(476,115)	3,614,878
<b>Self Supporting Loans</b>										
218	15 Yr	Nov 2015	6.59%	Monthly	3,664	0	(3,664)	(65)	(3,729)	0
220	17 Yr	Nov 2021	6.28%	Monthly	31,015	0	(4,115)	(2,043)	(6,157)	26,900
224	10 Yr	Feb 2020	6.15%	Semi-Annual	1,243,554	0	(219,527)	(75,143)	(294,670)	1,024,027
228	15 Yr	Feb 2028	4.65%	Quarterly	72,907	0	(4,410)	(3,785)	(8,195)	68,497
229	15 Yr	Feb 2028	4.42%	Quarterly	444,320	0	(26,570)	(22,079)	(48,649)	417,750
230	15 Yr	Sep 2029	4.22%	Monthly	96,357	0	(5,039)	(4,589)	(9,628)	91,318
<b>Total Borrowings</b>					<b>\$9,231,255</b>	<b>\$5,000,000</b>	<b>(\$1,149,858)</b>	<b>(\$516,559)</b>	<b>(\$1,666,416)</b>	<b>\$13,081,397</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 39. PROPERTY PLANT & EQUIPMENT - MOVEMENTS IN CARRYING AMOUNTS

Movement	Land	Buildings	Artwork	Technology Equipment	Furniture Fittings	Mobile Plant	Plant & Equipment	Work in Progress	Total
Balance - 1 July 2015	279,402,500	82,721,182	300,027	596,894	461,826	2,824,606	584,403	1,191,358	368,082,796
Additions	493,871	397,049	75,601	191,776	0	1,496,007	65,887	0	2,720,191
Disposals	(0)	(0)	(0)	(22,046)	(4,946)	(146,678)	(0)	(0)	(173,670)
Revaluation Increments	520,000	2,447,412	0	0	30,000	0	0	0	2,997,412
Transfer (to) from Assets Held for Sale	180,000	(0)	(0)	(0)	(0)	(0)	(0)	(0)	180,000
Additions to Work in Progress	0	0	0	0	0	0	0	13,579,925	13,579,925
Transfers from Work in Progress	0	0	0	141,180	0	0	0	(141,180)	0
Disposal of Previously Revalued Assets	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Write Down / Adjustment	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Depreciation Expense	(0)	(1,580,131)	(6,665)	(266,509)	(124,821)	(1,131,077)	(111,323)	(0)	(3,220,526)
<b>Balance - 30 June 2016</b>	<b>\$280,596,371</b>	<b>\$83,985,512</b>	<b>\$368,963</b>	<b>\$641,295</b>	<b>\$362,059</b>	<b>\$3,042,858</b>	<b>\$538,967</b>	<b>\$14,630,103</b>	<b>\$384,166,128</b>

## 40. INFRASTRUCTURE - MOVEMENTS IN CARRYING AMOUNTS

Movement	Roads Network	Network Drainage	Path Network	Street Furniture	Parks Assets	Foreshore Assets	Work in Progress Infrastructure	Total
Balance - 1 July 2015	114,559,683	19,229,988	33,207,035	708,381	74,031,639	0	3,112,953	244,849,679
Additions	3,542,489	719,230	1,484,324	185,822	410,668	1,492,736	0	7,835,269
Disposals	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Revaluation Increments	63,819,385	0	1,257,870	168,582	1,137,746	0	0	66,383,583
Revaluation Decrements	(0)	(56,361)	(0)	(0)	(0)	(0)	(0)	(56,361)
Write Down / Adjustment	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Additions to Work in Progress	0	0	0	0	0	0	1,277,344	1,277,344
Transfers from Work in Progress	0	0	861,688	0	0	2,251,265	(3,112,953)	(0)
Depreciation Expense	(5,138,990)	(435,819)	(1,067,822)	(73,227)	(1,184,889)	(0)	(0)	(7,900,748)
<b>Balance - 30 June 2016</b>	<b>\$176,782,567</b>	<b>\$19,457,038</b>	<b>\$35,743,095</b>	<b>\$989,558</b>	<b>\$74,395,164</b>	<b>\$3,744,001</b>	<b>\$1,277,344</b>	<b>\$312,388,767</b>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 41. FAIR VALUE

During the reporting period, the City has applied AASB 13 Fair Value Measurement measures.

The valuation concepts maximise the use of relevant observable inputs and minimising the use of unobservable inputs. There are three levels of inputs:

- Level 1 are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 are unobservable inputs for the asset or liability. Unobservable inputs include estimates of residual value, useful life, and pattern of consumption, asset condition and the remaining service potential of the asset.

Where the cost of an asset can be reliably established using Level 2 inputs but other inputs require the use of extensive professional judgement, the valuation is classified as using Level 3 inputs.

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

- Land & Buildings
- Artworks
- Technology Equipment
- Furniture & Fittings
- Mobile Plant
- Plant & Equipment
- Roads
- Paths
- Drainage
- Park Assets
- Street Furniture
- Foreshore Assets

Assets are also measured on a non-recurring basis as a result of reclassification of assets held for sale.

The table below 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 at 30 June 2016

ASSET CLASS	NOTE	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Land	13	0	130,878,871	149,717,500	280,596,371
Buildings	13	0	0	83,985,512	83,985,512
Artworks	13	0	368,963	0	368,963
Technology Equipment	13	0	641,295	0	641,295
Furniture & Fittings	13	0	362,060	0	362,060
Mobile Plant	13	0	3,042,858	0	3,042,858
Plant & Equipment	13	0	538,966	0	538,966
Roads	14	0	0	176,782,567	176,782,567
Drainage	14	0	0	19,457,038	19,457,038
Paths	14	0	0	35,743,095	35,743,095
Park Assets	14	0	0	74,395,163	74,395,163
Street Furniture	14	0	0	989,558	989,558
Foreshore Assets	14	0	0	3,744,001	3,744,001
Total Non-Financial Assets		0	135,833,013	544,814,434	680,647,447

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 41. FAIR VALUE (CONTINUED)

### Non Recurring Fair Value Measurements - Non Financial Assets at 30 June 2016

Assets Held for Sale

ASSET CLASS	NOTE	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Land	8,11	0	804,792	0	804,792
Buildings	8,11	0	96,464	0	96,464
Total Non-Recurring Fair Value Assets		0	901,256	0	901,256

### Recurring Fair Value Measurements - Non Financial Assets at 30 June 2015

ASSET CLASS	NOTE	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Land	13	0	129,685,000	149,717,500	279,402,500
Buildings	13	0	0	82,721,182	82,721,182
Artworks	13	0	300,027	0	300,027
Technology Equipment	13	0	596,894	0	596,894
Furniture & Fittings	13	0	461,826	0	461,826
Mobile Plant	13	0	2,824,606	0	2,824,606
Plant & Equipment	13	0	584,403	0	584,403
Roads	14	0	0	114,559,683	114,559,683
Drainage	14	0	0	19,229,988	19,229,988
Paths	14	0	0	33,207,035	33,207,035
Parks	14	0	0	74,031,639	74,031,639
Street Furniture	14	0	0	708,381	708,381
Foreshore Assets	14	0	0	0	0
Total Non-Financial Assets		0	134,452,756	474,175,408	608,628,164

Fair values were determined as at 30 June 2016 for the various Plant & Equipment asset classes. Fair values were recorded as at 30 June 2016 for all Infrastructure Asset classes. Land, Buildings and Artworks were also recorded at fair value at this date.

### Non Recurring Fair Value Measurements - Non Financial Assets at 30 June 2015

Assets Held for Sale

ASSET CLASS	NOTE	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Land	8,11	0	3,030,348	0	3,030,348
Buildings	8,11	0	96,464	0	96,464
Total Non-Recurring Fair Value Assets		0	3,126,812	0	3,126,812

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 41. FAIR VALUE (CONTINUED)

Valuation techniques / inputs used to determine fair value for each asset class are:

ASSET CLASS	INPUT	VALUATION	TECHNIQUE
Buildings - Specialised	3	Cost	Cost adjusted for estimates of unobservable inputs
Buildings - Commercial	2	Market	Comparable sales / price per square metre
Land - Freehold	2	Market	Comparable sales / price per square metre
Land - Restricted Use	3	Market	Price per square metre adjusted for restrictions in use
Land under Control	3	Market	Income approach
Artworks	2	Market	Estimated value expected to be realised
Technology Equipment	2	Cost	Make, capacity, year of manufacture and condition
Furniture & Fittings	2	Cost	Make, capacity, year of manufacture and condition
Mobile Plant	2	Cost	Make, capacity, year of manufacture and condition
Plant & Equipment	2	Cost	Make, capacity, year of manufacture and condition
Roads	3	Cost	As detailed below *
Paths	3	Cost	As detailed below *
Drainage	3	Cost	As detailed below *
Parks Assets	3	Cost	As detailed below *
Street Furniture	3	Cost	As detailed below *
Foreshore Assets	3	Cost	As detailed below *

\* Estimates of residual value, useful life, pattern of consumption, asset condition and relationship to the assessed level of remaining service potential of the depreciable asset.

### Transfers Policy

Transfers into and out of the fair value hierarchy levels are recognised at the end of the reporting period. There were no transfers between Levels 1 & 2 or transfers out of Level 3 during the reporting period.

### Highest and Best Use

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

### Valuation Techniques Used to Derive Fair Values for Recurring Fair Value Measurement

#### Land

##### Level 2 & 3 Valuation Inputs

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

Where there was no observable market evidence for a land site due to its configuration, council zoning restrictions or due to presence of water bodies, significant professional judgement was required to be exercised in adjusting the price per square metre inputs available. This resulted in some land parcel valuations being derived using inputs at level 3 in the valuation hierarchy.

#### Plant & Equipment

All Plant & Equipment asset classes (Technology Equipment, Furniture & Fittings, Mobile Plant and Plant & Equipment) were revalued to fair value at 30 June 2016 by City officers using Level 2 inputs involving the exercise of professional judgement. This exercise achieved compliance with Local Government (Financial Management) Regulation 17A.

Whilst additions since that time are shown at cost, given that they were acquired at arm's length and any accumulated depreciation reflects the usage of the service potential embodied in that asset, it is considered that the recorded written down value approximates fair value. Accordingly, it is considered that these values reflect compliance with Local Government (Financial Management) Regulation 17A.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 41. FAIR VALUE (CONTINUED)

### Buildings

#### Level 2 Valuation Inputs

These were used to determine the fair value of a range of properties. This included the bulk of the residential and commercial properties. The residential properties fair value has been derived from sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

Commercial buildings have been generally derived using a combination of sales direct comparison approach and capitalisation of income approach. Fair value has been derived from sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach are rental yields and price per square metre.

#### Level 3 Valuation Inputs

Specialised buildings were valued using the cost approach using professionally qualified Registered Valuers. The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. These include the average cost of construction and consumption score for each component. As these are supported by observable market evidence they have been classified as Level 2 inputs.

The unobservable inputs (such as estimates of residual value, useful life, pattern of consumption and asset condition and its relationship to the assessed level of remaining service potential of the depreciable amount) required extensive professional judgement and impacted significantly on the determination of fair value.

As such, these assets were classified as having been valued using level 3 valuation inputs.

#### Valuation Techniques Used to Derive Fair Values for Recurring Fair Value Measurement

##### Artworks

Valuation inputs and techniques used to determine the fair value for all Artwork Assets have been based on Level 2 inputs - Market Based. It has been determined that there is an active market for the Art Work Assets and hence the 'market approach' has been adopted.

Market (Direct Comparison) - This approach has been applied and fair value assessed on the basis of the estimated amount which the relevant item of Art Work valued might reasonably be expected to realised on the date of valuation in an exchange between market participants given highest and best use or highest and best alternative use. This was determined by comparison to recent sales of Art work with similar characteristics. This was then adjusted to reflect conditions and comparability. As this was based on observable evidence, they have been classified as Level 2.

#### Valuation Techniques Used to Derive Fair Values for Recurring Fair Value Measurement

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

##### Infrastructure

Infrastructure asset classes (Roads, Drainage, Paths and Parks Assets) were revalued to fair value at 30 June 2016 by City officers using the cost approach based on Level 3 inputs involving the exercise of professional judgement. The approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and took into account a range of factors.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 41. FAIR VALUE (CONTINUED)

### Valuation Techniques Used to Derive Fair Values for Recurring Fair Value Measurement

Whilst the unit rates based on square metres or similar could be supported by market evidence (Level 2 inputs), other factors (such as residual life, useful life pattern of consumption and asset condition) required extensive professional judgement. These impacted significantly on the final determination of fair value. These assets therefore were classified as having been valued using Level 3 valuation inputs.

During the year, a significant number of new projects were completed where the actual cost was recorded and the impact of depreciation at year end was negligible. Whilst these assets could be classified as being valued at Level 2, given the low proportion of the total portfolio that these assets represented (and the likelihood that future revaluations would result in them being valued as using Level 3 inputs, the City has adopted a policy that all infrastructure assets are deemed to be valued at Level 3.

The valuation methodology and assumptions underpinning the Infrastructure valuations were independently reviewed by a licensed valuer to ensure the integrity of the values determined. It is intended that this assessment of infrastructure asset values by City officers using Level 3 inputs and supplementary independent review will occur on annual basis.

### Valuation Techniques Used - Non Recurring Fair Value Measurement

Buildings classified as Assets held for sale during the reporting period were valued at the lower of carrying amount and the greater of 'value in use' or 'fair value less cost to sell'. The fair value of these assets was determined using the sales comparison approach.

### Valuation Process - Level 3 Inputs

#### Relationship between Asset Consumption Scale and 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 any accumulated depreciation. In order to achieve this, the valuer determines an asset consumption rating scale for the asset type based on inter-relationships between a range of factors.

#### Valuation Process

These factors and their relationship to fair value, require professional judgment to be exercised and include consideration of factors including (but not limited to) 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.

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

For Non Infrastructure Assets (other than those in the Building or Land Asset classes which were valued by accredited independent external valuers), relevant City officers have satisfied themselves that the values recorded in the financial accounts accurately reflect fair values in relation to the underlying asset. Artworks having a value of over \$100,000 were valued by an independent external art valuer in 2014/2015 and did not require a revised valuation in 2015/2016.

In addition, the Infrastructure Asset valuation assumptions and methodology were independently assessed through an external expert review to confirm the validity of the key inputs, unit rates, assumptions applied.

The Asset Register is considered complete and accurate for all such asset classes.

In considering the validity, rigour and integrity of the Level 3 valuation inputs supplied, the City has undertaken a comprehensive analysis of results to validate the Fair Value to the (past) Written Down Value (WDV) as a percentage of gross value and then to benchmark the percentages derived therein against other local government peers.

In conducting the Fair Value exercise, the City has also undertaken comparisons between the 2016 valuation and previous comparative valuations. The object of this exercise was to identify any significant fluctuations and to ensure that the differences could be explained and substantiated.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 41. FAIR VALUE (CONTINUED)

In the 2016 Fair Value exercise, the most significant variations were as disclosed below:

### Buildings

There was an increase of 1.5% overall in the written down value of building assets - but this is not considered to be significant. Minor additions in value were recognised and the replacement values of existing buildings were indexed to reflect current replacement cost. An assessment of the building portfolios' condition rating resulted in a small increase in accumulated depreciation recorded against the building category's recorded written down value.

The change in value for the buildings asset class was adjusted against the Asset Revaluation Surplus for this asset class.

### Roads Network

The replacement value of the road network increased by 54% over the year, largely reflecting the critical assessment of the cost to create equivalent roads in a 'brownfields' environment with emphasis on the cost to create the equivalent subgrade and the pavement. The condition based assessment of the road network also resulted in an improvement in the written down value of the asset - reflecting remedial and maintenance work undertaken. The change in value was adjusted against the Asset Revaluation Surplus for this asset class.

### Paths Network

The written down value (WDV) of the path network was only modestly changed in the year to year comparison (as expected) due to the new capital works, accuracy of existing data and the modest level of remedial works - as is appropriate for a well maintained asset such as the path network. The small change in value was adjusted against the Asset Revaluation Surplus for this asset class.

### Drainage

The written down value of drainage assets increased by a modest 1.2% in 2016 relative to the 2015 valuation. The change in value was adjusted against the Asset Revaluation Surplus for this asset class.

### Park Assets

The change in the WDV of this asset class during 2015/2016 was inconsequential. The change in the value of the park asset class was adjusted against the Asset Revaluation Surplus for this asset class.

### Street Furniture

The 2015/2016 year saw a further asset pickup and valuation of street furniture assets to be included in the City's accounts. There was a 39% increase in the written down value of street furniture assets. The change in the value of the street furniture asset class was adjusted against the Asset Revaluation Surplus for this asset class.

### Foreshore Assets

In the 2015/2016 year, the City recognised, for the first time, a new class of infrastructure assets being 'Foreshore Assets'. As the assets recognised in this asset class reflect current year acquisitions, it is believed that cost approximates fair value at this time.

### 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 separately disclosed in the notes to the financial statements.

### Borrowings

The following table provides the level of fair value hierarchy within which the disclosed fair value measurements are categorised in their entirety as well as providing a description of the valuation technique(s) used.

Description	Note	FV Level	Valuation Technique	Inputs Used
Borrowings	37	2	Income approach using the discounted cashflow method	Current Treasury borrowing rates for similar instruments.
Leaseholder Liability	37	2	Income approach using the discounted cashflow method	Current Treasury borrowing rates for similar instruments.

There was no change in the valuation technique(s) used to calculate the fair values disclosed in the notes to the financial statements during 2015/2016.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 42. KEY PERFORMANCE INDICATORS

Performance Measure	2016	2015	2014
<b>CURRENT RATIO</b>	<b>106%</b>	<b>112%</b>	<b>91%</b>
<i>Indicates the City's short term liquidity and capacity to meet short term obligations.</i>			
<i>Preferred value for this ratio is greater than 1.0</i>			
Current Assets - Restricted Assets	16,579,935	19,117,651	15,450,141
Current Liabilities - Restricted Liabilities	15,568,194	16,992,380	17,007,460
<i>* Ratios have been amended to reflect reclassification of Leaseholder Liability from non-current to current.</i>			
<b>CURRENT RATIO (Excluding Leaseholder Liability)</b>	<b>182%</b>	<b>193%</b>	<b>170%</b>
<i>Indicates the City's short term liquidity and capacity to meet short term obligations.</i>			
<i>Preferred value for this ratio is greater than 1.0</i>			
Current Assets - Restricted Assets	16,579,935	19,117,651	15,450,141
Current Liabilities - Restricted Liabilities	9,131,992	9,891,890	9,069,368
<b>OPERATING SURPLUS RATIO</b>	<b>2.1%</b>	<b>33.9%</b>	<b>(2.6%)</b>
<i>Indicates the extent to which revenue covers operational expenses and capital expenditure.</i>			
<i>Preferred value is positive and between 0% and 15%</i>			
Operating Surplus	1,162,331	25,288,874	(1,211,079)
Own Source Revenue	55,366,598	74,639,371	47,133,464
<b>OWN SOURCE REVENUE COVER RATIO</b>	<b>100.0%</b>	<b>143.8%</b>	<b>93.8%</b>
<i>Indicates the extent of financial autonomy That is the capacity to generate revenues to meet operating costs from its own revenue sources.</i>			
<i>Preferred value is greater than 40%</i>			
Own Source Revenue	55,366,598	74,639,371	47,133,464
Operating Expenses	55,345,665	51,904,038	50,233,833
<b>DEBT SERVICE RATIO</b>	<b>7.72</b>	<b>16.28</b>	<b>2.95</b>
<i>Indicates the capacity to generate sufficient cash to meet debt service obligations as they become due and payable.</i>			
<i>Preferred value for this ratio is greater than 2.0</i>			
Operating Surplus before Interest & Depreciation	12,872,418	35,305,739	8,006,718
Debt Service Costs - Principal & Interest	1,666,417	2,169,282	2,718,220

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 42. KEY PERFORMANCE INDICATORS (CONTINUED)

Performance Measure	2016	2015	2014
<b>RATES OUTSTANDING RATIO</b>	<b>1.0%</b>	<b>0.7%</b>	<b>0.5%</b>
<i>Indicates the effectiveness of rates collection procedures.</i>			
<i>Preferred value for this ratio is less than 5%</i>			
Rates Outstanding	322,470	221,509	141,227
Total Rates Collectible	32,491,755	30,886,361	28,178,892
<b>ASSET SUSTAINABILITY RATIO</b>	<b>97.1%</b>	<b>100.0%</b>	<b>94.0%</b>
<i>Indicates the extent to which assets are renewed or replaced as they reach the end of their useful lives</i>			
<i>Preferred value for this ratio is greater than 90%</i>			
Capital Renewal & Replacement Expenditure	10,866,283	9,436,683	8,066,375
Depreciation Expense & Ammortisation	11,193,527	9,480,272	8,582,064

### Further Ratio Information

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

Performance Measure	2016	2015	2014
<b>ASSET CONSUMPTION RATIO</b>	<b>69.4%</b>	<b>70.2%</b>	<b>61.3%</b>
<i>Indicates the aged condition of the City's physical assets.</i>			
<i>Preferred value for this ratio is between 50% and 70%</i>			
Depreciated Replacement Cost of Assets	400,947,744	329,853,426	284,459,061
Current Replacement Value of Assets	577,909,330	469,689,823	463,819,463
<b>ASSET RENEWAL FUNDING RATIO</b>	<b>97.7%</b>	<b>95.1%</b>	<b>94.4%</b>
<i>Indicates the City's capacity to fund asset renewals at existing revenue and service levels.</i>			
<i>Preferred value for this ratio is between 95% and 100%</i>			
NPV of Planned Renewal Funding	100,945,026	94,414,592	73,658,607
NPV of Required Renewal Funding	103,324,823	99,320,725	77,993,573

## 43. EVENTS AFTER THE REPORTING PERIOD

There have been no significant events after the reporting period that are required to be included in the 2015/2016 Annual Financial Report.



# AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2016



**PARTNERS**  
Anthony Macri FCPA  
Domenic Macri CPA  
Connie De Felice CA

## INDEPENDENT AUDITOR'S REPORT

**TO: THE RATEPAYERS OF CITY OF SOUTH PERTH**

### **Report on the Financial Report**

We have audited the financial report of the City of South Perth, which comprises the Statement of Financial Position as at 30 June 2016 and the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity and Statement of Cash Flows and Rate Setting Statement for the year ended on that date and a summary of significant accounting policies and other explanatory information and Statement by Chief Executive Officer.

### **Management's Responsibility for the Financial Report**

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

### **Auditor's Responsibility**

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

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

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

### **Independence**

In conducting our audit, we have complied with the independence requirements of the Accounting Professional and Ethical Standards Board.



# AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2016

## INDEPENDENT AUDITOR'S REPORT (Cont'd)

### *Auditor's Opinion*

In our opinion, the financial report of the City of South Perth:

- (a) gives a true and fair view of the financial position of the City of South Perth as at 30 June 2016 and of its financial performance for the year ended on that date; and
- (b) complies with the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) and the Australian Accounting Standards (including Australian Accounting Interpretations).

### **Report on Other Legal and Regulatory Requirements**

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

- (a) There are no matters that in our opinion indicate significant adverse trends in the financial position or financial management practices of the Council.
- (b) Except as detailed below, no other matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law were noted during the course of our audit:


#### *Statement of financial activity and the accompanying documents*

The statements of financial activity and the accompanying documents for the months of September, November and December 2015 were not presented to the Council as required by Regulation 34(4)(a) of the Local Government (Financial Management) Regulations 1996.

- (c) In relation to the asset consumption ratio and asset renewal funding ratio (presented at Note 42 of the annual financial report) we have reviewed the calculations as presented and nothing has come to our attention to suggest they are not:
  - (i) reasonably calculated; and
  - (ii) based on verifiable information.
- (d) All necessary information and explanations were obtained by us.
- (e) All audit procedures were satisfactorily completed in conducting our audit.

### **Matters Relating to the Electronic Publication of the Audited Financial Report**

This auditor's report relates to the financial report of the City of South Perth for the year ended 30 June 2016 included on the City's website. Management is responsible for the integrity of the City's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

  
MACRI PARTNERS  
CERTIFIED PRACTISING ACCOUNTANTS  
SUITE 2, 137 BURSWOOD ROAD  
BURSWOOD WA 6100

  
A MACRI  
PARTNER

PERTH  
DATED THIS 9<sup>th</sup> DAY OF NOVEMBER 2016.

# USEFUL CONTACTS

## ADMINISTRATION OFFICE

South Perth Civic Centre, Cnr Sandgate St and South Tce, South Perth WA 6151

Phone (08) 9474 0777

Fax (08) 9474 2425

Email [enquiries@southperth.wa.gov.au](mailto:enquiries@southperth.wa.gov.au)

Office hours Monday - Friday: 8.30am to 5pm

## OPERATIONS CENTRE

199 Thelma St, Como WA 6152

Phone (08) 9474 0900

Office hours Monday - Friday: 8.30am to 5pm

## GEORGE BURNETT LEISURE CENTRE

George Burnett Park, Manning Rd, Karawara WA 6152

Phone (08) 9474 0855

Opening hours Monday - Friday: 8.30am to 9pm,  
Saturday - Sunday: 8.30am to 6pm

## COLLIER PARK GOLF COURSE

Hayman Rd, Como WA 6152

Phone (08) 9484 1666

Fax (08) 9313 1744

Email [collierparkgolf@inet.net.au](mailto:collierparkgolf@inet.net.au)

## SOUTH PERTH LIBRARY

Cnr Sandgate St and South Tce, South Perth WA 6151

Phone (08) 9474 0800

Email [southperthlib@southperth.wa.gov.au](mailto:southperthlib@southperth.wa.gov.au)

Opening hours Monday: 9.30am to 5.30pm, Tuesday -  
Thursday: 9.30am to 7pm, Friday: 9.30am to 5.30pm,  
Saturday: 10am to 4pm

## MANNING LIBRARY

Manning Rd, Manning WA 6152

Phone (08) 9474 0822

Email [manninglib@southperth.wa.gov.au](mailto:manninglib@southperth.wa.gov.au)

Opening hours Monday - Tuesday: 9.30am to 5.30pm,  
Wednesday: 9.30am to 7pm, Thursday - Friday:  
9.30am to 5.30pm, Saturday: 10am to 2pm

## SOUTH PERTH SENIOR CITIZENS CENTRE

53 Coode St, South Perth WA 6151

Phone (08) 9367 9880

Email [spsc@bigpond.com](mailto:spsc@bigpond.com)

Opening hours Monday - Sunday: 8.30am to 4pm

## MANNING SENIOR CITIZENS CENTRE

3 Downey Dr, Manning WA 6152

Phone (08) 9450 6273

Email [manning seniors@bigpond.com](mailto:manning seniors@bigpond.com)

Opening hours Monday - Sunday: 8.30am to 4pm

City of  
South Perth



#discoversouthperth

9474 0777 | [enquiries@southperth.wa.gov.au](mailto:enquiries@southperth.wa.gov.au) | [southperth.wa.gov.au](http://southperth.wa.gov.au)