

CITY OF SOUTH PERTH  
**ANNUAL FINANCIAL REPORT**  
FOR THE YEAR ENDED  
JUNE 2018 >



A CITY OF ACTIVE PLACES AND BEAUTIFUL SPACES





**CITY OF SOUTH PERTH  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2018**

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**CITY OF SOUTH PERTH  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2018**

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**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 for the financial year ended 30 June 2018 is based on proper accounts and records to present fairly the financial position of the City of South Perth at 30 June 2018 and the results of the operations for the financial year then ended in accordance with the Local Government Act 1995 and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed as authorisation of issue on the 28<sup>th</sup> day of November, 2018.



Geoff Glass  
CHIEF EXECUTIVE OFFICER





## Auditor General

### INDEPENDENT AUDITOR'S REPORT

To the Council of the City of South Perth

#### Report on the Audit of the Financial Report

##### **Opinion**

I have audited the annual financial report of the City of South Perth which comprises the Statement of Financial Position as at 30 June 2018, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

In my opinion the annual financial report of the City of South Perth:

- (i) is based on proper accounts and records; and
- (ii) fairly represents, in all material respects, the results of the operations of the City for the year ended 30 June 2018 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

##### **Basis for Opinion**

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the City in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### **Emphasis of Matter – Basis of Accounting**

I draw attention to Note 1(a) to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the City's financial reporting responsibilities under the Act. Regulation 16 of the Local Government (Financial Management) Regulations 1996 (Regulations), does not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report. My opinion is not modified in respect of this matter.

##### **Responsibilities of the Chief Executive Officer and Council for the Financial Report**

The Chief Executive Officer (CEO) of the City is responsible for the preparation and fair presentation of the annual financial report in accordance with the requirements of the Act, the Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards. The CEO is also responsible for such internal control as the CEO determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the CEO is responsible for assessing the City's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the State government has made decisions affecting the continued existence of the City.

The Council is responsible for overseeing the City's financial reporting process.

### **Auditor's Responsibility for the Audit of the Financial Report**

The objectives of my audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the CEO.
- Conclude on the appropriateness of the CEO's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report, as we cannot predict future events or conditions that may have an impact.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Council and the CEO regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

In accordance with the *Local Government (Audit) Regulations 1996* I report that:

- (i) In my opinion, the following material matter indicates a significant adverse trend in the financial position of the City:
  - a. The Operating Surplus Ratio has progressively declined over the past 2 years and for 2017-18 is below the DLGSCI standard.The financial ratios are reported in Note 42 of the financial report.
- (ii) The following material matters indicating non-compliance with Part 6 of the *Local Government Act 1995*, the *Local Government (Financial Management) Regulations 1996* or applicable financial controls of any other written law were identified during the course of my audit:

- a. A stocktake of infrastructure was conducted for the first time in a number of years and the City found \$21 million of Infrastructure assets that was not recorded on the asset register. The asset register has however now been appropriately updated.
- (iii) All required information and explanations were obtained by me.
- (iv) All audit procedures were satisfactorily completed.
- (v) In my opinion, the asset consumption ratio and the asset renewal funding ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

#### **Other Matter**

The financial report of the City for the year ended 30 June 2017 was audited by another auditor who expressed an unmodified opinion on that financial report. The financial ratios for 2017 and 2016 in Note 42 of the audited financial report were included in the supplementary information and/or audited financial report for those years.

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

This auditor's report relates to the annual financial report of the City of South Perth for the year ended 30 June 2018 included on the City's website. The City's management is responsible for the integrity of the City's website. This audit does not provide assurance on the integrity of the City's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. 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.



CAROLINE SPENCER  
AUDITOR GENERAL  
FOR WESTERN AUSTRALIA  
Perth, Western Australia  
29 November 2018

**CITY OF SOUTH PERTH**  
**STATEMENT OF COMPREHENSIVE INCOME BY FUNCTION / PROGRAM**  
**FOR THE YEAR ENDED 30 JUNE 2018**

Details	Note	Budget \$	2018 \$	2017 \$
<b>REVENUE</b>	3,4			
General Purpose Funding*		39,124,568	38,919,913	39,038,559
Governance		50,000	78,907	69,506
Law, Order & Public Safety		233,280	227,568	237,522
Education		-	-	-
Health		124,500	151,455	125,542
Welfare		-	-	-
Housing		2,310,945	2,089,922	1,748,096
Community Amenities		6,983,703	7,238,679	6,564,874
Recreation & Culture		4,339,950	4,661,980	4,898,348
Transport*		2,538,630	2,748,636	2,610,006
Economic Services		642,500	387,342	714,536
Other Property & Services		105,000	193,982	164,546
		<b>56,453,076</b>	<b>56,698,384</b>	<b>56,171,535</b>
<b>EXPENSES</b>	3,4			
General Purpose Funding		430,481	240,172	592,672
Governance		6,173,126	7,477,189	8,079,739
Law, Order & Public Safety		1,020,631	1,086,500	934,869
Education		77,350	85,229	80,409
Health		651,192	615,874	592,650
Welfare		541,669	492,587	515,043
Housing		2,060,739	2,250,580	2,053,849
Community Amenities		11,268,379	10,375,806	9,774,375
Recreation & Culture		19,289,015	19,005,071	17,196,368
Transport		16,985,571	16,506,112	15,538,115
Economic Services		944,097	852,551	851,982
Other Property & Services		169,953	538,511	1,369,065
		<b>59,612,203</b>	<b>59,526,182</b>	<b>57,579,136</b>
<b>BORROWING EXPENSES</b>	4			
General Purpose Funding		390,044	396,418	450,697
Recreation & Culture		181,206	181,206	185,510
		<b>571,250</b>	<b>577,624</b>	<b>636,207</b>
<b>DISPOSAL OF ASSETS</b>	4			
Profit on Disposal of Assets		185,698	241,165	1,965,493
Loss on Disposal of Assets		-	(129,856)	-
		<b>185,698</b>	<b>111,319</b>	<b>1,965,493</b>
<b>PROFIT / (LOSS) ON DISPOSAL</b>				
		<b>185,698</b>	<b>111,319</b>	<b>1,965,493</b>
<b>GRANTS - ASSET DEVELOPMENT</b>	4	<b>866,979</b>	<b>974,937</b>	<b>2,251,147</b>
<b>MOVEMENT IN EQUITY</b>	12	-	<b>29,424</b>	<b>(45,693)</b>
<b>REVALUATION DECUREMENT</b>		-	-	-
<b>NET RESULT</b>		<b>(\$2,677,700)</b>	<b>(\$2,289,743)</b>	<b>\$2,127,139</b>

\* The FY2016-17 General Purpose Funding Revenue and Transport Revenue have been amended for prior year grant income (\$699,885) previously recognised as Income in Advance. This has been corrected to reflect the grant income being earned when received, as no conditions are attached to the derivation of grant.

**CITY OF SOUTH PERTH**  
**STATEMENT OF COMPREHENSIVE INCOME BY FUNCTION / PROGRAM**  
**FOR THE YEAR ENDED 30 JUNE 2018**

Details	Note	Budget \$	2018 \$	2017 \$
<b>NET RESULT</b>		(\$2,677,700)	(\$2,289,743)	\$2,127,139
<b>OTHER COMPREHENSIVE INCOME</b>				
(Loss) Gain on Revaluation of Land	23, 39	-	199,949	(8,106,371)
(Loss) Gain on Revaluation of Buildings	23, 39	-	39,096	(8,289,072)
Gain (Loss) on Revaluation of Furniture	23, 39	-	-	-
Gain (Loss) on Revaluation of Artworks	23, 39	-	794,986	-
Gain (Loss) on Revaluation of Roads	23, 40	-	(12,867,169)	24,039,817
Gain (Loss) on Revaluation of Paths	23, 40	-	2,939,879	3,133,196
Gain (Loss) on Revaluation of Drainage Asset	23, 40	-	570,491	524,491
(Loss) Gain on Revaluation of Parks Assets	23, 40	-	(3,367,132)	(9,573,626)
Gain (Loss) on Revaluation of Street Furniture	23, 40	-	287,462	496,971
Gain (Loss) on Revaluation of Foreshore	23, 40	-	13,477,401	-
Gain (Loss) on Revaluation of Car Parking	23, 40	-	8,322,988	-
Net Gain (Loss) on Revaluation of Assets		-	10,397,951	2,225,406
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>		-	<b>10,397,951</b>	<b>2,225,406</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>(\$2,677,700)</b>	<b>\$8,108,208</b>	<b>\$4,352,545</b>

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

**CITY OF SOUTH PERTH**  
**STATEMENT OF COMPREHENSIVE INCOME BY NATURE & TYPE**  
**AS AT 30 JUNE 2018**

Details	Note	Budget \$	2018 \$	2017 \$
<b>REVENUE</b>	3,4			
Rates Revenue		36,077,237	36,046,428	34,606,506
Fees & Charges		15,074,264	14,874,673	14,083,246
Grants & Subsidies – Operational*		1,727,700	2,204,318	2,522,103
Contributions & Reimbursements		329,429	328,746	844,444
Interest Revenue		2,086,434	1,988,994	2,172,715
Service Charges		-	-	-
Other Revenue		1,158,012	1,255,225	1,942,521
		<b>56,453,076</b>	<b>56,698,384</b>	<b>56,171,535</b>
<b>EXPENSES</b>	3,4			
Employee Expenses		23,225,771	24,586,983	22,894,648
Materials & Contracts		21,092,227	19,082,620	19,706,518
Utilities & Insurances		2,562,893	2,899,465	2,625,625
Depreciation		11,116,000	11,308,996	10,871,349
Amortisation Expense		75,000	160,747	111,227
Other Expenses		1,540,312	1,487,371	1,369,769
		<b>59,612,203</b>	<b>59,526,182</b>	<b>57,579,136</b>
<b>BORROWING EXPENSES</b>	4			
Interest Expense		<b>571,250</b>	<b>577,624</b>	<b>636,207</b>
<b>DISPOSAL OF ASSETS</b>	4			
Profit on Disposal of Assets		185,698	241,165	1,965,493
Loss on Disposal of Assets		-	(129,856)	-
<b>PROFIT / (LOSS) ON DISPOSAL</b>		<b>185,698</b>	<b>111,319</b>	<b>1,965,493</b>
<b>GRANTS - ASSET DEVELOPMENT</b>	4			
Grants - Asset Acquisition		<b>866,979</b>	<b>974,937</b>	<b>2,251,147</b>
<b>MOVEMENT IN EQUITY</b>	12	-	<b>29,424</b>	<b>(45,693)</b>
<b>REVALUATION DECREMENT</b>	40	-	-	-
<b>NET RESULT</b>		<b>(\$2,677,700)</b>	<b>(\$2,289,743)</b>	<b>\$2,127,139</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
(Loss) Gain on Revaluation of Land	23, 39	-	199,949	(8,106,371)
(Loss) Gain on Revaluation of Buildings	23, 39	-	39,096	(8,289,072)
Gain (Loss) on Revaluation of Furniture	23, 39	-	-	-
Gain (Loss) on Revaluation of Artworks	23, 39	-	794,986	-
Gain (Loss) on Revaluation of Roads	23, 40	-	(12,867,169)	24,039,817
Gain (Loss) on Revaluation of Paths	23, 40	-	2,939,879	3,133,196
Gain (Loss) on Revaluation of Drainage Asset	23, 40	-	570,491	524,491
(Loss) Gain on Revaluation of Parks Assets	23, 40	-	(3,367,132)	(9,573,626)
Gain (Loss) on Revaluation of Street Furniture	23, 40	-	287,462	496,971
Gain (Loss) on Revaluation of Foreshore	23, 40	-	13,477,401	-
Gain (Loss) on Revaluation of Car Parking	23, 40	-	8,322,988	-
Net Gain (Loss) on Revaluation of Assets		-	10,397,951	2,225,406
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>		-	<b>10,397,951</b>	<b>2,225,406</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>(\$2,677,700)</b>	<b>\$8,108,208</b>	<b>\$4,352,545</b>

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

\* The FY2016-17 Grants & Subsidies - Operational Revenue has been amended for prior year grant income (\$699,885) previously recognised as Income in Advance. This has been corrected to reflect the grant income being earned when received, as no conditions are attached to the derivation of grant.

**CITY OF SOUTH PERTH  
STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2018**

<b>Details</b>	<b>Note</b>	<b>2018 \$</b>	<b>2017 \$</b>
<b>CURRENT ASSETS</b>			
Cash & Cash Equivalents	5, 35	52,080,034	61,615,070
Trade & Other Receivables	6	3,625,150	3,252,030
Inventories – Materials	7	6,793	109,051
Assets Held for Sale	8	-	-
Other Current Assets	9	334,529	896,338
<b>TOTAL CURRENT ASSETS</b>		<b>56,046,506</b>	<b>65,872,489</b>
<b>NON-CURRENT ASSETS</b>			
Other Receivables	10	1,265,134	1,525,948
Assets Held for Sale	11	-	-
Investments	12	209,771	180,348
Property, Plant & Equipment	13, 39	379,515,095	375,128,578
Infrastructure	14, 40	340,882,836	331,774,522
Intangibles	15	1,573,143	978,272
<b>TOTAL NON-CURRENT ASSETS</b>		<b>723,445,979</b>	<b>709,587,668</b>
<b>TOTAL ASSETS</b>		<b>779,492,485</b>	<b>775,460,157</b>
<b>CURRENT LIABILITIES</b>			
Trade & Other Payables*	16	4,535,502	5,689,466
Borrowings	17, 38	1,504,508	1,482,788
Provisions	18	4,386,991	4,402,015
Leaseholder Liability	19	29,026,970	30,563,600
<b>TOTAL CURRENT LIABILITIES</b>		<b>39,453,971</b>	<b>42,137,869</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	20, 38	8,752,693	10,206,248
Provisions	21	394,063	332,490
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>9,146,756</b>	<b>10,538,738</b>
<b>TOTAL LIABILITIES</b>		<b>48,600,727</b>	<b>52,676,607</b>
<b>NET ASSETS</b>		<b>\$730,891,758</b>	<b>\$722,783,550</b>
<b>EQUITY</b>			
Retained Surplus*		132,292,050	127,370,320
Reserves - Cash Backed	22	42,188,903	49,400,376
Revaluation Surplus	23	556,410,805	546,012,854
<b>TOTAL EQUITY</b>		<b>\$730,891,758</b>	<b>\$722,783,550</b>

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

\*The 30 June 2017 Retained Surplus Closing Balance has been amended for prior year grant income (\$699,885) previously recognised as Income in Advance. This has been corrected to reflect the grant income being earned when received, as no conditions are attached to the derivation of grant.

**CITY OF SOUTH PERTH  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2018**

Details	Note	Retained Surplus \$	Cash Reserves \$	Revaluation Surplus \$	Total Equity \$
<b>Balance as at 1 July 2016</b>		122,884,177	51,759,380	543,787,448	718,431,005
<b>Comprehensive Income</b>					
Net Operating Result*		2,127,139	-	-	2,127,139
Other Comprehensive Income	23	-	-	2,225,406	2,225,406
Total Comprehensive Income		2,127,139	-	2,225,406	4,352,545
<b>Reserve Movements</b>					
Transfer to Reserve	22	(5,563,575)	5,563,575	-	-
Transfer from Reserves	22	7,922,579	(7,922,579)	-	-
Total Reserve Movements		2,359,004	(2,359,004)	-	-
<b>Balance at 30 June 2017*</b>		<b>\$127,370,320</b>	<b>\$49,400,376</b>	<b>\$546,012,854</b>	<b>\$722,783,550</b>
<b>Balance as at 1 July 2017</b>		127,370,320	49,400,376	546,012,854	722,783,550
<b>Comprehensive Income</b>					
Net Operating Result		(2,289,743)	-	-	(2,289,743)
Other Comprehensive Income	23	-	-	10,397,951	10,397,951
Total Comprehensive Income		(2,289,743)	-	10,397,951	8,108,208
<b>Reserve Movements</b>					
Transfer to Reserve	22	(3,286,940)	3,286,940	-	-
Transfer from Reserves	22	10,498,413	(10,498,413)	-	-
Total Reserve Movements		7,211,473	(7,211,473)	-	-
<b>Balance at 30 June 2018</b>	22, 23	<b>\$132,292,050</b>	<b>\$42,188,903</b>	<b>\$556,410,805</b>	<b>\$730,891,758</b>

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

\* The Net Operating Result in FY2016-17 Amendment corrects prior year grant income previously recognised as Income in Advance. This has been corrected to reflect the grant income being earned when received, as no conditions are attached to the derivation of grant. Grants are recognised as revenues when the City obtains control over the assets comprising the contributions.

**CITY OF SOUTH PERTH  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2018**

Details	Note	Budget \$	2018 \$	2017 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Rates Revenue		35,957,237	35,093,925	34,272,942
Fees & Charges		18,529,264	14,530,990	15,701,598
Interest Revenue		2,006,434	2,562,034	1,774,191
Other Revenue		1,487,441	1,457,220	2,786,965
Grants - Operating		1,727,700	2,247,443	1,822,218
Service Charges		20,000	-	11,024
GST Refunded from ATO		-	4,518,671	2,071,165
GST Receipts on Sales		-	755,173	964,156
Total Operating Cash Receipts		59,728,076	61,165,456	59,404,259
<b>Payments</b>				
Employee Costs		(23,090,771)	(24,436,663)	(22,135,623)
Materials & Contracts		(23,627,227)	(20,477,804)	(19,465,124)
Interest Expense		(579,250)	(522,460)	(637,843)
Utilities & Insurance Costs		(2,547,893)	(2,910,696)	(2,315,678)
Other Expenses		(1,525,312)	(1,313,389)	(1,214,796)
GST Payments on Purchases		(350,000)	(4,272,865)	(4,063,621)
Total Operating Cash Payments		(51,720,453)	(53,933,877)	(49,832,685)
<b>Net Cash Flow from Operating Activities</b>	<b>35</b>	<b>8,007,623</b>	<b>7,231,579</b>	<b>9,571,574</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from Sale of Land		-	65,025	2,000,000
Proceeds of Sale of Property, Plant & Equipment		298,050	371,846	267,481
Purchase / Construction of Assets	39,40	(16,961,945)	(15,519,609)	(18,587,712)
Grants for Development of Assets	4	866,979	974,937	2,251,147
<b>Net Cash used in Investing Activities</b>		<b>(15,796,916)</b>	<b>(14,107,801)</b>	<b>(14,069,084)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of Borrowings	38	(1,482,788)	(1,431,835)	(1,392,359)
Self-Supporting Loan Receipts		291,796	309,651	275,255
Incoming CPV Contributions	19	750,000	1,304,500	2,506,208
Outgoing CPV Contributions		-	(2,841,130)	(1,883,184)
Proceeds from Borrowings	38	-	-	-
Self-Supporting Loan Advanced	38	-	-	-
<b>Net Cash Flow from Financing Activities</b>		<b>(440,992)</b>	<b>(2,658,814)</b>	<b>(494,080)</b>
<b>Net Increase / (Decrease) in Cash Held</b>		<b>(8,230,285)</b>	<b>(9,535,036)</b>	<b>(4,991,590)</b>
Cash & Cash Equivalents at Beginning of Year		58,788,724	61,615,070	66,606,660
<b>Cash &amp; Cash Equivalents at End of Year</b>	<b>35</b>	<b>\$50,558,439</b>	<b>\$52,080,034</b>	<b>\$61,615,070</b>

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

**CITY OF SOUTH PERTH  
RATE SETTING STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2018**

<b>Details</b>	<b>Note</b>	<b>Budget \$</b>	<b>2018 \$</b>	<b>2017 \$</b>
<b>OPERATING REVENUE (Excluding Rates)</b>				
General Purpose Funding		3,047,331	2,873,485	4,432,053
Governance		50,000	78,907	69,506
Law, Order & Public Safety		233,280	227,568	237,522
Education		-	-	-
Health		124,500	151,455	125,542
Welfare		-	-	-
Housing		2,310,945	2,089,922	1,748,096
Community Amenities		6,983,703	7,238,679	6,564,874
Recreation & Culture		4,339,950	4,661,980	4,898,348
Transport		2,352,932	2,748,636	2,610,006
Economic Services		642,500	387,342	714,536
Other Property & Services		105,000	193,982	164,546
<b>Total Operating Revenue Excluding Rates</b>		<b>20,190,141</b>	<b>20,651,956</b>	<b>21,565,029</b>
<b>OPERATING EXPENDITURE</b>				
General Purpose Funding		(820,525)	(636,590)	(1,043,369)
Governance		(6,173,126)	(7,444,628)	(8,079,739)
Law, Order & Public Safety		(1,020,631)	(1,086,500)	(934,869)
Education		(77,350)	(85,229)	(80,409)
Health		(651,192)	(615,874)	(592,650)
Welfare		(541,669)	(492,587)	(515,043)
Housing		(2,060,739)	(2,250,580)	(2,053,849)
Community Amenities		(11,268,379)	(10,375,806)	(9,774,375)
Recreation & Culture		(19,470,221)	(19,186,277)	(17,381,877)
Transport		(16,985,571)	(16,506,112)	(15,538,115)
Economic Services		(944,097)	(852,551)	(851,982)
Other Property & Services		(169,953)	(538,511)	(1,369,065)
<b>Total Operating Expenditure</b>		<b>(60,183,453)</b>	<b>(60,071,245)</b>	<b>(58,215,342)</b>
<b>Net Operating Result - Excluding Rates</b>		<b>(39,993,312)</b>	<b>(39,419,289)</b>	<b>(36,650,313)</b>
<b>Adjust for Cash Budget Requirements</b>				
Depreciation of Assets	4	11,116,000	11,308,996	10,871,349
Amortisation Expense	4	75,000	160,747	111,227
Movement in Employee Benefit Provisions	21	-	61,573	(73,695)
Movement in CPV Liability	19	750,000	(1,536,630)	623,024
Movement in Deferred Pensioner Rates	10	-	(61,417)	4,699
<b>Net Non-Cash Items</b>		<b>11,941,000</b>	<b>9,933,269</b>	<b>11,536,604</b>

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

**CITY OF SOUTH PERTH  
RATE SETTING STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2018**

Details	Note	Budget \$	2018 \$	2017 \$
<b>ACQUISITIONS - NON CURRENT ASSETS</b>				
Acquisition of Buildings	39	(9,847,000)	(4,624,862)	(810,747)
Acquisition of Land	39	-	-	-
Acquisition of Furniture	39	(46,100)	(674,424)	(500,413)
Acquisition of Technology	39	(225,000)	(302,406)	(616,972)
Acquisition of Plant & Equipment	39	(306,920)	(604,959)	(132,176)
Acquisition of Mobile Plant	39	(1,497,900)	(1,239,741)	(1,119,838)
Construction of Infrastructure Assets	40	(5,039,025)	(5,438,517)	(5,588,520)
Acquisition of Artworks	39	-	(119,000)	-
Acquisition of Software	15	-	(69,282)	(192,832)
WIP - Property Plant & Equipment	13	-	(20,125)	(6,045,126)
WIP - Infrastructure	14	(4,670,809)	(1,867,233)	(3,581,090)
WIP - Intangibles	15	-	(559,060)	-
Total Cash Demand for Asset Acquisition		(21,632,754)	(15,519,609)	(18,587,714)
<b>REPAYMENT OF LOANS</b>				
Loan Principal Repayments	38	(1,482,788)	(1,431,835)	(1,392,359)
Self-Supporting Loan Advanced	38	-	-	-
Total Cash Demand for Loan Repayments		(1,482,788)	(1,431,835)	(1,392,359)
<b>Net Capital Expenditure</b>		<b>(23,115,542)</b>	<b>(16,951,444)</b>	<b>(19,980,073)</b>
<b>CAPITAL REVENUES</b>				
Proceeds from Disposal of Land	4	-	65,025	2,000,000
Proceeds from Asset Disposals	4	298,050	371,846	267,481
Cash Deposit Received - Deferred Land Sale		-	-	-
Grants for Acquisition of Assets	4	866,979	974,937	2,251,147
Proceeds of New Loans	38	-	-	-
Self-Supporting Loan Repayments Recouped	38	291,796	309,651	275,256
<b>Net Capital Revenues</b>		<b>1,456,825</b>	<b>1,721,459</b>	<b>4,793,884</b>
<b>RESERVE TRANSFERS</b>				
Transfers to Reserves	22	(5,301,432)	(3,286,940)	(5,563,575)
Transfers from Reserves	22	14,264,415	10,498,413	7,922,579
<b>Net Reserve Transfers</b>		<b>8,962,983</b>	<b>7,211,473</b>	<b>2,359,004</b>
<b>Net Funds Demand</b>		<b>(40,748,046)</b>	<b>(37,504,532)</b>	<b>(37,940,894)</b>
Add				
Opening Position - Surplus (Deficit)		5,515,459	6,088,838	9,423,226
Less				
Closing Position - (Surplus) Deficit	31	(844,650)	(4,630,735)	(6,088,838)
<b>AMOUNT TO BE MADE UP FROM RATES</b>		<b>(\$36,077,237)</b>	<b>(\$36,046,429)</b>	<b>(\$34,606,506)</b>

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

**CITY OF SOUTH PERTH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

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**I. 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.

The Local Government (Financial Management) Regulations 1996 take precedence over Australian Accounting Standards. Regulation 16 prohibits a local government from recognising as assets Crown land that is a public thoroughfare, such as land under roads, and land not owned by but under the control or management of the local government, unless it is a golf course, showground, racecourse or any other sporting or recreational facility of State or regional significance. Consequently, some assets, including land under roads acquired on or after 1 July 2008, have not been recognised in this financial report. This is not in accordance with the requirements of AASB 1051 Land Under Roads paragraph 15 and AASB 116 Property, Plant and Equipment paragraph 7.

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.

**(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**

Unless otherwise stated, the budget comparative figures shown in this annual financial report relate to the original budget adopted by Council and does not include any subsequent amendments.

**(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.

**I. SUMMARY OF ACCOUNTING POLICIES (Continued)**

**(g) Goods & Services Tax (Continued)**

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 with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

**(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 the effective interest rate 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. SUMMARY OF ACCOUNTING POLICIES (Continued)**

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

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

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

**(ii) Loans and receivables**

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

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

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

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

**I. SUMMARY OF ACCOUNTING POLICIES (Continued)**

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

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.

**(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.

**I. SUMMARY OF ACCOUNTING POLICIES (Continued)**

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

**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.

**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.

**I. SUMMARY OF ACCOUNTING POLICIES (Continued)**

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

**Depreciation**

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 - 8 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
• Infrastructure - Car Parking	25 – 75 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:

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

**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, no annual assessment is required. Rather AASB 116.31 applies and revaluations need only be made with sufficient regularity to ensure the carrying value does not differ materially from that which would be determined using fair value at the end of the reporting period.

**(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.

**I. SUMMARY OF ACCOUNTING POLICIES (Continued)**

**(o) Intangibles**

**(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.

**(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, annual leave and long service leave expected to be settled within 12 months are recognised as a part of current 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. The City's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position except where the City does not have the unconditional right to defer settlement beyond 12 months, which is then recognised as a current liability.

**(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.

**I. SUMMARY OF ACCOUNTING POLICIES (Continued)**

**(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 (7.1%) to the overall leaseholder liability to determine the anticipated obligation likely to become due in the next twelve months. This 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 on a straight line basis over the lease term.

**(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.

**I. SUMMARY OF ACCOUNTING POLICIES (Continued)**

**(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 is expected to be settled. The asset 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.

**(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.

**I. SUMMARY OF ACCOUNTING POLICIES (Continued)**

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

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.

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 2018. The City's assessment of these new standards and interpretations is set out below.

<b>Title &amp; Topic</b>	<b>Issued</b>	<b>Applies</b>	<b>Impact on Statements</b>
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.

**CITY OF SOUTH PERTH  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

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**I. SUMMARY OF ACCOUNTING POLICIES (Continued)**

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

<b>Title &amp; Topic</b>	<b>Issued</b>	<b>Applies</b>	<b>Impact on Statements</b>
AASB 16 Leases	Feb 16	1 Jan 19	<p>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.</p> <p>Operating lease payments are currently expensed on a straight line basis. 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.</p>
AASB 1058 Income of Not-for-Profit Entities	Dec 16	1 Jan 19	<p>This Standard clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, more closely reflecting the economic reality of NFP entity transactions that are not contracts with customers. Timing of income recognition is dependent on whether such a transaction gives rise to a liability, a performance obligation (a promise to transfer a good or service), or, an obligation to acquire an asset. The City has not yet determined the application or the potential impact of the Standard.</p>

**I. SUMMARY OF ACCOUNTING POLICIES (Continued)**

**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 2016-7** Amendments to Australian Accounting Standards – Deferral of AASB 15 *Revenue Recognition* for Not-for-Profit Entities.

This Standard amends the effective date of AASB 15 for not-for-profit entities so that it is required to be applied by such entities for annual reporting periods beginning on or after 1 January 2019 instead of 1 January 2018.

There is no financial impact arising from this standard.

**AASB 2016-4** Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities [AASB 136] *Impairment of Assets*

This Standard amends AASB 136 to remove references to depreciated replacement cost as a measure of value in use for not-for-profit entities and clarify that not-for-profit entities holding non-cash-generating specialised assets at fair value in accordance with AASB 13 *Fair Value Measurement* [under the revaluation model in AASB 116 *Property, Plant and Equipment* and AASB 138 *Intangible Assets*] no longer need to consider AASB 136.

Not-for-profit entities holding such assets at cost may determine recoverable amounts using current replacement cost in AASB 13. There is no financial impact arising from this standard.

**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.

**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 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.

**2. ACCOUNTING POLICY (Continued)**

- 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 & VALUES**

**Vision**

Our vision statement describes how the City of South Perth will respond to the community's aspirations and priorities in the future.

'A City of active places and beautiful spaces. A connected community with easily accessible, vibrant neighbourhoods and a unique, sustainable natural environment'.

**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 Supportive, Accountable, Unified and Respectful.

**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:

**Governance**

This program reflects the statutory element of local government operations including administration and support services to members of council, civic functions, statutory reporting, compliance and accountability.

**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.

**CITY OF SOUTH PERTH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**3. OUR VISION & MISSION STATEMENT (Continued)**

**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.

**4. OPERATING REVENUE & EXPENSES**

<b>Significant Revenues</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Profit on Disposal of Land - Bradshaw Crescent, Manning	-	1,865,208
Profit on Disposal of Land - Ray St, South Perth	-	-
Profit on Disposal of Land - Civic Triangle	-	-
	<b>-</b>	<b>\$1,865,208</b>

**Grant Revenue by Program (Function)**

<b>Program Name</b>	<b>Budget</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
General Purpose Funding	968,000	893,884	1,414,670
Governance	-	-	-
Law, Order & Public Safety	-	-	-
Education & Welfare	-	-	-
Health	27,200	7,225	-
Housing	-	-	-
Community Amenities	-	-	130,225
Recreation & Culture	390,429	893,932	787,400
Transport	1,209,050	1,378,654	2,440,955
Economic Services	-	5,560	-
Other Property & Services	-	-	-
<b>Total Grants Revenue</b>	<b>\$2,594,679</b>	<b>\$3,179,255</b>	<b>\$4,773,250</b>

**CITY OF SOUTH PERTH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**4. OPERATING REVENUE & EXPENSES**

**Conditions over Grants & Contributions**

<b>Conditional Grants</b>	<b>Function</b>	<b>Balance 30 June 2016</b>	<b>Received 2016/2017</b>	<b>Expended 2016/2017</b>	<b>Balance 30 June 2017</b>	<b>Received 2017/2018</b>	<b>Expended 2017/2018</b>	<b>Balance 30 June 2018</b>
Mosquito Management	Health (Environmental)	-	-	-	-	7,225	(7,225)	-
Nursery Subsidy	Economic Services	-	-	-	-	5,560	(5,560)	-
River Wall Repairs	Protection of Environment	-	23,455	(23,455)	-	-	-	-
Foreshore Remediation	Protection of Environment	-	71,771	(71,771)	-	-	-	-
Natural Areas Maintenance	Protection of Environment	30,000	34,999	(64,999)	-	27,690	(27,690)	-
EJ Oval Precinct Redevelopment	Recreation & Culture	-	158,000	(158,000)	-	524,000	(524,000)	-
Aquatic Centre Feasibility Study	Recreation & Culture	3,000	-	(3,000)	-	-	-	-
Major Events Grants	Recreation & Culture	-	300,000	(300,000)	-	320,000	(320,000)	-
Minor Events	Recreation & Culture	-	39,400	(39,400)	-	11,785	(11,785)	-
Kid Sport Grants	Recreation & Culture	6,378	40,000	(46,378)	-	10,457	(10,457)	-
Manning Community Facility	Recreation & Culture	-	200,000	(200,000)	-	-	-	-
James Miller Oval Upgrade	Recreation & Culture	-	50,000	(50,000)	-	-	-	-
South Perth Tennis Club	Recreation & Culture	747,832	-	(747,832)	-	-	-	-
Bicycle Network	Transport	-	5,000	(5,000)	-	-	-	-
Road Rehabilitation	Transport	135,760	1,707,921	(1,843,681)	-	947,247	(947,247)	-
Street Lighting Grants	Transport	-	-	-	-	20,277	(20,277)	-
<b>Unconditional Grants &amp; Contributions</b>								
Unconditional Grants	General Revenue	-	1,414,670	(934,283)	480,387	893,884	(901,593)	472,678
Unconditional Grants	Transport	-	728,034	(508,536)	219,498	411,130	(404,869)	225,759
<b>Total Grants &amp; Contributions</b>		<b>\$922,970</b>	<b>\$4,773,250</b>	<b>(\$4,996,334)</b>	<b>699,885</b>	<b>3,179,255</b>	<b>(3,180,703)</b>	<b>698,437</b>

**CITY OF SOUTH PERTH  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**4. OPERATING REVENUE & EXPENSES**

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

<b>Program Name</b>	<b>Budget</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
General Purpose Funding	376,000	334,087	383,009
Governance	-	-	-
Law, Order & Public Safety	128,280	116,367	134,877
Education & Welfare	-	-	-
Health	47,500	65,708	40,444
Housing	1,592,330	1,143,317	1,046,076
Community Amenities	6,792,204	7,054,422	6,636,985
Recreation & Culture	3,828,450	3,666,830	3,709,750
Transport	1,899,500	2,108,785	1,715,670
Economic Services	410,000	354,012	416,435
Other Property & Services	-	31,145	-
<b>Total Fees &amp; Charges Revenue</b>	<b>\$15,074,264</b>	<b>\$14,874,673</b>	<b>\$14,083,246</b>

**Interest Revenue**

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

<b>Details</b>	<b>Budget</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Interest Revenue - Municipal	500,000	453,619	520,498
Interest Revenue - Reserves	1,336,434	1,162,353	1,362,358
Interest Revenue - Rates	250,000	373,022	289,859
<b>Total Interest Revenue</b>	<b>\$2,086,434</b>	<b>\$1,988,994</b>	<b>\$2,172,715</b>

<b>Interest Expense</b>	<b>Budget</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
General Purpose Funding	390,044	396,418	450,697
Recreation & Culture	181,206	181,206	185,510
<b>Total</b>	<b>\$571,250</b>	<b>\$577,624</b>	<b>\$636,207</b>

<b>Audit Expense</b>	<b>Budget</b>	<b>2018</b>	<b>2017</b>
<b>Details</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Audit of Financial Report	80,000	35,820	37,880
Audit of Grant Acquittals	-	1,400	2,150
<b>Total</b>	<b>\$80,000</b>	<b>\$37,220</b>	<b>\$40,030</b>

<b>Significant Expenditure Items</b>	<b>Budget</b>	<b>2018</b>	<b>2017</b>
<b>Details</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Amortisation - Software	75,000	160,747	111,227
Impaired Debts Expense	65,000	85,623	39,410
<b>Total</b>	<b>\$140,000</b>	<b>\$246,370</b>	<b>\$196,330</b>

**CITY OF SOUTH PERTH**  
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**FOR THE YEAR ENDED 30 JUNE 2018**

**4. OPERATING REVENUE & EXPENSES (Continued)**

<b>Assets Attributed by Function / Program</b>	<b>2018</b>	<b>2017</b>
<b>Program Name</b>	<b>\$</b>	<b>\$</b>
General Purpose Funding	58,100,594	67,469,735
Governance	14,842,114	23,330,399
Law, Order & Public Safety	1,126,127	1,186,395
Education	3,208,175	3,885,846
Health	32,011	36,717
Welfare	7,190,771	4,913,450
Housing	20,368,217	28,264,630
Community Amenities	19,034,060	5,385,014
Recreation & Culture	269,474,736	271,406,379
Transport	313,212,437	289,487,570
Economic Services	549,177	229,946
Other Property & Services	72,354,066	79,864,076
<b>Total</b>	<b>779,492,485</b>	<b>\$775,460,157</b>

<b>Depreciation by Asset Category</b>	<b>2018</b>	<b>2017</b>
<b>Details</b>	<b>\$</b>	<b>\$</b>
Artworks	12,670	8,127
Buildings	1,957,007	1,580,136
Technology Equipment	333,965	280,739
Furniture & Fittings	116,154	117,675
Mobile Plant	1,123,972	1,092,987
Plant & Equipment	117,440	111,984
Infrastructure – Roads	4,681,997	4,681,997
Infrastructure – Paths	1,119,148	1,119,148
Infrastructure – Drains	469,653	469,653
Infrastructure - Street Furniture	100,379	100,380
Infrastructure – Parks	1,276,611	1,308,523
Infrastructure - Foreshore Assets	-	-
<b>Total Depreciation</b>	<b>\$11,308,996</b>	<b>\$10,871,349</b>

<b>Asset Disposals by Category</b>	<b>Proceeds</b>	<b>Book Value</b>	<b>Profit (Loss)</b>
<b>Details – Actual</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Land	65,025	(186,949)	(121,924)
Technology Equipment	-	(7,922)	(7,922)
Furniture	-	-	-
Mobile Plant	371,846	(130,681)	241,165
Plant & Equipment	-	-	-
<b>Total</b>	<b>436,871</b>	<b>(325,552)</b>	<b>111,319</b>

<b>Asset Disposals by Category</b>	<b>Proceeds</b>	<b>Book Value</b>	<b>Profit (Loss)</b>
<b>Details - Budget</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Land	-	-	-
Plant & Equipment	298,050	(112,352)	185,698
<b>Total</b>	<b>298,050</b>	<b>(112,352)</b>	<b>185,698</b>

**CITY OF SOUTH PERTH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**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>2018</b>	<b>2017</b>
	\$	\$
Cash at Bank / On Hand	79,232	1,702,172
At Call / Term Deposits	52,000,802	59,912,898
<b>Total Cash &amp; Cash Equivalents</b>	<b>\$52,080,034</b>	<b>\$61,615,070</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>2018</b>	<b>2017</b>
	\$	\$
Plant Replacement Reserve	308,265	595,299
Future Municipal Works Reserve	-	-
Collier Park Village Residents Offset Reserve	21,731,310	22,725,910
Collier Park Golf Course Reserve	492	206,477
Waste Management Reserve	4,027,760	3,867,816
Reticulation and Pump Reserve	235,895	353,575
Information Technology Reserve	1,066,933	1,041,667
Employee Entitlements Reserve	387,949	-
Insurance Risk Reserve	-	448,506
Asset Enhancement (Major Community Facilities) Reserve	8,197,929	13,294,527
Underground Power Reserve	112,094	109,440
Parking Facilities Reserve	423,056	413,036
Collier Park Village Reserve	1,342,188	1,898,101
River Wall Reserve	172,644	168,555
Railway Station Precincts Reserve	794,402	775,590
Sustainable Infrastructure Reserve	3,178,224	3,346,384
Public Art Reserve	209,762	155,493
<b>Total Reserve Funds</b>	<b>42,188,903</b>	<b>49,400,376</b>
Unexpended Grant Funds	-	-
<b>Total Restricted Cash</b>	<b>\$42,188,903</b>	<b>\$49,400,376</b>

**5. CASH & CASH EQUIVALENTS**

**Reconciliation of Cash & Cash Equivalents**

<b>Details</b>	<b>2018</b>	<b>2017</b>
	\$	\$
Unrestricted Cash & Cash Equivalents	9,891,131	12,214,694
Restricted Cash & Cash Equivalents	42,188,903	49,400,376
<b>Total Cash &amp; Cash Equivalents</b>	<b>\$52,080,034</b>	<b>\$61,615,070</b>

**CITY OF SOUTH PERTH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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<b>6. TRADE &amp; OTHER RECEIVABLES - CURRENT</b>	<b>2018</b>	<b>2017</b>
<b>Details</b>	<b>\$</b>	<b>\$</b>
Rates Outstanding	1,431,343	660,349
Loans - Clubs and Institutions	304,375	291,796
Sundry Debtors	724,165	443,685
Infringement Debtors	593,928	475,909
GST Receivable from ATO	462,517	1,463,496
Pensioner Rebate Receivable	143,160	13,084
Underground Power Service Charge - Stage 3 & 5	12,880	16,859
ESL Debtors	199,745	68,899
	3,872,113	3,434,077
Less: Provision for Impairment of Debts	(246,963)	( 182,047)
<b>Total Current Trade and Other Receivables</b>	<b>\$3,625,150</b>	<b>\$3,252,030</b>
<b>7. INVENTORIES - MATERIALS</b>	<b>2018</b>	<b>2017</b>
<b>Details</b>	<b>\$</b>	<b>\$</b>
Materials and Fuel at Cost	6,793	8,418
Nursery Green Stock at Cost	-	100,633
<b>Total Inventories - Materials</b>	<b>\$6,793</b>	<b>\$109,051</b>
<b>8. ASSETS HELD FOR SALE - CURRENT</b>	<b>2018</b>	<b>2017</b>
<b>Details</b>	<b>\$</b>	<b>\$</b>
Assets Held for Sale at Cost	-	-
<b>Total Current Assets Held for Sale</b>	<b>-</b>	<b>-</b>
<b>9. OTHER CURRENT ASSETS</b>	<b>2018</b>	<b>2017</b>
<b>Details</b>	<b>\$</b>	<b>\$</b>
Prepayments	215,372	204,141
Accrued Income	119,157	692,197
<b>Total Other Current Assets</b>	<b>\$334,529</b>	<b>\$896,338</b>
<b>10. TRADE &amp; OTHER RECEIVABLES - NON CURRENT</b>	<b>2018</b>	<b>2017</b>
<b>Details</b>	<b>\$</b>	<b>\$</b>
Commercial Lease Debtors	-	-
Rates Outstanding - Pension Deferrals	459,295	407,862
ESL Outstanding - Pension Deferrals	66,630	56,646
Loans - Clubs and Institutions	739,209	1,061,440
<b>Total Current Trade and Other Receivables</b>	<b>\$1,265,134</b>	<b>\$1,525,948</b>
<b>11. ASSETS HELD FOR SALE - NON CURRENT</b>	<b>2018</b>	<b>2017</b>
<b>Details</b>	<b>\$</b>	<b>\$</b>
Assets Held for Sale at Cost	-	-
<b>Total Non-Current Assets Held for Sale</b>	<b>-</b>	<b>-</b>

**CITY OF SOUTH PERTH**  
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<b>12. INVESTMENTS - NON CURRENT</b>	<b>2018</b>	<b>2017</b>
<b>Details</b>	<b>\$</b>	<b>\$</b>
Equity Share in Joint Venture - Rivers Regional Council (12.23% share of Net Assets of \$ 450,558)	55,103	
(11.91% share of Net Assets of \$ 214,833)		25,587
Investment in WALGA Local Govt. House Trust (10 units)	154,668	154,761
<b>Total Non-Current Investments</b>	<b>\$209,771</b>	<b>\$180,348</b>

**13. PROPERTY, PLANT & EQUIPMENT**

Freehold land is recorded in the financial statements at independent valuation at 30 June 2018 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 2018 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 2018 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>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Freehold Land at Fair Value	270,173,000	270,160,000
Land under Control at Fair Value	3,000,000	3,000,000
Acquisitions since valuation at Cost	-	-
	<b>273,173,000</b>	<b>273,160,000</b>
Buildings at Fair Value	98,754,027	93,093,093
Acquisitions since valuation at Cost	-	-
Less Accumulated Depreciation	-	-
	<b>98,754,027</b>	<b>93,093,093</b>
Artworks at Fair Value	1,392,552	413,223
Acquisitions since valuation at Cost	-	-
Less Accumulated Depreciation	-	(52,387)
	<b>1,392,552</b>	<b>360,836</b>
Technology Equipment at Fair Value	2,425,064	1,808,092
Acquisitions since valuation at Cost	302,406	616,972
Disposals since valuation at Cost	(387,645)	-
Less Accumulated Depreciation	(1,401,779)	(1,447,537)
	<b>938,046</b>	<b>977,527</b>

**CITY OF SOUTH PERTH  
NOTES TO THE FINANCIAL STATEMENTS  
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**13. PROPERTY, PLANT & EQUIPMENT (Continued)**

<b>Asset Category</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Furniture at Fair Value	2,271,313	1,906,312
Acquisitions since valuation at Cost	674,424	500,413
Disposals since valuation at Cost	(1,791)	(135,412)
Less Accumulated Depreciation	(1,640,878)	(1,526,515)
	<b>1,303,068</b>	<b>744,798</b>
Mobile Plant at Fair Value	7,795,712	8,341,106
Acquisitions since valuation at Cost	1,239,741	1,119,838
Disposals since valuation at Cost	(1,117,920)	(1,665,231)
Less Accumulated Depreciation	(5,029,933)	(4,893,201)
	<b>2,887,600</b>	<b>2,902,512</b>
Plant & Equipment at Fair Value	2,674,418	2,542,243
Acquisitions since valuation at Cost	604,959	132,175
Less Accumulated Depreciation	(2,232,700)	(2,115,260)
	<b>1,046,677</b>	<b>559,158</b>
Capital Works in Progress – Buildings		
EJ Oval Precinct Upgrade Stage 1	-	2,824,848
Connect South	-	167,332
Canning Bridge DCP	10,000	-
Transfer Station Redevelopment	-	178,634
Washdown Shed	10,125	-
	<b>20,125</b>	<b>3,170,814</b>
Capital Works in Progress - Technology		
Web Development	-	19,000
Software Purchases	-	32,563
Fibre Optic Cable	-	92,377
Online Booking Software Solution	-	15,900
	<b>-</b>	<b>159,840</b>
<b>Total Property, Plant &amp; Equipment</b>	<b>379,515,095</b>	<b>375,128,578</b>

**CITY OF SOUTH PERTH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**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 2018.

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.

<b>Asset Category</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Infrastructure - Roads at Fair Value	185,608,867	199,573,890
Less Accumulated Depreciation	-	-
	<b>185,608,867</b>	<b>199,573,890</b>
Infrastructure - Drainage at Fair Value	20,677,397	20,082,899
Less Accumulated Depreciation	-	-
	<b>20,677,397</b>	<b>20,082,899</b>
Infrastructure - Paths at Fair Value	41,370,250	39,120,530
Less Accumulated Depreciation	-	-
	<b>41,370,250</b>	<b>39,120,530</b>
Infrastructure - Street Furniture at Fair Value	1,787,156	1,589,893
Less Accumulated Depreciation	-	-
	<b>1,787,156</b>	<b>1,589,893</b>
Infrastructure - Park Assets at Fair Value	65,400,369	67,733,614
Less Accumulated Depreciation	-	-
	<b>65,400,369</b>	<b>67,733,614</b>
Infrastructure - Foreshore Assets at Fair Value*	15,681,244	2,176,898
Less Accumulated Depreciation	-	-
	<b>15,681,244</b>	<b>2,176,898</b>
Infrastructure - Car Parking at Fair Value*	8,322,988	-
Less Accumulated Depreciation	-	-
	<b>8,322,988</b>	<b>-</b>
<b>Capital Work In Progress</b>		
Capital Work in Progress - Roads Infrastructure	-	181,755
Capital Work in Progress - Park Infrastructure	2,034,565	1,273,424
Capital Work in Progress - Drainage Infrastructure	-	41,619
	<b>2,034,565</b>	<b>1,496,798</b>
<b>Total Infrastructure</b>	<b>340,882,836</b>	<b>331,774,522</b>

\* Refer to Note 40, regarding infrastructure assets identified during the 30 June 2018 year end.

**CITY OF SOUTH PERTH  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**15. INTANGIBLES**

<b>Details</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Computer Software	1,470,851	1,274,293
Less Accumulated Amortisation	(456,768)	(296,021)
<b>Total Intangibles</b>	<b>1,014,083</b>	<b>978,272</b>

**Movement in Carrying Amount – Intangibles**

Balance at 1 July	978,272	896,667
Additions	69,282	192,832
Transfer from WIP Intangibles	127,276	-
Amortisation	(160,747)	(111,227)
<b>Balance at 30 June</b>	<b>1,014,083</b>	<b>978,272</b>

**Capital Work in Progress - Intangibles**

Software Purchases	3,630	-
Technology One	555,430	-
	<b>559,060</b>	<b>-</b>

**Movement in Carrying Amount – WIP Intangibles**

Balance at 1 July	-	-
Additions	559,060	-
Disposals	-	-
Transfer from WIP Technology	127,276	-
Transfer to Intangibles	(127,276)	-
<b>Balance at 30 June</b>	<b>559,060</b>	<b>-</b>

<b>Total Intangibles</b>	<b>1,573,143</b>	<b>978,272</b>
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**16. TRADE & OTHER PAYABLES – CURRENT**

<b>Details</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Accounts Payable	3,438,731	4,968,736
Income in Advance	86,862	43,737
Accrued Wages	756,447	652,676
Accrued Interest Expense	79,481	24,317
Other Payables	173,981	-
<b>Total Current Trade and Other Payables</b>	<b>4,535,502</b>	<b>5,689,466</b>

**CITY OF SOUTH PERTH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**17. BORROWINGS - CURRENT**

<b>Details</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Loans – City	895,055	899,474
Loans - Collier Park Golf Course	305,078	291,518
Loans - Self Supporting	304,375	291,796
<b>Total Current Borrowings</b>	<b>1,504,508</b>	<b>1,482,788</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, no new City borrowings were undertaken.

**18. PROVISIONS – CURRENT**

<b>Details</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Annual Leave	2,422,387	2,346,144
Long Service Leave	1,964,604	2,055,871
<b>Total Current Provisions</b>	<b>4,386,991</b>	<b>4,402,015</b>

**19. LEASEHOLDER LIABILITY – CURRENT**

<b>Details</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Leaseholder Liability - Collier Park Village	29,026,970	30,563,600
<b>Total Current Leaseholder Liability</b>	<b>29,026,970</b>	<b>30,563,600</b>

The Collier Park Village Residents Offset Reserve partially cash-backs the CPV leaseholder liability. The extent of this cash backing is \$22,017,009 (\$22,725,910 in 2016/2017).

**20. BORROWINGS - NON CURRENT**

<b>Details</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Loans – City	5,247,764	6,098,860
Loans - Collier Park Golf Course	2,765,719	3,045,948
Loans - Self Supporting	739,210	1,061,440
<b>Total Non-Current Borrowings</b>	<b>8,752,693</b>	<b>10,206,248</b>

**CITY OF SOUTH PERTH  
NOTES TO THE FINANCIAL STATEMENTS  
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**21. PROVISIONS – NON-CURRENT**

<b>Details</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Long Service Leave	394,063	332,490
<b>Total Non-Current Provisions</b>	<b>394,063</b>	<b>332,490</b>

**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).

**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.

**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.

**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.

**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. During the year Council approved the transfer of the IRR balance to the Employee Entitlements Reserve, which was created during the year. At 30 June 2018 the IRR ceased to exist.

**Employee Entitlements Reserve**

This reserve was established during the year to fund the City's long service leave requirements and is maintained by an annual contribution equivalent to the long service leave entitlements of the City's employees.

**Underground Power Reserve**

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

**CITY OF SOUTH PERTH  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**22. RESERVE FUNDS - PURPOSE OF RESERVES (Continued)**

**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.

**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.

**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.

<b>RESERVE FUNDS</b>	<b>Budget</b>	<b>2018</b>	<b>2017</b>
<b>Details</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Plant Replacement Reserve</b>			
Balance at 1 July	594,039	595,299	578,817
Transfers from Surplus	7,821	12,967	16,482
Transfers to Surplus	(300,000)	(300,000)	-
<b>Balance at 30 June</b>	<b>301,860</b>	<b>308,266</b>	<b>595,299</b>
<b>Collier Park Village Residents Offset Reserve</b>			
Balance at 1 July	22,472,722	22,725,910	21,512,745
Transfers from Surplus	3,617,615	1,846,532	3,835,141
Transfers to Surplus	(2,250,000)	(2,841,133)	(2,621,976)
<b>Balance at 30 June</b>	<b>23,840,337</b>	<b>21,731,309</b>	<b>22,725,910</b>

**CITY OF SOUTH PERTH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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<b>22. RESERVE FUNDS (continued)</b>	<b>Budget</b>	<b>2018</b>	<b>2017</b>
<b>Details</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Collier Park Golf Course Reserve</b>			
Balance at 1 July	313,620	206,477	486,605
Transfers from Surplus	443,498	165,598	284,468
Transfers to Surplus	(757,118)	(371,584)	(564,596)
<b>Balance at 30 June</b>	<b>-</b>	<b>491</b>	<b>206,477</b>
<b>Waste Management Reserve</b>			
Balance at 1 July	3,859,595	3,867,816	3,797,715
Transfers from Surplus	90,000	395,112	102,817
Transfers to Surplus	(611,434)	(235,168)	(32,716)
<b>Balance at 30 June</b>	<b>3,338,161</b>	<b>4,027,760</b>	<b>3,867,816</b>
<b>Reticulation &amp; Pump Reserve</b>			
Balance at 1 July	352,827	353,575	344,070
Transfers from Surplus	5,665	8,021	9,505
Transfers to Surplus	(140,000)	(125,701)	-
<b>Balance at 30 June</b>	<b>218,492</b>	<b>235,895</b>	<b>353,575</b>
<b>Information Technology Reserve</b>			
Balance at 1 July	1,039,461	1,041,667	1,014,457
Transfers from Surplus	27,701	25,266	27,210
Transfers to Surplus	-	-	-
<b>Balance at 30 June</b>	<b>1,067,162</b>	<b>1,066,933</b>	<b>1,041,667</b>
<b>Employee Entitlements Reserve</b>			
Balance at 1 July	-	-	-
Transfers from Insurance Risk Reserve	-	385,039	-
Transfers from Surplus	-	2,910	-
Transfers to Surplus	-	-	-
<b>Balance at 30 June</b>	<b>-</b>	<b>387,949</b>	<b>-</b>
<b>Insurance Risk Reserve</b>			
Balance at 1 July	447,556	448,506	436,147
Transfers from Surplus	11,927	7,595	12,359
Transfers to Surplus	-	(71,062)	-
Transfers to Employee Entitlements	-	(385,039)	-
<b>Balance at 30 June</b>	<b>459,483</b>	<b>-</b>	<b>448,506</b>
<b>Major Community Facilities Reserve</b>			
Balance at 1 July	15,687,950	13,294,527	17,299,030
Transfers from Surplus	418,026	303,795	424,335
Transfers to Surplus	(8,885,000)	(5,400,392)	(4,428,838)
<b>Balance at 30 June</b>	<b>7,220,976</b>	<b>8,197,930</b>	<b>13,294,527</b>

**CITY OF SOUTH PERTH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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<b>22. RESERVE FUNDS (Continued)</b>	<b>Budget</b>	<b>2018</b>	<b>2017</b>
<b>Details</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Underground Power Reserve</b>			
Balance at 1 July	109,207	109,440	106,581
Transfers from Surplus	2,910	2,655	2,859
Transfers to Surplus	-	-	-
<b>Balance at 30 June</b>	<b>112,117</b>	<b>112,095</b>	<b>109,440</b>
<b>Parking Facilities Reserve</b>			
Balance at 1 July	412,162	413,036	401,665
Transfers from Surplus	33,058	10,020	11,371
Transfers to Surplus	-	-	-
<b>Balance at 30 June</b>	<b>445,220</b>	<b>423,056</b>	<b>413,036</b>
<b>Collier Park Village Reserve</b>			
Balance at 1 July	1,731,842	1,898,101	1,505,025
Transfers from Surplus	495,000	349,403	667,529
Transfers to Surplus	(520,863)	(905,316)	(274,453)
<b>Balance at 30 June</b>	<b>1,705,979</b>	<b>1,342,188</b>	<b>1,898,101</b>
<b>River Wall Reserve</b>			
Balance at 1 July	168,199	168,555	164,191
Transfers from Surplus	4,482	4,088	4,364
Transfers to Surplus	-	-	-
<b>Balance at 30 June</b>	<b>172,681</b>	<b>172,643</b>	<b>168,555</b>
<b>Railway Station Precincts Reserve</b>			
Balance at 1 July	773,949	775,590	755,314
Transfers from Surplus	20,625	18,812	20,276
Transfers to Surplus	-	-	-
<b>Balance at 30 June</b>	<b>794,574</b>	<b>794,402</b>	<b>775,590</b>
<b>Sustainable Infrastructure Reserve</b>			
Balance at 1 July	3,339,304	3,346,384	3,255,066
Transfers from Surplus	67,631	79,897	91,318
Transfers to Surplus	(800,000)	(248,057)	-
<b>Balance at 30 June</b>	<b>2,606,935</b>	<b>3,178,224</b>	<b>3,346,384</b>
<b>Public Art Reserve</b>			
Balance at 1 July	155,217	155,493	101,952
Transfers from Surplus	55,473	54,269	53,541
Transfers to Surplus	-	-	-
<b>Balance at 30 June</b>	<b>210,690</b>	<b>209,762</b>	<b>155,493</b>
<b>Total Cash Backed Reserves</b>	<b>42,494,667</b>	<b>42,188,903</b>	<b>49,400,376</b>

**CITY OF SOUTH PERTH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**22. RESERVE FUNDS**

<b>Summary of Cash Backed Reserves</b>	<b>Budget</b>	<b>2018</b>	<b>2017</b>
<b>Details</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at 1 July	51,457,650	49,400,376	51,759,380
Transfers from Surplus	5,301,432	3,286,940	5,563,575
Transfers to Surplus	(14,264,415)	(10,498,413)	(7,922,579)
<b>Balance at 30 June</b>	<b>42,494,667</b>	<b>42,188,903</b>	<b>49,400,376</b>

**23. REVALUATION SURPLUS**

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

<b>Details</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Land</b>		
Balance at 1 July	215,916,129	224,022,500
Current Year Revaluation Increment /(Decrement)	199,949	(7,436,371)
Reversal of Asset Previously Classified as Held for Sale	-	(670,000)
<b>Balance at 30 June</b>	<b>216,116,078</b>	<b>215,916,129</b>
<b>Buildings</b>		
Balance at 1 July	42,965,952	51,255,024
Current Year Revaluation Increment /(Decrement)	39,096	(8,192,608)
Reversal of Asset Previously Classified as Held for Sale	-	(96,464)
<b>Balance at 30 June</b>	<b>43,005,048</b>	<b>42,965,952</b>
<b>Artworks</b>		
Balance at 1 July	161,437	161,437
Current Year Revaluation Increment	794,986	-
<b>Balance at 30 June</b>	<b>956,423</b>	<b>161,437</b>
<b>Furniture &amp; Fittings</b>		
Balance at 1 July	30,000	30,000
Current Year Revaluation Increment	-	-
<b>Balance at 30 June</b>	<b>30,000</b>	<b>30,000</b>
<b>Mobile Plant</b>		
Balance at 1 July	274,432	274,432
Current Year Revaluation Increment	-	-
<b>Balance at 30 June</b>	<b>274,432</b>	<b>274,432</b>
<b>Roads Infrastructure</b>		
Balance at 1 July	198,441,663	174,401,846
Current Year Revaluation Increment	(12,867,169)	24,039,817
<b>Balance at 30 June</b>	<b>185,574,494</b>	<b>198,441,663</b>

**CITY OF SOUTH PERTH  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

<b>23.</b>	<b>REVALUATION SURPLUS (continued)</b>	<b>2018</b>	<b>2017</b>
	<b>Paths Infrastructure</b>	<b>\$</b>	<b>\$</b>
	Balance at 1 July	29,669,533	26,536,337
	Current Year Revaluation Increment	2,939,879	3,133,196
	<b>Balance at 30 June</b>	<b>32,609,412</b>	<b>29,669,533</b>
	<b>Drainage Infrastructure</b>		
	Balance at 1 July	8,911,700	8,387,209
	Current Year Revaluation Increment	570,491	524,491
	<b>Balance at 30 June</b>	<b>9,482,191</b>	<b>8,911,700</b>
	<b>Street Furniture</b>		
	Balance at 1 July	665,553	168,582
	Current Year Revaluation Increment	287,462	496,971
	<b>Balance at 30 June</b>	<b>953,015</b>	<b>665,553</b>
	<b>Parks Infrastructure</b>		
	Balance at 1 July	48,976,455	58,550,081
	Current Year Revaluation Increment /(Decrement)	(3,367,132)	(9,573,626)
	<b>Balance at 30 June</b>	<b>45,609,323</b>	<b>48,976,455</b>
	<b>Foreshore Assets</b>		
	Balance at 1 July	-	-
	Current Year Revaluation Increment	13,477,401	-
	<b>Balance at 30 June*</b>	<b>13,477,401</b>	<b>-</b>
	<b>Car Parking Assets</b>		
	Balance at 1 July	-	-
	Current Year Revaluation Increment	8,322,988	-
	<b>Balance as at 30 June*</b>	<b>8,322,988</b>	<b>-</b>
	<b>Total Revaluation Surplus</b>	<b>556,410,805</b>	<b>546,012,854</b>
	<b>Summary of Revaluation Surplus</b>	<b>2018</b>	<b>2017</b>
	<b>Details</b>	<b>\$</b>	<b>\$</b>
	Balance at 1 July	546,012,854	543,787,448
	Revaluation Increments	26,632,252	28,194,475
	Revaluation Decrements	(16,234,301)	(25,969,069)
	Adjustment to Prior Year Revaluation	-	-
	Adjustment to Revaluation on Disposed Buildings	-	-
	<b>Balance at 30 June</b>	<b>556,410,805</b>	<b>546,012,854</b>

\* Refer to Note 40, regarding infrastructure assets identified during the 30 June 2018 year end.

**CITY OF SOUTH PERTH  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**24. TRUST FUNDS**

<b>Details</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Trust Liabilities</b>		
Footpath Deposits	960,200	873,900
Hall Bonds	25,190	32,524
Lessee Bonds	44,080	32,260
Sundry Trusts	488,757	229,029
<b>Total Trust Liabilities</b>	<b>1,518,227</b>	<b>1,167,713</b>
<b>Trust Assets</b>		
Cash at Bank	443,227	392,713
Investments	1,075,000	775,000
<b>Total Trust Assets</b>	<b>1,518,227</b>	<b>1,167,713</b>

<b>Movement in Trust Funds</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Footpath Deposits</b>		
Opening Balance	873,900	857,700
Deposits	604,890	610,463
Refunds	(511,344)	(571,450)
Retentions	(7,246)	(22,813)
Closing Balance	960,200	873,900
<b>Hall Bonds</b>		
Opening Balance	32,524	4,250
Deposits	192,507	38,554
Refunds	(199,568)	(10,280)
Retentions	(273)	-
Closing Balance	25,190	32,524
<b>Lessee Bonds</b>		
Opening Balance	32,260	21,945
Deposits	15,210	10,315
Refunds	(3,341)	-
Retentions	(49)	-
Closing Balance	44,080	32,260
<b>Sundry Trusts Deposits</b>		
Opening Balance	229,029	35,731
Deposits	432,233	270,488
Refunds	(172,425)	(69,865)
Retentions	(80)	(7,325)
Closing Balance	488,757	229,029

**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.

<b>Details</b>	<b>2018</b>	<b>2017</b>
Number of FTE Employees at Reporting Date	225.4	205.7

**CITY OF SOUTH PERTH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**26. ELECTED MEMBERS' EXPENDITURE**

**Elected Members' Remuneration Payments**

For the year ended 30 June 2018, 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'.

Details	Budget	2018	2017
	\$	\$	\$
Meeting Attendance Fees	220,000	206,925	226,650
Local Government Allowances	80,000	73,609	77,250
Technology Allowances	42,052	31,500	54,601
Total Elected Members' Remuneration Payments	342,052	312,034	358,501

**Other Elected Members' Expenditure**

There are other expenses made on behalf of Elected Members.

Insurances	33,000	29,749	33,709
Training & Conferences	50,000	32,226	3,334
Election Expenses	120,000	108,884	-
Subscriptions	40,000	45,977	47,226
Other Expenses	32,450	31,900	15,599
Depreciation	109,000	86,522	84,774
Total Other Elected Members' Expenditure	384,450	335,258	184,642

<b>Total Elected Members' Expenditure</b>	<b>726,502</b>	<b>647,292</b>	<b>543,143</b>
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**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	2018	2017
	\$	\$
Not later than 1 Year	70,987	70,987
Later than 1 Year and not later than 5 Years	141,974	212,961
Later than 5 Years	-	-
<b>Total Operating Lease Obligations</b>	<b>212,961</b>	<b>283,948</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 & 46.

**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	2018	2017
	\$	\$
Not later than 1 Year	3,712,511	3,567,459
Later than 1 Year and not later than 5 Years	2,339,577	-
Later than 5 Years	-	-
<b>Total Capital Commitments</b>	<b>6,052,088</b>	<b>3,567,459</b>

**CITY OF SOUTH PERTH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**31. OPENING / CLOSING POSITION**

<b>Details</b>	<b>Budget \$</b>	<b>2018 \$</b>	<b>2017 \$</b>
<b>Current Assets</b>			
Cash & Cash Equivalents	50,372,741	52,080,034	61,615,070
Trade & Other Receivables			
Rates	182,964	1,431,343	660,348
Sundry Debtors	97,931	724,165	443,786
Infringement Debtors	101,328	593,928	475,695
GST Debtors	68,317	462,517	1,463,496
Pension Rebate Receivable	5,000	143,160	13,084
UGP Debtors	2,507	12,880	16,859
ESL Debtors	49,312	199,745	69,015
Self-Supporting Loan Debtors	17,362	304,375	291,795
Provision for Doubtful Debts	(242,637)	(246,963)	(182,047)
Inventories - Materials	151,052	6,793	109,051
Inventories - Land Held for Resale	-	-	-
Accrued Interest Revenue	34,245	119,157	692,197
Prepayments	150,136	215,372	204,141
<b>Sub Total</b>	<b>50,990,258</b>	<b>56,046,506</b>	<b>65,872,490</b>
Exclude:			
Inventories - Land Held for Resale	-	-	-
Self-Supporting Loan Debtors	(17,362)	(304,375)	(291,795)
<b>Adjusted Current Assets</b>	<b>50,972,896</b>	<b>55,742,131</b>	<b>65,580,695</b>
<b>Current Liabilities</b>			
Trade & Other Payables			
Accounts Payable	(1,911,407)	(3,438,731)	(4,968,736)
Income in Advance	(111,836)	(86,862)	(43,737)
Accrued Wages	(1,143,372)	(756,447)	(652,676)
Accrued Interest Expense	(17,952)	(79,481)	(24,317)
Leaseholder Liability	-	(29,026,970)	(30,563,600)
Other Payables	-	(173,981)	-
Interest Bearing Liabilities	(236,205)	(1,504,508)	(1,482,788)
Employee Provisions - Annual Leave	(2,361,759)	(2,422,387)	(2,346,144)
Employee Provisions - Long Service Leave	(2,087,253)	(1,964,604)	(2,055,871)
<b>Sub Total</b>	<b>(7,869,784)</b>	<b>(39,453,971)</b>	<b>(42,137,869)</b>
Exclude:			
Interest Bearing Liabilities	236,205	1,504,508	1,482,788
Liabilities Associated with Restricted Assets	-	29,026,970	30,563,600
<b>Adjusted Current Liabilities</b>	<b>(7,633,579)</b>	<b>(8,922,493)</b>	<b>(10,091,481)</b>
<b>(Adjusted) Net Current Assets</b>	<b>43,339,317</b>	<b>46,819,638</b>	<b>55,489,214</b>
Less			
Restricted Assets - Cash Reserves	(42,494,667)	(42,188,903)	(49,400,376)
<b>SURPLUS (DEFICIT)</b>	<b>844,650</b>	<b>4,630,735</b>	<b>6,088,838</b>

**CITY OF SOUTH PERTH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

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**31. OPENING / CLOSING POSITION (Continued)**

Net current (unrestricted) assets carried forward at 1 July 2017 as disclosed for the purpose of the budget were \$5,515,459. 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 2017 of \$5,388,953.

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 10 July 2017. 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.

**32. RATING INFORMATION**

**Rate In the Dollar**

A rate of 6.5563 cents in the dollar (6.5400 cents in 2017) 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 \$968.20 Minimum Rate was applied (\$940.00 in 2017). This rate was determined to reflect the basic cost incurred in servicing lots within the district for the 2017/2018 rating year. Some 9.1% 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	2018	2017
	\$	\$	\$
Administration Fee – Instalments	150,000	149,480	152,907
Pre Interest on Rates Instalments	150,000	184,429	154,320
Interest on Overdue Rates	100,000	188,593	103,982
<b>Total Charges and Interest</b>	<b>400,000</b>	<b>522,502</b>	<b>411,209</b>

**CITY OF SOUTH PERTH  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**32. RATING INFORMATION (Continued)**

**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 2017/2018 rating year.

**Emergency Services Levy**

During the 2017/2018 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 2017/2018 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 on not at 30 June 2018. 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.

**33. SCHEDULE OF RATES LEVIED**

**2017/2018 ACTUAL**

Particulars	Rateable Value \$	Rate in \$ Cents	Rate Yield \$	Min No.	Min Yield (\$)	Total Yield \$
<b>General - GRV</b>						
Residential	488,302,951	6.5563	30,368,619	1,772	1,715,650	32,084,269
Commercial	57,785,760	6.5563	3,773,436	70	67,774	3,841,210
Interim Rates	1,844,791	6.5563	120,950	-	-	120,950
<b>TOTAL</b>	<b>547,933,502</b>		<b>34,263,005</b>	<b>1,842</b>	<b>1,783,424</b>	<b>36,046,429</b>

**2017/18 ANNUAL ADOPTED BUDGET**

Particulars	Rateable Value \$	Rate in \$ Cents	Rate Yield \$	Min No.	Min Yield (\$)	Total Yield \$
<b>General - GRV</b>						
Residential	486,753,220	6.5563	30,347,339	1,772	1,715,650	32,062,989
Commercial	58,705,813	6.5563	3,796,474	70	67,774	3,864,248
Interim Rates	-	6.5563	150,000	-	-	150,000
<b>TOTAL</b>	<b>545,459,033</b>		<b>34,293,813</b>	<b>1,842</b>	<b>1,783,424</b>	<b>36,077,237</b>

**CITY OF SOUTH PERTH  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**34. GENERAL PURPOSE FUNDING**

<b>Details</b>	<b>Budget \$</b>	<b>2018 \$</b>	<b>2017 \$</b>
<b>General Rate</b>			
GRV – 18,445 Assessments	34,143,813	34,142,055	
Rate in \$ of 6.5563 cents			
GRV - 17,674 Assessments			32,265,263
Rate in \$ of 6.5400 cents			
<b>Minimum Rate</b>			
GRV – 1,842 Assessments at \$ 968.20	1,783,424	1,783,424	
GRV - 2,258 Assessments at \$ 940.00			2,122,520
<b>Interim Rates</b>			
GRV - Rate in \$ of 6.5563 cents	150,000	120,950	
GRV - Rate in \$ of 6.5400 cents			218,723
<b>Sub Total</b>	<b>36,077,237</b>	<b>36,046,429</b>	<b>34,606,506</b>
Plus - Late Payment Penalties / Interest	250,000	178,983	258,303
Plus - Admin & Legal Fees Recouped	230,000	176,903	232,602
Less - Rates Written-Off	(12,500)	(4,134)	(15,080)
<b>Total Amount from Rates</b>	<b>36,544,737</b>	<b>36,398,181</b>	<b>35,082,331</b>
<b>Grant Revenue</b>			
General (Untied) Grant	950,000	892,948	1,402,701
<b>Sub Total</b>	<b>950,000</b>	<b>892,948</b>	<b>1,402,701</b>
<b>Other General Purpose Income</b>			
Pensioner's Deferred Rates Interest	18,000	936	11,968
Interest Revenue (Including Reserves)	1,083,819	934,979	1,860,325
UGP Financing Interest	-	-	-
ESL Transaction Processing Fee	38,000	40,330	38,980
ESL Interest Revenue	15,000	21,580	16,157
Change in Equity - Local Govt House Trust	-	-	-
Other General Purpose Revenue	462,512	626,826	611,017
<b>Sub Total</b>	<b>1,617,331</b>	<b>1,624,651</b>	<b>2,538,447</b>
<b>Total General Purpose Revenue</b>	<b>39,112,068</b>	<b>38,915,780</b>	<b>39,023,479</b>
<b>Expenses</b>			
Rates Collection / Valuation Expenses	(457,243)	(302,348)	(668,704)
Interest Expense - Loans	(390,044)	(396,418)	(455,032)
Financing Expense	(25,000)	(590)	(8,413)
Change in Equity - Joint Venture	-	29,424	(45,693)
Allocated Outwards	64,262	66,900	103,860
<b>Total General Purpose Expenses</b>	<b>(808,025)</b>	<b>(603,032)</b>	<b>(1,073,982)</b>

**CITY OF SOUTH PERTH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**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	2018	2017
	\$	\$
Cash on Hand	4,500	4,050
Cash at Bank	74,732	1,698,122
Cash Equivalents	52,000,802	59,912,898
<b>Total Cash &amp; Cash Equivalents</b>	<b>52,080,034</b>	<b>61,615,070</b>

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

Details	2018	2017
	\$	\$
<b>Net Operating Result</b>	(2,289,743)	2,127,139
Add (Less) Non Cash Items		
Depreciation	11,308,996	10,871,349
Amortisation	160,747	111,227
Profit on Sale of Assets	(111,319)	(1,965,493)
Change in Equity - Investments	(29,424)	45,693
Expense of Work in Progress in Prior Year	32,563	-

**Non Operating Items**

Grants for the Construction of Assets	(974,937)	(2,251,147)
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**Changes in Assets & Liabilities during Year**

(Increase) / Decrease in Current Receivables	(360,540)	(1,391,375)
(Increase) / Decrease in Inventory	102,258	20,716
(Increase) / Decrease in Prepayments	(11,231)	119,138
(Increase) / Decrease in Accrued Income	573,040	(398,524)
Increase / (Decrease) in Current Payables	(1,530,004)	1,528,980
Increase / (Decrease) in Income in Advance	43,125	(9,853)
Increase / (Decrease) in Accrued Expenses	158,935	200,670
Increase / (Decrease) in Current Provisions	(15,024)	632,050
Increase / (Decrease) in Other Payables	173,981	-
(Increase) / Decrease in Non Current Receivables	(61,417)	4,699
Increase / (Decrease) in Non Current Provisions	61,573	(73,695)

**Net Cash Provided by Operations**

**7,231,579**      **9,571,574**

**LOAN FACILITIES**

Self Supporting Loans	1,043,585	1,353,235
Golf Course Loans	3,070,797	3,337,466
City Loans	6,142,819	6,998,335
<b>Net Loan Liability</b>	<b>10,257,201</b>	<b>11,689,036</b>

**CITY OF SOUTH PERTH  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**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 (2017: \$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	
	2018	2017	2018	2017
Financial Assets	\$	\$	\$	\$
Cash & Cash Equivalents	52,080,034	61,615,070	52,080,034	61,615,070
Receivables	4,890,284	4,777,979	4,890,284	4,777,979
<b>Total</b>	<b>56,970,318</b>	<b>66,393,049</b>	<b>57,970,318</b>	<b>66,393,049</b>
Financial Liabilities				
Payables	4,535,502	5,689,466	4,535,502	5,689,499
Borrowings	10,257,201	11,689,036	10,571,995	9,342,199
Leaseholder Liability	29,026,970	30,563,600	29,026,970	27,426,366
<b>Total</b>	<b>43,819,673</b>	<b>47,942,102</b>	<b>44,134,467</b>	<b>42,458,031</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 or 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.

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**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>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Sensitivity Analysis - 1% Change in Interest Rate</b>		
Equity	520,800	616,151
Income Statement	520,800	616,151

**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>2018</b>	<b>2017</b>
<b>Rates &amp; Charges</b>		
Current	32.2%	88.9%
Overdue	67.8%	11.1%
<b>Other Receivables</b>		
Current	79.0%	90.2%
Overdue	21.0%	9.8%

**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 98.4 days. The weighted average interest rate yield was 2.47% on investments and an average rate of 1.25% 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.

**CITY OF SOUTH PERTH**  
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**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>Payables - Classified by Year</b>	<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>2018</b>					
Payables	4,535,502	-	-	4,535,502	4,535,502
Leaseholder Liability (Retirement Facility)	4,025,638	13,348,169	11,653,163	29,026,970	29,026,970
Borrowings	1,956,754	4,776,299	6,386,859	13,119,912	10,257,201
	<b>10,517,874</b>	<b>18,124,468</b>	<b>18,040,022</b>	<b>46,682,384</b>	<b>43,819,673</b>
<b>2017</b>					
Payables	5,689,466	-	-	5,689,466	5,689,466
Leaseholder Liability (Retirement Facility)	2,242,536	8,970,145	19,350,919	30,563,600	30,563,600
Borrowings	2,047,765	5,777,734	7,279,497	15,104,996	11,689,036
	<b>9,979,767</b>	<b>14,747,879</b>	<b>26,630,416</b>	<b>51,358,062</b>	<b>47,942,102</b>

**Carrying Amounts of Borrowings with Interest Rate Sensitivity**

<b>2018</b>	<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>
Fixed Rate – Borrowings	1,504,508	1,297,175	971,714	615,148	642,264	5,226,392	10,257,201
Weighted Ave Interest Rate	5.26%	4.97%	4.58%	4.32%	4.33%	4.30%	<b>4.26%</b>
<b>2017</b>							
Fixed Rate – Borrowings	1,482,788	1,529,763	1,213,362	977,341	617,125	5,868,657	11,689,036
Weighted Ave Interest Rate	5.250%	5.304%	4.942%	4.587%	4.326%	4.326%	<b>4.390%</b>

**CITY OF SOUTH PERTH**  
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**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 Numbers 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.

<b>Loan No</b>	<b>Loan Term</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Instalment Frequency</b>	<b>Balance 1 Jul 17</b>	<b>New Borrowings</b>	<b>Principal Repayment</b>	<b>Interest Repayment</b>	<b>Total Repayment</b>	<b>Balance 30 Jun 18</b>
<b>City Loans</b>										
223	10 Yr	Jun 2019	6.22%	Monthly	757,288	-	(366,902)	(36,761)	(403,663)	390,386
225A	10 Yr	Jun 2021	5.48%	Monthly	932,813	-	(196,119)	(42,421)	(238,540)	736,694
225B	10 Yr	Jun 2021	4.02%	Monthly	489,487	-	(105,337)	(16,285)	(121,622)	384,150
231	20 Yr	Jun 2036	3.21%	Monthly	4,818,747	-	(187,157)	(151,944)	(339,101)	4,631,590
<b>Golf Course Loans</b>										
227	15 Yr	Sep 2026	4.97%	Monthly	3,337,466	-	(266,669)	(146,573)	(413,242)	3,070,797
<b>Loans – Clubs &amp; Institutions</b>										
220	17 Yr	Nov 2021	6.28%	Monthly	22,519	-	(22,519)	(727)	(23,246)	-
224	10 Yr	Feb 2020	6.15%	Semi Annual	790,790	-	(247,801)	(44,881)	(292,682)	542,989
228	15 Yr	Nov 2027	4.65%	Quarterly	63,879	-	(4,837)	(2,887)	(7,724)	59,042
229	15 Yr	Feb 2028	4.42%	Quarterly	389,986	-	(29,012)	(16,761)	(45,773)	360,974
230	15 Yr	Sep 2029	4.22%	Monthly	86,061	-	(5,482)	(3,527)	(9,009)	80,579
<b>Total Borrowings</b>					<b>11,689,036</b>	<b>-</b>	<b>(1,431,835)</b>	<b>(462,767)</b>	<b>(1,894,602)</b>	<b>10,257,201</b>

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

<b>Movement</b>	<b>Land</b>	<b>Buildings</b>	<b>Artwork</b>	<b>Technology Equipment</b>	<b>Furniture Fittings</b>	<b>Mobile Plant</b>	<b>Plant &amp; Equipment</b>	<b>Work in Progress</b>	<b>Total</b>
Balance - 1 July 2017	273,160,000	93,093,093	360,836	977,527	744,798	2,902,512	559,158	3,330,654	375,128,578
Additions	-	4,624,862	119,000	302,406	674,424	1,239,741	604,959	-	7,565,392
Disposals	(186,949)	-	-	(7,922)	-	(130,681)	-	-	(325,552)
Revaluation Increments / (Decrements)	199,949	39,096	794,986	-	-	-	-	-	1,034,031
Additions to Work in Progress	-	-	-	-	-	-	-	20,125	20,125
Transfer from Infrastructure - Parks	-	-	80,900	-	-	-	-	-	80,900
Transfer from/(to) WIP Infrastructure	-	-	-	-	-	-	-	(167,332)	(167,332)
Transfer from/(to) WIP Intangibles	-	-	-	-	-	-	-	(127,276)	(127,276)
Transfer from/(to) Expenses	-	-	-	-	-	-	-	(32,563)	(32,563)
Transfers from Work in Progress	-	2,953,983	49,500	-	-	-	-	(3,003,483)	-
Depreciation Expense	-	(1,957,007)	(12,670)	(333,965)	(116,154)	(1,123,972)	(117,440)	-	(3,661,208)
<b>Balance - 30 June 2018</b>	<b>273,173,000</b>	<b>98,754,027</b>	<b>1,392,552</b>	<b>938,046</b>	<b>1,303,068</b>	<b>2,887,600</b>	<b>1,046,677</b>	<b>20,125</b>	<b>379,515,095</b>

**CITY OF SOUTH PERTH  
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**39. PROPERTY PLANT & EQUIPMENT - MOVEMENTS IN CARRYING AMOUNTS (Continued)**

<b>Movement</b>	<b>Land</b>	<b>Buildings</b>	<b>Artwork</b>	<b>Technology Equipment</b>	<b>Furniture Fittings</b>	<b>Mobile Plant</b>	<b>Plant &amp; Equipment</b>	<b>Work in Progress</b>	<b>Total</b>
Balance - 1 July 2016	280,596,371	83,985,512	368,963	641,295	362,060	3,042,858	538,967	14,630,103	384,166,129
Additions	-	810,747	-	616,971	500,413	1,119,838	132,175	-	3,180,144
Disposals	-	-	-	-	-	(167,197)	-	-	(167,197)
Revaluation Decrements	(7,436,371)	(8,192,608)	-	-	-	-	-	-	(15,628,979)
Transfer (to) from Assets Held for Sale	-	-	-	-	-	-	-	-	-
Additions to Work in Progress	-	-	-	-	-	-	-	6,045,126	6,045,126
Transfer from WIP Infrastructure	-	725,003	-	-	-	-	-	-	725,003
Transfers from Work in Progress	-	17,344,575	-	-	-	-	-	(17,344,575)	-
Disposal of Previously Revalued Assets	-	-	-	-	-	-	-	-	-
Depreciation Expense	-	(1,580,136)	(8,127)	(280,739)	(117,675)	(1,092,987)	(111,984)	-	(3,191,648)
<b>Balance - 30 June 2017</b>	<b>273,160,000</b>	<b>93,093,093</b>	<b>360,836</b>	<b>977,527</b>	<b>744,798</b>	<b>2,902,512</b>	<b>559,158</b>	<b>3,330,654</b>	<b>375,128,578</b>

**CITY OF SOUTH PERTH  
NOTES TO THE FINANCIAL STATEMENTS  
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**40. INFRASTRUCTURE - MOVEMENTS IN CARRYING AMOUNTS**

<b>Movement</b>	<b>Roads Network</b>	<b>Drainage Network</b>	<b>Path Network</b>	<b>Street Furniture</b>	<b>Parks Assets</b>	<b>Foreshore Assets</b>	<b>Car Parking</b>	<b>Work in Progress</b>	<b>Total Infrastructure</b>
Balance - 1 July 2017	199,573,890	20,082,899	39,120,531	1,589,893	67,733,614	2,176,898	-	1,496,797	331,774,522
Additions	3,402,388	452,041	428,988	10,180	1,117,975	26,945	-	-	5,438,517
Disposals	-	-	-	-	-	-	-	-	-
Revaluation Increments	-	570,491	2,939,879	287,462	-	13,477,401	8,322,988	-	25,598,221
Revaluation Decrements	(12,867,169)	-	-	-	(3,367,132)	-	-	-	(16,234,301)
Write Down / Adjustment	-	-	-	-	-	-	-	-	-
Additions to Work in Progress	-	-	-	-	-	-	-	2,034,565	2,034,565
Transfers to Artworks	-	-	-	-	(80,900)	-	-	-	(80,900)
Transfers from Work in Progress	181,755	41,619	-	-	1,273,423	-	-	(1,496,797)	-
WIP Transfer to PP&E	-	-	-	-	-	-	-	-	-
Depreciation Expense	(4,681,997)	(469,653)	(1,119,148)	(100,379)	(1,276,611)	-	-	-	(7,647,788)
<b>Balance - 30 June 2018*</b>	<b>185,608,867</b>	<b>20,677,397</b>	<b>41,370,250</b>	<b>1,787,156</b>	<b>65,400,369</b>	<b>15,681,244</b>	<b>8,322,988</b>	<b>2,034,565</b>	<b>340,882,836</b>

\* During the 30 June 2018 year end, a full inventory and independent valuation was undertaken for Infrastructure Assets. This full review identified \$20.7m (Foreshore Assets \$12.4m and Car Parking \$8.3m) in Infrastructure Assets that previously existed, but were not currently recorded in the Financial Statements. A significant portion of the assets not previously recognised at fair value, were constructed between fifty to sixty years ago. The valuation of Infrastructure assets practically, can only be completed during a current review based on conditions existing at that time. Retrospective restatement is impracticable due to condition surveys not being completed during prior periods for these assets. Retrospective estimations of asset values for previous years would require making numerous assumptions which have significantly variability affecting the accuracy and reliability, as such retrospective valuations would be inappropriate and may be misleading.

The error identified, with Infrastructure Assets not being accounted for in prior periods has been corrected as at 30 June 2018, with a full asset review and independent valuation being completed.

**CITY OF SOUTH PERTH  
NOTES TO THE FINANCIAL STATEMENTS  
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**40. INFRASTRUCTURE - MOVEMENTS IN CARRYING AMOUNTS (Continued)**

<b>Movement</b>	<b>Roads Network</b>	<b>Drainage Network</b>	<b>Path Network</b>	<b>Street Furniture</b>	<b>Parks Assets</b>	<b>Foreshore Assets</b>	<b>Work in Progress</b>	<b>Total Infrastructure</b>
Balance - 1 July 2016	176,782,567	19,457,038	36,262,664	989,558	75,583,627	2,035,969	1,277,344	312,388,767
Additions	3,433,503	571,023	361,579	203,744	877,742	140,929	-	5,588,520
Disposals	-	-	-	-	-	-	-	-
Revaluation Increments	24,039,817	524,491	3,133,196	496,971	-	-	-	28,194,475
Revaluation Decrements	-	-	-	-	(9,573,626)	-	-	(9,573,626)
Write Down / Adjustment	-	-	-	-	-	-	-	-
Additions to Work in Progress	-	-	-	-	-	-	3,581,090	3,581,090
Transfers from Work in Progress	-	-	482,240	-	2,154,394	-	(2,636,634)	-
WIP Transfer to PP&E	-	-	-	-	-	-	(725,003)	(725,003)
Depreciation Expense	(4,681,997)	(469,653)	(1,119,148)	(100,380)	(1,308,523)	-	-	(7,679,701)
<b>Balance - 30 June 2017</b>	<b>199,573,890</b>	<b>20,082,899</b>	<b>39,120,531</b>	<b>1,589,893</b>	<b>67,733,614</b>	<b>2,176,898</b>	<b>1,496,797</b>	<b>331,774,522</b>

**CITY OF SOUTH PERTH**  
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**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
- Car Parking

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 2018**

Asset Class	Note	Level 1	Level 2	Level 3	Total
Land	13		270,173,000	3,000,000	273,173,000
Buildings	13			98,754,027	98,754,027
Artworks	13		1,392,552		1,392,552
Technology Equipment	13		938,046		938,046
Furniture & Fittings	13		1,303,068		1,303,068
Mobile Plant	13		2,887,600		2,887,600
Plant & Equipment	13		1,046,677		1,046,677
Roads	14			185,608,867	185,608,867
Drainage	14			20,677,397	20,677,397
Paths	14			41,370,250	41,370,250
Park Assets	14			65,400,369	65,400,369
Street Furniture	14			1,787,156	1,787,156
Foreshore Assets	14			15,681,244	15,681,244
Car Parking	14			8,322,988	8,322,988
<b>Total Non-Financial Assets</b>			<b>277,740,943</b>	<b>440,602,298</b>	<b>718,343,241</b>

**CITY OF SOUTH PERTH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**41. FAIR VALUE (Continued)**

Recurring Fair Value Measurements; Non-Financial Assets at 30 June 2017

Asset Class	Note	Level 1	Level 2	Level 3	Total
Land	13		270,160,000	3,000,000	273,160,000
Buildings	13			93,093,093	93,093,093
Artworks	13		360,836		360,836
Technology Equipment	13		977,527		977,527
Furniture & Fittings	13		744,798		744,798
Mobile Plant	13		2,902,512		2,902,512
Plant & Equipment	13		559,158		559,158
Roads	14			199,573,890	199,573,890
Drainage	14			20,082,899	20,082,899
Paths	14			39,120,531	39,120,531
Parks	14			67,733,614	67,733,614
Street Furniture	14			1,589,893	1,589,893
Foreshore Assets	14			2,176,898	2,176,898
Total Non-Financial Assets			275,704,831	426,370,818	702,075,649

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 *
Car Parking	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.

**41. FAIR VALUE (Continued)**

**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 2018 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 (WDV) approximates fair value. Accordingly, it is considered that these values reflect compliance with *Local Government (Financial Management) Regulation 17A*.

**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.

**41. FAIR VALUE (Continued)**

**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 2018 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.

**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.

**41. FAIR VALUE (Continued)**

**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 Statements 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 2014/15 and did not require a revised valuation in 2015/16, 2016/17 or 2017/18.

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) 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 2017 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.

In the 2018 Fair Value exercise, the most significant variations were as disclosed below:

**Land**

Land Assets marginally decreased during the year due to disposals. The change in value for the Land asset class was adjusted against the Asset Revaluation Reserve for this asset class.

**Buildings**

There was an increase of 6.1% overall in the value of building assets. The John McGrath Pavilion and Hall comprised the major additions in value to buildings during the year. The change in value for the buildings asset class was adjusted against the Asset Revaluation Reserve for this asset class.

**Roads Network**

The replacement value of the road network decreased by 7.0% 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 resulted in a reduced fair value. Rights-of-way previously recognised were derecognised during the year, as these were not City assets. The change in value was adjusted against the Asset Revaluation Reserve for this asset class.

**Paths Network**

The WDV of the path network increased 5.8% during the year primarily due to revaluation, the condition based assessment of the pathway network and new capital works being undertaken. The change in value was adjusted against the Asset Revaluation Reserve for this asset class.

**CITY OF SOUTH PERTH  
NOTES TO THE FINANCIAL STATEMENTS  
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**41. FAIR VALUE (Continued)**

**Valuation Process**

**Drainage**

The WDV of drainage assets increased by 3.0% in 2018 primarily due to changes in the rates. The change in value was adjusted against the Asset Revaluation Reserve for this asset class.

**Park Assets**

Park asset decreased by 3.3% during the year, partially attributed to reallocation to foreshore assets. The change in the value of the park asset class was adjusted against the Asset Revaluation Reserve for this asset class.

**Street Furniture**

Street furniture assets increased during the year by 12.4% primarily as a result of revaluations. The change in the value of the street furniture asset class was adjusted against the Asset Revaluation Reserve for this asset class.

**Car Parking**

The replacement value of the Car Parking network assets were recognised during the year. The valuation largely reflects 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.

**Foreshore Assets**

Foreshore Assets increased 620.3% during the year due to additions and reclassification from Park Assets. Foreshore Assets were revalued during the year.

**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 used.

Description	Note	FV Level	Valuation Technique	Inputs Used
<b>Liabilities</b>				
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 used to calculate the fair values disclosed in the notes to the Financial Statements during 2017/2018.

**CITY OF SOUTH PERTH  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**42. KEY PERFORMANCE INDICATORS**

<b>Performance Measure</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>CURRENT RATIO</b>	<b>0.85</b>	<b>0.9</b>	<b>1.06</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	13,857,603	16,472,113	16,579,935
Current Liabilities - Restricted Liabilities	16,380,474	18,213,743	15,568,194
<i>* Ratios have been amended to reflect reclassification of Leaseholder Liability from non-current to current.</i>			
<b>OPERATING SURPLUS RATIO</b>	<b>(6.0%)</b>	<b>(1.5%)</b>	<b>2.1%</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	(3,264,680)	(823,894)	1,162,331
Own Source Revenue	54,605,385	55,614,925	55,366,598
<b>OWN SOURCE REVENUE COVER RATIO</b>	<b>90.9%</b>	<b>95.5%</b>	<b>100.0%</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	54,605,385	55,614,925	55,366,598
Operating Expenses	60,103,806	58,261,037	55,345,665
<b>DEBT SERVICE RATIO</b>	<b>4.64</b>	<b>5.32</b>	<b>7.72</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	8,782,688	10,799,224	12,872,418
Debt Service Costs - Principal & Interest	1,894,602	2,032,901	1,666,417

**CITY OF SOUTH PERTH  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**42. KEY PERFORMANCE INDICATORS (Continued)**

Performance Measure	2018	2017	2016
<b>ASSET SUSTAINABILITY RATIO</b>	<b>62.2%</b>	<b>165.8%</b>	<b>97.1%</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	7,139,035	18,212,771	10,866,283
Depreciation Expense & Amortisation	11,469,743	10,982,576	11,193,527

**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	2018	2017	2016
<b>ASSET CONSUMPTION RATIO</b>	<b>71.8%</b>	<b>71.9%</b>	<b>69.4%</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	446,184,324	429,893,919	400,947,744
Current Replacement Value of Assets	621,307,727	598,050,199	577,909,330
<b>ASSET RENEWAL FUNDING RATIO</b>	<b>100.00%</b>	<b>97.3%</b>	<b>97.7%</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>			
Net Present Value of Planned Renewal Funding	68,252,694	90,815,026	100,945,026
Net Present Value of Required Renewal Funding	68,252,694	93,371,237	103,324,823

**43. EVENTS AFTER THE REPORTING PERIOD**

There have been no significant events after the reporting period that are required to be included in the 2017/2018 Annual Financial Report.

**CITY OF SOUTH PERTH  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**44. RELATED PARTY TRANSACTIONS**

**Key Management Personnel (KMP) Compensation Disclosure**

Total Remuneration paid to KMP of the City during the year are as follows:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	1,156,351	1,045,132
Post-employment benefits	125,300	120,550
Other long-term benefits	95,940	96,515
Termination benefits	-	-
	<b><u>1,377,591</u></b>	<b><u>1,262,197</u></b>

*Short-term employee benefits*

These amounts include all salary, paid leave and fringe benefits awarded to KMP including fees and benefits paid to elected members.

*Post-employment benefits*

These amounts are the current-year's estimated cost of providing for the Entity's superannuation contributions made during the year.

*Other long-term benefits*

These amounts represent long service benefits including the non-current entitlement to long service leave and annual leave accruing during the year.

*Termination benefits*

These amounts represent termination benefits paid to KMP during the year.

**Related Parties**

The entity's main related parties are as follows:

i. Key management personnel

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

ii. Entities subject to significant influence by the entity

An entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement.

iii. Joint venture entities accounted for under the equity method

The Entity has interests in the Local Government House Trust and the Rivers Regional Council. The interest in the joint venture entity is accounted for in these financial statements using the equity method of accounting. For details of interests held in joint venture entities, refer to Note 12.

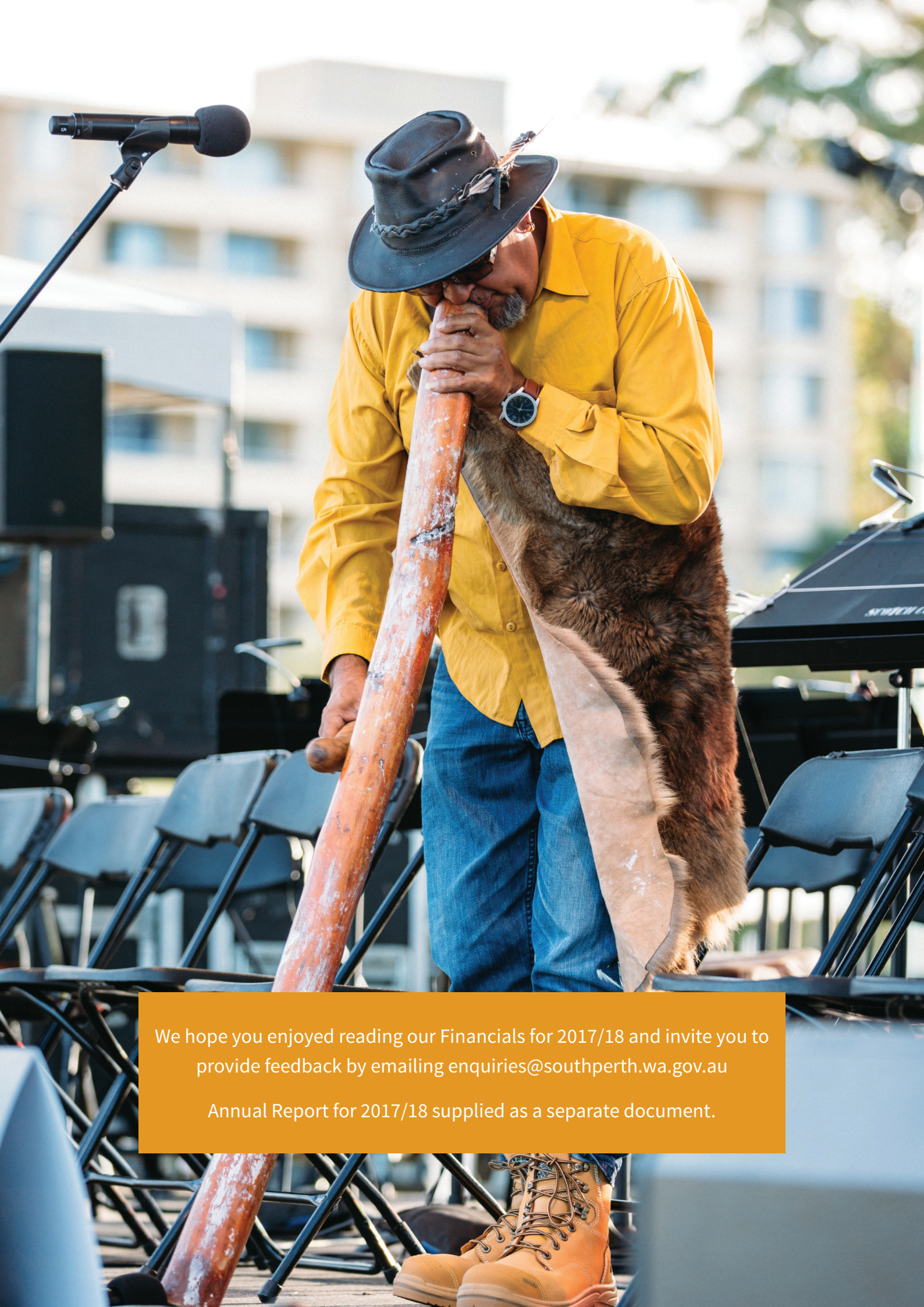
The City has an ownership interest in the Local Government House Trust, which is included in the financial statements, comprising of 10 units. This ownership interest represents 1.61% and \$154,668 (2017: 1.61% and \$154,761).

The City has an interest in the Rivers Regional Council based on the tonnes of waste delivered during the previous financial year, which is included in the financial statements. The percentage interest for the year, based on proportionate prior year tonnage contributions (from the Cities of Armadale, Gosnells, Mandurah, South Perth and the Shires of Serpentine Jarrahdale, Murray and Waroona) was 12.23% representing an interest of \$55,103 (2017: 11.91% and \$25,587). The total contribution paid to Rivers Regional Council during the year were \$67,535.

**44. RELATED PARTY TRANSACTION (continued)**

**Transactions with related parties**

Transactions between related parties in the ordinary course of business undertake at arm's length, and are no more favourable than those available to other parties have been identified to be transactions an ordinary citizen would undertake with the City. These Ordinary Citizen Transactions have been determined to be immaterial in nature and are excluded from related party transactions.



We hope you enjoyed reading our Financials for 2017/18 and invite you to provide feedback by emailing [enquiries@southperth.wa.gov.au](mailto:enquiries@southperth.wa.gov.au)

Annual Report for 2017/18 supplied as a separate document.

## USEFUL CONTACTS

### **Civic Centre** **9474 0777**

📍 Cnr Sandgate St and South Tce,  
South Perth WA 6151

Fax 9474 2425  
enquiries@southperth.wa.gov.au  
[www.southperth.wa.gov.au](http://www.southperth.wa.gov.au)

### **Recycling Centre** **9367 2492**

📍 Hayman Rd and Thelma St, Como  
enquiries@southperth.wa.gov.au

### **Animal Care Facility** **9474 0777**

📍 199 Thelma St, Como

### **George Burnett Leisure Centre** **9474 0855**

📍 Manning Rd, Karawara  
leisurecentre@southperth.wa.gov.au

### **South Perth Library** **9474 0800**

📍 Cnr Sandgate St and South Tce, South Perth  
southperthlib@southperth.wa.gov.au

### **Manning Library** **9474 0822**

📍 2 Conochie Crescent, Manning  
manninglib@southperth.wa.gov.au

### **Old Mill** **9367 5788**

📍 Mill Point Rd, South Perth  
oldmill@southperth.wa.gov.au

### **South Perth Senior Citizens** **9367 9880**

📍 53 Coode St, South Perth  
spsc@bigpond.com

### **Manning Senior Citizens** **9450 6273**

📍 3 Downey Dr (off Ley St), Manning  
manningseniors@bigpond.com

### **Graffiti Hotline 1800 007 774**

### **Collier Park Golf Course** **9484 1666**

📍 Hayman Rd, Como  
[www.collierparkgolf.com.au](http://www.collierparkgolf.com.au)

### **Collier Park Village** **9313 0200**

📍 16 Morrison St, Como



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