



CITY OF VINCENT

ITEM 9.3.'

ORDINARY MEETING OF COUNCIL

20 January 2015

TABLED ITEM

CITY OF VINCENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

1. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Accounting

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

The report has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-assets, financial assets and liabilities.

(b) The Local Government Reporting Entity

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

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

Trust Funds

As the City performs only a custodial role in respect of these monies, and because the monies cannot be used for Council purposes, they are excluded from the financial statements.

(c) Rates, Grants, Donation and Other Contributions

Rates, grants, donation and other contributions are recognised as revenues when the council obtains control over the assets comprising the contributions. Control over the assets acquired from rates is obtained at the commencement of the rating period or where, earlier, upon receipt of the rates.

(d) Cash and Cash Equivalents

Cash and cash equivalent comprise cash at bank and in hand and short term deposits that are readily convertible to known amounts of cash and which are subjected to a significant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included as short-term borrowings in current liabilities on the Statement of Financial Position.

(e) Trade and Other Receivables

Trade receivables, which generally have 30 – 90 day terms are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less any allowance for uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. Provision for impairment in receivables is raised when there is objective evidence that they will not be collectible.

CITY OF VINCENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Inventories

General

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories held from trading are classified as current even if not expected to be realised in the next 12 months.

Land Held for Resale

Land purchased for development and/or resale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development and interest incurred on the financing of that land during its development. Interest and holding charges incurred after development is complete are recognised as expenses

Revenue arising from the sale of property is recognised in the Income Statement as at the time of signing a binding contract of sale. Land held for resale is classified as current except where it is held as non-current based on the Council's intentions to release for sale.

(g) Fixed Assets

All assets are initially recognised at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal considerations, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the local government includes the cost of all materials used in the construction, direct labour on the project and an appropriate proportion of variable and fixed overhead.

Certain asset classes may be revalued on a regular basis such that the carrying values are not materially different from fair value. Assets carried at fair value are to be revalued with sufficient regularity to ensure the carrying amount does not differ materially from that determined using fair value at reporting date

(iii) Depreciation of Non Current Assets

All non-current assets having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of the future economic benefits embodied in those assets. Assets are depreciated from the date of the acquisition or in respect of internally constructed assets, from the time the asset is completed and held ready for use.

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

CITY OF VINCENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major depreciation periods are:

Asset Description	Life Expectancy
Buildings	40 years
Furniture and Equipment	4 – 10 years
Plant and Equipment	5 – 15 years
Bores/Pumps	10 – 20 years
Playground Equipment	10 years
Motor Vehicles	5 – 10 years
Sealed Roads and Streets	
Clearing and earthworks	Not depreciated
Construction/road base	33 years
Formed roads (unsealed)	
Clearing and earthworks	Not depreciated
Construction/road base	33 years
Footpaths - Insitu Concrete	75 years
Parking-Sealed/Kerbed/Drained	40 years
Parking-Lighting	30 years
Rights of Way-Sealed/Kerbed/Drained	40 years
Drainage	80 years
Fencing	20 years
Park Furniture/Street Furniture	10 years

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

(h) Employee Entitlements

The provisions for employee benefits relates to amounts expected to be paid for long service leave, annual leave, wages and salaries and are calculated as follows:

(i) Wages, Salaries, Annual Leave and Long Service Leave (Short-term Benefits)

The provision for employees' benefits to wages, salaries, annual leave and long service leave expected to be settled within 12 months represents the amount the municipality has a present obligation to pay resulting from employees services provided to balance date. The provision has been calculated at nominal amounts based on remuneration rates the Council expects to pay and includes related on-costs.

(ii) Annual Leave and Long Service Leave (Long-term Benefits)

The liability for long service leave is recognised in the provision for an employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the project unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national governments bonds with terms to maturity and currency that match as closely as possible, the estimated future cash outflows. Where the City does not have the unconditional right to defer settlement beyond 12 months, the liability is recognised as a current liability.

CITY OF VINCENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Interest in Joint Venture

The Council is participant with six (6) other Councils, namely the cities of Joondalup, Wanneroo, Stirling, Perth and the Towns of Cambridge and Victoria Park.

Interest in Joint Venture is accounted for by applying the equity method. Under this method of accounting interest in a joint controlled entity is initially recorded at cost and adjusted thereafter for the post acquisition change in the venturer's share of net assets of the jointly controlled entity.

(j) Trade and Other Payables

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

(k) Goods and Services Tax

In accordance with recommended practice, revenues, expenses and assets capitalised are stated net of any GST recoverable. Receivables and payables in the Statement of Financial Position are stated inclusive of applicable GST.

(l) Interest-Bearing Loans and Borrowings

Borrowings are classified as current liabilities unless Council has an unconditional right to defer settlement of the liability for at least twelve (12) months after the Statement of Financial Position date.

(m) Investments and other Financial Assets

Classification

Council classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

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

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

CITY OF VINCENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) **Investments and other Financial Assets** (Continued)

(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. They are included in current assets, except for those with maturities greater than twelve (12) months after the Statement of Financial Position date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the Statement of Financial Position.

(n) **Provisions**

Provisions are recognised when: The Council has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(o) **Estimation of Fair Value**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the Statement of Financial Position date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

CITY OF VINCENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Rounding

All figures shown in the financial report have been rounded off to the nearest dollar and some minor variations between schedules may result.

(q) Comparatives

Comparative figures are, where appropriate, reclassified as to be comparable with the figures presented for the current financial year.

(r) Budget Comparative Figures

Unless otherwise stated, the budget comparative figures shown in this annual financial report relate to the revised estimate for the relevant item of the disclosure except the rate setting statement and statement of rating information where the original estimates are used.

(s) Nature or Type Classifications

Rates

All rates levied under the Local Government Act 1995. Includes general, differential, specific area rates, minimum rates, interim rates, back rates, ex gratia rates, less discount offered. Exclude administration fees, interest on instalments, interest on arrears and service charge.

Operating Grants, Subsidies and Contribution

Refer to all amounts received as grants, subsidies and contributions that are not non-operating grants.

Non-Operating Grants, Subsidies and Contribution

Amounts received specifically for the acquisitions, construction of new or the upgrading of non-current assets paid to a local government, irrespective of whether these are received as capital grants, subsidies, contribution or donations.

Profit on assets disposal

Profit on the disposal of assets including gains on the disposal of long term investment. Losses are disclosed under the expenditure classifications.

Fees and Charges

Revenues (other than service charges) from the use of facilities and charges made for local government services, rentals, hire charges, fee for service, photocopying charges, licences, sale of goods or information, fines, penalties and administration fees. Local government may wish to disclose more details such as rubbish collection fees, rental of property, fines and penalties, other fees and charges.

Service Charges

Service charges imposed under Division 6 of Part 6 of the Local Government Act 1998. Regulations 54 of the Local Government (Financial Management) Regulations 1996 identifies that these are Underground power charges. Interest and other items of a similar nature received from bank and investment accounts, interest on rate instalments, interest on rate arrears and interest on debtors.

CITY OF VINCENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) **Nature or Type Classifications (Continued)**

Interest Earnings

Interest and other items of a similar nature received from bank and investment accounts, interest on rate instalments, interest on rate arrears and interest on debtors.

Other Revenue

Other revenue, which cannot be classified under the above headings, includes dividends, discounts, rebates etc.

Employee costs

All costs associate with the employment of person such as salaries, wages, allowances, benefits such as vehicles and housing, superannuation, employments expenses, removal expenses, relocations expenses, worker's compensation insurance, training coats, conferences, safety expenses, medical examinations, fringe benefits tax , etc.

Material and Contracts

All expenditure on materials, supplies and contracts not classified under other headings. These include supply of goods and materials, legal expenses, consultancy, maintenance agreements, communication expenses, advertising expenses, memberships, periodicals, publications, hire expenses, rental, leases, postage and freight etc. Local government may wish to disclose more detail such as contract services, consultancy, information technology, and rental or lease expenditures.

Utilities

Expenditures made to the respective agencies for the provision of power, gas or water. Exclude expenditures incurred for the reinstatement of roadwork on behalf of these agencies.

Insurance

All types of insurance including worker's compensation.

Loss on assets disposal

Loss on the disposal of fixed assets

Depreciation

Depreciation expense raised on all classes of assets.

Interest Expense

Interest and other costs of finance paid, including costs of finance for loan debentures, overdraft accommodation and refinancing expenses.

Other expenditure

Statutory fees, taxes, provision for bad debts, member's fees or levies including WA Fire Brigade levy and State taxes. Donations and subsidies made to community groups.

CITY OF VINCENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Statement of Objectives

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

These objectives provide a framework for the future direction of the City of Vincent.

Council Mission Statement

"Enhancing and celebrating our diverse Community"

Council Vision Statement

Our Vision is for Vincent to be a sustainable and caring community built with vibrancy and diversity.

Our Purpose

To provide and facilitate services for a safe, healthy and sustainable community

Our Guiding Values

The guiding values of City of Vincent are those that describe how we want to operate, and all employees are strongly encouraged to align and work to these values.

Excellence & Service

We aim to pursue and deliver the highest possible standard of service and professionalism to the Vincent community.

Honesty & Integrity

We are honest, fair, consistent, accountable, open and transparent in our dealings with each other and are committed to building trust and mutual respect.

Caring & Empathy

We are committed to the wellbeing and needs of our employees and community and value each others views and contributions.

Innovation & Diversity

We encourage creativity, innovation and initiative to realise the vibrancy and diversity of our vision.

Teamwork & Commitment

Effective teamwork is vital to our organisation and we encourage co-operation, teamwork and commitment within and between our employees and our business partners and community.

CITY OF VINCENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Component Functions and Activities

The Operating Statements are presented in a programme format using the following classifications:-

Governance

This schedule details costs and revenues associated with Governance of the City. These include Members of Council and other costs involved in supporting members and governing the City.

General purpose funding

This schedule records detail of rate revenue and general purpose grants allocated by the WA Local Government Grants Commission as well as expenditures associated with this (rates collection, investment of funds).

Law, order and public safety

This programme covers costs associated with Animal Control, Fire Prevention and other Law and Order services generally associated with Local Law control.

Health

This programme covers Health Administration and Inspection, Child Health Clinics, Immunisation Clinics, Food Control and Pest Control Services.

Education and welfare

The major costs here relate to staff involved in coordinating welfare, disability and youth services and donations to various community welfare groups serving the City.

Community amenities

This programme covers activities of household refuse and recycling, other sanitation including public litter bins and bulk rubbish collections, as well as town planning and regional development administration, protection of the environment and bus shelters and street furniture.

Recreation and culture

This programme covers activities associated with public halls, recreation administration, sports grounds, parks and reserves, Beatty Park Leisure Centre, Vincent Library and cultural activities.

Transport

The principal operating areas here relate to maintenance of footpaths, drains, street cleaning, verges and medians, roads and kerbs, rights of way, crossovers, street trees and road reserves. Parking control and operation of car parks is also covered.

Economic services

This programme covers costs associated with building control and area promotion