

CITY OF JOONDALUP
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017

LOCAL GOVERNMENT ACT 1995
LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the City of Joondalup being the annual financial report and supporting notes and other information for the financial year ended 30 June 2017 are in my opinion properly drawn up to present fairly the financial position of the City of Joondalup at 30 June 2017 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed on the 7th day of *November* 2017.

Garry Hunt
Chief Executive Officer

CITY OF JOONDALUP
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017

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CITY OF JOONDALUP
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	2017 Actual \$	2017 Budget \$	2016 Actual \$
REVENUE				
Rates	3 (q)	95,346,185	95,272,742	92,482,511
Grants and Subsidies	6	5,629,542	3,982,230	2,169,849
Contributions, Reimbursements and Donations	4	988,909	835,508	1,874,894
Interest Earnings	4	4,029,504	3,095,742	4,207,789
Profit on Disposal of Assets	21	1,665,332	1,445,737	3,487,384
Fees and Charges	5	39,846,708	39,449,489	39,189,009
Other Revenue		338,305	162,100	876,345
		147,844,485	144,243,548	144,287,781
EXPENSE				
Employee Costs		(63,276,373)	(63,641,713)	(59,362,400)
Materials and Contracts		(51,075,404)	(51,463,531)	(46,491,694)
Utilities		(5,512,427)	(6,026,467)	(5,829,709)
Depreciation, Impairment & Revaluation Decrement	4	(32,618,882)	(29,488,636)	(31,526,115)
Loss on Disposal of Assets	21	(289,223)	(538,327)	(135,460)
Interest Expense	23(a)	(591,748)	(619,754)	(641,628)
Insurance		(1,559,972)	(1,558,487)	(1,557,887)
		(154,924,029)	(153,336,915)	(145,544,893)
Net Result from Operating Activities		(7,079,544)	(9,093,367)	(1,257,112)
Non-Operating Activities				
Grants and Subsidies	6	12,178,798	13,280,097	10,684,954
Other Capital Contributions		739,432	862,273	674,487
Equity Distribution		-	-	-
Profit/(Loss)		5,838,686	5,049,003	10,102,329
Other Comprehensive Income				
Changes on revaluation of non-current assets	16	73,365,022	-	37,065,825
Total Other Comprehensive Income		73,365,022	-	37,065,825
Total Comprehensive Income		79,203,708	5,049,003	47,168,154

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

CITY OF JOONDALUP
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	2017 Actual \$	2017 Budget \$	2016 Actual \$
REVENUE				
Governance		1,827,667	34,852	3,496,029
General Purpose Funding		105,107,358	102,407,979	99,057,350
Law, Order, Public Safety		1,089,638	1,073,423	943,119
Health		428,329	390,500	416,177
Education and Welfare		289,365	254,137	336,175
Community Amenities		22,420,311	23,368,488	23,214,154
Recreation and Culture		10,361,543	10,134,446	10,431,874
Transport		4,432,969	4,165,319	4,362,783
Economic Services		945,881	-	-
Other Property & Services		941,424	2,414,404	2,030,120
		147,844,485	144,243,548	144,287,781
EXPENSE EXCLUDING FINANCE COSTS				
Governance		(7,586,550)	(7,188,296)	(8,698,503)
General Purpose Funding		(2,446,864)	(2,579,925)	(2,262,925)
Law, Order, Public Safety		(6,295,806)	(6,739,518)	(5,978,576)
Health		(2,225,554)	(2,267,693)	(1,960,043)
Education and Welfare		(2,696,348)	(2,701,967)	(2,642,997)
Community Amenities		(29,323,237)	(32,405,430)	(28,574,435)
Recreation & Culture		(54,231,589)	(51,135,049)	(50,599,141)
Transport		(35,435,316)	(34,959,281)	(33,921,583)
Economic Services		(3,045,541)	(1,628,783)	(1,179,518)
Other Property & Services		(11,045,476)	(11,111,219)	(9,085,544)
		(154,332,281)	(152,717,161)	(144,903,265)
Net Operating Surplus before Finance Costs		(6,487,796)	(8,473,613)	(615,484)
Finance Costs				
General Purpose Funding		(591,748)	(619,754)	(641,628)
Net Result from Operating Activities		(7,079,544)	(9,093,367)	(1,257,112)
Non-Operating Activities				
Grants and Subsidies	6	12,178,798	13,280,097	10,684,954
Other Capital Contributions		739,432	862,273	674,487
Profit/(Loss)		5,838,686	5,049,003	10,102,329
Other Comprehensive Income				
Changes on revaluation of non-current assets	16	73,365,022	-	37,065,825
Total Other Comprehensive Income		73,365,022	-	37,065,825
Total Comprehensive Income		79,203,708	5,049,003	47,168,154

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

CITY OF JOONDALUP
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	NOTE	2017 \$	2016 \$	01 July 2015 \$
CURRENT ASSETS				
Cash and Cash Equivalents	7	91,237,574	86,595,746	89,170,901
Trade and Other Receivables	8	3,934,437	4,621,753	4,718,551
Inventories		144,976	70,380	70,370
TOTAL CURRENT ASSETS		95,316,987	91,287,879	93,959,822
NON-CURRENT ASSETS				
Non-Current Receivables	8	1,755,733	1,605,991	1,520,537
Equity Investments	9	7,569,959	8,861,001	8,628,975
Property, Plant and Equipment	10	465,742,284	341,472,553	294,085,611
Infrastructure Assets	11	954,793,693	997,495,394	997,468,666
TOTAL NON-CURRENT ASSETS		1,429,861,669	1,349,434,939	1,301,703,789
TOTAL ASSETS		1,525,178,656	1,440,722,818	1,395,663,611
CURRENT LIABILITIES				
Trade and Other Payables	12	11,214,834	10,811,784	12,803,069
Borrowings	13	3,084,741	2,126,295	1,823,565
Provisions	14	14,520,320	12,249,526	12,336,956
TOTAL CURRENT LIABILITIES		28,819,895	25,187,605	26,963,590
NON-CURRENT LIABILITIES				
Borrowings	13	13,616,336	12,155,655	12,512,950
Provisions	14	1,594,724	1,629,837	1,845,280
TOTAL NON-CURRENT LIABILITIES		15,211,060	13,785,492	14,358,230
TOTAL LIABILITIES		44,030,955	38,973,097	41,321,820
NET ASSETS		1,481,147,701	1,401,749,721	1,354,341,791
EQUITY				
Retained Surplus		553,160,772	551,482,892	540,602,731
Reserve Accounts	15	69,497,817	65,142,739	65,680,795
Reserves - Asset Revaluation	16	858,489,112	785,124,090	748,058,265
TOTAL EQUITY		1,481,147,701	1,401,749,721	1,354,341,791

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

**CITY OF JOONDALUP
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017**

	NOTE	RETAINED SURPLUS \$	RESERVES ACCOUNTS \$	RESERVES ASSET REVALUATION \$	TOTAL EQUITY \$
Balance as at 1 July 2015		540,602,731	65,680,795	735,330,435	1,341,613,961
Correction of Errors	37	0	-	12,727,830	12,727,830
Restated Balance		540,602,731	65,680,795	748,058,265	1,354,341,791
Comprehensive Income					
Net Result		10,102,329	-	-	10,102,329
Changes on Revaluation of Non-Current Assets	16	-	-	37,065,825	37,065,825
Total Comprehensive Income		10,102,329	-	37,065,825	47,168,154
Transfer from/(to) Reserves		538,056	(538,056)	-	-
Transfer from/(to) Trust Funds	20	239,776	-	-	239,776
Balance as at 30 June 2016		551,482,892	65,142,739	785,124,090	1,401,749,721
Comprehensive Income					
Net Result		5,838,686	-	-	5,838,686
Changes on Revaluation of Non-Current Assets	16	-	-	73,365,022	73,365,022
Total Comprehensive Income		5,838,686	-	73,365,022	79,203,708
Transfer from/(to) Reserves		(4,355,078)	4,355,078	-	-
Transfer from/(to) Trust Funds	20	194,272	-	-	194,272
Balance as at 30 June 2017		553,160,772	69,497,817	858,489,112	1,481,147,701

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

**CITY OF JOONDALUP
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017**

	NOTE	2017 Actual \$	2017 Budget \$	2016 Actual \$
Cash Flows From Operating Activities				
Receipts				
Rates		95,159,380	95,311,866	92,293,416
Grants and Subsidies		5,629,542	3,982,230	2,169,849
Contributions, Reimbursements and Donations		988,909	835,508	1,874,894
Fees and Charges		39,777,122	39,427,445	39,276,458
Interest Earnings		4,402,579	3,384,106	3,991,205
Good and Services Tax		201,409	-	239,218
Other		291,617	162,100	793,234
		<u>146,450,558</u>	<u>143,103,255</u>	<u>140,638,274</u>
Payments				
Employee Costs		(61,044,692)	(62,546,420)	(59,662,941)
Materials and Contracts		(50,523,469)	(50,871,361)	(48,383,667)
Utilities		(5,512,427)	(5,966,801)	(5,829,709)
Insurance		(1,559,972)	(1,558,487)	(1,557,887)
Interest Expense		(591,748)	(636,858)	(641,628)
		<u>(119,232,308)</u>	<u>(121,579,927)</u>	<u>(116,075,832)</u>
Net Cash Provided By Operating Activities	17	27,218,250	21,523,328	24,562,442
Cash Flows from Investing Activities				
Payments for Purchase of Property, Plant & Equipment		(15,442,979)	(28,145,705)	(18,630,270)
Payments for Construction of Infrastructure		(26,792,874)	(30,314,291)	(24,832,434)
Capital Investment Mindarie RC		(47,442)	(47,443)	(44,674)
Distributions received from Tamala Park Regional Council		1,880,761	1,833,333	2,551,667
Grants/Contributions for the Development of Assets		12,918,230	14,142,370	11,090,307
Proceeds from Sale of Assets		2,294,483	7,769,454	2,542,596
		<u>(25,189,821)</u>	<u>(34,762,282)</u>	<u>(27,322,808)</u>
Net Cash Used In Investing Activities		(25,189,821)	(34,762,282)	(27,322,808)
Cash Flows from Financing Activities				
Transfer from Trust Fund		194,272	95,000	239,776
Proceeds from Borrowing	23(a)	4,545,423	4,545,423	1,769,000
Repayment of Borrowings	23(a)	(2,126,296)	(2,262,910)	(1,823,565)
		<u>2,613,399</u>	<u>2,377,513</u>	<u>185,211</u>
Net Cash Provided By (Used in) Financing Activities		2,613,399	2,377,513	185,211
Net Increase (Decrease) in Cash Held		4,641,828	(10,861,441)	(2,575,155)
Cash at Beginning of Year		86,595,746	78,449,347	89,170,901
Cash and Cash Equivalents at the End of the Year	7	91,237,574	67,587,906	86,595,746

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

**CITY OF JOONDALUP
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2017**

	NOTE	2017 Actual \$	2017 Budget \$	2016 Actual \$
OPERATING REVENUE				
Specified Area Rates		503,675	498,521	415,970
Government Grants & Subsidies - Operating		5,629,542	3,982,230	2,169,849
Contributions, Reimbursements and Donations - Operating		988,909	835,508	1,874,894
Profit on Disposal		1,665,332	1,445,737	3,487,384
Fees & Charges		39,846,708	39,449,489	39,189,009
Interest Earnings		4,029,504	3,095,742	4,207,789
Other Revenue		338,305	162,100	876,345
		<u>53,001,975</u>	<u>49,469,327</u>	<u>52,221,240</u>
OPERATING EXPENSES				
Employee Costs		(63,276,373)	(63,641,713)	(59,362,400)
Materials & Contracts		(51,075,404)	(51,463,531)	(46,491,694)
Utilities		(5,512,427)	(6,026,467)	(5,829,709)
Depreciation, Impairment & Revaluation Decrement		(32,618,882)	(29,488,636)	(31,526,115)
Loss on Disposal		(289,223)	(538,327)	(135,460)
Insurance Expense		(1,559,972)	(1,558,487)	(1,557,887)
Interest Expense		(591,748)	(619,754)	(641,628)
		<u>(154,924,029)</u>	<u>(153,336,915)</u>	<u>(145,544,893)</u>
SURPLUS/(DEFICIT) FROM OPERATIONS		(101,922,054)	(103,867,588)	(93,323,653)
OPERATING NON-CASH ADJUSTMENTS				
Depreciation, Impairment & Revaluation Decrement		32,618,882	29,488,636	31,526,115
Loss on Disposal of Assets		289,223	538,327	135,460
Profit on Disposal of Assets		(1,665,332)	(1,445,737)	(3,487,384)
Movement in Non-current Items	27	(231,543)	(100,000)	(372,693)
CASH SURPLUS/(DEFICIT) FROM OPERATIONS		(70,910,824)	(75,386,362)	(65,522,155)
NON-OPERATING REVENUE				
Capital Grants		12,178,798	13,280,097	10,684,954
Contributions & Reimbursements - Non Operating		739,432	862,273	405,353
Equity Distribution - Tamala Park Regional Council		1,880,761	1,833,333	2,551,667
		<u>14,798,991</u>	<u>15,975,703</u>	<u>13,641,974</u>
CAPITAL EXPENDITURE				
Capital Projects		(3,849,461)	(15,271,101)	(6,123,632)
Capital Works		(36,980,902)	(41,304,158)	(35,259,558)
Motor Vehicle Replacement		(1,405,490)	(2,440,600)	(2,079,531)
Loan Repayments (Principal)		(2,126,296)	(2,262,910)	(1,823,565)
Equity Investment		(47,442)	(47,443)	(44,674)
		<u>(44,409,591)</u>	<u>(61,326,212)</u>	<u>(45,330,960)</u>
CAPITAL SURPLUS/(DEFICIT)		(29,610,600)	(45,350,509)	(31,688,986)
SURPLUS/(DEFICIT) FROM OPERATIONS AND CAPITAL FUNDING		(100,521,424)	(120,736,871)	(97,211,141)
Surplus Brought Forward		3,083,830	650,932	3,139,002
Proceeds from Disposal of Assets		2,294,483	7,769,454	2,542,596
Proceeds from Borrowings		4,545,423	4,545,423	1,769,000
Transfers from Reserves		15,955,879	25,881,451	19,198,661
Transfer to Reserves		(20,310,957)	(12,979,610)	(18,660,605)
Transfer from Trust Funds		194,272	95,000	239,776
Amount raised from General Rates		94,842,510	94,774,221	92,066,541
SURPLUS/(DEFICIT) Carried Forward	35	84,016	-	3,083,830

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

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017

This Financial Report is a general purpose financial report that consists of Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, Rate Setting Statement and notes accompanying these financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of the financial report 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 governments and not-for-profit entities), other mandatory professional reporting requirements and the Local Government Act 1995 (as amended) and accompanying regulations (as amended).

The report has been prepared on the accrual basis under the convention of historical cost accounting as modified by the accounting treatment relating to the revaluation of financial assets and liabilities at fair value through profit and loss and certain classes of non-current assets, except where explicitly presented on a cash basis to report cash flow.

(b) The Local Government Reporting Entity

The financial statements forming part of this report have been prepared on the basis of a single consolidated fund (Municipal Fund). Monies held in Trust, of which the City has legal custody but is unable to deploy for its purposes, have been excluded from the consolidated financial statements and the cash position at the reporting date.

(c) 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 Balance Sheet are stated inclusive of applicable GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of current assets or current liabilities, as the case may be.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flow.

(d) Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank, cash on hand and other short-term deposits which are readily convertible to known amounts of cash and which are subject to an insignificant 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, including bank overdrafts which form an integral part of the City's cash management, and are repayable on demand.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Trade and Other Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost for material uncollectible amounts using the effective interest rate method, less any allowance.

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

(f) Inventories

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 comprise consumables held for the City's operations.

(g) Acquisition of Assets

Assets acquired during the year are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition, subject to a capitalisation threshold applied to specific classes of assets as follows:

Furniture	\$5,000
Office Equipment	\$5,000
Motor Vehicle	\$5,000
Plant & Equipment	\$5,000
Computer Equipment	\$5,000
Computer Software	\$20,000

All other classes of assets are capitalised, regardless of the initial cost of acquisition.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

(h) Property, Plant and Equipment

Recognition

All assets are initially recognised at cost and subsequently revalued in accordance with the mandatory measurement framework prescribed by the Local Government (Financial Management) Regulations 1996. Property, plant and equipment are carried at fair value. Additions since the date of valuation are shown at cost and depreciated and it is considered that for those additions, cost less accumulated depreciation approximates their fair value. Items of property, plant and equipment, including buildings but excluding freehold land and artworks, are depreciated over their estimated useful lives on a straight-line basis. Depreciation has been charged to the Statement of Comprehensive Income. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Property, Plant and Equipment (Continued)

Revaluation

All asset classes are revalued on a regular basis such that the carrying values are not materially different from their fair value. Those assets carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses, are revalued with sufficient regularity to ensure that the carrying amount does not differ significantly from that determined using fair value at the reporting date. Local Government (Financial Management) Regulations 1996 mandating the use of Fair Value impose a further minimum requirement that all assets carried at a revalued amount will be revalued at least every 3 years.

(i) Infrastructure Assets

Recognition

Reserves and Engineering infrastructure assets acquired prior to 30 June 1997 were brought to account as non-current assets at their estimated depreciated replacement cost at that time (deemed cost). Additions subsequent to 30 June 1997 are recorded at cost. All infrastructure assets are revalued in accordance with the mandatory measurement framework prescribed by the Local Government (Financial Management) Regulations 1996 and are carried at their fair value. Infrastructure assets acquired by the City from contributions by developers are recorded as additions to assets and the income recorded in the Statement of Comprehensive Income.

Infrastructure assets acquired and constructed during the year are depreciated over their estimated useful lives on a straight-line basis from the commencement of the following financial year.

Revaluation

All infrastructure asset classes are revalued on a regular basis such that the carrying values are not materially different from their fair value. For infrastructure and other asset classes where no active market exists, fair value is determined to be the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on a basis to reflect the already consumed or expired future economic benefits. All additions after the date of valuation are shown at cost less accumulated depreciation, where applicable, and it is considered that in those cases their carrying costs approximates the fair value. Depreciation has been charged to the Statement of Comprehensive Income.

Those assets carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses, are revalued with sufficient regularity to ensure the carrying amount does not differ significantly from that determined using fair value at reporting date. Local Government (Financial Management) Regulations 1996 mandating the use of Fair Value impose a further minimum requirement that all assets carried at a revalued amount will be revalued at least every 3 years.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Infrastructure Assets (Continued)

Land under Roads

Council has elected not to recognise the value of land under roads acquired before 1 July 2008 in accordance with AASB 1051. In addition, the City of Joondalup is required by Regulation 16 of the Local Government (Financial Management) Regulations 1996 not to recognise a value for land under roads.

(j) Depreciation of Non-Current Assets

All non-current assets having a limited useful life are separately and systematically depreciated over their useful lives in a manner which reflects the consumption of the future economic benefits embodied in those assets. Depreciation is recognised on a straight-line basis, using rates which are reviewed each reporting period. Depreciation rates are:

Property, Plant & Equipment

Freehold Land	Nil	Artwork	Nil
Light Vehicles	7.50%	Buildings	1.0%-10.0%
Heavy Vehicles	10.50%	Mobile Plant	12.50%
Computer Equipment	33.33%	Furniture & Office Equipment	10.00%
Other Equipment	10.00%	Computer Software (>\$20,000)	33.33%

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

Infrastructure Assets

Parks & Reserves

Fencing	3.33%-6.67%
Furniture and Amenities	2.0%-10.0%
Hard Landscaping	2.0%-10.0%
Irrigation	2.0%-5.0%
Marine	5.0%
Park and POS Signage	5.0%-6.67%
Playspace	5.0%
POS Structure	1.0%-5.0%
Soft Landscaping	2.5%-10.0%
Sporting Infrastructure	2.0%-10.0%
Waste	10.0%

Engineering

Roads/Traffic Management	1.0%-3.33%
Footpaths	1.0%-10.0%
Drainage	1.0%-1.33%
Car parking	1.0%-3.33%
Bridges and Underpasses	1.0%-1.43%
Lighting	2.5%-4.0%
Other Infrastructure Assets	1.43%-10.0%

Certain infrastructure assets listed above include various components with each component depreciated separately.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Assets

Classification

The City classifies its financial assets in the categories 'Loans and Receivables', as defined in AASB 139 Financial Instruments Recognition and Measurement, and 'Cash and Cash Equivalents'. The classification reflects the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

Receivables

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 12 months after the balance sheet date which are classified as non-current assets. Receivables are included in trade and other receivables in the balance sheet.

Recognition and derecognition

The City recognises its financial assets on the date that the City's right to receive cash flows from these assets has been established. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the City has transferred substantially all the risks and rewards of ownership.

(l) Estimation of Fair Value

The fair value of financial assets and financial liabilities is estimated for recognition and measurement. 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 City for similar financial instruments.

(m) Impairment

In accordance with Australian Accounting Standards the City's assets, other than inventories, are assessed at each reporting date to determine whether there is any indication they may be impaired. Where such an indication exists, an estimate of the recoverable amount of the asset is made in accordance with AASB 136 'Impairment of Assets' and appropriate adjustments made.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Impairment (Continued)

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

(n) Trade and Other Payables

Trade and other payables are recognised when the City becomes obliged to make future payments resulting from the purchase of goods and services. The amounts are unsecured and are generally settled within 30 days of recognition.

(o) Employee Benefits

The provisions for employee benefits relate 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 City 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 expected to apply at the time of settlement and includes related on-costs.

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

Provisions made in respect of long service leave which is not expected to be settled within 12 months is measured at the present value of the estimated future cash outflows to be made by the City in respect of services provided by employees up to the reporting date.

(p) Interest-bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. The City currently has fixed-interest borrowings that are settled by fixed payments over the term of the loans. The actual outstanding balances on these loans approximate to the amortised cost of the unpaid loan liabilities.

Borrowings are classified as current liabilities unless the City has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

Borrowing Costs

Borrowing costs are recognised as an expense when incurred.

(q) Provisions

Provisions are recognised when the City 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.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Provisions (Continued)

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.

(r) Leases

The City does not own any assets under finance leases. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(s) Rates

The rating and reporting periods coincide. All rates levied for the year are recognised as revenues. All outstanding rates are fully collectable and therefore no allowance has been made for doubtful debts. In accordance with the Rates and Charges (Rebates and Deferments) Act 1992, the City offers eligible pensioners the option to defer the payment of rates or to obtain a rebate from the Western Australian State Government. All eligible pensioners registered under the Rates & Charges (Rebates and Deferments) Act 1992 may obtain a rebate or defer their rates for full payment upon sale of their property. Pensioners who hold a Commonwealth Concession Card and a Pensioner Health Benefit Card, a State Concession Card, Seniors Card or a Commonwealth Seniors Health Card can apply to be eligible for this State scheme. There is no cost to the City under this scheme as interest is received from the State Government for pensioner deferred rates.

(t) Grants, Donations and Other Contributions

All grants, donations and other contributions in respect of which the City is not required to make a reciprocal transfer of economic benefits are recognised as revenue when the City obtains control over the assets comprising the contribution.

After being recognised as revenue, conditional grants and contributions are recognised as an expense and liability when the City fails to meet the specific conditions attached to a grant or contribution and becomes liable for its re-payment or refund.

Capital grants unspent are treated as restricted assets and are deducted from the available funds in the determination of the Opening and Closing Funds for the purpose of the Rate Setting Statement.

(u) Superannuation

The City of Joondalup makes statutory contributions to the WA Local Government Superannuation Plan and other Funds as nominated by its employees. The expense related to these contributions is recognised in the Statement of Comprehensive Income.

(v) Works in Progress

Major buildings, reserves and infrastructure or other assets which have not been completed at the reporting date have been recorded as works in progress.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Rounding Off Figures

All figures shown in this annual financial report, other than a rate in the dollar, are rounded to the nearest dollar.

(x) Comparative Figures

Where required, comparative figures have been adjusted to conform to changes in presentation for the current financial year (Refer Note 37).

(y) Current and Non-Current Classification

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

(z) Crown Land

In accordance with Regulation 16 of the Local Government (Financial Management) Regulations 1996 and current accounting standards Crown land set aside as a public road reserve or other public thoroughfare or under the control of a local government under Section 3.53 of the Local Government Act 1995 or vested Crown land under the control of a local government by virtue of the operation of the Land Act or the Town Planning and Development Act has not been brought to account as an asset of the City. Improvements or structures placed upon such land have been accounted for as assets of the City.

(za) Critical Accounting Estimates

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

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

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

At the date of authorisation of this financial report, there were a number of Standards and Interpretations that were issued but not yet effective. These have not been adopted for the reporting period ended 30 June 2017, and the City's assessment of these new standards and interpretations are provided below.

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued) New Accounting Standards and Interpretations (continued)			
Title	Issued / Compiled	Applicable (1)	Impact
(i) AASB 9 Financial Instruments (incorporating AASB 2014-7 and AASB 2014-8)	December 2014	1 January 2018	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the City, it is not anticipated the Standard will have any material effect.
(ii) AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2019	This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer. The effect of this standard will depend on the nature of future transactions the City has with those third parties it has dealings with. It may or may not be significant.
(iii) AASB 16 Leases	February 2016	1 January 2019	Under AASB 16 there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-to-use asset and 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 will be required to be capitalised on the statement of financial position once AASB 16 is adopted. Currently, operating lease payments are expensed as incurred. This will cease and will be replaced by both depreciation and interest charges. Based on the current number of operating leases held by the City, the impact is not expected to be significant.
(iv) AASB 1058 Income of Not-for-Profit Entities (incorporating AASB 2016-7 and AASB 2016-8)	December 2016	1 January 2019	<p>These standards are likely to have a significant impact on the income recognition for NFPs. Key areas for consideration are:</p> <ul style="list-style-type: none"> - Assets received below fair value; - Transfers received to acquire or construct non-financial assets; - Grants received; - Prepaid rates; - Lease entered into at below market rates; and - Volunteer services <p>While it is not possible to quantify the financial impact (or materiality) of these key areas until the details of future transactions are known, they will all have application to the City's operations.</p>

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017

(ZC) Adoption of New and Revised Accounting Standards

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

Whilst many reflected consequential changes associated with the amendment of existing standards, the only new standard with material application is as follows:

(i) AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities	<p>The objective of this Standard was to extend the scope of AASB 124 <i>Related Party Disclosures</i> to include not-for-profit sector entities.</p> <p>The Standard has had a significant disclosure impact on the financial report of the City as both Elected Members and Senior Management are deemed to be Key Management Personnel and resultant disclosures in accordance to AASB 124 have been necessary.</p>
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2. PROGRAM ACTIVITIES

Statements of Comprehensive Income have been provided by program and by nature. Broad definitions of each program are as follows:

(a) Governance

Governance relates to elected members costs and other costs that relate to the tasks of assisting elected members and ratepayers on matters which do not concern specific City services.

(b) General Purpose Funding

Rates income and expenditure, Grants Commission and pensioner deferred rates interest.

(c) Law, Order and Public Safety

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

(d) Health

Prevention and treatment of human illnesses, including inspection of premises/food control, immunisation and child health services.

(e) Education and Welfare

Provision, management and support services for families, children and the aged and disabled within the community, including pre-school playgroups, day and after school care, assistance to schools and senior citizens support groups. Provision of aged persons units and resident funded units

(f) Housing

Provision of housing and leased accommodation where the City acts as landlord.

(g) Community Amenities

Town planning and development, rubbish collection services, stormwater drainage, the provision of public conveniences, bus shelters, roadside furniture and litter control.

(h) Recreation and Culture

Provision of facilities and support for organisations concerned with leisure time activities and sport, support for the performing and creative arts. This includes maintenance of halls, aquatic centres, recreation and community centres, parks, gardens, sports grounds and the operation of libraries.

2. PROGRAM ACTIVITIES (Continued)

(i) Transport

Construction, maintenance and cleaning of streets, roads, bridges, drainage works, footpaths, parking facilities, traffic signs and the City works operation centre, including development, plant purchase and maintenance.

(j) Economic Services

Rural services, pest control and the implementation of building controls.

(k) Other Property and Services

Public works overheads, plant/vehicle operations, sundry and other outlays that cannot be assigned to one of the preceding programs.

3. RATING AND VALUATIONS

(a) Gross Rental Values

The Western Australian Land Information Authority (Landgate) conducts a Triennial Valuation which provides the City with both Gross Rental Values (GRV) and Unimproved Values (UV) for the purpose of calculating Rates. For the vast majority of properties, the values supplied were effective from 1 July 2014 and will continue for 3 years from that date.

(b) Differential Rates

The City of Joondalup has applied differential rates as empowered under Section 6.33 of the Local Government Act 1995. The differential rates are levied on all rateable land within the City according to the predominant purpose for which the land is held or used. Should the predominant land use forming the basis for the imposition of the differential rates change during the year, the City is not required to amend the assessment of rates payable on that land on account of that change.

The rates are set at differential levels that provide, as far as is practically possible, a fair and equitable distribution of the rate burden to each category of land having regard to its demands on the City's services.

None of the differential rates are more than twice the lowest differential rate as applied in the financial year ended 30 June 2017.

The objects and reasons for the imposition of each differential rate are:

Object

The rates-in-the-dollar (\$) are calculated to provide the shortfall in income required to enable the City to provide necessary works and services in the 2016-17 financial year after taking into account all non-rate sources of income.

3. RATING AND VALUATIONS (Continued)

Reason – Gross Rental Value Based Differential Rates

Residential Improved – the rate in the dollar has been set to ensure that the proportion of total rate revenue derived from residential property remains consistent with previous years.

Residential Vacant - the rate in the dollar has been set to ensure that the proportion of total rate revenue derived from residential property remains consistent with previous years and is higher than residential improved property to recognise the different valuation method and in an effort to promote development of this category of property thereby stimulating growth and development in the community.

Commercial Improved – the rate in the dollar has been set to ensure that the proportion of total rate revenue derived from commercial property remains consistent with previous years and recognises the higher demand on City infrastructure and services from the activity on commercial property.

Commercial Vacant – the rate in the dollar has been set to ensure that the proportion of total rate revenue derived from commercial property remains consistent with previous years and is higher than commercial improved property in an effort to promote development of this category of property thereby stimulating growth and development in the community.

Industrial Improved – the rate in the dollar has been set to ensure that the proportion of total rate revenue derived from industrial property remains consistent with previous years and recognises the higher demand on City infrastructure and services from the activity on industrial property.

Industrial Vacant – the rate in the dollar has been set to ensure that the proportion of total rate revenue derived from industrial property remains consistent with previous years and is higher than industrial improved property in an effort to promote development of this category of property thereby stimulating growth and development in the community.

Reason – Unimproved Value Based Differential Rates

Residential – the rate in the dollar has been set to ensure that the proportion of total rate revenue derived from residential property remains consistent with previous years.

Rural – the rate in the dollar has been set to ensure that the proportion of total rate revenue derived from rural property remains consistent with previous years.

(c) Minimum Payments

A minimum payment of \$849 is applied to GRV residential improved and not improved and UV residential and rural rate categories in recognition that every property receives some minimum level of benefit from works and services provided.

A minimum payment of \$868 is applied to GRV commercial and industrial both improved and not improved rate categories in recognition that every property receives some minimum level of benefit from works and services provided and the higher minimum compared to other rate categories recognises the higher demand on City infrastructure and services from the activity on commercial and industrial property.

(d) Concessions and waivers

No concessions were provided for in the 2016-17 financial year.

3. RATING AND VALUATIONS (Continued)

(e) Rates Early Payment Incentive Scheme

Council, in accordance with the provisions of Section 6.46 of the Local Government Act 1995, offered the following early payment incentives for the payment of rates and charges:

- Full payment of all current and arrears of rates (including specified area rates), Emergency Services Levy, domestic refuse charge and private swimming pool inspection fees within 28 days of the issue date on the annual rate notice:
- Eligibility to enter the early payment incentive draw which included a range of prizes sponsored by a number of organisations and thus at no cost to the City, as well as a vehicle purchased by the City.
- A pool of prize winners was chosen by a computerised random selection process, the integrity of which has been authenticated by the City's internal auditor. The winners were invited to attend a prize draw function during which the prizes were allocated in a secondary draw process.

The total cost of the rates early payment incentives was as follows:

	2017 Actual \$	2017 Budget \$	2016 Actual \$
Rates - Early Payment Incentives & Prizes	41,805	40,000	39,934
	<u>41,805</u>	<u>40,000</u>	<u>39,934</u>

(f) Rates Payment Options

The City, in accordance with the provisions of Section 6.45 of the Local Government Act 1995, offered the following payment options for the payment of rates (including specified area rates), Emergency Services Levy, domestic refuse charges, private swimming pool inspection fees and property surveillance & security charge.

- **One Instalment**

Payment in full within 28 days of the issue date of the annual rate notice and eligibility to enter the rates incentive scheme for prizes.

Payment in full within 35 days of the issue date of the annual rate notice.

- **Two Instalments**

The first instalment of 50% of the total current rates (including specified area rates), domestic refuse charge, private swimming pool inspection fee, instalment charge, plus the total outstanding arrears payable within 35 days of date of issue of the annual rate notice.

3. RATING AND VALUATIONS (Continued)

The second instalment of 50% of the total current rates (including specified area rates), Emergency Services Levy, domestic refuse charge, private swimming pool inspection fee, instalment charge, payable 63 days after due date of first rate instalment.

- **Four Instalments**

The first instalment of 25% of the total current rates (including specified area rates), Emergency Services Levy, domestic refuse charge, private swimming pool inspection fee, instalment charge plus the outstanding arrears payable within 35 days of the issue of the annual rate notice.

The second, third and fourth instalment, each of 25% of the total current rates (including specified area rates), Emergency Services Levy, domestic refuse charge, private swimming pool inspection fee, instalment charge payable as follows:

- 2nd instalment – 63 days after due date of 1st instalment
- 3rd instalment – 63 days after due date of 2nd instalment
- 4th instalment – 63 days after due date of 3rd instalment

Instalment Charges and Interest

The instalment options were subject to an administration fee of \$12.00 for each of instalments two, three and four, together with an interest charge at 5.5% per annum, calculated on a simple interest basis on the unpaid balance of rates and refuse charges.

Special Payment Arrangements

Special monthly or fortnightly payment arrangements were made with the City for those ratepayers who were unable to pay in full or according to the instalment plans offered. An administration fee of \$34.00 per assessment was charged on all payment arrangements paid by Direct Debit (bank account only) or \$52.00 if paid by another method. Penalty interest of 11.00% pa was applied to the outstanding balance until the account was paid in full.

Details of interest and administrative charges on rates were as follows:-

	2017 Actual \$	2017 Budget \$	2016 Actual \$
Interest on Outstanding Rates	684,720	597,950	638,919
Instalment Administration Charges	626,684	622,800	615,982
	<u>1,311,404</u>	<u>1,220,750</u>	<u>1,254,901</u>

Ratepayers had the option of paying rates in four equal instalments, due on 26 August 2016, 28 October 2016, 30 December 2016 and 03 March 2017. An administration fee of \$12 and interest of 5.5% per annum applied for the final three instalments. Rates not paid by due date or by instalment incurred a penalty interest of 11.00% on outstanding amounts.

(g) Late Payment Interest

The Council, in accordance with the provisions of Section 6.13 and Section 6.51 of the Local Government Act 1995, imposed interest on all current and arrears general rates (including specified area rate), current and arrears domestic refuse charges, current and arrears

3. RATING AND VALUATIONS (Continued)

(g) Late Payment Interest (Continued)

private swimming pool inspection fees and arrears property surveillance & security charge at a rate of 11.00% per annum, calculated on a simple interest basis on arrears amounts that remain unpaid and current amounts that remain unpaid 35 days from the issue date of the original rate notice, or the due date of the instalment and continues until the instalment is paid. Excluded are deferred rates, instalment amounts not due under the four-payment option, registered pensioner portions and current government pensioner rebate amounts. Such interest was charged once per month on the outstanding balance on the day of calculation for the number of days as previously detailed.

(h) Emergency Services Levy Interest Charged

In accordance with the provisions of section 36S of the Fire and Emergency Services Authority of Western Australia Act 1998, the City imposed interest on all current and arrears amounts of emergency services levy at a rate of 11.00% per annum, calculated on a simple interest basis, on amounts which remain unpaid after 35 days from the issue date of the original rate notice, or the due date of the instalment, and continues until the instalment is paid. Excluded are instalment current amounts not yet due under the two or four-payment option, registered pensioner and current government pensioner rebate amounts. Such interest is charged once per month on the outstanding balance on the day of calculation for the number of days.

(i) Emergency Services Remittance Option B

The City elected to remit the current year Emergency Services Levy to the Department of Fire and Emergency Services (DFES) under Option B. Under Option B the City acquired the current year ESL when the annual rates were levied. The City remitted the ESL to DFES in quarterly payments – September 2016 (30%), December 2016 (30%), March 2017 (30%) and June 2017 (10%). The City invests the Emergency Services Levy receipts as part of its municipal funds investments. The ESL levies received and the ESL liability to DFES are reflected in the City's Balance Sheet and the cash flow impacts are included in the Cash Flow Statement.

(j) Domestic Refuse Charges

The Council, BY AN ABSOLUTE MAJORITY in accordance with the provisions of the Waste Avoidance and Resource Recovery Act 2007 imposed the following domestic refuse charges for the 2016-17 financial year, including a charge for a recycling service to be provided to all ratepayers:

- \$346.00 per service
- New refuse service – Establishment and delivery \$67.00

(k) Private Swimming Pool Inspection Fees

The Council, in accordance with the provisions of the Building Act 2011 imposed for the 2016-2017 financial year, a Private Swimming Pool Inspection Fee of \$35.41 on those properties owning a private swimming pool.

3. RATING AND VALUATIONS (Continued)

(l) Specified Area Rating Iluka

The Council, BY AN ABSOLUTE MAJORITY in accordance with the provisions of Section 6.32 and 6.37 of the Local Government Act 1995 imposed for the 2016-17 financial year, a specified area rate for the area of Iluka for maintaining enhanced landscaping services.

A rate in the dollar of 0.52181¢ was charged on the Gross Rental Value on each property with a total rateable value which levied income of \$304,730.

(m) Specified Area Rating Woodvale Waters

The Council, BY AN ABSOLUTE MAJORITY in accordance with the provisions of Section 6.32 and 6.37 of the Local Government Act 1995 imposed for the 2016-17 financial year, a specified area rate for the area of Woodvale Waters for maintaining enhanced landscaping services.

A rate in the dollar of 1.33356¢ was charged on the Gross Rental Value on each property with a total rateable value which levied income of \$49,735

(n) Specified Area Rating Harbour Rise

The Council, BY AN ABSOLUTE MAJORITY in accordance with the provisions of Section 6.32 and 6.37 of the Local Government Act 1995 imposed for the 2016-17 financial year, a specified area rate for the area of Harbour Rise for maintaining enhanced landscaping services.

A rate in the dollar of 0.67782¢ was charged on the Gross Rental Value on each property with a total rateable value which levied income of \$149,210.

(o) Write Off of Rates and Charges

The total value of rates and charges from previous years written off during the year was \$11,838 (2016 - \$10,456).

(p) Schedule of Valuations and Rate Revenue

The schedule of valuations and rate revenue is shown on the Statement of Rating Information included in this report.

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017

3. RATING AND VALUATIONS (Continued)

(q) STATEMENT OF RATING INFORMATION

	General Rates				Minimum Payments				Total			Budget
	Ratable Value \$	No of Properties	Rate Cents in \$	Rate Yield \$	Ratable Value \$	No of Properties	Minimum Payment	Rate Yield \$	Ratable Value	No of Properties	Rate Yield \$	Rate Yield \$
<u>Differential General Rate - GRV</u>												
Residential Improved	1,270,387,530	53,624	5.3145	67,514,757	80,668,170	5,450	849	4,627,050	1,351,055,700	59,074	72,141,807	72,142,816
Residential Vacant	20,577,450	1,028	10.6290	2,187,177	745,568	108	868	93,744	21,323,018	1,136	2,280,921	2,285,800
Commercial Improved	282,108,000	935	6.5029	18,345,201	323,144	33	868	28,644	282,431,144	968	18,373,845	18,375,133
Commercial Vacant	1,185,000	25	10.6290	125,954	-	-	868	-	1,185,000	25	125,954	125,954
Industrial Improved	26,319,565	382	5.9486	1,565,646	49,948	4	868	3,472	26,369,513	386	1,569,118	1,569,118
Industrial Vacant	315,000	6	10.6290	33,481	-	-	846	-	315,000	6	33,481	33,481
	1,600,892,545	56,000		89,772,216	81,786,830	5,595		4,752,910	1,682,679,375	61,595	94,525,126	94,532,302
<u>Differential General Rate - UV</u>												
Residential	1,580,000	1	0.9668	15,275	-	-	-	-	1,580,000	1	15,275	15,275
Rural	1,730,000	2	0.9621	16,644	-	-	-	-	1,730,000	2	16,644	16,644
	3,310,000	3		31,919	-	-		-	3,310,000	3	31,919	31,919
<u>Interim Rates</u>												
Residential											273,745	250,000
Commercial Improved											73,467	-
Commercial Unimproved											(19,112)	-
Industrial											(830)	-
											327,270	250,000
Total Rate Levy	1,604,202,545	56,003		89,804,135	81,786,830	5,595		4,752,910	1,685,989,375	61,598	94,884,315	94,814,221
Early Payment Prizes (Note 3(e))											(41,805)	(40,000)
Net General Rates											94,842,510	94,774,221
<u>Specified Area Rates - GRV</u>												
Iluka	57,635,430	1,875	0.52181	300,747	-	-	-	-	57,635,430	1,875	300,747	300,750
Iluka - Interim Adjustments	-	-	-	3,983	-	-	-	-	-	-	3,983	-
Woodvale Waters	3,723,200	138	1.33356	49,651	-	-	-	-	3,723,200	138	49,651	49,651
Woodvale Waters - Interim Adjustments	-	-	-	84	-	-	-	-	-	-	84	-
Harbour Rise	21,852,300	500	0.67782	148,119	-	-	-	-	21,852,300	500	148,119	148,120
Harbour Rise-Interim Adjustments	-	-	-	1,091	-	-	-	-	-	-	1,091	-
Total Specified Area Rates	83,210,930	2,513		503,675	-	-	-	-	83,210,930	2,513	503,675	498,521
Total Rates Revenue											95,346,185	95,272,742

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017

4. REVENUE AND EXPENSES	Note	2017 Actual \$	2017 Budget \$	2016 Actual \$
Result from Ordinary Activities				
Contributions, Reimbursements and Donations				
Contributions and Donations		264,054	260,070	255,704
Reimbursements and Recoveries		724,855	575,438	1,619,190
		988,909	835,508	1,874,894
Audit Expenses				
Statutory Audit		35,840	49,060	32,500
Other Expenses		6,470	-	0
		42,310	49,060	32,500
Depreciation, Impairment & Revaluation Decrement				
Buildings		4,354,703	5,096,361	5,008,526
Furniture and Equipment		538,516	324,010	481,728
Plant and Equipment		1,535,496	1,382,273	1,396,965
Parks and Reserves		4,081,939	3,627,984	3,938,226
Roads		11,607,928	11,582,712	11,380,233
Footpaths		2,058,232	1,871,316	2,018,679
Drainage		4,190,570	4,151,644	4,171,439
Bridges and Under Passes		346,947	346,514	346,613
Lighting		1,056,303	-	1,009,823
Other Infrastructure		420,075	1,105,823	285,170
Impairment/Revaluation Decrement		2,428,173	-	1,488,713
		32,618,882	29,488,636	31,526,115
Interest Earnings				
Interest earned on Reserve Accounts		1,605,720	1,248,320	1,617,316
Interest on Outstanding Rates		684,720	597,950	638,919
Interest earned on Other Investments		1,739,064	1,249,472	1,951,554
		4,029,504	3,095,742	4,207,789

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017

5 FEES & CHARGES

	2017 Actual \$	2017 Budget \$	2016 Actual \$
By Nature			
Rubbish Collection Fees	20,361,772	20,262,484	20,207,978
Membership Fees	2,622,443	2,229,331	2,052,319
Admission Fees	1,767,524	1,943,513	1,823,439
Building Licence Fees	659,261	815,000	630,680
Learn to Swim Program Fees	1,842,220	2,105,659	2,368,094
Court Sport Revenue	620,823	633,326	631,326
Facilities Hire	985,823	856,526	911,532
Development Application Fees	932,165	900,000	808,471
Property Rental	941,916	792,624	859,672
Inspection Fees	956,187	955,031	926,977
Land Purchase Enquiries Fees	224,825	225,000	229,124
Parking Infringements	1,111,571	1,100,000	1,274,125
Other infringements and fines	286,883	319,860	332,237
Commission	159,561	170,582	160,257
On-Street Parking Fees	1,169,505	1,180,446	1,011,876
Off Street Parking Fees	1,086,518	1,117,819	1,126,568
Cash in Lieu of Parking Spaces	10,000	-	135,000
Multi Storey Car Parking Fees	313,923	223,583	85,890
Term Programme Activities Fees	227,340	307,742	267,456
Dog Registration Fees	570,410	526,203	546,920
Cat Registration Fee	102,787	68,045	66,864
Eating House Licences & Registrations	84,374	72,000	86,241
Environmental Health Services - Immunisation	111,957	93,000	103,260
Merchandise Sales & Other Sales	432,283	424,802	462,557
Rates Instalment Administration Charges	626,684	622,800	615,982
Other Miscellaneous Charges	1,637,953	1,504,113	1,464,164
	39,846,708	39,449,489	39,189,009

By Program

General Purpose Funding	976,805	980,345	972,565
Law, Order & Public Safety	1,060,102	1,051,291	914,394
Health	421,249	381,000	408,137
Education & Welfare	195,477	195,443	209,068
Community Amenities	22,338,555	23,334,665	23,021,162
Recreation & Culture	9,096,256	8,921,100	8,971,774
Transport	4,358,235	4,143,285	4,181,330
Economic Services	941,487	-	-
Other Property and Services	458,542	442,361	510,579
	39,846,708	39,449,489	39,189,009

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017

6. GRANT REVENUE AND SUBSIDIES

	2017 Actual \$	2017 Budget \$	2016 Actual \$
By Nature and Type:			
Grants and Subsidies - operating			
Dept. for Child Protection and Family Support	-	-	23,153
Dept. for Local Government and Communities	38,945	-	20,980
Dept. of Sport and Recreation	205,350	205,350	205,350
Dept. of Fire and Emergency Services	147,153	295,800	90,554
Grants Commission	5,092,577	3,392,671	1,651,560
Department of Transport	23,676	-	-
Healthways	13,500	14,000	44,500
Lotteries Commission	45,000	71,909	80,629
Other Grants	63,341	2,500	53,123
	5,629,542	3,982,230	2,169,849
Grants and Subsidies - non-operating			
Black Spot Funding	1,011,528	1,086,533	611,176
Regional & Local Community Infrastructure Programme	-	-	39,725
Main Roads Direct Grant	501,605	350,000	375,800
Main Roads-Federal Assistance	3,301,698	2,117,471	1,008,079
Metro Regional Road Programme	1,639,853	3,156,862	2,711,897
Roads to Recovery Programme	3,037,867	3,228,765	2,807,056
Department of Premier and Cabinet	400,000	400,000	-
Dept. of Infrastructure and Regional Development	38,348	-	-
Main Roads - Other	-	-	600,000
Lotterywest	63,855	40,000	35,176
Department of Transport	675,971	1,105,000	1,494,434
Department of Sport	1,184,288	1,755,466	976,611
Other Government Grants	323,785	40,000	25,000
	12,178,798	13,280,097	10,684,954
Total Grant Revenue	17,808,340	17,262,327	12,854,803
By Program:			
Gen Purpose Funding	5,092,576	3,392,671	1,651,560
Law, Order and Public Safety	143,785	-	-
Education & Welfare	78,945	61,000	100,262
Community Amenities	700	-	1,000
Recreation & Culture	2,782,178	3,073,225	2,804,635
Transport	9,540,028	9,939,631	8,206,792
Economic Services	-	500,000	-
Oth Property & Services	170,128	295,800	90,554
Total Grant Revenue	17,808,340	17,262,327	12,854,803

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017

6 (a) CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Balance as at 01/07/2015 (1)	Received 2015/16 (2)	Expended 2015/16 (3)	Balance as at 30/06/2016 (1)	Received 2016/17 (2)	Expended 2016/17 (3)	Balance as at 30/06/2017
Operating Grants	-	518,289	(503,439)	14,850	536,964	(513,869)	37,945
Total	-	518,289	(503,439)	14,850	536,964	(513,869)	37,945
<u>Non-operating Grants:</u>							
Building Construction	-	49,725	(10,000)	39,725	138,348	(178,073)	-
Foreshore and Natural Areas Mgmt.	-	-	-	-	80,000	-	80,000
New Paths	17,539	35,176	(52,715)	-	167,107	(167,107)	-
Path Replacement	-	992,057	(493,875)	498,182	499,720	(997,902)	-
Major Projects	187,500	1,703,661	(1,870,464)	20,697	1,621,283	(1,641,980)	-
Parks Equipment	-	15,094	(15,094)	-	61,063	(61,063)	-
Parking Facilities	-	66,569	(66,569)	-	-	-	-
Major Road Construction	1,776,249	2,696,589	(3,611,197)	861,641	1,058,686	(1,735,792)	184,535
Road Preservation & Resurfacing	-	4,794,832	(4,794,832)	-	4,120,640	(4,120,640)	-
Blackspot	-	611,176	(603,868)	7,308	1,011,528	(806,371)	212,465
Street Lighting	-	125,428	(125,428)	-	118,725	(118,725)	-
Total	1,981,288	11,090,307	(11,644,042)	1,427,553	8,877,100	(9,827,653)	477,000

Notes:

(1) – Grants/contributions previously recognised as revenue that were not expended at the commencement of the reporting period.

(2) – New grants/contributions which were recognised as revenues during the reporting period.

(3) – Grants/contributions which had been recognised as revenues in a previous reporting period and current reporting period and which were expended in the current reporting period in the manner specified by the contributor.

(4) – The closing balance at 30 June 2017 was included in the Capital Expenditure Carried Forward Reserve.

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017

7. CASH AND CASH EQUIVALENTS	Note	2017 \$	2016 \$
Cash on Hand		11,195	11,195
Cash at Bank		366,379	33,551
11AM Deposits		1,555,000	3,251,000
Term Deposits		89,305,000	83,300,000
		91,237,574	86,595,746
Unrestricted		21,739,757	21,453,007
Restricted	15	69,497,817	65,142,739
		91,237,574	86,595,746

8. TRADE AND OTHER RECEIVABLES

Current

Rates Outstanding (Including Refuse and Swimming Pool Insp)	1,357,689	1,170,884
Sundry Debtors	956,647	875,036
Prepayments	10,652	391,900
Accrued Income	967,074	1,340,149
GST Receivable-NET	644,875	846,284
Less Provision for Doubtful Debts	(2,500)	(2,500)
	3,934,437	4,621,753

Non-Current

Rates/ESL Receivable - Pensioners Deferred	1,636,071	1,533,528
Long Service Leave Due From - Other Councils	119,662	72,463
	1,755,733	1,605,991

9. EQUITY CONTRIBUTIONS IN OTHER UNLISTED ENTITIES

Capital Investment - Mindarie Regional Council	675,894	628,452
Capital Investment - Tamala Park Regional Council	6,864,449	8,202,933
Local Government House	29,616	29,616
	7,569,959	8,861,001

- The Mindarie Regional Council (MRC), of which the City is an equity holder, has developed a Resource Recovery Facility (RRF). In this process, the MRC borrowed \$3.5m to acquire the land on which the RRF has been developed. Due to the time lag between the loan repayment and the RRF operation and charges, the MRC Council approved that its equity holders be charged for the repayment obligations under the land purchase loan. The methodology adopted for this charge was to treat the interest component of the repayment amount as an additional expense in substitution of an increase in the gate fee chargeable and to treat the principal repayment component as an additional equity contribution to the capital of the MRC.

9. EQUITY CONTRIBUTIONS IN OTHER UNLISTED ENTITIES (Continued)

- The Tamala Park Regional Council (TPRC) was established in January 2006 for the purpose of the development of the Tamala Park land jointly owned by seven local governments, including the City of Joondalup, which has one-sixth equity in the land. The West Australia Planning Commission (WAPC) requested that a portion of this land be retained as "Bush Forever", which the Commission was prepared to acquire and pay for. The "Bush Forever" land was disposed of by the joint owners to the WAPC in November 2006. The City of Joondalup's share of the proceeds of disposal was \$2,703,573 which was subsequently contributed to the TPRC as equity investment to be used for TPRC purposes.

The current fair value of equity is estimated at \$6,864,449. TPRC had subdivided and sold 70 lots measuring an area of 24,375m² of land during the year with a total sales value of \$20,197,740. The City's share of sales proceeds after deducting development and selling costs was \$1,920,731. The City made a profit of \$1,636,352 from the sale of land.

The City has received the audited financial statements of Tamala Park Regional Council for the year ended 30 June 2017. The City's share of Net Result of operations of Tamala Park Regional Council was \$46,688. This amount was credited to the Statement of Comprehensive Income in accordance with the equity method of accounting.

The City's interest in other unlisted entities has been recognised in the financial statements at cost of contributed equity.

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017

10. PROPERTY, PLANT & EQUIPMENT

Movement in Carrying Amounts

The following represents the movement in the carrying amounts of each class of property, plant and equipment between the beginning and the end of the current financial year

At Valuation	Balance at 30/06/2016 \$	Additions \$	Disposals \$	Transfers, Adjustments & Revaluation \$	Balance at 30/06/2017 \$
Freehold Land	97,180,350	-	(2,284,379)	112,063,025	206,958,996
Buildings	356,311,274	1,676,230	(2,450,606)	416,644	355,953,542
Artworks	837,036	143,502	-	-	980,538
Furniture, Computer Equipment & Computer Software	6,547,707	615,794	-	-	7,163,501
Fleet, Plant & Equipment	15,593,872	1,666,065	(788,679)	-	16,471,258
Easements	459	-	-	-	459
	476,470,698	4,101,591	(5,523,664)	112,479,669	587,528,294
Accumulated Depreciation	Balance at 30/06/2016 \$	Disposals \$	Depreciation \$	Transfers, Adjustments & Revaluation \$	Balance at 30/06/2017 \$
Freehold Land	-	-	-	-	-
Buildings	(144,008,073)	2,083,409	(4,354,703)	4,556,958	(141,722,409)
Furniture, Computer Equipment & Computer Software	(5,452,380)	-	(538,516)	-	(5,990,896)
Fleet, Plant & Equipment	(3,393,905)	233,953	(1,535,496)	-	(4,695,448)
Easements	-	-	-	-	-
	(152,854,358)	2,317,362	(6,428,715)	4,556,958	(152,408,753)
Written-Down Value	Balance at 30/06/2016 \$	Additions \$	Disposals \$	Depreciation, Adjustments & Revaluation \$	Balance at 30/06/2017 \$
Freehold Land	97,180,350	-	(2,284,379)	112,063,025	206,958,996
Buildings	212,303,201	1,676,230	(367,197)	618,899	214,231,133
Artworks	837,036	143,502	-	-	980,538
Furniture, Computer Equipment & Computer Software	1,095,327	615,794	-	(538,516)	1,172,605
Plant & Equipment	12,199,967	1,666,065	(554,726)	(1,535,496)	11,775,810
Easements	459	-	-	-	459
	323,616,340	4,101,591	(3,206,302)	110,607,912	435,119,541
Capital Projects in Progress	Balance at 30/06/2016 \$	Additions \$	Capitalised \$	Impairment/ Adjustments \$	Balance at 30/06/2017 \$
Freehold Land	853	720	-	-	1,573
Buildings	16,408,126	12,305,047	(1,676,230)	-	27,036,943
Artworks	215,652	94,856	(143,502)	-	167,006
Furniture, Computer Equipment & Computer Software	354,985	1,636,905	(615,794)	-	1,376,096
Plant & Equipment	329,886	1,405,490	(1,666,065)	-	69,311
Tamala Park Land Development	546,711	1,425,103	-	-	1,971,814
	17,856,213	16,868,121	(4,101,591)	-	30,622,743
Total	341,472,553				465,742,284

10. PROPERTY, PLANT & EQUIPMENT (Continued)

(a) Valuation of Property, Plant and Equipment:

AASB 13 Fair Value Measurement sets out the framework for measurement of fair value. This Standard requires fair value to be measured according to the following hierarchy.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

As per the statutory requirement of regulation 17A of the Local Government (Financial Management) Regulations 1996 the City's Land and Buildings were revalued as at 30 June 2017.

Freehold land identified as 'market use type' was valued by independent registered valuer and the revaluation resulted in an increase in value of \$112,063,025. This increase includes land to the value of \$86,782,785 that has been valued on a highest and best use basis, as per the City's Property Management Framework, which differs from its current use. The designated fair value hierarchy for this valuation, based on observable inputs, is Level 2.

Freehold land identified by management as 'current use type' was valued by management at the carrying value of land which reflected the fair value as at 30 June 2017. The designated fair value hierarchy level of inputs for current use (non-market) type assets is Level 3.

City's buildings were revalued by the management. All the buildings were classified under the 'Current Use' type assets, which cannot be traded in the open market. These assets were valued on the basis of their existing use, utilising the cost approach with both observable and unobservable inputs. The designated fair value hierarchy level of inputs for current use (non-market) type assets is Level 3.

The revaluation resulted in an overall increase of \$4,973,602 in the net value of the City's buildings. This increase in net value has been credited directly to the Revaluation Reserve in Equity.

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017

10. PROPERTY, PLANT & EQUIPMENT (Continued)

(b) Historical details of Property, Plant and Equipment Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of last valuation	Inputs Used
Land - Freehold (Market use type)	2	Market approach using recent observable market data for similar properties	Independent registered valuer	June 2017	Price per hectare
Land - Freehold (Current use type)	3	Cost approach - current replacement cost	Management valuation	June 2017	Price per hectare, current zonings of land. Market values were used (Level 2 inputs) unless there were some restrictions or other factors associated with the land which resulted in land being deemed to be valued using Level 3 inputs
Buildings	3	Improvements to land valued using cost approach using depreciated replacement cost	Management valuation	June 2017	Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Easements	3	Cost approach	Management valuation	June 2013	Unit count (Level 3)
Artworks	3	Valuer inspection and appraisal	Independent registered valuer	June 2015	Market based evidence, Current Replacement Cost (Level 3)
Furniture, Computer Equipments and Computer	3	Cost approach using depreciated replacement cost	Management valuation	June 2015	Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Fleet, Plant and Equipment	3	Cost approach using depreciated replacement cost	Management valuation	June 2016	Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.

During the period, there were no changes in the valuation techniques used by the City to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017

11. INFRASTRUCTURE ASSETS

Movement in Carrying Amounts

The following represents the movement in the carrying amounts of each class of Infrastructure Assets between the beginning and the end of the current financial year.

At Valuation

	Balance at 30/06/2016	Additions	Impairment	Revaluation	Balance at 30/06/2017
	\$	\$	\$	\$	\$
Roads	749,235,969	9,609,239	-	(80,760,350)	678,084,858
Footpaths	103,578,986	2,231,720	(676,101)	12,285,277	117,419,882
Drainage	386,837,633	1,758,444	(542,352)	15,991,198	404,044,923
Parks and Reserves	204,042,382	7,104,705	(1,481,982)	-	209,665,105
Car Park	18,682,101	296,674	-	6,158,376	25,137,151
Bridges and Underpasses	31,401,165	-	-	11,177,714	42,578,879
Other Infrastructure	865,191	1,207,461	-	-	2,072,652
Lighting	35,539,499	3,715,679	(2,393,273)	-	36,861,905
	1,530,182,926	25,923,922	(5,093,708)	(35,147,785)	1,515,865,355

Accumulated Depreciation

	Balance at 30/06/2016	Impairment	Depreciation	Revaluation	Balance at 30/06/2017
	\$	\$	\$	\$	\$
Roads	(300,584,371)	-	(11,607,928)	-	(312,192,299)
Footpaths	(35,586,922)	325,628	(2,058,232)	(18,031)	(37,337,557)
Drainage	(128,400,693)	165,353	(4,190,570)	214,397	(132,211,513)
Parks and Reserves	(49,978,815)	1,171,046	(4,081,939)	-	(52,889,708)
Car Park	(5,341,140)	-	(373,365)	(6,244,988)	(11,959,493)
Bridges and Underpasses	(8,923,909)	-	(346,947)	(2,475,198)	(11,746,054)
Other Infrastructure	(318,043)	-	(46,710)	-	(364,753)
Lighting	(14,768,687)	1,370,705	(1,056,303)	-	(14,454,285)
	(543,902,580)	3,032,732	(23,761,994)	(8,523,820)	(573,155,662)

Written-Down Value

	Balance at 30/06/2016	Additions	Depreciation	Impairment/ Revaluation	Balance at 30/06/2017
	\$	\$	\$	\$	\$
Roads	448,651,598	9,609,239	(11,607,928)	(80,760,350)	365,892,559
Footpaths	67,992,064	2,231,720	(2,058,232)	11,916,773	80,082,325
Drainage	258,436,940	1,758,444	(4,190,570)	15,828,596	271,833,410
Parks and Reserves	154,063,567	7,104,705	(4,081,939)	(310,936)	156,775,397
Car Park	13,340,961	296,674	(373,365)	(86,612)	13,177,658
Bridges and Underpasses	22,477,256	-	(346,947)	8,702,516	30,832,825
Other Infrastructure	547,148	1,207,461	(46,710)	-	1,707,899
Lighting	20,770,812	3,715,679	(1,056,303)	(1,022,568)	22,407,620
	986,280,346	25,923,922	(23,761,994)	(45,732,581)	942,709,693

	Balance at 30/06/2016	Additions	Adjustment	Capitalised	Balance at 30/06/2017
	\$	\$	\$	\$	\$
Capital Works in Progress					
Roads	6,123,704	8,800,971	-	(9,609,239)	5,315,436
Footpaths	991,139	1,907,567	-	(2,231,720)	666,986
Drainage	169,331	1,941,875	-	(1,758,444)	352,762
Parks and Reserves	2,639,848	7,977,258	-	(7,104,705)	3,512,401
Car Park	184,868	886,804	-	(296,674)	774,998
Bridges and Underpasses	-	30,354	-	-	30,354
Other Infrastructure	-	2,071,515	-	(1,207,461)	864,054
Lighting	1,106,158	3,176,530	-	(3,715,679)	567,009
	11,215,048	26,792,874	-	(25,923,922)	12,084,000
Total	997,495,394				954,793,693

11. INFRASTRUCTURE ASSETS (Continued)

(a) Valuation of Infrastructure Assets:

The City has revalued the following infrastructure assets during the year as required by Regulation 17A of the Local Government (Financial Management) Regulations 1996.

1. Road Networks
2. Footpath Networks
3. Car Parks
4. Drainage Networks
5. Bridges and Underpasses

AASB 13 Fair Value Measurement sets out the framework for measurement of fair value. This Standard requires fair value to be measured according to the following hierarchy.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Revaluation of Bridges and Underpasses was done by external valuers who had the relevant technical expertise in valuation of this class of assets (using Level 2 and Level 3 inputs in the fair value measurement hierarchy). Revaluation of other infrastructure assets were done by the Management using the technical expertise of its Infrastructure Management Services staff. No market based evidence was available for determining the fair value of these classes of assets because of their specialised nature. Fair value of these assets has been arrived at based on their depreciated replacement cost. Management has used the unit rates of construction, age and condition of these assets as inputs (Level 2 and Level 3 in the fair value measurement hierarchy) into its valuation methodology. The unit rates and valuation methodology were further reviewed independently by an external valuer to confirm that the unit rates and valuation methodology were adequate and conformed to industry standards.

The revaluation of above assets resulted in a decrease in value of Road Networks (\$80,760,350), and Car Parks (\$86,613) and an increase in value of Footpath (\$12,267,247), Drainage (\$16,205,595) and Bridges and Underpasses (\$8,702,515). The increase in value of the assets have been credited directly to the respective Revaluation Reserves in the Equity. The decrease in value of the Road Networks and Car Parks have been set off against the respective Revaluation Reserve balances.

Other than the adjustments made to the Revaluation Reserves as noted above, the City has not revalued any of its infrastructure assets during the year.

As part of the Strategic Asset Management Improvement Project a gap analysis of the City's infrastructure asset inventory was undertaken during the year. The process identified Marine Infrastructure asset group under the 'Parks and Reserves' class lacking adequate information for breakdown into component assets. An external consultant was engaged to do a complete physical inspection and condition assessment of the marine infrastructure assets. This process has resulted in the addition of certain coastal protection assets with a depreciated replacement cost of \$11,902,944 that has been added to the cost of 'Parks and Assets' class as a prior year adjustment (Note 37)

CITY OF JOONDALUP
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11. INFRASTRUCTURE ASSETS (Continued)

(b) Historical details of Infrastructure Assets Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of last valuation	Inputs Used
Roads	3	Cost approach using depreciated replacement cost	Management valuation	June 2017	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3)
Footpaths	3	Cost approach using depreciated replacement cost	Management valuation	June 2017	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3)
Car Park	3	Cost approach using depreciated replacement cost	Management valuation	June 2017	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3)
Drainage	3	Cost approach using depreciated replacement cost	Management valuation	June 2017	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3)
Bridges and Underpasses	3	Cost approach using depreciated replacement cost	Independent valuation	June 2017	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3)
Parks and Reserves	3	Cost approach using depreciated replacement cost	Management valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3)
Lighting	3	Cost approach using depreciated replacement cost	Management valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3)
Other Infrastructure Assets	3	Cost approach using depreciated replacement cost	Management valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3)

Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.

During the period, there were no changes in the valuation techniques used by the City to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.

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12. TRADE AND OTHER PAYABLES	Note	2017	2016
		\$	\$
Current			
Trade Payables		3,786,997	3,264,140
Sundry Payables		523,647	540,402
Accrued Expenses		4,796,207	5,061,026
Other Payables		2,107,983	1,946,216
		11,214,834	10,811,784

13. BORROWINGS

Current - Loan Borrowings		3,084,741	2,126,295
Non-Current Loan Borrowings		13,616,336	12,155,655
Total Borrowings	23(a)	16,701,077	14,281,950

Current loan borrowings represent the current portion of existing long-term liabilities as detailed in Note 23.

The City does not include outstanding bank overdraft balances as current borrowings, as overdrafts represent a normal banking arrangement and are included as part of cash and cash equivalents. The City does not utilise a bank overdraft on an ongoing basis.

14. PROVISIONS	2017	2016
	\$	\$
Current		
Provision for Annual Leave	4,366,612	4,172,735
Provision for Long Service Leave	5,579,310	5,061,135
Provision for Sick leave	964,736	259,569
Provision for Workers Compensation	3,550,341	2,700,766
Provision for Write-off of Assets	9,415	9,415
Provisions-Other	49,906	45,906
	14,520,320	12,249,526
Non-Current		
Provision for Long Service Leave	1,351,117	1,363,314
Provision for Long Service Leave due to Other Councils	243,607	266,523
	1,594,724	1,629,837

15. RESERVES – CASH BACKED

	2017 Actual \$	2017 Budget \$	2016 Actual \$
(a) Non-Current Long Service Leave			
Opening Balance	1,629,836	1,745,280	1,845,280
Amount Set Aside / Transfer to Reserve	-	-	-
Amount Used / Transfer from Reserve	(35,218)	(100,000)	(215,444)
	<u>1,594,618</u>	<u>1,645,280</u>	<u>1,629,836</u>

Created in 2012-13 to facilitate the funding of the non-current portion of long service leave liabilities to City employees.

(b) Capital Expenditure Carried Forward Reserve

Opening Balance	5,903,506	3,454,876	7,753,319
Amount Set Aside / Transfer to Reserve	8,159,583	422,135	4,992,179
Amount Used / Transfer from Reserve	(5,903,507)	(3,454,876)	(6,841,992)
	<u>8,159,582</u>	<u>422,135</u>	<u>5,903,506</u>

Created in 2006-07 to hold unspent capital works funds carried forward to subsequent financial year(s). The transfer to accumulated surplus is to fund capital works previously carried forward.

(c) Cash in Lieu of Parking Reserve

Opening Balance	1,380,755	1,374,632	1,207,832
Amount Set Aside / Transfer to Reserve	48,396	34,156	172,923
Amount Used / Transfer from Reserve	(4,006)	(156,000)	-
	<u>1,425,145</u>	<u>1,252,788</u>	<u>1,380,755</u>

Created in 1993-94 with funds previously held in the Trust Fund. Represents funds received from developers in lieu of providing car parking. Funds transferred from the reserve will be utilised to fund future car parking requirements. Funds transferred to the reserve from accumulated surplus includes interest.

(d) Joondalup Performing Arts and Cultural Facility Reserve

Opening Balance	12,258,984	11,854,323	11,327,438
Amount Set Aside / Transfer to Reserve	2,150,789	7,584,059	2,229,567
Amount Used / Transfer from Reserve	(414,041)	(11,300,000)	(1,298,021)
	<u>13,995,732</u>	<u>8,138,382</u>	<u>12,258,984</u>

Created in 2000-01 to assist with the design and development of a regional performing arts facility in the Joondalup City Centre. The reserve was renamed in 2005-06 and again in 2009-10 to more appropriately reflect its intent.

Transfer from accumulated surplus represents the net proceeds from the disposal of surplus land holdings and interest. The transfer to accumulated surplus was to fund the progression of the development of a Performing Arts and Cultural Facility, including the incorporation of a Jinan Garden at Lot 1001, Teakle Court.

15. RESERVES – CASH BACKED (Continued)

	2017 Actual \$	2017 Budget \$	2016 Actual \$
(e) Marmion Car Park Reserve			
Opening Balance	178,161	148,607	1,839,205
Amount Set Aside / Transfer to Reserve	4,944	-	29,554
Amount Used / Transfer from Reserve	-	-	(1,690,598)
	<u>183,105</u>	<u>148,607</u>	<u>178,161</u>

Created in 2013-14 to hold the State Government's contribution and the unspent portion of City of Joondalup funds for the future construction of a car park next to the Marmion Angling and Aquatic Club. The transfer from accumulated surplus represents interest.

(f) Ocean Reef Marina Project Reserve			
Opening Balance	-	-	161,701
Amount Set Aside / Transfer to Reserve	-	-	-
Amount Used / Transfer from Reserve	-	-	(161,701)
	<u>-</u>	<u>-</u>	<u>-</u>

Created in 1998-99. The City renamed this reserve in 2009-10 and updated its purpose to the planning, development and management of the Ocean Reef Marina Project.

(g) Parking Facility Reserve			
Opening Balance	1,242,982	1,113,177	5,046,252
Amount Set Aside / Transfer to Reserve	1,383,626	1,238,807	1,309,331
Amount Used / Transfer from Reserve	(1,171,122)	(1,172,203)	(5,112,601)
	<u>1,455,486</u>	<u>1,179,781</u>	<u>1,242,982</u>

Created in 2008-09 to hold the operating surpluses arising from paid parking in the Joondalup City Centre. The reserve is to be applied to the development and provision of facilities and services, both parking and non-parking, in the Joondalup City Centre. The transfer from accumulated surplus represents the parking operating surplus and interest. Transfer to accumulated surplus is for partly funding the construction of Reid Promenade Multi Storey Car Park and to fund repayments on the \$8,500,000 loan taken in 2014-15 to construct the Multi Storey Car Park.

15. RESERVES – CASH BACKED (Continued)

	2017 Actual \$	2017 Budget \$	2016 Actual \$
(h) Public Art Reserve			
Opening Balance	109,687	74,324	124,323
Amount Set Aside / Transfer to Reserve	53,060	-	53,428
Amount Used / Transfer from Reserve	(48,832)	(61,922)	(68,064)
	<u>113,915</u>	<u>12,402</u>	<u>109,687</u>

Created in 2012-13 for the purpose of providing for the commissioning and purchase of public art works. The transfer from Accumulated Surplus represents interest and funds set aside during the year. Transfer to accumulated surplus was to fund the permanent installation of public art work in the City Centre.

(i) Section 20A Land Reserve

Opening Balance	51,995	51,953	50,494
Amount Set Aside / Transfer to Reserve	1,443	1,369	1,501
Amount Used / Transfer from Reserve	-	-	-
	<u>53,438</u>	<u>53,322</u>	<u>51,995</u>

Created in 1993-94 by the former City of Wanneroo to comply with the Department of Land Administration guidelines on the sale of unwanted Section 20A "Public Recreation" reserve land that requires that the proceeds be applied to capital improvements on other recreation reserves in the general locality. The transfer to the reserve represents interest.

(j) Specified Area Rating - Harbour Rise Reserve

Opening Balance	14,584	105	7,265
Amount Set Aside / Transfer to Reserve	8,783	3	7,319
Amount Used / Transfer from Reserve	-	-	-
	<u>23,367</u>	<u>108</u>	<u>14,584</u>

Created to hold unspent funds levied for the purpose of undertaking enhanced landscaping services in the Harbour Rise specified area. Transfer from accumulated surplus represents unspent funds levied during the year and interest.

(k) Specified Area Rating - Iluka Reserve

Opening Balance	10,568	142	9,845
Amount Set Aside / Transfer to Reserve	10,415	4	723
Amount Used / Transfer from Reserve	-	-	-
	<u>20,983</u>	<u>146</u>	<u>10,568</u>

Created to hold unspent funds levied for the purpose of undertaking enhanced landscaping services in the Iluka specified area. Transfer from accumulated surplus represents unspent funds levied during the year and interest.

15. RESERVES – CASH BACKED (Continued)

	2017 Actual \$	2017 Budget \$	2016 Actual \$
(l) Specified Area Rating - Woodvale Reserve			
Opening Balance	51,461	51,625	50,174
Amount Set Aside / Transfer to Reserve	24,754	701	1,489
Amount Used / Transfer from Reserve	-	(50,000)	(202)
	<u>76,215</u>	<u>2,326</u>	<u>51,461</u>

Created to hold unspent funds levied for the purpose of undertaking enhanced landscaping services in the Woodvale specified area. Transfers from the reserve are to fund works undertaken in the specified area Woodvale. Transfer to reserve represents unspent funds levied during the year and interest.

(m) Strategic Asset Management Reserve			
Opening Balance	21,899,115	19,473,727	21,784,045
Amount Set Aside / Transfer to Reserve	2,614,675	668,418	3,726,947
Amount Used / Transfer from Reserve	(8,180,380)	(8,889,323)	(3,611,877)
	<u>16,333,410</u>	<u>11,252,822</u>	<u>21,899,115</u>

The reserve was created in 2010-11 from the merger of the old Strategic Asset Management and Asset Replacement Reserves, and is intended to fund the acquisition and development of new and renewal of existing City infrastructure and building assets. The transfer from accumulated surplus represents funds transferred and interest.

(n) Tamala Park Land Sales Reserve			
Opening Balance	9,765,488	8,913,297	7,019,586
Amount Set Aside / Transfer to Reserve	2,129,739	2,092,278	2,745,902
Amount Used / Transfer from Reserve	-	-	-
	<u>11,895,227</u>	<u>11,005,575</u>	<u>9,765,488</u>

This reserve was created in 2013-14 to hold the City's share of the dividends received from the proceeds of the sales of Tamala Park land to be held and subsequently applied for investing in income producing facilities, to build significant one-off community facilities and to assist with the cash flow requirements of developing significant infrastructure assets aligned to the 20 Year Strategic Financial Plan. The transfer from accumulated surplus represents dividends received and interest.

15. RESERVES – CASH BACKED (Continued)

	2017 Actual \$	2017 Budget \$	2016 Actual \$
(o) Vehicle, Plant and Equipment Reserve			
Opening Balance	2,975,397	3,160,124	2,495,894
Amount Set Aside / Transfer to Reserve	1,302,116	771,493	479,503
Amount Used / Transfer from Reserve	-	-	-
	<u>4,277,513</u>	<u>3,931,617</u>	<u>2,975,397</u>

Created in 2008-09 by consolidating the Heavy Vehicle, Light Vehicle and Plant Replacement reserves with the purpose of supporting the funding of vehicle, plant and equipment purchases. The transfer from accumulated surplus represents surplus municipal funding of the fleet replacement program as recommended in the Fleet Asset Management Plan, and interest.

(p) Waste Management Reserve			
Opening Balance	7,670,220	6,657,279	4,958,142
Amount Set Aside / Transfer to Reserve	2,418,634	166,187	2,910,239
Amount Used / Transfer from Reserve	(198,773)	(697,127)	(198,161)
	<u>9,890,081</u>	<u>6,126,339</u>	<u>7,670,220</u>

Renamed in 2009-10 and its purpose updated. The reserve is to fund and support waste management services including but not limited to refuse collection, waste management initiatives and programs, infrastructure buildings and legal expenses associated with waste management but excluding vehicles, plant and equipment. Transfer from Accumulated Surplus represents the waste management services operating surplus and interest. The transfer to accumulated surplus was to partly fund the cost of the Better Bins trial.

Total Reserves - Cash Backed	Note			
Opening Balance		65,142,739	58,073,471	65,680,795
Amount Set Aside / Transfer to Reserve		20,310,957	12,979,610	18,660,605
Amount Used / Transfer from Reserve		(15,955,879)	(25,881,451)	(19,198,661)
Closing Balance 30 June 2017	7	<u>69,497,817</u>	<u>45,171,630</u>	<u>65,142,739</u>

Cash backed reserves are not projected to be used within a set period as further transfers to/from reserve accounts are expected as funds are utilised or set aside.

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16. RESERVES – ASSET REVALUATION

	2017	2016
	Actual	Actual
	\$	\$
(a) Artworks		
Opening Balance	249,010	249,010
Revaluation Increment	-	-
	249,010	249,010
(b) Land and Buildings		
Opening Balance	237,335,159	200,393,909
Revaluation Increment	117,036,627	36,941,250
	354,371,786	237,335,159
(c) Fleet, Plant and Equipment		
Opening Balance	124,769	-
Revaluation Increment	-	124,769
	124,769	124,769
(d) Roads		
Opening Balance	193,200,236	193,200,236
Revaluation Decrement	(80,760,350)	-
	112,439,886	193,200,236
(e) Footpaths		
Opening Balance	56,077,368	56,077,368
Revaluation Increment	12,267,246	-
	68,344,614	56,077,368
(f) Drainage		
Opening Balance	147,780,307	147,780,307
Revaluation Increment	16,205,595	-
	163,985,902	147,780,307
(g) Parks and Reserves		
Opening Balance	116,202,886	116,202,886
Revaluation Increment	-	-
	116,202,886	116,202,886
(h) Car Parks		
Opening Balance	2,264,516	2,264,516
Revaluation Decrement	(86,612)	-
	2,177,904	2,264,516
(i) Bridges and Underpasses		
Opening Balance	18,291,997	18,291,997
Revaluation Increment	8,702,516	-
	26,994,513	18,291,997
(j) Other Infrastructure Assets		
Opening Balance	453,308	453,308
Revaluation Increment	-	-
	453,308	453,308

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16. RESERVES – ASSET REVALUATION (continued)	2017 Actual \$	2016 Actual \$
(k) Lighting		
Opening Balance	13,143,474	13,143,474
Revaluation Increment	-	-
	<u>13,143,474</u>	<u>13,143,474</u>
(l) Tamala Park Assets		
Opening Balance	1,059	1,253
Revaluation Increment (Decrement)	-	(194)
	<u>1,059</u>	<u>1,059</u>
 Total Asset Revaluation Reserves		
Opening Balance	785,124,090	748,058,265
Transfer to Reserve	154,211,984	37,066,019
Transfer from Reserve	(80,846,962)	(194)
Closing Balance 30 June 2017	<u>858,489,112</u>	<u>785,124,090</u>

17. NOTES TO THE CASH FLOW STATEMENT

Reconciliation of Net Cash Provided by Operating Activities to Net Result

	2017 \$	2016 \$
Net Result from Operating Activities	(7,079,544)	(1,257,112)
Depreciation, Impairment & Revaluation Decrement	32,618,882	31,526,115
(Profit)/Loss on Sale of Assets	(1,376,109)	(3,351,924)
(Increase)/Decrease in Receivables	(216,749)	111,964
Increase/(Decrease) in Payables	506,102	77,739
Increase/(Decrease) in Employee Provisions	2,231,681	(305,205)
Increase/(Decrease) in Other Provisions	4,000	2,332
Increase/(Decrease) in Other Payables	161,767	25,608
Increase/(Decrease) in Accrued Expenses	(264,819)	(2,094,649)
(Increase)/Decrease in Accrued Income	373,075	(216,584)
(Increase)/Decrease in Prepayments	381,248	115,964
(Increase)/Decrease in Inventory	(74,596)	(10)
Investment movement in Tamala Park- Regional Council using Equity Method	(46,688)	(83,114)
Movement in Non-current items	-	11,318
Net Cash from Operating Activities	<u>27,218,250</u>	<u>24,562,442</u>

18. CONTINGENT LIABILITIES

At its meeting held on September 2007 Council resolved to acknowledge and accept the contingent liability resulting from the provision of an irrevocable financial guarantee on behalf of Mindarie Regional Council (MRC) for its contractual liability to the Contractor undertaking the development of the Resource Recovery Facility. The extent of the City's contingent liability is proportional and several (not joint and several) and is limited to 1/6 of any subsequent payment to the Contractor. The maximum amount that may be payable by the City under the Guarantee is 1/6 of \$88.2m amounting to \$14.7m. The term of the guarantee is 20 years unless the MRC liability under the agreement with the contractor is fully extinguished earlier.

19. COMMITMENTS FOR MAJOR EXPENDITURE AND OPERATING LEASES

	2017 \$	2016 \$
(a) Capital Expenditure Commitments		
At the reporting date, the City is committed to the following major expenditure commitments which are due for payment within one year:		
Major Expenditure Commitments	<u>5,236,656</u>	<u>12,812,446</u>
(b) Projected Operating Lease Income		
Future Minimum Lease Income Expected		
Up to 1 yr	769,847	608,762
1 - 5 yrs	2,665,741	1,649,789
> 5 yrs	<u>6,556,937</u>	<u>6,556,677</u>
	<u>9,992,525</u>	<u>8,815,228</u>

The City holds properties which are leased to Mindarie Regional Council, various corporations and community organisations.

(c) Projected Operating Lease Commitments

Future Minimum Lease Payments Expected

Up to 1 yr	591,534	578,617
1 - 5 yrs	2,286,007	2,259,401
> 5 yrs	<u>3,009,768</u>	<u>3,702,463</u>
	<u>5,887,309</u>	<u>6,540,481</u>

The lease commitments are for the City's Works Operation Centre. Annual lease payment escalations are based on CPI, unless otherwise provided for in the lease agreement.

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20. TRUST FUNDS

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

	2017	2016
	\$	\$
Balance brought forward on 01 July 2016	2,053,996	1,938,438
Amounts received during the year	2,549,320	483,110
Amounts paid out during the year	(683,144)	(395,969)
Interest earned on monies held in trust	12,188	28,417
Balance carried forward at 30 June 2017	<u>3,932,360</u>	<u>2,053,996</u>
Opening Balance - Cash in Lieu of Public Open Space	294,582	529,046
Transfer to Municipal Fund	(194,272)	(239,776)
Interest earned	1,188	5,312
Closing Balance - Cash in Lieu of Public Open Space	101,498	294,582
Bonds, Retention Money	3,830,862	1,759,414
Trust Funds as at 30 June 2017	<u>3,932,360</u>	<u>2,053,996</u>

21. DISPOSALS OF ASSETS

The following assets were disposed of during the year.

Asset Class Disposed of	Net Book Value		Sale Price		Profit		Loss	
	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
	\$	\$	\$	\$	\$	\$	\$	\$
Land	2,000,000	6,215,222	1,791,519	7,324,154	-	1,444,978	(208,481)	(336,046)
Fleet, Plant & Equipment	554,726	646,822	502,964	445,300	28,980	759	(80,742)	(202,281)
Land (TPRC lots sale)	284,379	-	1,920,731	-	1,636,352	-	-	-
	2,839,105	6,862,044	4,215,214	7,769,454	1,665,332	1,445,737	(289,223)	(538,327)
Building Impairment	367,197							
Per Note 10	<u>3,206,302</u>							

22. TOTAL ASSETS CLASSIFIED BY PROGRAM

	2017	2016
	\$	\$
Governance	36,385,112	35,855,955
General Purpose Funding	21,703,652	17,360,515
Law, Order, Public Safety	4,606,444	547,656
Health	344,499	24,736
Education and Welfare	7,102,707	2,752,625
Community Amenities	316,559,095	315,786,968
Recreation and Culture	355,401,467	320,377,240
Transport	498,293,052	591,848,974
Economic Services	22,012,319	20,177,767
Other Property and services	262,770,309	135,990,382
	<u>1,525,178,656</u>	<u>1,440,722,818</u>

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23. INFORMATION ON BORROWINGS

(a) Loan Repayments

			Principal		Principal		Interest		
Purpose of Loan	Balance 1-Jul-16	New Loans	Repayments		Balance 30-Jun-17		Repayments		Unspent Balance
			Actual	Budget	Actual	Budget	Actual	Budget	
Aquatic Facilities Upgrade	2,730,654	-	(624,200)	(624,200)	2,106,454	2,106,454	162,628	161,897	-
Streetscape Enhancement – West Coast	416,660	-	(95,244)	(95,244)	321,416	321,416	24,815	24,728	-
Seacreast Sports Facility	463,584	-	(86,736)	(86,736)	376,848	376,848	29,178	29,171	-
Forrest Park Sports Facility	304,990	-	(57,063)	(57,063)	247,927	247,926	19,196	19,191	-
Fleur Frame Pavilion Upgrade	842,608	-	(157,652)	(157,651)	684,956	684,958	53,033	53,021	-
Reid Promenade Multi-storey Car Park	7,754,454	-	(767,022)	(767,022)	6,987,432	6,987,432	255,100	255,073	-
Bramston Park	1,769,000		(338,379)	(336,375)	1,430,621	1,432,625	47,326	54,192	153,227
Warwick Hockey Facility	-	4,545,423	-	-	4,545,423	4,545,423	472	-	-
Total	14,281,950	4,545,423	(2,126,296)	(2,124,291)	16,701,077	16,703,082	591,748	597,274	153,227

(b) New Loan - 2017/18

Particulars/Purpose

	Amount Borrowed		Institution	Term (Years)	Total Interest	Interest Rate %	Amount Used		Balance Unspent
	Actual	Budget					Actual	Budget	
Warwick Hockey Facility	4,545,423	4,545,423	WATC	5	288,071	2.37	4,545,423	4,545,423	-
	<u>4,545,423</u>	<u>4,545,423</u>					<u>4,545,423</u>	<u>4,545,423</u>	<u>-</u>

23. INFORMATION ON BORROWINGS (Continued)

(c) Overdraft	2017	2016
	\$	\$
Bank Overdraft Facility Limit	500,000	500,000
Bank Overdraft at Reporting Date	-	-
Credit Amount Unused	500,000	500,000

(d) Credit Cards

The City has corporate credit card facilities provided by its bank. Three corporate credit cards have been issued for purchasing and one to the Chief Executive Officer to be used for City business expenses.

	Credit Limit	Balance 30-Jun-17	Credit Amount Unused	Balance 30-Jun-16
	\$	\$	\$	\$
Corporate Travel Card	22,000	6,338	15,662	15,721
Civic Functions Card	5,000	4,547	453	3,594
Corporate Purchasing Card	10,000	8,535	1,465	547
Chief Executive Officer	10,000	1,521	8,479	807
	47,000	20,941	26,059	20,668

24. SPECIFIED AREA RATE - HARBOUR RISE

The Council, BY AN ABSOLUTE MAJORITY in accordance with the provisions of Section 6.32 and 6.37 of the Local Government Act 1995 imposed for the 2016-17 financial year, a specified area rate for the area of Harbour Rise Estate.

	Note	2017	2016
		\$	\$
Balance 1 July 2016		14,584	7,265
2016-17 Rate Income		149,210	115,272
Other Income		511	-
Interest		520	320
Expenditure		(141,458)	(108,273)
Surplus in Reserve at 30 June 2017	15(j)	23,367	14,584

25. SPECIFIED AREA RATE – ILUKA

The Council, BY AN ABSOLUTE MAJORITY in accordance with the provisions of Section 6.32 and 6.37 of the Local Government Act 1995 imposed for the 2016-17 financial year, a specified area rate for the suburb of Iluka.

	Note	2017 \$	2016 \$
Balance 1 July 2016		10,568	9,845
2016-17 Rate Income		304,730	280,882
Other Income		6,929	-
Interest		431	299
Expenditure		(301,675)	(280,458)
Surplus in Reserve at 30 June 2017	15(k)	<u>20,983</u>	<u>10,568</u>

26. SPECIFIED AREA RATE - WOODVALE WATERS

The Council, BY AN ABSOLUTE MAJORITY in accordance with the provisions of Section 6.32 and 6.37 of the Local Government Act 1995 imposed for the 2016-17 financial year, a specified area rate for the area of Woodvale Waters.

	Note	2017 \$	2016 \$
Balance 1 July 2016		51,461	50,174
2016-17 Rate Income		49,735	19,816
Interest		1,747	1,489
Expenditure		(26,728)	(20,018)
Surplus in Reserve at 30 June 2017	15(l)	<u>76,215</u>	<u>51,461</u>

27. MOVEMENT IN NON-CURRENT ITEMS

	2017 Actual \$	2017 Budget \$	2016 Actual \$
Movement in Non-current Receivables	(149,742)	-	(85,454)
Movement in Non-current Provisions	(35,113)	125,000	(215,443)
Movement in equity investments using Equity method	(46,688)	-	(83,114)
Movement in Non-current Assets	-	-	11,318
Impairment of Non-current Assets	-	-	-
	<u>(231,543)</u>	<u>125,000</u>	<u>(372,693)</u>

28. ELECTED MEMBERS' REMUNERATION

	2017 Actual	2017 Budget	2016 Actual
The following fees, expenses and allowances were paid to Council Members and/or to the Mayor			
Elected Members Allowances	579,994	579,994	569,512
Elected Members Conferences/Training	64,612	123,100	152,386
Elected Members Travel & Child Care	24,768	27,000	24,552
Other Specified Expenses	9,247	18,320	18,524
	<u>678,621</u>	<u>748,414</u>	<u>764,974</u>

29. MAJOR LAND TRANSACTIONS

Tamala Park Land Sales

The Tamala Park Regional Council (TPRC) was established in January 2006 for the purpose of the development of the Tamala Park land jointly owned by seven local governments, including the City of Joondalup. TPRC has developed and sold 817 lots of land to date. The City's share of Sales Proceeds of land to date is \$35,680,127.

Current year transactions:

Sale proceeds	\$3,322,186
Development and Selling costs	\$2,826,557

30. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The City did not participate in any trading undertakings during the 2016-17 financial year.

31. FINANCIAL RISK MANAGEMENT

The City's activities expose it to a variety of financial risks including price risk, credit risk, liquidity risk and interest rate risk. The City's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the City. The City does not engage in any material transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

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

The City held the following financial instruments at balance date:

	Note	Carrying Value		Fair Value	
		2017	2016	2017	2016
		\$	\$	\$	\$
Financial Assets					
Cash and cash equivalents	7	91,237,574	86,595,746	91,237,574	86,595,746
Receivables	8	5,690,170	6,227,744	5,690,170	6,227,744
Equity Investments	9	7,569,959	8,861,001	7,569,959	8,861,001
		104,497,703	101,684,491	104,497,703	101,684,491
Financial Liabilities					
Payables	12	11,214,834	10,811,784	11,214,834	10,811,784
Borrowings	23 (a)	16,701,077	14,281,950	15,756,305	14,324,728
		27,915,911	25,093,734	26,971,139	25,136,512

Fair value is determined as follows:

Cash and Cash Equivalents, Receivables, Payables – estimated to the carrying value which approximates net market value.

Equity investments - estimated to the carrying value which approximates net realisable value.

Borrowings – estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.

31. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

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

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

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

The City manages these risks by diversifying its portfolio and only places surplus cash with banking institutions with high credit ratings. The City may also seek advice from independent advisers (where applicable) before placing any cash and investments.

(b) Receivables

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

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

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

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

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

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017

31. FINANCIAL RISK MANAGEMENT (Continued)

(c) Interest rate risk

The following table details the City's exposure to interest rate risks as at the reporting date as well as the previous reporting date (30 June 2016).

	Interest Rate at Reporting Date	At Variable Interest Rate	Fixed Interest Rate Maturity				
			< 1 year	1 - 5 Years	> 5 Years	Non-Interest Bearing	Total
	%	\$	\$	\$	\$	\$	\$
2016-17							
Financial Assets							
Cash	-	-	-	-	-	11,195	11,195
Bank (Westpac)	-	366,379	-	-	-	-	366,379
Receivables	-	-	-	-	-	2,696,410	2,696,410
Rates & ESL Receivable	11.00	-	-	2,993,760	-	-	2,993,760
Term Deposits:							
ING	2.66	-	12,070,000	-	-	-	12,070,000
Westpac	2.86	-	16,040,000	-	-	-	16,040,000
NAB	2.65	-	14,470,000	-	-	-	14,470,000
Bank of Queensland	2.66	-	8,200,000	-	-	-	8,200,000
Suncorp	2.64	-	14,185,000	-	-	-	14,185,000
Bendigo Bank	2.67	-	9,000,000	-	-	-	9,000,000
Rural Bank	2.70	-	8,750,000	-	-	-	8,750,000
Bank West	2.54	-	6,590,000	-	-	-	6,590,000
WA Treasury Corporation 11AM	1.45	1,555,000	-	-	-	-	1,555,000
Equity Contribution in Unlisted Entities						7,569,959	7,569,959
Total Financial Assets		1,921,379	89,305,000	2,993,760	-	10,277,564	104,497,703
Financial Liabilities							
Trade payables	-	-	-	-	-	11,214,834	11,214,834
Borrowings							
"	5.87	-	661,655	1,444,799	-	-	2,106,454
"	5.87	-	100,959	220,457	-	-	321,416
"	6.16	-	320,453	989,279	-	-	1,309,732
"	2.85	-	789,117	4,099,131	2,099,183	-	6,987,431
"	2.21	-	345,920	1,084,701	-	-	1,430,621
"	2.37	-	866,637	3,678,786	-	-	4,545,423
Total Financial Liabilities		-	3,084,741	11,517,153	2,099,183	11,214,834	27,915,911

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017

31. FINANCIAL RISK MANAGEMENT (Continued)

(c) Interest rate risk (Continued)

			Fixed Interest Rate Maturity				
	Interest Rate at Reporting Date	At Variable Interest Rate	< 1 year	1 - 5 Years	> 5 Years	Non-Interest Bearing	Total
	%	\$	\$	\$	\$	\$	\$
2015-16							
Financial Assets							
Cash	-	-	-	-	-	11,195	11,195
Bank (Westpac)	-	33,551	-	-	-	-	33,551
Receivables	-	-	-	-	-	3,523,332	3,523,332
Rates & ESL Receivable	11.00	-	-	2,704,412	-	-	2,704,412
Term Deposits:							
ING	3.03	-	6,000,000	-	-	-	6,000,000
Westpac	3.00	-	17,300,000	-	-	-	17,300,000
NAB	3.04	-	14,230,000	-	-	-	14,230,000
Bank of Queensland	3.08	-	8,660,000	-	-	-	8,660,000
Suncorp	3.03	-	12,900,000	-	-	-	12,900,000
Bendigo Bank	2.88	-	6,700,000	-	-	-	6,700,000
Rural Bank	3.06	-	10,000,000	-	-	-	10,000,000
Bank West	2.96	-	3,430,000	-	-	-	3,430,000
Commonwealth Bank	2.96	-	4,080,000	-	-	-	4,080,000
WA Treasury Corporation 11AM	1.70	3,251,000	-	-	-	-	3,251,000
Equity Contribution in Unlisted Entities						8,861,001	8,861,001
Total Financial Assets		3,284,551	83,300,000	2,704,412	-	12,395,528	101,684,491
Financial Liabilities							
Trade payables	-	-	-	-	-	10,811,784	10,811,784
Borrowings							
"	5.87	-	624,200	2,106,454	-	-	2,730,654
"	5.87	-	95,244	321,416	-	-	416,660
"	6.16	-	301,450	1,309,732	-	-	1,611,182
"	2.85	-	767,022	4,099,131	2,888,301	-	7,754,454
"	2.21	-	338,379	1,430,621	-	-	1,769,000
Total Financial Liabilities		-	2,126,295	9,267,354	2,888,301	10,811,784	25,093,734

31. FINANCIAL RISK MANAGEMENT (Continued)

(c) Interest rate risk continued

Money market investments are held to maturity which negates any risk associated with movements in interest rates.

(d) Payables and 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 monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required.

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

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2017</u>					
Payables	11,214,834	-	-	11,214,834	11,214,834
Borrowings	3,603,627	12,750,328	1,959,750	18,313,705	16,701,077
	<u>14,818,461</u>	<u>12,750,328</u>	<u>1,959,750</u>	<u>29,528,539</u>	<u>27,915,911</u>
<u>2016</u>					
Payables	10,811,784	-	-	10,811,784	10,811,784
Borrowings	2,636,928	10,540,586	2,939,625	16,117,139	14,281,950
	<u>13,448,712</u>	<u>10,540,586</u>	<u>2,939,625</u>	<u>26,928,923</u>	<u>25,093,734</u>

32. EVENTS AFTER THE REPORTING DATE

There were no material events after 30 June 2017 that require inclusion in the notes to the financial statements.

33. TOWN PLANNING AND LAND DEVELOPMENT SCHEME – MINDARIE

In June 1978 Lot 17 Marmion Avenue, Mindarie, a 432 hectare property situated approximately 2 kilometres north of Burns Beach and 30 kilometres north of the Perth City Centre was purchased jointly by the former City of Wanneroo, the former City of Perth and the City of Stirling as tenants in common in equal shares to provide for a future sanitary disposal site.

Subsequently, the Mindarie Regional Council was established by the three Councils and in 1990 leased approximately 251 hectares for this purpose. The lease provides for an initial term of 21 years, with an option for renewal for a further 21 years.

On 1 July 1998 the former City of Wanneroo's one third share was split equally between the City of Joondalup and the City of Wanneroo, in accordance with the Joondalup and Wanneroo Order 1998, with the assets and liabilities allocated by determination of the Joint Commissioners.

It is envisaged that the southern portion of Lot 17 encompassing the leased area will eventually be used for regional open space/recreational purposes. The north and western portions are being subdivided and developed for residential purposes by the Tamala Park Regional Council (Note 10).

34. JOONDALUP NORMALISATION AGREEMENT

During 2004, the City of Joondalup and the Western Australia Land Authority (LandCorp) entered into a Memorandum of Agreement to complete the normalisation of the City of Joondalup. The Memorandum of Agreement (MOA) recognises the historical evolution and contemporary position of Joondalup in terms of the Western Australia Land Authority Act 1992 (as amended) and the "Joondalup Centre Plan – Completion 2001 Modification". The process of "normalisation" is a transitional process through which the strategic regional centre would become operationally and perceptionally transformed from a development project to an established centre.

The Memorandum of Agreement (MOA) required LandCorp to make a contribution of \$5.24m to the City of Joondalup for works previously completed by the City and to be carried out by the City in the future. The terms of settlement are not specified in the agreement however the City received \$1.9m in June 2004 and brought this revenue to account in 2003-04. The City received \$2.8m during 2005-06 as further settlement and this was recognised as revenue during 2005-06. The final payment of \$540,000 was conditional on LandCorp receiving possession of Lot 701 at the corner of Collier Pass and Joondalup Drive, which was leased to the City until December 2007. The lease has now expired and the City is still in possession of the land on holdover provisions, subject to further negotiation and agreement with LandCorp.

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017

35. NET CURRENT ASSETS / CLOSING FUNDS

	30-Jun-17	30-Jun-16
Current Assets		
Cash and Investments	91,237,574	86,595,746
Rates Outstanding, Sundry Debtors and Other Receivables	2,956,711	2,889,704
Accrued Income	967,074	1,340,149
Prepayments	10,652	391,900
Inventories	144,976	70,380
Total Current Assets	95,316,987	91,287,879
Current Liabilities		
Trade Creditors	3,786,997	3,264,140
Sundry Payables	523,647	540,402
Accrued Expenses	4,796,207	5,061,026
Other Payables	2,107,983	1,946,216
Borrowings	3,084,741	2,126,295
Provision for Annual Leave	4,366,612	4,172,735
Provision for Long Service Leave	5,579,310	5,061,135
Provision for Workers Compensation Insurance	3,550,341	2,700,766
Provision for Sick Leave	964,736	259,569
Other Provisions	59,321	55,321
Total Current Liabilities	28,819,895	25,187,605
Net Current Assets	66,497,092	66,100,274
Add back:		
Borrowings	3,084,741	2,126,295
Less:		
Cash Backed Reserves	69,497,817	65,142,739
Surplus/(Deficit)	84,016	3,083,830

36. RELATED PARTY TRANSACTIONS

The following transactions occurred with Related Parties:

(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.

Key Management Personnel (KMP) Compensation

2017
\$

The total remuneration paid to KMP of the City during the year are as follows:

Short-term employee benefits	2,618,329
Post-employment benefits	228,837
Other long term benefits	58,111
	<u>2,905,277</u>

Short-term employee benefits

These amounts include all salary, annual leave accrued and fringe benefits awarded to KMP. Details in respect of fees and benefits paid to elected members may be found at Note 28

Post-employment benefits

These amounts are the current year's cost of providing for the City's superannuation contributions to the KMP.

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

(ii) *Joint venture arrangements accounted for under the equity method*

The City has one-sixth interest in the equity of Tamala Park Regional Council. The interest in this joint venture is accounted for in the City's financial statements using the equity method of accounting. For details of interest held in this entity please refer to Note 9.

Transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties.

The following transactions occurred with Tamala Park Regional Council during the year:

Distributions received from Tamala Park Regional Council	1,880,761
Amount paid for settling the net GST liabilities	219,871
Amount receivable for GST on sales (Sundry Debtors)	5,193
Amount Payable for GST on acquisitions (Sundry Payables)	40,683

36. RELATED PARTY TRANSACTIONS (continued)

(iii) *Entities subject to significant influence by the City*

An entity that has the power to participate in the financial and operating policy decisions of another 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.

Transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties.

The City is an equity holder in the Mindarie Regional Council (Note 9).

Sale of goods and services	146,620
Purchase of goods and services	9,920,147
Capital Investment	47,442
Trade and Other payables including commitments	251,386
Trade and Other Receivables	10,788

Note:

Transitional provisions contained within AASB 2015-6 do not require comparative related party disclosures to be presented in the period of initial application. As a consequence, only disclosures in relation to the current year have been presented.

37. PRIOR PERIOD CORRECTIONS

Balances relating to the 2016 comparative year have been amended due to the correction of prior period balances. These amendments have been adjusted as shown below and, in accordance with the requirements of AASB101, a statement of financial position as at the beginning of the earliest comparative period has been included (refer statement of financial position column labelled as at 1 July 2015)

The amendment has been made for the inclusion of coastal protection assets identified on inspection of marine assets group under the Parks and Reserves class.

Effect of the above:	Original Balance \$	Amount of Adjustment \$	Adjusted Balance \$
<u>Changes to Financial Statements</u>			
Statement of Comprehensive Income			
- by Nature or Type			
Expenses			
Depreciation, Impairment & Revaluation Decrement	(31,113,672)	(412,443)	(31,526,115)
- by Program			
Expenses			
Community Amenities	(28,161,992)	(412,443)	(28,574,435)
Statement of Financial Position			
Non-Current Assets			
Infrastructure Assets	985,180,007	12,315,387	997,495,394
Equity			
Retained Surplus	551,895,335	(412,443)	551,482,892
Revaluation Surplus	772,396,260	12,727,830	785,124,090
Rate Setting Statement			
Operating Expenses			
Depreciation, Impairment & Revaluation Decrement	(31,113,672)	(412,443)	(31,526,115)
Operating Non-Cash Adjustments			
Depreciation, Impairment & Revaluation Decrement	31,113,672	412,443	31,526,115

37. PRIOR PERIOD CORRECTIONS (Continued)

Changes to Notes of the Financial Report

Note 4 - Revenue and Expenses

Depreciation, Impairment & Revaluation Decrement

Parks and Reserves	3,525,783	412,443	3,938,226
Total	<u>31,113,672</u>	<u>412,443</u>	<u>31,526,115</u>

Note 11 - Infrastructure Assets

Parks and Reserves at:

Valuation	177,456,408	26,585,974	204,042,382
Accumulated Depreciation	(35,708,228)	(14,270,487)	(49,978,715)
Written-Down Value	<u>141,748,180</u>	<u>12,315,387</u>	<u>154,063,567</u>
Total	<u>985,180,007</u>	<u>12,315,387</u>	<u>997,495,394</u>

Note 16 - Reserves - Asset Revaluation

- (g) Parks and Reserves

Opening Balance	103,475,056	12,727,830	116,202,886
Total	<u>772,396,260</u>	<u>12,727,830</u>	<u>785,124,090</u>

Note 17 - Notes to the Cash Flow Statement

Reconciliation of Net Cash By Operating Activities to Net Result

Net Result from Operating Activities	(844,669)	(412,443)	(1,257,112)
Depreciation, Impairment & Revaluation Decrement	31,113,672	412,443	31,526,115

Note 22 - Total Assets Classified by Program

Community Amenities	303,471,581	12,315,387	315,786,968
Total	<u>1,428,407,431</u>	<u>12,315,387</u>	<u>1,440,722,818</u>

38. STATUTORY FINANCIAL RATIOS

	2017	2016	2015
Current Ratio	0.90	1.04	1.05
Debt Service Cover Ratio	8.72	11.93	17.23
Operating Surplus Ratio	(0.05)	(0.01)	0.01
Own Source Revenue Coverage Ratio	0.92	0.98	0.97
Asset Sustainability Ratio	0.65	0.45	0.48

Current Ratio	$\frac{\text{Current assets minus restricted current assets}}{\text{Current liabilities minus liabilities associated with restricted assets}}$
Debt Service Cover Ratio	$\frac{\text{Annual operating surplus before interest and depreciation}}{\text{Principal and interest}}$
Operating Surplus Ratio	$\frac{\text{Operating revenue minus operating expense}}{\text{Own source operating revenue}}$
Own Source Revenue Coverage Ratio	$\frac{\text{Own source operating revenue}}{\text{Operating expense}}$
Asset Sustainability Ratio	$\frac{\text{Capital Renewal and Replacement expenditure}}{\text{Depreciation Expenditure}}$

**CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017**

Independent Auditor's Report

**CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017**

Independent Auditors Report –contd..

CITY OF JOONDALUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017

RATIO INFORMATION

The following information relates to those ratios which only require attestation they have been checked and are supported by verifiable information. It does not form part of the audited financial report.

	2017	2016	2015
Asset Consumption Ratio	0.62	0.64	0.64
Asset Renewal Funding Ratio	0.62	0.54	0.58

The above ratios are calculated as follows:

Asset Consumption Ratio	$\frac{\text{Depreciated replacement cost of assets}}{\text{Current replacement cost of depreciable assets}}$
Asset Renewal Funding Ratio	$\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$

MOORE STEPHENS

INDEPENDENT AUDITOR'S REPORT TO THE ELECTORS OF THE CITY OF JOONDALUP

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Opinion on the Audit of the Financial Report

We have audited the accompanying financial report of the City of Joondalup (the City), which comprises the statement of financial position as at 30 June 2017, statement of comprehensive income by nature or type, statement of comprehensive income by program, statement of changes in equity, statement of cash flows and the rate setting statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by Chief Executive Officer.

In our opinion, the financial report of the City of Joondalup is in accordance with the *Local Government Act 1995* (as amended) and the *Local Government (Financial Management) Regulations 1996* (as amended), including:

- a) giving a true and fair view of the City's financial position as at 30 June 2017 and of its financial performance and its cash flows for the year ended on that date; and
- b) complying with Australian Accounting Standards (including Australian Accounting Interpretations).

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the City in accordance with the 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 our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Other Legal and Regulatory Requirements

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

- a) There are no matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the City.
- b) No matters indicating non-compliance with Part 6 of the *Local Government Act 1995* (as amended), the *Local Government (Financial Management) Regulations 1996* (as amended) or applicable financial controls of any other written law were noted during the course of our audit.
- c) In relation to the Supplementary Ratio Information presented at page 66 of this report, we have reviewed the calculations as presented and nothing has come to our attention to suggest it is not supported by:
 - i) verifiable information; and
 - ii) reasonable assumptions.
- d) All necessary information and explanations were obtained by us.
- e) All audit procedures were satisfactorily completed in conducting our audit.

**INDEPENDENT AUDITOR'S REPORT
TO THE ELECTORS OF THE CITY OF JOONDALUP (CONTINUED)**

Other Information

Management is responsible for the other information. The other information comprises the information included in the City's annual report for the year ended 30 June 2017 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

Responsibilities of Management and Council for the Financial Report

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

In preparing the financial report, management 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.

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

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives 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 our 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 this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar3.pdf. This description forms part of our auditor's report.

MOORE STEPHENS
CHARTERED ACCOUNTANTS


GREG GODWIN
PARTNER

Date: 7 November 2017
Perth, WA

7 November 2017

MOORE STEPHENS

Mr G. Hunt
 Chief Executive Officer
 City of Joondalup
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Dear Garry

Management Report for the Year Ended 30 June 2017

We advise that we have completed our audit procedures for the year ended 30 June 2017 and enclose our Audit Report.

We are required under the Local Government Audit Regulations to report certain compliance matters in our audit report. Other matters which arise during the course of our audit that we wish to bring to Council's attention are raised in this management report.

It should be appreciated that our audit procedures are designed primarily to enable us to form an opinion on the financial statements and therefore may not bring to light all weaknesses in systems and procedures which may exist. However, we aim to use our knowledge of the City's organisation gained during our work to make comments and suggestions which, we hope, will be useful to you.

COMMENT ON RATIOS

Ratios provide useful information when compared to industry and internal benchmarks and assist in identifying trends. Whilst not conclusive in themselves, understanding ratios, their trends and how they interact is beneficial for the allocation of scarce resources and planning for the future. Information relating to the statutory ratios disclosed in the financial report is summarised in the table below and commentary provided on the following pages.

	Target Ratio ¹	The City's Ratios					The City's 5 Year Trend ²	5 Year Average ³	
		2017	2016	2015	2014	2013		Regional	State
Current Ratio	≥ 1	0.90	1.04	1.05	0.99	0.97	↓	1.46	2.22
Asset Sustainability Ratio	≥ 1.1	0.65	0.45	0.48	0.54	0.69	↑	1.05	1.18
Debt Service Cover Ratio	≥ 5	8.72	11.93	17.23	10.84	9.81	↓	22.76	12.41
Operating Surplus Ratio	≥ 0.15	(0.05)	(0.01)	0.01	(0.04)	(0.04)	↓	0.06	(0.11)
Own Source Revenue Coverage Ratio	≥ 0.9	0.92	0.98	0.97	0.95	0.93	↓	0.94	0.67
Asset Consumption Ratio	≥ 0.75	0.62	0.64	0.64	0.63	0.58	↓	0.70	0.73
Asset Renewal Funding Ratio	≥ 1.05	0.62	0.54	0.58	0.57	N/A	↑	1.00	0.94

¹ Target ratios per Department of Local Government, Sport and Cultural Industries (DLGSL) Guidelines.

² The 5-year trend compares the adjusted 2017 ratio to the average of the adjusted ratios for the last 5 years.

³ The average in relation to the Regional and State comparisons is a 5 year average of 2012, 2013, 2014, 2015 and 2016.

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COMMENT ON RATIOS (CONTINUED)**Regional and State 5 Year Averages**

Regional and State 5 year averages are based on the statutory ratios which have been reported in published financial reports. They provide a useful reference point as they are indicative of a trend.

Commentary on specific ratios

- **Current Ratio**

The Current Ratio measures the City's ability to meet its current (short term) liabilities as and when they fall due.

This ratio is below the target level and both Regional and State 5 year averages. In addition, it is trending downwards.

Interpretation of this ratio should be considered in the context of the City having a current portion of long-term borrowings of \$3,084,741 and a current portion of provisions, including leave and workers compensation of \$14,520,320 as at 30 June 2017. These will effectively inflate the level of current liabilities when in fact they are not necessarily due at the point of calculation and may be funded by future revenues and not current assets at 30 June 2017. They are due over the course of the next twelve months and, in accordance with budgeting protocol, are budgeted to be funded from sources in the following financial year. If they were excluded, the adjusted ratio would improve to 2.30, which is above the target level and would appear green on the table on page 1.

- **Asset Sustainability Ratio**

The Asset Sustainability Ratio expresses capital expenditure on renewal and replacement of existing assets as a percentage of depreciation costs. This ratio is used to identify any potential decline or improvement in asset conditions. A percentage of less than 100% on an ongoing basis indicates assets may be deteriorating at a greater rate than spending on renewal or replacement.

This ratio has improved in the current year due to an increase in capital renewal expenditure for the year. However, it is still below the target level and both Regional/State 5 year averages. However it is trending upwards over the longer term and continued improvement to this ratio will assist the City maintain its asset base at current levels into the future.

Interpretation of this ratio should also be considered together with the Asset Consumption Ratio (slightly below target at 0.62) and the Asset Renewal Funding Ratio (below target at 0.62).

- **Operating Surplus Ratio**

The Operating Surplus Ratio represents the percentage by which the operating surplus (or deficit) differs from the City's own source revenue which includes rates.

This ratio has declined slightly in the current year, is trending downwards and is below the target level. It is also below the Regional 5 year average, but slightly above the State average.

The reason for the deterioration of this ratio in the current year is an increase in operating expenditure, particularly employee costs and materials and contracts, not being matched by a similar increase in operating revenue.

To help alleviate the continued erosion of these ratios, both Council and Management will need to consider ways to improve the operating position either via increasing revenue or by decreasing expenditure (or a combination of both). This is dependent upon Council and Management understanding the circumstances and the interaction own source revenue has on other ratios and operations in general.

- **Asset Renewal Funding Ratio**

This ratio is a measure of asset renewal. It has increased on last year and does appear to be trending upwards. However, it is still below the target level and below both the Regional and State 5 year averages.

Whilst this appears to be an area to which some attention may need to be paid (given the other asset ratios are also below targets) it may be a short to medium term asset management approach based on condition assessments. Due to the nature of the calculation and this ratio, it is difficult for us to comment further on it.

Summary

The City's ratio position appears in general terms to have deteriorated slightly over the last 12 months.

Four of Council's ratios are below the accepted industry benchmark, and five of the ratios are trending downward over the longer term. Given the relative strength of the City's balance sheet and own source revenue capability, lower ratios may be expected and acceptable in the short term, provided other measures/strategies are maximised. Notwithstanding this, the City should consider implementing strategies to reverse the downward trends and improve the overall level of the ratios.

We would like to take this opportunity to stress one off assessments of ratios at a particular point in time can only provide a snapshot of the financial position and operating situation of the City. As is the case with all ratios and indicators, their interpretation is much improved if they are calculated as an average over time with the relevant trends being considered.

We will continue to monitor the financial position and ratios in future financial years and suggest it is prudent for Council and management to do so also as they strive to manage the scarce resources of the City.

If the City requires, we have a report available which is able to compare your ratios against other Local Governments across the State and by Region. The report is also able to incorporate a selection of your peer Local Governments, whether they be of near neighbours or similar type in nature. This may be of particular relevance in your case as you are included in the Metropolitan region when comparison to other, more similar local governments, may be more relevant.

If you are interested in such an expanded report, please contact us.

We noted no other matters we wish to bring to your attention.

UNCORRECTED MISSTATEMENTS

We advise there were no uncorrected misstatements noted during the course of our audit.

We take this opportunity to thank all staff for the assistance provided during the audit.

Should you wish to discuss any matter relating to the audit or any other matter, please do not hesitate to contact us.

Yours faithfully


Greg Godwin
Partner
Moore Stephens

Encl.