

**CITY OF JOONDALUP**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2019**

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**CITY OF JOONDALUP  
FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019**

*Local Government Act 1995  
Local Government (Financial Management) Regulations 1996*

**STATEMENT BY CHIEF EXECUTIVE OFFICER**

The attached financial report of the City of Joondalup for the financial year ended 30 June 2019 is based on proper accounts and records to present fairly the financial position of the City of Joondalup at 30 June 2019 and the results of the operations for the financial year then ended in accordance with the Local Government Act 1995 and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the 4<sup>th</sup> day of November 2019

  
Garry Hunt  
Chief Executive Officer



**CITY OF JOONDALUP**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**BY NATURE OR TYPE**  
**FOR THE YEAR ENDED 30TH JUNE 2019**

|  | NOTE  | 2019<br>Actual<br>\$ | 2019<br>Budget<br>\$ | 2018<br>Restated*<br>\$ |
|--|-------|----------------------|----------------------|-------------------------|
| <b>Revenue</b>   |       |                      |                      |                         |
| Rates  | 25(a) | 101,462,101          | 100,857,842          | 97,619,354              |
| Operating grants and subsidies   | 2(a)  | 4,927,101            | 3,526,604            | 3,663,391               |
| Contributions, Reimbursements and Donations  | 2(a)  | 1,390,683            | 1,100,753            | 1,110,183               |
| Fees and charges   | 2(a)  | 41,568,588           | 41,337,134           | 40,408,752              |
| Interest earnings  | 2(a)  | 4,604,849            | 3,446,921            | 4,060,248               |
| Other revenue  |       | 1,302,860            | 213,466              | 883,253                 |
|  |       | 155,256,182          | 150,482,720          | 147,745,181             |
| <b>Expenses</b>  |       |                      |                      |                         |
| Employee costs   |       | (63,256,435)         | (65,529,623)         | (61,784,669)            |
| Materials and contracts  |       | (48,555,779)         | (52,554,318)         | (49,802,779)            |
| Utility charges  |       | (5,707,046)          | (5,613,600)          | (5,520,726)             |
| Depreciation on non-current assets   | 11(b) | (30,698,919)         | (30,819,322)         | (34,057,633)            |
| Interest expenses  | 2(b)  | (478,486)            | (476,596)            | (617,125)               |
| Insurance expenses   |       | (1,417,346)          | (1,383,322)          | (1,404,180)             |
|  |       | (150,114,011)        | (156,376,781)        | (153,187,112)           |
|  |       | 5,142,171            | (5,894,061)          | (5,441,931)             |
| <b>Non-Operating Activities</b>  |       |                      |                      |                         |
| Grants and subsidies   | 2(a)  | 5,993,028            | 8,904,948            | 10,704,057              |
| Other contributions  | 2(a)  | 798,358              | 450,000              | 136,497                 |
| Profit on asset disposals  | 11(a) | 759,819              | 41,225               | 2,493,092               |
| (Loss) on asset disposals  | 11(a) | (218,623)            | (212,295)            | (4,340,969)             |
| Fair value adjustments to financial assets at fair value through profit or loss                | 8(b)  | 10,252               | -                    | 47,717                  |
| Share of profit or loss of associates and joint ventures accounted for using the equity method | 21(b) | 379,723              | -                    | 229,081                 |
|  |       | 7,722,557            | 9,183,878            | 9,269,475               |
| <b>Net result for the period</b>   |       | <b>12,864,728</b>    | <b>3,289,817</b>     | <b>3,827,544</b>        |
| <b>Other comprehensive income</b>  |       |                      |                      |                         |
| <i>Items that will not be reclassified subsequently to profit or loss</i>                      |       |                      |                      |                         |
| Changes in asset revaluation surplus   | 11(c) | (903,388)            | -                    | (22,577,195)            |
| <b>Total other comprehensive income for the period</b>   |       | <b>(903,388)</b>     | <b>-</b>             | <b>(22,577,195)</b>     |
| <b>Total comprehensive income for the period</b>   |       | <b>11,961,340</b>    | <b>3,289,817</b>     | <b>(18,749,651)</b>     |

\*2018 Actual has been restated for prior period corrections/change in accounting policy - Note 31

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 30TH JUNE 2019**

|  | NOTE  | 2019<br>Actual<br>\$ | 2019<br>Budget<br>\$ | 2018<br>Restated*<br>\$ |
|--|-------|----------------------|----------------------|-------------------------|
| <b>Revenue</b>   | 2(a)  |                      |                      |                         |
| Governance   |       | 375,571              | 271,158              | 788,863                 |
| General purpose funding  |       | 110,244,013          | 108,152,244          | 105,464,540             |
| Law, order, public safety  |       | 1,080,148            | 874,160              | 1,052,498               |
| Health   |       | 519,390              | 455,000              | 485,265                 |
| Education and welfare  |       | 214,392              | 245,984              | 249,673                 |
| Community amenities  |       | 23,097,829           | 22,426,010           | 22,537,090              |
| Recreation and culture   |       | 11,487,917           | 11,124,462           | 11,018,670              |
| Transport  |       | 6,141,380            | 5,035,049            | 4,496,448               |
| Economic services  |       | 1,076,166            | 1,077,773            | 817,743                 |
| Other property and services  |       | 1,019,376            | 820,881              | 834,391                 |
|  |       | <u>155,256,182</u>   | <u>150,482,721</u>   | <u>147,745,181</u>      |
| <b>Expenses</b>  | 2(b)  |                      |                      |                         |
| Governance   |       | (6,524,292)          | (6,715,007)          | (7,366,998)             |
| General purpose funding  |       | (2,738,691)          | (3,023,377)          | (2,167,162)             |
| Law, order, public safety  |       | (6,884,003)          | (4,729,891)          | (6,428,146)             |
| Health   |       | (2,189,494)          | (1,687,919)          | (2,213,424)             |
| Education and welfare  |       | (2,863,780)          | (2,174,581)          | (2,732,467)             |
| Community amenities  |       | (29,172,281)         | (27,329,757)         | (29,084,515)            |
| Recreation and culture   |       | (55,673,306)         | (43,411,569)         | (50,844,252)            |
| Transport  |       | (36,332,844)         | (33,096,029)         | (36,130,438)            |
| Economic services  |       | (3,293,814)          | (2,288,092)          | (2,997,534)             |
| Other property and services  |       | (3,963,020)          | (31,443,964)         | (12,605,051)            |
|  |       | <u>(149,635,525)</u> | <u>(155,900,186)</u> | <u>(152,569,987)</u>    |
| <b>Finance Costs</b>   | 2(b)  |                      |                      |                         |
| General purpose funding  |       | (478,486)            | (476,596)            | (617,125)               |
|  |       | <u>(478,486)</u>     | <u>(476,596)</u>     | <u>(617,125)</u>        |
|  |       | 5,142,171            | (5,894,061)          | (5,441,931)             |
| <b>Non-Operating Activities</b>  |       |                      |                      |                         |
| Grants and subsidies   | 2(a)  | 5,993,028            | 8,904,948            | 10,704,057              |
| Other contributions  | 2(a)  | 798,358              | 450,000              | 136,497                 |
| Profit on disposal of assets   | 11(a) | 759,819              | 41,225               | 2,493,092               |
| (Loss) on disposal of assets   | 11(a) | (218,623)            | (212,295)            | (4,340,969)             |
| Fair value adjustments to financial assets at fair value through profit or loss            | 8(b)  | 10,252               | -                    | 47,717                  |
| Share of net profit of associates and joint ventures accounted for using the equity method |       | 379,723              | -                    | 229,081                 |
|  |       | <u>7,722,557</u>     | <u>9,183,878</u>     | <u>9,269,475</u>        |
| <b>Net result for the period</b>   |       | <u>12,864,728</u>    | <u>3,289,817</u>     | <u>3,827,544</u>        |
| <b>Other comprehensive income</b>  |       |                      |                      |                         |
| <i>Items that will not be reclassified subsequently to profit or loss</i>                  |       |                      |                      |                         |
| Changes in asset revaluation surplus   | 11(c) | (903,388)            | -                    | (22,577,195)            |
| <b>Total other comprehensive income for the period</b>                                     |       | <u>(903,388)</u>     | <u>-</u>             | <u>(22,577,195)</u>     |
| <b>Total comprehensive income for the period</b>   |       | <u>11,961,340</u>    | <u>3,289,817</u>     | <u>(18,749,651)</u>     |

\*2018 Actual has been restated for prior period corrections/change in accounting policy - Note 31  
This statement is to be read in conjunction with the accompanying notes.





CITY OF JOONDALUP  
STATEMENT OF FINANCIAL POSITION  
AS AT 30TH JUNE 2019

|   | NOTE  | 2019<br>\$           | 2018<br>Restated *   | 1 July 2017<br>Restated * |
|---|-------|----------------------|----------------------|---------------------------|
|   |       | \$                   | \$                   | \$                        |
| <b>CURRENT ASSETS</b>                             |       |                      |                      |                           |
| Cash and cash equivalents                         | 3     | 111,629,542          | 100,085,669          | 91,237,574                |
| Trade receivables                                 | 5     | 4,014,542            | 3,026,091            | 3,934,437                 |
| Inventories                                       | 6     | 245,434              | 188,284              | 144,976                   |
| Other current assets                              | 7     | 1,913,056            | 1,895,544            | 0                         |
| <b>TOTAL CURRENT ASSETS</b>                       |       | <b>117,802,574</b>   | <b>105,195,588</b>   | <b>95,316,987</b>         |
| <b>NON-CURRENT ASSETS</b>                         |       |                      |                      |                           |
| Trade receivables                                 | 5     | 1,877,567            | 1,822,709            | 1,755,733                 |
| Other financial assets                            | 8(b)  | 87,586               | 77,333               | 29,616                    |
| Inventories                                       | 6     | 17,261,243           | 17,377,463           | 16,426,814                |
| Investments accounted for using the equity method | 21(a) | 19,581,937           | 18,938,672           | 17,800,292                |
| Property, plant and equipment                     | 9     | 436,190,819          | 435,156,340          | 445,473,167               |
| Infrastructure                                    | 10    | 921,444,118          | 923,776,662          | 946,359,085               |
| <b>TOTAL NON-CURRENT ASSETS</b>                   |       | <b>1,396,443,270</b> | <b>1,397,149,179</b> | <b>1,427,844,707</b>      |
| <b>TOTAL ASSETS</b>                               |       | <b>1,514,245,844</b> | <b>1,502,344,767</b> | <b>1,523,161,694</b>      |
| <b>CURRENT LIABILITIES</b>                        |       |                      |                      |                           |
| Trade and other payables                          | 12    | 15,137,883           | 12,555,140           | 11,214,834                |
| Borrowings  | 13(a) | 3,324,328            | 3,201,862            | 3,084,741                 |
| Employee related provisions                       | 14    | 14,614,228           | 13,997,082           | 14,460,999                |
| Other provisions                                  | 15    | 67,321               | 63,321               | 59,321                    |
| <b>TOTAL CURRENT LIABILITIES</b>                  |       | <b>33,143,760</b>    | <b>29,817,405</b>    | <b>28,819,895</b>         |
| <b>NON-CURRENT LIABILITIES</b>                    |       |                      |                      |                           |
| Borrowings  | 13(a) | 7,090,146            | 10,414,474           | 13,616,336                |
| Employee related provisions                       | 14    | 1,669,510            | 1,731,800            | 1,594,724                 |
| <b>TOTAL NON-CURRENT LIABILITIES</b>              |       | <b>8,759,656</b>     | <b>12,146,274</b>    | <b>15,211,060</b>         |
| <b>TOTAL LIABILITIES</b>                          |       | <b>41,903,416</b>    | <b>41,963,679</b>    | <b>44,030,955</b>         |
| <b>NET ASSETS</b>                                 |       | <b>1,472,342,428</b> | <b>1,460,381,088</b> | <b>1,479,130,739</b>      |
| <b>EQUITY</b>                                     |       |                      |                      |                           |
| Retained surplus                                  |       | 551,361,102          | 546,746,801          | 547,573,062               |
| Reserves - cash backed                            | 4     | 82,402,047           | 74,151,620           | 69,497,817                |
| Revaluation surplus                               | 11(c) | 838,579,279          | 839,482,667          | 862,059,860               |
| <b>TOTAL EQUITY</b>                               |       | <b>1,472,342,428</b> | <b>1,460,381,088</b> | <b>1,479,130,739</b>      |

\*2018 Actual has been restated for prior period corrections/change in accounting policy - Note 31

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



CITY OF JOONDALUP  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30TH JUNE 2019

|   | NOTE  | RETAINED<br>SURPLUS<br>\$ | RESERVES<br>CASH<br>BACKED<br>\$ | REVALUATION<br>SURPLUS<br>\$ | TOTAL<br>EQUITY<br>\$ |
|---|-------|---------------------------|----------------------------------|------------------------------|-----------------------|
| <b>Balance as at 1 July 2017</b>  |       | 556,410,697               | 69,497,817                       | 865,499,133                  | 1,491,407,647         |
| Correction of error   | 31    | (8,837,635)               | -                                | (3,439,273)                  | (12,276,908)          |
| <b>Restated total equity at the beginning<br/>of the financial year</b> |       | <b>547,573,062</b>        | <b>69,497,817</b>                | <b>862,059,860</b>           | <b>1,479,130,739</b>  |
| Comprehensive income  |       |                           |                                  |                              |                       |
| Net result for the period   |       | 3,827,544                 | -                                | -                            | 3,827,544             |
| Other comprehensive income  | 11(c) | -                         | -                                | (22,577,195)                 | (22,577,195)          |
| Total comprehensive income  |       | 3,827,544                 | -                                | (22,577,195)                 | (18,749,651)          |
| Transfers from/(to) reserves  |       | (4,653,803)               | 4,653,803                        | -                            | -                     |
| <b>Balance as at 30 June 2018</b>                                       |       | <b>546,746,801</b>        | <b>74,151,620</b>                | <b>839,482,667</b>           | <b>1,460,381,088</b>  |
| Comprehensive income  |       |                           |                                  |                              |                       |
| Net result for the period   |       | 12,864,728                | -                                | -                            | 12,864,728            |
| Other comprehensive income  | 11(c) | -                         | -                                | (903,388)                    | (903,388)             |
| Total comprehensive income  |       | 12,864,728                | -                                | (903,388)                    | 11,961,340            |
| Transfers from/(to) reserves  |       | (8,250,427)               | 8,250,427                        | -                            | -                     |
| <b>Balance as at 30 June 2019</b>                                       |       | <b>551,361,102</b>        | <b>82,402,047</b>                | <b>838,579,279</b>           | <b>1,472,342,428</b>  |

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



CITY OF JOONDALUP  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30TH JUNE 2019

|   | NOTE | 2019<br>Actual<br>\$ | 2019<br>Budget<br>\$ | 2018<br>Actual<br>\$ |
|---|------|----------------------|----------------------|----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                 |      |                      |                      |                      |
| <b>Receipts</b>   |      |                      |                      |                      |
| Rates   |      | 101,327,283          | 100,899,386          | 97,508,665           |
| Grants and subsidies  |      | 4,009,889            | 3,526,604            | 3,663,391            |
| Contributions, reimbursements and donations                 |      | 1,390,683            | 1,100,753            | 1,110,183            |
| Fees and charges  |      | 41,568,588           | 41,313,360           | 40,754,415           |
| Interest received   |      | 4,604,849            | 3,577,598            | 3,818,800            |
| Other revenue   |      | 1,302,870            | 213,466              | 883,246              |
|   |      | 154,204,162          | 150,631,167          | 147,738,700          |
| <b>Payments</b>   |      |                      |                      |                      |
| Employee costs  |      | (62,220,992)         | (65,208,695)         | (62,111,510)         |
| Materials and contracts                                     |      | (48,173,361)         | (52,308,140)         | (48,487,591)         |
| Utility charges   |      | (5,707,046)          | (5,586,770)          | (5,520,726)          |
| Interest expenses   |      | (526,165)            | (486,849)            | (617,125)            |
| Insurance paid  |      | (1,417,346)          | (1,383,322)          | (1,404,180)          |
| Goods and services tax paid                                 |      | 8,720                | -                    | (173,627)            |
|   |      | (118,036,190)        | (124,973,776)        | (118,314,759)        |
| <b>Net cash provided by (used in) operating activities</b>  | 16   | 36,167,972           | 25,657,391           | 29,423,941           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                 |      |                      |                      |                      |
| Payments for purchase of property, plant & equipment        |      | (9,994,070)          | (10,535,809)         | (11,468,531)         |
| Payments for construction of infrastructure                 |      | (21,369,845)         | (29,734,882)         | (20,265,067)         |
| Non-operating grants, subsidies and contributions           |      | 6,791,386            | 9,354,948            | 10,840,554           |
| Proceeds from sale of property, plant & equipment           |      | 679,733              | 1,969,790            | 2,695,240            |
| Distributions received from Tamala Park RC                  |      | 773,804              | 1,166,667            | 719,002              |
| Equity investment in Mindarie Regional Council              |      | -                    | -                    | (12,303)             |
| <b>Net cash provided by (used in) investment activities</b> |      | (23,118,992)         | (27,779,286)         | (17,491,105)         |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                 |      |                      |                      |                      |
| Repayment of borrowings                                     |      | (3,201,863)          | (3,201,862)          | (3,084,741)          |
| <b>Net cash provided by (used in) financing activities</b>  |      | (3,201,863)          | (3,201,862)          | (3,084,741)          |
| <b>Net increase (decrease) in cash held</b>                 |      | 9,847,117            | (5,323,757)          | 8,848,095            |
| Cash at beginning of year                                   |      | 100,085,669          | 94,115,241           | 91,237,574           |
| Transfer from trust fund                                    |      | 1,696,756            | 1,930,000            | -                    |
| <b>Cash and cash equivalents at the end of the year</b>     | 16   | 111,629,542          | 90,721,484           | 100,085,669          |

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



|   | NOTE   | 2019<br>Actual<br>\$ | 2019<br>Budget<br>\$ | 2018<br>Actual<br>\$ |
|---|--------|----------------------|----------------------|----------------------|
| <b>OPERATING ACTIVITIES</b>                                       |        |                      |                      |                      |
| Net current assets at start of financial year - surplus/(deficit) | 26 (b) | 4,428,425            | 534,903              | 84,016               |
|   |        | 4,428,425            | 534,903              | 84,016               |
| <b>Revenue from operating activities (excluding rates)</b>        |        |                      |                      |                      |
| Rates   |        | 567,080              | 561,099              | 600,247              |
| Grants and Subsidies  |        | 4,927,101            | 3,526,604            | 3,663,391            |
| Contributions, Reimbursements and Donations                       |        | 1,390,683            | 1,100,753            | 1,110,183            |
| Profit on asset disposals   |        | 759,819              | 41,225               | 2,493,092            |
| Fees and charges  |        | 41,568,588           | 41,337,134           | 40,408,752           |
| Interest earnings   |        | 4,604,849            | 3,446,921            | 4,060,248            |
| Other revenue   |        | 1,302,871            | 213,466              | 883,246              |
|   |        | 55,120,991           | 50,227,202           | 53,219,159           |
| <b>Expenditure from operating activities</b>                      |        |                      |                      |                      |
| Employee costs  |        | (63,256,435)         | (65,529,623)         | (61,784,669)         |
| Materials and contracts   |        | (48,555,779)         | (52,554,318)         | (49,802,779)         |
| Utility charges   |        | (5,707,046)          | (5,613,600)          | (5,520,726)          |
| Depreciation on non-current assets                                |        | (30,698,919)         | (30,819,322)         | (34,057,633)         |
| Loss on asset disposals   |        | (218,623)            | (212,295)            | (4,340,969)          |
| Interest expenses   |        | (478,486)            | (476,596)            | (617,125)            |
| Insurance expenses  |        | (1,417,346)          | (1,383,322)          | (1,404,180)          |
|   |        | (150,332,634)        | (156,589,076)        | (157,528,081)        |
| Non-cash amounts excluded from operating activities               | 26(a)  | 30,040,573           | 31,090,392           | 36,863,873           |
| <b>Amount attributable to operating activities</b>                |        | (60,742,645)         | (74,736,579)         | (67,361,033)         |
| <b>INVESTING ACTIVITIES</b>                                       |        |                      |                      |                      |
| Non-operating grants, subsidies and contributions                 |        | 6,791,386            | 9,354,948            | 10,840,554           |
| Proceeds from disposal of assets                                  | 11(a)  | 679,733              | 1,969,790            | 2,695,240            |
| Purchase of property, plant and equipment                         | 9(a)   | (9,994,070)          | (10,535,809)         | (11,468,531)         |
| Purchase and construction of infrastructure                       | 10(a)  | (21,369,845)         | (29,734,882)         | (20,265,067)         |
| Distributions received from Tamala Park RC                        |        | 773,804              | 1,166,667            | 719,002              |
| Equity investment in Mindarie Regional Council                    |        | -                    | -                    | (12,303)             |
| <b>Amount attributable to investing activities</b>                |        | (23,118,992)         | (27,779,286)         | (17,491,105)         |
| <b>FINANCING ACTIVITIES</b>                                       |        |                      |                      |                      |
| Repayment of borrowings   | 13(b)  | (3,201,863)          | (3,201,862)          | (3,084,741)          |
| Transfers to reserves (restricted assets)                         | 4      | (27,684,580)         | (7,802,777)          | (19,102,627)         |
| Transfers from reserves (restricted assets)                       | 4      | 19,434,153           | 11,444,146           | 14,448,824           |
| Transfer from Trust Fund  |        | -                    | 1,930,000            | -                    |
| <b>Amount attributable to financing activities</b>                |        | (11,452,290)         | 2,369,507            | (7,738,544)          |
| <b>Surplus/(deficit) before imposition of general rates</b>       |        | (95,313,927)         | (100,146,358)        | (92,590,682)         |
| <b>Total amount raised from general rates</b>                     | 25     | 100,895,021          | 100,296,743          | 97,019,107           |
| <b>Surplus/(deficit) after imposition of general rates</b>        | 26(b)  | <b>5,581,095</b>     | <b>150,385</b>       | <b>4,428,425</b>     |

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

## 1. BASIS OF PREPARATION

The financial report comprises general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and Interpretations of the Australian Accounting Standards Board, and the *Local Government Act 1995* and accompanying regulations.

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

Accounting policies which have been adopted in the preparation of this financial report have been consistently applied unless stated otherwise. Except for cash flow and rate setting information, the report has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

### CRITICAL ACCOUNTING ESTIMATES

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

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

### THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 28 to these financial statements.



## 2. REVENUE AND EXPENSES

### (a) Revenue

#### Grant Revenue

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

|  | 2019<br>Actual    | 2019<br>Budget    | 2018<br>Actual    |
|--|-------------------|-------------------|-------------------|
|  | \$                | \$                | \$                |
| <b>By Nature and Type:</b>   |                   |                   |                   |
| <b>Operating grants and subsidies</b>  |                   |                   |                   |
| Department of Communities  | 15,291            | 1,500             | 10,000            |
| Department of Local Gov sport and cultural industries - Clubs in Focus and Blackthorne Nature Play | 20,000            | 20,000            | 190,000           |
| FESA   | 130,602           | 86,400            | 112,333           |
| Department of Local Gov sport and cultural industries - Financial Assistance Grant                 | 4,506,811         | 3,246,546         | 3,206,772         |
| Department of Transport  | 84,124            | -                 | 20,095            |
| Healthways   | 10,000            | 10,000            | 11,000            |
| Lotteries commission   | 45,000            | 45,000            | 45,000            |
| Department of the Prime Minister and Cabinet   | -                 | 63,158            | -                 |
| Other Grants   | 115,272           | 54,000            | 68,191            |
|  | 4,927,100         | 3,526,604         | 3,663,391         |
| <b>Non-operating grants and subsidies</b>  |                   |                   |                   |
| Main Roads Black Spot Funding  | 537,647           | 734,000           | 739,709           |
| Main Roads Direct Grant  | 500,152           | 307,733           | 296,718           |
| Department of Local Gov sport and cultural industries - Financial Assistance Grant                 | 1,015,908         | 2,152,082         | 2,172,287         |
| Main Roads - Metro Regional Road Programme   | 1,396,095         | 1,128,267         | 2,059,910         |
| Department of Infrastructure Regional Development and Cities - Roads to Recovery Programme         | 100,338           | 195,428           | 2,001,621         |
| Department of Water and Environmental Regulation   | 354,000           | 1,900,000         | 708,000           |
| Department of Local Gov sport and cultural industries - Blackthorne Nature Park                    | 380,412           | -                 | -                 |
| Lotterywest  | -                 | 1,750,000         | 41,020            |
| Department of Transport  | 90,000            | -                 | 601,586           |
| Sport Australia  | 742,000           | 360,000           | 555,936           |
| Dept Industry Innovation and Science   | 735,000           | -                 | 40,000            |
| FESA   | -                 | -                 | 936,185           |
| Department of the Prime Minister and Cabinet   | 14,136            | 277,438           | -                 |
| Other Government Grants  | 127,340           | 100,000           | 551,085           |
|  | 5,993,028         | 8,904,948         | 10,704,057        |
| <b>Total Grant Revenue</b>   | <b>10,920,128</b> | <b>12,431,552</b> | <b>14,367,448</b> |
| <b>By Program:</b>   |                   |                   |                   |
| <b>Operating grants and subsidies</b>  |                   |                   |                   |
| Governance   | -                 | 63,158            | 5,000             |
| General purpose funding  | 3,281,047         | 3,246,546         | 3,206,772         |
| Law, order, public safety  | 53,830            | -                 | -                 |
| Education and welfare  | 3,409             | 3,500             | 12,409            |
| Community amenities  | 69,477            | -                 | 4,986             |
| Recreation and culture   | 97,291            | 77,000            | 261,000           |
| Transport  | 1,281,450         | 50,000            | 42,146            |
| Other property and services  | 140,596           | 86,400            | 131,078           |
|  | 4,927,100         | 3,526,604         | 3,663,392         |
| <b>Non-operating grants and subsidies</b>  |                   |                   |                   |
| Law, order, public safety  | -                 | -                 | 1,152,270         |
| Community amenities  | 378,136           | 2,177,438         | 733,000           |
| Recreation and culture   | 1,340,139         | 2,210,000         | 848,542           |
| Transport  | 4,274,753         | 4,517,510         | 7,470,245         |
| Economic services  | -                 | -                 | 500,000           |
|  | 5,993,028         | 8,904,948         | 10,704,057        |
| <b>Total grants and subsidies</b>  | <b>10,920,128</b> | <b>12,431,552</b> | <b>14,367,448</b> |



**CITY OF JOONDALUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2019**

**(a) Revenue (continued)**

**By Nature and Type:**

**Contributions, Reimbursements and Donations**

|                |                  |                  |                  |
|----------------|------------------|------------------|------------------|
| Contributions  | 318,236          | 375,189          | 226,300          |
| Reimbursements | 1,072,447        | 725,564          | 883,883          |
|                | <u>1,390,683</u> | <u>1,100,753</u> | <u>1,110,183</u> |

**Non-operating Contributions**

|                       |         |         |         |
|-----------------------|---------|---------|---------|
| Capital contributions | 798,358 | 450,000 | 136,497 |
|-----------------------|---------|---------|---------|

**By Program:**

**Contributions, Reimbursements and Donations**

|                             |                  |                  |                  |
|-----------------------------|------------------|------------------|------------------|
| Governance                  | 19,280           | 208,000          | 18,638           |
| General purpose funding     | 207,776          | 169,500          | 164,906          |
| Law, order, public safety   | 21,368           | 26,968           | 20,927           |
| Health                      | 7,774            | 8,000            | 6,168            |
| Education and welfare       | 41,952           | 38,429           | 47,556           |
| Community amenities         | 70,442           | 63,067           | 66,708           |
| Recreation and culture      | 637,299          | 437,131          | 555,064          |
| Transport                   | 98,705           | 24,869           | 22,988           |
| Economic services           | 3,240            | 3,273            | 3,239            |
| Other property and services | 282,847          | 121,516          | 203,989          |
|                             | <u>1,390,683</u> | <u>1,100,753</u> | <u>1,110,182</u> |

**Non-operating Contributions**

|                        |                |                |                |
|------------------------|----------------|----------------|----------------|
| Recreation and culture | 634,938        | 450,000        | 106,497        |
| Transport              | 163,421        | -              | 30,000         |
|                        | <u>798,358</u> | <u>450,000</u> | <u>136,497</u> |

**SIGNIFICANT ACCOUNTING POLICIES**

**Grants, donations and other contributions**

Grants, donations and other contributions are recognised as revenues when the local government obtains control over the assets comprising the contributions.

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over

**Grants, donations and other contributions (Continued)**

a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 24.

That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current reporting period.

## 2. REVENUE AND EXPENSES (Continued)

| (a) Revenue (Continued)                      | 2019       | 2019       | 2018       |
|--|------------|------------|------------|
|  | Actual     | Budget     | Actual     |
|  | \$         | \$         | \$         |
| <b>Fees and Charges (By Nature and Type)</b> |            |            |            |
| Rubbish Collection Fees                      | 20,509,536 | 20,563,818 | 20,461,721 |
| Membership Fees                              | 2,988,244  | 2,690,000  | 2,828,565  |
| Learn to Swim Program Fees                   | 2,466,674  | 2,480,282  | 2,092,381  |
| User Entry Fees                              | 1,988,626  | 1,972,669  | 1,713,068  |
| Off Street Parking Fees                      | 1,235,005  | 1,288,000  | 1,190,718  |
| On Street Parking Fee                        | 1,138,413  | 1,120,000  | 996,653    |
| Parking Infringements                        | 1,019,282  | 1,193,380  | 964,642    |
| Inspection Fees                              | 985,947    | 1,008,332  | 982,756    |
| Development Application Fees                 | 905,082    | 850,000    | 906,274    |
| Facilities Hire                              | 967,062    | 945,962    | 1,058,789  |
| Other Miscellaneous Charges                  | 1,065,792  | 1,025,865  | 1,085,628  |
| Building Licence Fees                        | 634,305    | 685,000    | 596,302    |
| Property Rental                              | 833,189    | 876,325    | 865,868    |
| Court Sport Revenue                          | 563,243    | 644,223    | 580,792    |
| Rates Instalments Administration Fee         | 642,396    | 652,000    | 631,576    |
| Fines Enforcement                            | 598,437    | 610,000    | 602,214    |
| Dog Registration Fees                        | 486,589    | 407,040    | 482,974    |
| Term Program Activities Fees                 | 248,667    | 237,725    | 242,542    |
| Merchandise Sales and Other Sales            | 340,042    | 258,173    | 261,173    |
| Private Property Agreements                  | 150,588    | 160,000    | 152,086    |
| Land Purchase Enquiries Fees                 | 228,713    | 219,500    | 226,357    |
| Multi Storey Car Park Parking Fees           | 599,854    | 535,800    | 489,527    |
| Other Building & Development Charges         | 181,102    | 120,000    | 96,513     |
| Commission                                   | 153,631    | 149,420    | 148,764    |
| Credit Card Surcharge                        | 143,709    | 138,214    | 141,925    |
| Immunisation Fees                            | 139,357    | 88,000     | 153,159    |
| Library Fines and Penalties                  | 72,676     | 86,000     | 81,427     |
| Personal Training                            | 102,527    | 134,284    | 137,381    |
| Park Hire                                    | 91,950     | 124,000    | 125,415    |
| Cat Registration Fee                         | 87,950     | 73,122     | 111,561    |
|  | 41,568,588 | 41,337,134 | 40,408,752 |
| <b>Fees and Charges ( By Program)</b>        |            |            |            |
| General purpose funding                      | 994,949    | 992,534    | 984,007    |
| Law, order, public safety                    | 1,004,950  | 847,192    | 1,031,571  |
| Health                                       | 511,616    | 447,000    | 479,097    |
| Education and welfare                        | 169,030    | 204,055    | 189,708    |
| Community amenities                          | 22,458,000 | 22,362,943 | 22,465,395 |
| Recreation and culture                       | 10,186,813 | 10,046,472 | 9,591,381  |
| Transport                                    | 4,761,225  | 4,960,180  | 4,431,314  |
| Economic services                            | 1,071,886  | 1,074,500  | 814,504    |
| Other property and services                  | 410,118    | 402,258    | 421,775    |
|  | 41,568,588 | 41,337,134 | 40,408,752 |

There were no changes during the year to the amount of the fees or charges detailed in the original budget.

## 2. REVENUE AND EXPENSES (Continued)

|  | 2019<br>Actual<br>\$ | 2019<br>Budget<br>\$ | 2018<br>Actual<br>\$ |
|--|----------------------|----------------------|----------------------|
| <b>(a) Revenue (Continued)</b>                           |                      |                      |                      |
| <b>Interest earnings</b>                                 |                      |                      |                      |
| Loans receivable - clubs/institutions                    | -                    | -                    | -                    |
| Interest earned on Reserve Accounts                      | 1,749,591            | 1,605,453            | 1,610,629            |
| Rates instalment and penalty interest (refer Note 25(c)) | 760,153              | 735,100              | 710,202              |
| Interest earned on Other Investments                     | 2,095,105            | 1,106,368            | 1,739,417            |
|  | <u>4,604,849</u>     | <u>3,446,921</u>     | <u>4,060,248</u>     |
| <b>(b) Expenses</b>                                      |                      |                      |                      |
| <b>Interest expenses (finance costs)</b>                 |                      |                      |                      |
| Borrowings (refer Note 13(b))                            | 478,486              | 476,596              | 617,125              |
|  | <u>478,486</u>       | <u>476,596</u>       | <u>617,125</u>       |
| <b>Auditors remuneration</b>                             |                      |                      |                      |
| - Audit of the Annual Financial Report                   | 67,000               | 70,000               | 76,000               |
| - Other services   | -                    | -                    | 6,833                |
|  | <u>67,000</u>        | <u>70,000</u>        | <u>82,833</u>        |



### 3. CASH AND CASH EQUIVALENTS

|  | NOTE | 2019<br>\$         | 2018<br>\$         |
|--|------|--------------------|--------------------|
| Cash at bank and on hand                 |      | 5,099,542          | 2,755,669          |
| Term deposits                            |      | 106,530,000        | 97,330,000         |
|  |      | <u>111,629,542</u> | <u>100,085,669</u> |
| <b>Comprises:</b>                        |      |                    |                    |
| - Unrestricted cash and cash equivalents |      | 27,530,739         | 25,934,049         |
| - Restricted cash and cash equivalents   |      | 84,098,803         | 74,151,620         |
|  |      | <u>111,629,542</u> | <u>100,085,669</u> |

The following restrictions have been imposed by regulations or other externally imposed requirements:

#### Reserve accounts

|   |    |                   |                   |
|---|----|-------------------|-------------------|
| Non-Current Long Service Leave                      | 4  | 1,511,317         | 1,731,800         |
| Capital Expenditure Carried Forward Reserve         | 4  | 11,706,412        | 11,685,278        |
| Cash in Lieu of Parking                             | 4  | 1,221,867         | 1,308,910         |
| Joondalup Performing Arts and Cultural Facility Res | 4  | 16,617,407        | 16,246,677        |
| Marmion Car Park Reserve                            | 4  | 183,105           | 183,105           |
| Parking Facility Reserve                            | 4  | 2,195,871         | 1,555,114         |
| Public Art Reserve                                  | 4  | 212,049           | 167,049           |
| Specified Area Rating - Harbour Rise Reserve        | 4  | 10,590            | 33,556            |
| Specified Area Rating - Iluka Reserve               | 4  | 760               | 10,518            |
| Specified Area Rating - Woodvale Reserve            | 4  | 19,205            | 13,140            |
| Specified Area Rating - Burns Beach Reserve         | 4  | 6,329             | 1,898             |
| Strategic Asset Management Reserve                  | 4  | 18,066,474        | 12,770,184        |
| Tamala Park Land Sales Reserve                      | 4  | 13,915,689        | 12,886,007        |
| Vehicle, Plant and Equipment Reserve                | 4  | 6,050,243         | 4,190,714         |
| Waste Management Reserve                            | 4  | 10,684,729        | 11,367,670        |
|   |    | <u>82,402,047</u> | <u>74,151,620</u> |
| Bonds and Retention Money                           | 28 | <u>1,696,756</u>  | -                 |
| <b>Total restricted cash and cash equivalents</b>   |    | <u>84,098,803</u> | <u>74,151,620</u> |

Unspent grants/contributions 24 1,293,872 1,468,890

Unspent grants/contributions balance included in the Capital Expenditure Carried Forward Reserve.

#### SIGNIFICANT ACCOUNTING POLICIES

##### Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash

##### Cash and cash equivalents (Continued)

and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are reported as short term borrowings in current liabilities in the statement of financial position.

## 4. RESERVES - CASH BACKED

|   | 2019<br>Actual<br>Opening<br>Balance | 2019<br>Actual<br>Transfer<br>to | 2019<br>Actual<br>Transfer<br>(from) | 2019<br>Actual<br>Closing<br>Balance | 2019<br>Budget<br>Opening<br>Balance | 2019<br>Budget<br>Transfer<br>to | 2019<br>Budget<br>Transfer<br>(from) | 2019<br>Budget<br>Closing<br>Balance | 2018<br>Actual<br>Opening<br>Balance | 2018<br>Actual<br>Transfer<br>to | 2018<br>Actual<br>Transfer<br>(from) | 2018<br>Actual<br>Closing<br>Balance |
|---|--------------------------------------|----------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|----------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|----------------------------------|--------------------------------------|--------------------------------------|
|   | \$                                   | \$                               | \$                                   | \$                                   | \$                                   | \$                               | \$                                   | \$                                   | \$                                   | \$                               | \$                                   | \$                                   |
| (a) Non-Current Long Service Leave                          | 1,731,800                            | -                                | (220,483)                            | 1,511,317                            | 1,694,618                            | 100,000                          | -                                    | 1,794,618                            | 1,594,618                            | 137,182                          | -                                    | 1,731,800                            |
| (b) Capital Expenditure Carried Forward Reserve             | 11,685,278                           | 11,706,412                       | (11,685,278)                         | 11,706,412                           | 6,067,194                            | -                                | (6,067,194)                          | -                                    | 8,159,582                            | 11,685,279                       | (8,159,583)                          | 11,685,278                           |
| (c) Cash in Lieu of Parking                                 | 1,308,910                            | 34,278                           | (121,321)                            | 1,221,867                            | 1,307,307                            | 31,196                           | (130,000)                            | 1,208,503                            | 1,425,145                            | 35,759                           | (151,994)                            | 1,308,910                            |
| (d) Joondalup Performing Arts and Cultural Facility Reserve | 16,246,677                           | 445,128                          | (74,398)                             | 16,617,407                           | 19,678,254                           | 491,240                          | (231,581)                            | 19,937,913                           | 13,995,732                           | 2,291,887                        | (40,942)                             | 16,246,677                           |
| (e) Marmion Car Park Reserve                                | 183,105                              | -                                | -                                    | 183,105                              | 183,105                              | 4,598                            | -                                    | 187,703                              | 183,105                              | -                                | -                                    | 183,105                              |
| (f) Parking Facility Reserve                                | 1,555,114                            | 1,625,188                        | (984,431)                            | 2,195,871                            | 1,466,808                            | 1,606,531                        | (1,014,880)                          | 2,058,459                            | 1,455,486                            | 1,238,218                        | (1,138,590)                          | 1,555,114                            |
| (g) Public Art Reserve                                      | 167,049                              | 50,000                           | (5,000)                              | 212,049                              | 167,049                              | -                                | (149,628)                            | 17,421                               | 113,915                              | 53,134                           | -                                    | 167,049                              |
| (h) Section 20A Land Reserve                                | -                                    | -                                | -                                    | -                                    | 676                                  | 17                               | -                                    | 693                                  | 53,438                               | -                                | (53,438)                             | -                                    |
| (i) Specified Area Rating - Harbour Rise Reserve            | 33,556                               | 598                              | (23,564)                             | 10,590                               | 28,188                               | 362                              | (27,544)                             | 1,006                                | 23,367                               | 10,189                           | -                                    | 33,556                               |
| (j) Specified Area Rating - Iluka Reserve                   | 10,518                               | 153                              | (9,911)                              | 760                                  | 25,932                               | 388                              | (20,983)                             | 5,337                                | 20,983                               | 412                              | (10,877)                             | 10,518                               |
| (k) Specified Area Rating - Woodvale Reserve                | 13,140                               | 6,065                            | -                                    | 19,205                               | 7,572                                | 184                              | (500)                                | 7,256                                | 76,215                               | 1,169                            | (64,244)                             | 13,140                               |
| (l) Specified Area Rating - Burns Beach Reserve             | 1,898                                | 4,431                            | -                                    | 6,329                                | 1,859                                | 24                               | (1,836)                              | 47                                   | -                                    | 1,898                            | -                                    | 1,898                                |
| (m) Strategic Asset Management Reserve                      | 12,770,184                           | 7,917,669                        | (2,621,379)                          | 18,066,474                           | 12,791,074                           | 2,877,844                        | -                                    | 15,668,918                           | 16,333,410                           | 1,042,469                        | (4,605,695)                          | 12,770,184                           |
| (n) Tamala Park Land Sales Reserve                          | 12,886,007                           | 1,029,682                        | -                                    | 13,915,689                           | 12,871,478                           | 1,504,536                        | -                                    | 14,376,014                           | 11,895,227                           | 990,780                          | -                                    | 12,886,007                           |
| (o) Vehicle, Plant and Equipment Reserve                    | 4,190,714                            | 1,859,529                        | -                                    | 6,050,243                            | 4,444,494                            | 610,645                          | -                                    | 5,055,139                            | 4,277,513                            | 110,756                          | (197,555)                            | 4,190,714                            |
| (p) Waste Management Reserve                                | 11,367,670                           | 3,005,447                        | (3,688,388)                          | 10,684,729                           | 10,691,538                           | 575,212                          | (3,800,000)                          | 7,466,750                            | 9,890,081                            | 1,503,495                        | (25,906)                             | 11,367,670                           |
|   | 74,151,620                           | 27,684,580                       | (19,434,153)                         | 82,402,047                           | 71,427,146                           | 7,802,777                        | (11,444,146)                         | 67,785,777                           | 69,497,817                           | 19,102,627                       | (14,448,824)                         | 74,151,620                           |

All of the reserve accounts are supported by money held in financial institutions and match the amount shown as restricted cash in Note 3 to this financial report.



**CITY OF JOONDALUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2019**

In accordance with Council resolutions in relation to each reserve account, the purpose for which the reserves are set aside are as follows:

| Name of Reserve                                   | Purpose of the reserve   |
|---|--|
| (a) Non-Current Long Service Leave                | 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   | 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                       | Created in 1993/94 with funds previously held in 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 represent interest.  |
| (d) Joondalup Performing Arts & Cultural Facility | 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. The transfer from accumulated surplus represents interest.   |
| (e) Marmion Car Park Reserve                      | Created in 2013-14 to receive 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.   |
| (f) Parking Facility Reserve                      | Created in 2008-09 to hold the operating surpluses arising from the paid parking in the Joondalup City Centre to be applied in the development and provision of facilities and services, both parking and non parking, in the Joondalup City Centre. The transfer from accumulated surplus represents parking operating surplus and interest. Transfer to accumulated surplus is to fund repayments on the \$8,500,000 loan taken in 2014-15 to construct the Reid Promenade Car Park.   |
| (g) Public Art Reserve                            | 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 commissioning of City's art collection.   |
| (h) Section 20A Land Reserve                      | 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.   |
| (i) Specified Area Rating - Harbour Rise Reserve  | The reserve was 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 interest. Transfers from the reserve are to fund works undertaken in the Harbour Rise specified area.   |
| (j) Specified Area Rating - Iluka Reserve         | The reserve was created to hold unspent funds levied for the purpose of undertaking enhanced landscaping services in the Iluka specified area. Transfer from accumulated surplus represents interest. Transfers from the reserve are to fund works undertaken in the specified area Iluka.   |
| (k) Specified Area Rating - Woodvale Reserve      | The reserve was created to hold unspent funds levied for the purpose of undertaking enhanced landscaping services in the Woodvale specified area. Transfers from accumulated surplus represents unspent funds levied during the year and interest.   |
| (l) Specified Area Rating - Burns Beach Reserve   | The reserve was created to hold unspent funds levied for the purpose of undertaking enhanced landscaping services in the Burnsbeach specified area. Transfer from accumulated surplus represents unspent funds levied during the year and interest.  |
| (m) Strategic Asset Management Reserve            | 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 interest and funds set aside during the year. Transfer from reserve was for the funding of Joondalup City Centre lighting project.   |
| (n) Tamala Park Land Sales Reserve                | This reserve was created in 2013-14 to receive the City of Joondalup's share of the dividends from the proceeds of the sales of Tamala Park land to be held and subsequently applied for the purpose of 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.       |
| (o) Vehicle, Plant and Equipment Reserve          | 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                      | 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 and 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. Transfer to accumulated surplus was to fund the cost of implementation of a three bin system. |



**5. TRADE RECEIVABLES****Current**

|   |                  |                  |
|---|------------------|------------------|
| Rates receivable                        | 1,548,338        | 1,468,379        |
| Sundry receivables                      | 1,764,155        | 741,710          |
| Allowance for impairment of receivables | (107,733)        | (2,500)          |
| GST receivable                          | 809,782          | 818,502          |
|   | <u>4,014,542</u> | <u>3,026,091</u> |

**Non-current**

|  |                  |                  |
|--|------------------|------------------|
| Pensioner's rates and ESL deferred           | 1,761,743        | 1,665,754        |
| Long Service Leave - Due from Other Councils | 115,824          | 156,955          |
|  | <u>1,877,567</u> | <u>1,822,709</u> |

**SIGNIFICANT ACCOUNTING POLICIES****Trade and other receivables**

Trade and other receivables include amounts due from ratepayers for unpaid rates and service charges and other amounts due from third parties for goods sold and services performed in the ordinary course of business.

Trade receivables are recognised at original invoice amount less any allowances for uncollectible amounts (i.e. impairment). The carrying amount of net trade receivables is equivalent to fair value as it is due for settlement within 30 days.

**Impairment and risk exposure**

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 27.

**Classification and subsequent measurement**

Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade receivables are held with the objective to collect the contractual cashflows and therefore measures them subsequently at amortised cost using the effective interest rate method.

Due to the short term nature of current receivables, their carrying amount is considered to be the same as their fair value. Non-current receivables are indexed to inflation, any difference between the face value and fair value is considered immaterial.

## 6. INVENTORIES

### Current

|                             | 2019<br>\$     | 2018<br>\$     |
|-----------------------------|----------------|----------------|
| Inventories                 | 154,993        | 188,284        |
| Land held for resale - cost | 90,441         | -              |
|                             | <u>245,434</u> | <u>188,284</u> |

### Non-current

|                                       |                   |                   |
|---------------------------------------|-------------------|-------------------|
| Land held for resale - cost           |                   |                   |
| Cost of acquisition - Opening Balance | 14,169,697        | 14,455,000        |
| Disposals during the year             | (159,830)         | (285,303)         |
|                                       | <u>14,009,867</u> | <u>14,169,697</u> |
| Development costs                     | 3,251,376         | 3,207,766         |
|                                       | <u>17,261,243</u> | <u>17,377,463</u> |

The following movements in inventories occurred during the year:

|                                    |                   |                   |
|------------------------------------|-------------------|-------------------|
| Carrying amount at 1 July          | 17,565,747        | 14,599,976        |
| Receipts/additions during the year | 819,786           | 4,057,744         |
| Issues/Disposals during the year   | (878,734)         | (1,094,685)       |
| Adjustments during the year        | (122)             | 2,713             |
| Carrying amount at 30 June         | <u>17,506,677</u> | <u>17,565,747</u> |

## SIGNIFICANT ACCOUNTING POLICIES

### General

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### Land held for resale

Land held for development and resale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development.

### Land held for resale (Continued)

Borrowing costs and holding charges incurred after development is completed are expensed.

Gains and losses are recognised in profit or loss at the time of signing an unconditional contract of sale if significant risks and rewards, and effective control over the land, are passed onto the buyer at this point.

Land held for resale is classified as current except where it is held as non-current based on the Council's intentions to release for sale.



## 7. OTHER ASSETS

|                             | 2019             | 2018             |
|-----------------------------|------------------|------------------|
|                             | \$               | \$               |
| <b>Other current assets</b> |                  |                  |
| Prepayments                 | 475,123          | 687,024          |
| Accrued Income              | 1,437,933        | 1,208,520        |
|                             | <u>1,913,056</u> | <u>1,895,544</u> |

### SIGNIFICANT ACCOUNTING POLICIES

#### Other current assets

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

**8. OTHER FINANCIAL ASSETS****(a) Current assets****(b) Non-current assets**

Financial assets at fair value through profit and loss

| 2019 | 2018 |
|------|------|
| \$   | \$   |

|        |        |
|--------|--------|
| 87,586 | 77,333 |
| 87,586 | 77,333 |

**Financial assets at fair value through profit and loss****- Unlisted equity investments**

Units in Local Government House Trust

|        |        |
|--------|--------|
| 87,586 | 77,333 |
| 87,586 | 77,333 |

During the year, the following gains/(losses) were recognised in profit and loss:

Fair value gains/(losses) on equity investments at fair value through profit and loss are recognised in other gains/(losses) and classified as other property and services

|        |        |
|--------|--------|
| 10,252 | 47,717 |
| 10,252 | 47,717 |

Changes in the fair value of Units in Local Government house recognised as non-current financial assets at fair value through profit and loss have not been recognised nor considered as they are unlikely to be material and unable to be reliably determined at the time of preparation of these statements.

**SIGNIFICANT ACCOUNTING POLICIES****Other financial assets at amortised cost**

The City classifies financial assets at amortised cost if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cashflows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

**Financial assets at fair value through profit and loss**

The City classifies the following financial assets at fair value through profit and loss:

- debt investments which do not qualify for measurement at either amortised cost or fair value through other comprehensive income.
- equity investments which the City has not elected to recognise fair value gains and losses through other comprehensive income.

**Impairment and risk**

Information regarding impairment and exposure to risk can be found at Note 27.

**SIGNIFICANT ACCOUNTING POLICIES (Continued)****Previous accounting policy: available for sale financial assets**

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

**Previous accounting policy: Loans and receivables**

Non-derivative financial assets with fixed or determinable payments that were not quoted in an active market and are solely payments of principal and interest were classified as loans and receivables and are subsequently measured at amortised cost, using the effective interest rate method.

Refer to Note 29 for explanations regarding the change in accounting policy and reclassification of available for sale financial assets to financial assets at fair value through profit and loss.



CITY OF JOONDALUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

9. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Carrying Amounts

Movement in the carrying amounts of each class of property, plant and equipment between the beginning and the end of the current financial year.

|   | Land - freehold<br>land | Buildings - non-<br>specialised | Total land and<br>buildings | Furniture and<br>equipment | Plant and<br>equipment | Artworks  | Easements | Work in<br>Progress | Total property,<br>plant and<br>equipment |
|---|-------------------------|---------------------------------|-----------------------------|----------------------------|------------------------|-----------|-----------|---------------------|---|
|   | \$                      | \$                              | \$                          | \$                         | \$                     | \$        | \$        | \$                  | \$  |
| Balance at 1 July 2017  | 192,503,996             | 214,231,133                     | 406,735,129                 | 1,172,605                  | 11,775,809             | 980,538   | 459       | 28,650,929          | 449,315,469                               |
| Prior year adjustments  | -                       | -                               | -                           | -                          | -                      | (403,028) | -         | (3,439,273)         | (3,842,301)                               |
| Balance at 1 July 2017(Restated)  | 192,503,996             | 214,231,133                     | 406,735,129                 | 1,172,605                  | 11,775,809             | 577,509   | 459       | 25,211,656          | 445,473,167                               |
| Additions   | -                       | -                               | -                           | -                          | -                      | -         | -         | 11,468,533          | 11,468,533                                |
| (Disposals)   | (2,066,000)             | (3,986,028)                     | (6,052,028)                 | -                          | (788,502)              | -         | -         | -                   | (6,840,530)                               |
| Revaluation increments / (decrements)<br>transferred to revaluation surplus | -                       | -                               | -                           | -                          | -                      | 20,346    | -         | -                   | 20,346                                    |
| Revaluation (loss) / reversals transferred to profit<br>or loss             | -                       | (2,321,380)                     | (2,321,380)                 | -                          | -                      | -         | -         | -                   | (2,321,380)                               |
| Impairment (losses) / reversals   | -                       | (1,610,668)                     | (1,610,668)                 | -                          | -                      | (14,850)  | -         | (3,343,254)         | (4,968,772)                               |
| Depreciation (expense)  | -                       | (5,356,457)                     | (5,356,457)                 | (533,721)                  | (1,784,846)            | -         | -         | -                   | (7,675,024)                               |
| Transfers   | -                       | 12,598,235                      | 12,598,235                  | 911,783                    | 4,256,280              | 178,808   | -         | (17,945,106)        | -   |
| Carrying amount at 30 June 2018   | 190,437,996             | 213,554,835                     | 403,992,831                 | 1,550,667                  | 13,458,741             | 761,813   | 459       | 15,391,829          | 435,156,340                               |
| Comprises:  |                         |                                 |                             |                            |                        |           |           |                     |   |
| Gross carrying amount at 30 June 2018                                       | 190,437,996             | 349,970,386                     | 540,408,382                 | 8,071,048                  | 19,418,705             | 761,813   | 459       | 15,391,829          | 584,052,236                               |
| Accumulated depreciation at 30 June 2018                                    | -                       | (136,415,551)                   | (136,415,551)               | (6,520,381)                | (5,959,964)            | -         | -         | -                   | (148,895,896)                             |
| Carrying amount at 30 June 2018   | 190,437,996             | 213,554,835                     | 403,992,831                 | 1,550,667                  | 13,458,741             | 761,813   | 459       | 15,391,829          | 435,156,340                               |
| Additions   | -                       | -                               | -                           | -                          | -                      | -         | -         | 9,994,070           | 9,994,070                                 |
| (Disposals)   | -                       | -                               | -                           | -                          | (791,476)              | -         | -         | -                   | (791,476)                                 |
| Impairment (losses) / reversals   | -                       | 17,485                          | 17,485                      | (81,387)                   | (196,763)              | (12,813)  | (459)     | (386,005)           | (659,942)                                 |
| Depreciation (expense)  | -                       | (4,963,189)                     | (4,963,189)                 | (668,975)                  | (1,876,009)            | -         | -         | -                   | (7,508,173)                               |
| Transfers to/ (from)  | -                       | 3,873,317                       | 3,873,317                   | 326,111                    | 6,586,759              | 58,618    | -         | (10,844,805)        | -   |
| Carrying amount at 30 June 2019   | 190,437,996             | 212,482,448                     | 402,920,444                 | 1,126,416                  | 17,181,252             | 807,618   | -         | 14,155,089          | 436,190,819                               |
| Comprises:  |                         |                                 |                             |                            |                        |           |           |                     |   |
| Gross carrying amount at 30 June 2019                                       | 190,437,996             | 352,839,772                     | 543,277,768                 | 7,254,329                  | 24,171,589             | 807,618   | -         | 14,155,089          | 589,666,393                               |
| Accumulated depreciation at 30 June 2019                                    | -                       | (140,357,324)                   | (140,357,324)               | (6,127,913)                | (6,990,337)            | -         | -         | -                   | (153,475,574)                             |
| Carrying amount at 30 June 2019   | 190,437,996             | 212,482,448                     | 402,920,444                 | 1,126,416                  | 17,181,252             | 807,618   | -         | 14,155,089          | 436,190,819                               |

## 9. PROPERTY, PLANT AND EQUIPMENT (Continued)

### (b) Fair Value Measurements

| Asset Class  | Fair Value Hierarchy | Valuation Technique  | Basis of Valuation                        | Date of Last Valuation | Inputs Used   |
|--|----------------------|--|---|------------------------|---|
| <b>Land and buildings</b>                                |                      |  |   |                        |   |
| <b>Land - freehold land</b>                              | 2 & 3                | Market approach using recent observable market data for similar properties | Independent registered valuer/ Management | June 2017              | Price per hectare, with reference to current zoning of land. Market values were used unless there were some restrictions or other factors associated with the land. |
| <b>Land - vested in and under the control of Council</b> | 2 & 3                | Market approach using recent observable market data for similar properties |   |                        | Price per hectare, with reference to current zoning of land. Market values were used unless there were some restrictions or other factors associated with the land. |
| <b>Buildings - non-specialised</b>                       | 3                    | Cost approach using depreciated replacement cost                           | Management valuation                      | June 2017              | Construction Costs based on recent contract prices and current condition, residual values and remaining useful life assessments                                     |
| <b>Buildings - specialised</b>                           | 3                    | Cost approach using depreciated replacement cost                           | Management valuation                      |                        | Construction Costs based on recent contract prices and current condition, residual values and remaining useful life assessments                                     |
| <b>Furniture and equipment</b>                           | 3                    | Cost approach using depreciated replacement cost                           | Management valuation                      | June 2018              | Purchase costs and current condition, residual values and remaining useful life assessments inputs  |
| <b>Plant and equipment</b>                               | 3                    | Cost approach using depreciated replacement cost                           | Management valuation                      | June 2016              | Purchase costs and current condition, residual values and remaining useful life assessments inputs  |
| <b>Artworks</b>  | 3                    | Valuer inspection and appraisal  | Independent registered valuer/ Management | June 2018              | Market based evidence, Current Replacement Cost   |

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 local government 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 30TH JUNE 2019

## 10. INFRASTRUCTURE

## (a) Movements in Carrying Amounts

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

|  | Infrastructure -<br>Roads | Footpaths    | Drainage      | Parks and<br>Reserves | Car Park     | Bridges and<br>Underpasses | Other<br>Infrastructure | Lighting     | Work in Progress | Total Infrastructure |
|--|---------------------------|--------------|---------------|-----------------------|--------------|----------------------------|-------------------------|--------------|------------------|----------------------|
|  | \$                        | \$           | \$            | \$                    | \$           | \$                         | \$                      | \$           | \$               | \$                   |
| Balance at 1 July 2017   | 365,892,559               | 80,082,325   | 271,833,410   | 156,775,397           | 13,177,657   | 30,832,825                 | 1,707,899               | 22,407,620   | 12,084,000       | 954,793,692          |
| Prior year adjustments   |                           |              |               | (8,434,607)           |              |                            |                         |              |                  | (8,434,607)          |
| Balance at 1 July 2017 (Restated)  | 365,892,559               | 80,082,325   | 271,833,410   | 148,340,790           | 13,177,657   | 30,832,825                 | 1,707,899               | 22,407,620   | 12,084,000       | 946,359,085          |
| Additions  | -                         | -            | -             | -                     | -            | -                          | -                       | -            | 20,265,067       | 20,265,067           |
| (Disposals)  | -                         | -            | -             | -                     | (100,933)    | -                          | -                       | -            | -                | (100,933)            |
| Revaluation increments / (decrements) transferred to revaluation surplus | -                         | -            | -             | (15,195,822)          | -            | -                          | -                       | (5,248,635)  | -                | (20,444,457)         |
| Impairment (losses) / reversals  | -                         | (369,906)    | (235,512)     | (529,149)             | -            | -                          | (13,379)                | (644,331)    | 2,321,932        | 529,655              |
| Depreciation (expense)   | (9,828,142)               | (2,110,073)  | (4,563,775)   | (4,288,592)           | (319,904)    | (548,942)                  | (71,155)                | (1,101,172)  | -                | (22,831,755)         |
| Transfers  | 9,104,310                 | 2,039,311    | 1,721,315     | 6,509,709             | 885,058      | 16,816                     | 1,010,472               | 2,324,297    | (23,611,288)     | -                    |
| Carrying amount at 30 June 2018  | 365,168,727               | 79,641,657   | 268,755,438   | 134,836,936           | 13,641,878   | 30,300,699                 | 2,633,837               | 17,737,779   | 11,059,711       | 923,776,662          |
| Comprises:   |                           |              |               |                       |              |                            |                         |              |                  |                      |
| Gross carrying amount at 30 June 2018                                    | 687,189,168               | 118,777,168  | 405,419,156   | 170,545,201           | 25,826,784   | 42,595,695                 | 3,068,778               | 45,140,567   | 11,059,711       | 1,509,622,228        |
| Accumulated depreciation at 30 June 2018                                 | (322,020,441)             | (39,135,511) | (136,663,718) | (35,708,265)          | (12,184,906) | (12,294,996)               | (434,941)               | (27,402,788) | 0                | (585,845,566)        |
| Carrying amount at 30 June 2018  | 365,168,727               | 79,641,657   | 268,755,438   | 134,836,936           | 13,641,878   | 30,300,699                 | 2,633,837               | 17,737,779   | 11,059,711       | 923,776,662          |
| Additions  | -                         | -            | -             | -                     | -            | -                          | -                       | -            | 21,369,845       | 21,369,845           |
| Revaluation increments / (decrements) transferred to revaluation surplus | -                         | -            | -             | -                     | -            | -                          | -                       | (1,171,580)  | -                | (1,171,580)          |
| Impairment (losses) / reversals  | -                         | (94,862)     | (16,425)      | (335,671)             | -            | -                          | -                       | (86,366)     | 124,226          | (409,098)            |
| Depreciation (expense)   | (10,101,932)              | (2,121,199)  | (4,600,323)   | (3,112,121)           | (332,528)    | (550,529)                  | (94,252)                | (1,208,827)  | -                | (22,121,711)         |
| Transfers to/ (from)   | 6,699,792                 | 1,304,168    | 1,166,767     | 5,853,453             | 258,911      | 0                          | 904,156                 | 4,407,709    | (20,594,956)     | -                    |
| Carrying amount at 30 June 2019  | 361,766,587               | 78,729,764   | 265,305,457   | 137,242,597           | 13,568,261   | 29,750,170                 | 3,443,741               | 19,678,715   | 11,958,826       | 921,444,118          |
| Comprises:   |                           |              |               |                       |              |                            |                         |              |                  |                      |
| Gross carrying amount at 30 June 2019                                    | 693,888,960               | 119,775,048  | 406,560,588   | 175,589,532           | 26,085,695   | 42,595,695                 | 3,972,934               | 43,308,458   | 11,958,826       | 1,523,735,736        |
| Accumulated depreciation at 30 June 2019                                 | (332,122,373)             | (41,045,284) | (141,255,131) | (38,346,935)          | (12,517,434) | (12,845,525)               | (529,193)               | (23,629,743) | -                | (602,291,618)        |
| Carrying amount at 30 June 2019  | 361,766,587               | 78,729,764   | 265,305,457   | 137,242,597           | 13,568,261   | 29,750,170                 | 3,443,741               | 19,678,715   | 11,958,826       | 921,444,118          |

CITY OF JOONDALUP  
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10. INFRASTRUCTURE (Continued)

(b) Fair Value Measurements

| Asset Class             | Fair Value Hierarchy | Valuation Technique                              | Basis of Valuation   | Date of Last Valuation | Inputs Used  |
|-------------------------|----------------------|--|----------------------|------------------------|--|
| Infrastructure - Roads  | 3                    | Cost approach using depreciated replacement cost | Management valuation | June 2017              | Construction costs and current condition, residual values and remaining useful life assessments. |
| Footpaths               | 3                    | Cost approach using depreciated replacement cost | Management valuation | June 2017              | Construction costs and current condition, residual values and remaining useful life assessments. |
| Drainage                | 3                    | Cost approach using depreciated replacement cost | Management valuation | June 2017              | Construction costs and current condition, residual values and remaining useful life assessments. |
| Parks and Reserves      | 3                    | Cost approach using depreciated replacement cost | Management valuation | June 2018              | Construction costs and current condition, residual values and remaining useful life assessments. |
| Car Park                | 3                    | Cost approach using depreciated replacement cost | Management valuation | June 2017              | Construction costs and current condition, residual values and remaining useful life assessments. |
| Bridges and Underpasses | 3                    | Cost approach using depreciated replacement cost | Management valuation | June 2017              | Construction costs and current condition, residual values and remaining useful life assessments. |
| Other Infrastructure    | 3                    | Cost approach using depreciated replacement cost | Management valuation | June 2017              | Construction costs and current condition, residual values and remaining useful life assessments. |
| Lighting                | 3                    | Cost approach using depreciated replacement cost | Management valuation | June 2019              | Construction costs and current condition, residual values and remaining useful life assessments. |

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 to determine the fair value of infrastructure using level 3 inputs.



## 10. PROPERTY, PLANT AND EQUIPMENT AND INFRASTRUCTURE

## SIGNIFICANT ACCOUNTING POLICIES

## Fixed assets

Each class of fixed assets within either plant and equipment or infrastructure, is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

## Initial recognition and measurement between mandatory revaluation dates

All assets are initially recognised at cost where the fair value of the asset at date of acquisition is equal to or above \$5,000. All assets are subsequently revalued in accordance with the mandatory measurement framework.

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the City includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

Individual assets acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework, are recognised at cost and disclosed as being at fair value as management believes cost approximates fair value. They are subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework.

## Revaluation

The fair value of fixed assets is determined at least every three years and no more than five years in accordance with the regulatory framework. At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires property, plant and equipment to be shown at fair value.

Increases in the carrying amount arising on revaluation of assets are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same class of asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss.

## AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

## Land under control

In accordance with *Local Government (Financial Management) Regulation 16(a)(ii)*, the City was required to include as an asset (by 30 June 2013), Crown Land operated by the local government as a golf course, showground, racecourse or other sporting or recreational facility of State or Regional significance.

Upon initial recognition, these assets were recorded at cost in accordance with AASB 116. They were then classified as Land and revalued along with other land in accordance with the other policies detailed in this Note.

## Land under roads

In Western Australia, all land under roads is Crown Land, the responsibility for managing which, is vested in the local government.

Effective as at 1 July 2008, Council elected not to recognise any value for land under roads acquired on or before 30 June 2008. This accords with the treatment available in *Australian Accounting Standard AASB 1051 Land Under Roads* and the fact *Local Government (Financial Management) Regulation 16(a)(i)* prohibits local governments from recognising such land as an asset.

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

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

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

## 11. PROPERTY, PLANT AND EQUIPMENT AND INFRASTRUCTURE (Continued)

## (a) Disposals of Assets

|                             | 2019<br>Actual<br>Net Book<br>Value | 2019<br>Actual<br>Sale<br>Proceeds | 2019<br>Actual<br>Profit | 2019<br>Actual<br>Loss | 2019<br>Budget<br>Net Book<br>Value | 2019<br>Budget<br>Sale<br>Proceeds | 2019<br>Budget<br>Profit | 2019<br>Budget<br>Loss | 2018<br>Actual<br>Net Book<br>Value | 2018<br>Actual<br>Sale<br>Proceeds | 2018<br>Actual<br>Profit | 2018<br>Actual<br>Loss |
|-----------------------------|-------------------------------------|------------------------------------|--------------------------|------------------------|-------------------------------------|------------------------------------|--------------------------|------------------------|-------------------------------------|------------------------------------|--------------------------|------------------------|
|                             | \$                                  | \$                                 | \$                       | \$                     | \$                                  | \$                                 | \$                       | \$                     | \$                                  | \$                                 | \$                       | \$                     |
| Land - freehold land        | -                                   | -                                  | -                        | -                      | 1,580,000                           | 1,524,940                          | -                        | (55,060)               | 2,066,000                           | 1,896,347                          | -                        | (169,653)              |
| Buildings - non-specialised | -                                   | -                                  | -                        | -                      | -                                   | -                                  | -                        | -                      | 3,986,028                           | -                                  | -                        | (3,986,028)            |
| Plant and equipment         | 791,476                             | 679,733                            | 106,880                  | (218,623)              | 560,860                             | 444,850                            | 41,225                   | (157,235)              | 788,502                             | 798,893                            | 94,746                   | (84,355)               |
| Car Park                    | -                                   | -                                  | -                        | -                      | -                                   | -                                  | -                        | -                      | 100,933                             | -                                  | -                        | (100,933)              |
| Tamala Park Land Sales      | 159,830                             | 812,769                            | 652,939                  | -                      | -                                   | -                                  | -                        | -                      | 285,303                             | 2,683,649                          | 2,398,346                | -                      |
|                             | 951,306                             | 1,492,502                          | 759,819                  | (218,623)              | 2,140,860                           | 1,969,790                          | 41,225                   | (212,295)              | 7,226,766                           | 5,378,889                          | 2,493,092                | (4,340,969)            |



## 11. PROPERTY, PLANT AND EQUIPMENT AND INFRASTRUCTURE (Continued)

## (b) Depreciation

|   | 2019<br>Actual | 2019<br>Budget | 2018<br>Actual |
|---|----------------|----------------|----------------|
|   | \$             | \$             | \$             |
| Buildings - non-specialised                   | 4,963,189      | 5,272,457      | 5,356,457      |
| Furniture and equipment                       | 668,975        | 375,045        | 533,721        |
| Plant and equipment                           | 1,876,009      | 1,592,505      | 1,784,846      |
| Infrastructure - Roads                        | 10,101,932     | 10,239,248     | 9,828,142      |
| Footpaths                                     | 2,121,199      | 2,138,316      | 2,110,073      |
| Drainage                                      | 4,600,323      | 4,596,025      | 4,563,775      |
| Parks and Reserves                            | 3,112,121      | 4,492,272      | 4,288,592      |
| Car Park                                      | 332,528        | 341,516        | 319,904        |
| Bridges and Underpasses                       | 550,529        | 551,420        | 548,942        |
| Other Infrastructure                          | 94,252         | 31,220         | 71,155         |
| Lighting                                      | 1,208,827      | 1,189,298      | 1,101,172      |
| Impairment                                    | 1,069,040      | -              | 3,550,854      |
|   | 30,698,924     | 30,819,322     | 34,057,633     |
| Asset Development Contribution<br>written off | -              | -              | 888,263        |

## SIGNIFICANT ACCOUNTING POLICIES

## Depreciation

The depreciable amount of all fixed assets including buildings but excluding freehold land and vested land, are depreciated on a straight-line basis over the individual asset's useful life from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

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

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

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

## Depreciation rates

Typical estimated useful lives for the different asset classes for the current and prior years are included in the table below:

| Asset Class                 | Useful life     | Asset Class             | Useful life     |
|-----------------------------|-----------------|-------------------------|-----------------|
| Buildings                   | 10 to 100 years | Parks and Reserves:     |                 |
| Furniture and equipment     | 3 to 10 years   | Fencing                 | 15 to 30 years  |
| Plant and equipment         | 3 to 13 years   | Furniture and Amenities | 10 to 50 years  |
| Artworks                    | Nil             | Hard Landscaping        | 10 to 50 years  |
| Infrastructure Assets:      |                 | Irrigation              | 20 to 50 years  |
| Roads/Traffic Management    | 30 to 100 years | Marine                  | 20 years        |
| Footpaths                   | 10 to 100 years | Park and POS Signage    | 15 to 20 years  |
| Drainage                    | 75 to 100 years | Playspace               | 20 years        |
| Car Parks                   | 30 to 100 years | POS Structure           | 20 to 100 years |
| Bridges and Underpasses     | 70 to 100 years | Soft Landscaping        | 10 to 40 years  |
| Lighting                    | 25 to 40 years  | Sporting Infrastructure | 10 to 50 years  |
| Other Infrastructure assets | 10 to 70 years  | Waste                   | 10 years        |

## Depreciation (Continued)

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

- (a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or
- (b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

# 11. PROPERTY, PLANT AND EQUIPMENT AND INFRASTRUCTURE (Continued)

## (c) REVALUATION SURPLUS

|   | 2019<br>Opening<br>Balance | 2019<br>Revaluation<br>Increment | 2019<br>Revaluation<br>(Decrement) | Total<br>Movement on<br>Revaluation | 2019<br>Closing<br>Balance | 2018<br>Opening<br>Balance | 2018<br>Revaluation<br>Increment | 2018<br>Revaluation<br>(Decrement) | Total<br>Movement on<br>Revaluation | 2018<br>Closing<br>Balance |
|---|----------------------------|----------------------------------|------------------------------------|-------------------------------------|----------------------------|----------------------------|----------------------------------|------------------------------------|-------------------------------------|----------------------------|
|   | \$                         | \$                               | \$                                 | \$                                  | \$                         | \$                         | \$                               | \$                                 | \$                                  | \$                         |
| Revaluation surplus - Land - freehold land        | 214,784,367                | -                                | -                                  | -                                   | 214,784,367                | 214,784,367                | -                                | -                                  | -                                   | 214,784,367                |
| Revaluation surplus - Buildings - non-specialised | 135,875,361                | -                                | -                                  | -                                   | 135,875,361                | 138,196,741                | 0                                | (2,321,380)                        | (2,321,380)                         | 135,875,361                |
| Revaluation surplus - Plant and equipment         | 124,769                    | -                                | -                                  | -                                   | 124,769                    | 124,769                    | -                                | -                                  | -                                   | 124,769                    |
| Revaluation surplus - Artworks                    | 269,356                    | -                                | -                                  | -                                   | 269,356                    | 249,010                    | 20,346                           | -                                  | 20,346                              | 269,356                    |
| Tamala Park Assets                                | 1,060                      | -                                | -                                  | -                                   | 1,060                      | 1,060                      | -                                | -                                  | -                                   | 1,060                      |
| Mindarie Regional Council Assets                  | 5,129,724                  | 268,192                          | -                                  | 268,192                             | 5,397,916                  | 4,961,428                  | 168,296                          | -                                  | 168,296                             | 5,129,724                  |
| Revaluation surplus - Infrastructure - Roads      | 112,439,886                | -                                | -                                  | -                                   | 112,439,886                | 112,439,886                | -                                | -                                  | -                                   | 112,439,886                |
| Revaluation surplus - Footpaths                   | 68,344,614                 | -                                | -                                  | -                                   | 68,344,614                 | 68,344,614                 | -                                | -                                  | -                                   | 68,344,614                 |
| Revaluation surplus - Drainage                    | 163,985,902                | -                                | -                                  | -                                   | 163,985,902                | 163,985,902                | -                                | -                                  | -                                   | 163,985,902                |
| Revaluation surplus - Parks and Reserves          | 101,007,064                | -                                | -                                  | -                                   | 101,007,064                | 116,202,886                | -                                | (15,195,822)                       | (15,195,822)                        | 101,007,064                |
| Revaluation surplus - Car Park                    | 2,177,904                  | -                                | -                                  | -                                   | 2,177,904                  | 2,177,904                  | -                                | -                                  | -                                   | 2,177,904                  |
| Revaluation surplus - Bridges and Underpasses     | 26,994,513                 | -                                | -                                  | -                                   | 26,994,513                 | 26,994,513                 | -                                | -                                  | -                                   | 26,994,513                 |
| Revaluation surplus - Other Infrastructure        | 453,308                    | -                                | -                                  | -                                   | 453,308                    | 453,308                    | -                                | -                                  | -                                   | 453,308                    |
| Revaluation surplus - Lighting                    | 7,894,839                  | -                                | (1,171,580)                        | (1,171,580)                         | 6,723,259                  | 13,143,474                 | -                                | (5,248,635)                        | (5,248,635)                         | 7,894,839                  |
|   | 839,482,667                | 268,192                          | (1,171,580)                        | (903,388)                           | 838,579,279                | 862,059,862                | 188,642                          | (22,765,837)                       | (22,577,195)                        | 839,482,667                |

Movements on revaluation of property, plant and equipment (including infrastructure) are not able to be reliably attributed to a program as the assets were revalued by class as provided for by AASB 116 Aus 40.1.



12. TRADE AND OTHER PAYABLES

Current

Trade Payables  
Sundry Payables  
Accrued Expenses  
Rates Received in Advance  
Other Payables  
Bonds and Retention Money

| NOTE | 2019       | 2018       |
|------|------------|------------|
|      | \$         | \$         |
|      | 4,911,992  | 4,522,569  |
|      | 563,195    | 610,874    |
|      | 5,512,097  | 5,116,012  |
|      | 1,021,111  | 903,597    |
|      | 1,432,732  | 1,402,088  |
| 28   | 1,696,756  | -          |
|      | 15,137,883 | 12,555,140 |

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the City prior to the end of the financial year that are unpaid and arise when the City becomes obliged to make future payments in respect

Trade and other payables (Continued)

of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition, except for bonds and retention money that are repaid as per the related agreements.

**CITY OF JOONDALUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2019**

**13. INFORMATION ON BORROWINGS**

**(a) Borrowings**

|             | 2019       | 2018       |
|-------------|------------|------------|
|             | \$         | \$         |
| Current     | 3,324,328  | 3,201,862  |
| Non-current | 7,090,146  | 10,414,474 |
|             | 10,414,474 | 13,616,336 |

**(b) Repayments - Borrowings**

| Particulars                          | Loan Number | Institution | Interest Rate | Actual Principal | 30 June 2019 Actual New Loans | 30 June 2019 Actual Principal repayments | 30 June 2019 Actual Interest repayments | 30 June 2019 Actual Principal outstanding | Budget Principal | 30 June 2019 Budget New Loans | 30 June 2019 Budget Principal repayments | 30 June 2019 Budget Interest repayments | 30 June 2019 Budget Principal outstanding | Actual Principal | 30 June 2018 Actual New Loans | 30 June 2018 Actual Principal repayments | 30 June 2018 Actual Interest repayments | 30 June 2018 Actual Principal outstanding |
|--------------------------------------|-------------|-------------|---------------|------------------|-------------------------------|--|---|---|------------------|-------------------------------|--|---|---|------------------|-------------------------------|--|---|---|
|                                      |             |             |               | 1 July 2018      | \$                            | \$                                       | \$                                      | \$  | 1 July 2018      | \$                            | \$                                       | \$                                      | \$  | 1 July 2017      | \$                            | \$                                       | \$                                      | \$  |
| <b>Community amenities</b>           |             |             |               |                  |                               |  |   |   |                  |                               |  |   |   |                  |                               |  |   |   |
| Bramston Park                        | 8           | WATC        | 2.21%         | 1,084,701        | -                             | 353,628                                  | 27,412                                  | 731,073                                   | 1,084,701        | -                             | 353,628                                  | 27,510                                  | 731,073                                   | 1,430,621        | -                             | 345,920                                  | 37,625                                  | 1,084,701                                 |
| <b>Recreation and culture</b>        |             |             |               |                  |                               |  |   |   |                  |                               |  |   |   |                  |                               |  |   |   |
| Aquatic Facilities Upgrade           | 4           | WATC        | 5.87%         | 1,444,799        | -                             | 701,357                                  | 76,702                                  | 743,442                                   | 1,444,799        | -                             | 701,357                                  | 76,853                                  | 743,442                                   | 2,106,454        | -                             | 661,655                                  | 120,894                                 | 1,444,799                                 |
| Streetscape Enhancement - West Coast | 5           | WATC        | 5.87%         | 220,457          | -                             | 107,017                                  | 11,704                                  | 113,440                                   | 220,456          | -                             | 107,017                                  | 11,713                                  | 113,439                                   | 321,416          | -                             | 100,959                                  | 18,447                                  | 220,457                                   |
| Seacrest Sports Facility             | 6           | WATC        | 6.16%         | 284,644          | -                             | 98,016                                   | 16,688                                  | 186,628                                   | 284,644          | -                             | 98,016                                   | 16,780                                  | 186,628                                   | 376,848          | -                             | 92,204                                   | 23,148                                  | 284,644                                   |
| Forrest Park Sports Facility         | 6           | WATC        | 6.16%         | 187,267          | -                             | 64,484                                   | 10,979                                  | 122,783                                   | 187,266          | -                             | 64,484                                   | 11,039                                  | 122,782                                   | 247,927          | -                             | 60,660                                   | 15,229                                  | 187,267                                   |
| Fleur Frame Pavilion Upgrade         | 6           | WATC        | 6.16%         | 517,367          | -                             | 178,153                                  | 30,332                                  | 339,214                                   | 517,369          | -                             | 178,153                                  | 30,499                                  | 339,216                                   | 684,956          | -                             | 167,589                                  | 42,074                                  | 517,367                                   |
| Warwick Hockey Facility              | 9           | WATC        | 2.37%         | 3,678,786        | -                             | 887,359                                  | 102,619                                 | 2,791,427                                 | 3,678,786        | -                             | 887,359                                  | 102,645                                 | 2,791,427                                 | 4,545,423        | -                             | 866,637                                  | 129,829                                 | 3,678,786                                 |
| <b>Transport</b>                     |             |             |               |                  |                               |  |   |   |                  |                               |  |   |   |                  |                               |  |   |   |
| Reid Promenade Multi Storey Car Park | 7           | WATC        | 2.85%         | 6,198,315        | -                             | 811,848                                  | 202,050                                 | 5,386,467                                 | 6,198,315        | -                             | 811,848                                  | 199,557                                 | 5,386,467                                 | 6,987,432        | -                             | 789,117                                  | 229,879                                 | 6,198,315                                 |
|                                      |             |             |               | 13,616,336       | -                             | 3,201,863                                | 478,486                                 | 10,414,473                                | 13,616,336       | -                             | 3,201,862                                | 476,596                                 | 10,414,474                                | 16,701,077       | -                             | 3,084,741                                | 617,125                                 | 13,616,336                                |
|                                      |             |             |               | 13,616,336       | -                             | 3,201,863                                | 478,486                                 | 10,414,473                                | 13,616,336       | -                             | 3,201,862                                | 476,596                                 | 10,414,474                                | 16,701,077       | -                             | 3,084,741                                | 617,125                                 | 13,616,336                                |

All loan repayments were financed by general purpose revenue.



## 13. INFORMATION ON BORROWINGS (Continued)

|                                      | 2019           | 2018           |
|--------------------------------------|----------------|----------------|
|                                      | \$             | \$             |
| (c) Undrawn Borrowing Facilities     |                |                |
| Credit Standby Arrangements          |                |                |
| Bank overdraft limit                 | 500,000        | 500,000        |
| Credit card limit                    | 47,000         | 47,000         |
| Credit card balance at balance date  | (24,199)       | (16,798)       |
| <b>Total amount of credit unused</b> | <b>522,801</b> | <b>530,202</b> |

## SIGNIFICANT ACCOUNTING POLICIES

## Financial liabilities

Financial liabilities are recognised at fair value when the City becomes a party to the contractual provisions to the instrument.

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

Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of the consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

## Borrowing costs

Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset until such time as the asset is substantially ready for its intended use or sale.

## Risk

Information regarding exposure to risk can be found at Note 27.

#### 14. EMPLOYEE RELATED PROVISIONS

##### Employee Related Provisions

|   | Provision for<br>Annual<br>Leave | Provision for<br>Long Service<br>Leave | Provision for<br>Purchased<br>Leave | Provision for<br>Sick<br>Leave | Provision for<br>Workers<br>Compensation | Total      |
|---|----------------------------------|--|-------------------------------------|--------------------------------|--|------------|
|   | \$                               | \$                                     |                                     |                                |  | \$         |
| <b>Opening balance at 1 July 2018</b>                                 |                                  |  |                                     |                                |  |            |
| Current provisions  | 4,497,672                        | 5,855,900                              | 133,593                             | 1,006,450                      | 2,503,467                                | 13,997,082 |
| Non-current provisions  | -                                | 1,731,800                              | -                                   | -                              | -  | 1,731,800  |
|   | 4,497,672                        | 7,587,700                              | 133,593                             | 1,006,450                      | 2,503,467                                | 15,728,882 |
| <br>Additional provision  | 146,697                          | 367,061                                | (5,957)                             | (12,255)                       | 59,309                                   | 554,855    |
| <b>Balance at 30 June 2019</b>  | 4,644,369                        | 7,954,761                              | 127,636                             | 994,195                        | 2,562,776                                | 16,283,737 |
| <br><b>Comprises</b>  |                                  |  |                                     |                                |  |            |
| Current   | 4,644,369                        | 6,285,252                              | 127,636                             | 994,195                        | 2,562,776                                | 14,614,228 |
| Non-current   | -                                | 1,669,509                              | -                                   | -                              | -  | 1,669,509  |
|   | 4,644,369                        | 7,954,761                              | 127,636                             | 994,195                        | 2,562,776                                | 16,283,737 |
| <br><b>Amounts are expected to be settled on the following basis:</b> | <b>2019</b>                      | <b>2018</b>                            |                                     |                                |  |            |
|   | \$                               | \$                                     |                                     |                                |  |            |
| Less than 12 months after the reporting date                          | 14,614,228                       | 13,997,082                             |                                     |                                |  |            |
| More than 12 months from reporting date                               | 1,669,509                        | 1,731,800                              |                                     |                                |  |            |
|   | 16,283,737                       | 15,728,882                             |                                     |                                |  |            |

Timing of the payment of current leave liabilities is difficult to determine as it is dependent on future decisions of employees. Expected settlement timings are based on information obtained from employees and historical leave trends and assumes no events will occur to impact on these historical trends.

#### SIGNIFICANT ACCOUNTING POLICIES

##### Employee benefits

##### Short-term employee benefits

Provision is made for the City's obligations for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The City's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position.

##### Other long-term employee benefits

The City's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at

##### Other long-term employee benefits (Continued)

rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The City's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the City does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

##### Provisions

Provisions are recognised when the City has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.



## 15. OTHER PROVISIONS

|                                | Other<br>Provisions | Total  |
|--------------------------------|---------------------|--------|
|                                | \$                  | \$     |
| Opening balance at 1 July 2018 |                     |        |
| Current provisions             | 63,321              | 63,321 |
|                                | 63,321              | 63,321 |
| Additional provision           | 4,000               | 4,000  |
| Balance at 30 June 2019        | 67,321              | 67,321 |
| Comprises                      |                     |        |
| Current                        | 67,321              | 63,321 |
|                                | 67,321              | 63,321 |

## 16. NOTES TO THE STATEMENT OF CASH FLOWS

### Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the Statement of Financial Position as follows:

|                           | 2019<br>Actual | 2019<br>Budget | 2018<br>Actual |
|---------------------------|----------------|----------------|----------------|
|                           | \$             | \$             | \$             |
| Cash and cash equivalents | 111,629,542    | 90,721,484     | 100,085,669    |

### Reconciliation of Net Cash Provided By Operating Activities to Net Result

|   |             |             |              |
|---|-------------|-------------|--------------|
| Net result  | 12,864,728  | 3,289,817   | 3,827,544    |
| Non-cash flows in Net result:                         |             |             |              |
| Adjustments to fair value of financial assets         | (389,975)   |             |              |
| Depreciation  | 30,698,919  | 30,819,322  | 34,057,633   |
| (Profit)/loss on sale of asset                        | (541,196)   | 171,070     | 1,847,877    |
| Share of profits of associates and joint ventures     |             |             | (276,798)    |
| Asset Development Contribution written off            |             |             | 888,263      |
| Changes in assets and liabilities:                    |             |             |              |
| (Increase)/decrease in receivables                    | (1,043,300) | (66,996)    | (136,355)    |
| (Increase)/decrease in other assets                   | (17,510)    | 196,897     | (917,827)    |
| (Increase)/decrease in inventories                    | (57,150)    | (5,000)     | (43,308)     |
| Increase/(decrease) in payables                       | 885,986     | 135,499     | 1,340,306    |
| Increase/(decrease) in provisions                     | 558,856     | 471,730     | (322,841)    |
| Grants contributions for<br>the development of assets | (6,791,386) | (9,354,948) | (10,840,553) |
| Net cash from operating activities                    | 36,167,972  | 25,657,391  | 29,423,941   |



## 17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

|                             | 2019                 | 2018                 |
|-----------------------------|----------------------|----------------------|
|                             | \$                   | \$                   |
| Governance                  | 50,866,094           | 36,147,586           |
| General purpose funding     | 27,172,661           | 26,393,892           |
| Law, order, public safety   | 5,481,961            | 5,625,591            |
| Health                      | 595,753              | 585,854              |
| Education and welfare       | 6,796,033            | 6,900,764            |
| Community amenities         | 63,901,623           | 59,470,054           |
| Recreation and culture      | 281,474,732          | 292,711,967          |
| Transport                   | 783,817,267          | 797,186,685          |
| Economic services           | 22,582,975           | 21,150,522           |
| Other property and services | 271,556,745          | 256,171,852          |
|                             | <u>1,514,245,844</u> | <u>1,502,344,767</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 \$87.5m amounting to \$14.6m. The term of the guarantee is 20 years unless the MRC liability under the agreement with the contractor is fully extinguished earlier.



## 19. CAPITAL AND LEASING COMMITMENTS

### (a) Capital Expenditure Commitments

Contracted for:

- capital expenditure projects

| 2019      | 2018      |
|-----------|-----------|
| \$        | \$        |
| 4,543,811 | 4,645,045 |
| 4,543,811 | 4,645,045 |

Payable:

- not later than one year

4,543,811      4,645,045

### (b) Operating Lease Commitments

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

Payable:

- not later than one year

- later than one year but not later than five years

- later than five years

| 2019      | 2018      |
|-----------|-----------|
| \$        | \$        |
| 691,568   | 605,145   |
| 2,268,238 | 2,296,202 |
| 1,821,349 | 2,436,717 |
| 4,781,155 | 5,338,064 |

## SIGNIFICANT ACCOUNTING POLICIES

### Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to the City, are classified as finance leases.

Finance leases are capitalised recording an asset and a liability at the lower of the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

### Leases (Continued)

Leased assets are depreciated on a straight line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

## 20. RELATED PARTY TRANSACTIONS

### Elected Members Remuneration

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

|                                       | 2019<br>Actual | 2019<br>Budget | 2018<br>Actual |
|---------------------------------------|----------------|----------------|----------------|
|                                       | \$             | \$             | \$             |
| Elected Members Allowances            | 579,994        | 579,994        | 533,595        |
| Elected Members Conferences/Training  | 61,884         | 124,100        | 57,012         |
| Elected Members Travel and Child Care | 25,176         | 29,000         | 29,548         |
| Other Specified Expenses              | 9,903          | 16,080         | 58,154         |
|                                       | 676,957        | 749,174        | 678,309        |

### Key Management Personnel (KMP) Compensation Disclosure

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

|                              | 2019<br>Actual | 2018<br>Actual |
|------------------------------|----------------|----------------|
|                              | \$             | \$             |
| Short-term employee benefits | 1,370,865      | 1,320,081      |
| Post-employment benefits     | 129,032        | 128,820        |
| Other long-term benefits     | 21,137         | 21,137         |
|                              | 1,521,034      | 1,470,038      |

#### *Short-term employee benefits*

These amounts include all salary, fringe benefits and cash bonuses awarded to KMP except for details in respect to fees and benefits paid to elected members which may be found above.

#### *Post-employment benefits*

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

#### *Other long-term benefits*

These amounts represent long service benefits accruing during the year.



## 20. RELATED PARTY TRANSACTIONS (Continued)

### Transactions with related parties

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

No outstanding balances or provisions for doubtful debts or guaranties exist in relation to related parties at year end.

|   | 2019<br>Actual<br>\$ | 2018<br>Actual<br>\$ |
|---|----------------------|----------------------|
| The following transactions occurred with related parties: |                      |                      |
| <b>Mindarie Regional Council (Note 21)</b>                |                      |                      |
| Sale of goods and services                                | 189,020              | 137,452              |
| Purchase of goods and services                            | 9,995,787            | 9,944,275            |
| Capital investments                                       | -                    | 12,304               |
| Trade and other receivables                               | 473,406              | 387,332              |
| Trade and other payables                                  | 11,117               | 10,886               |
| <b>Tamala Park Regional Council (Note 21)</b>             |                      |                      |
| Distributions received                                    | 666,667              | 666,667              |
| Reimbursements received                                   | 102,448              | 52,334               |
| Payments made for settling GST liabilities                | 73,674               | 170,286              |
| Trade and other receivables                               | 6,061                | 4,170                |
| Trade and other payables                                  | 10,626               | 45,060               |

### Related Parties

#### The City's main related parties are as follows:

##### i. Key management personnel

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

##### ii. Other Related Parties

The associate person of KMP was employed by the City under normal employment terms and conditions.

##### 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 an entity, but does not have control over those policies, is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement.

## 21. Investment in Associates

|  | 2019              | 2018              |
|--|-------------------|-------------------|
|  | \$                | \$                |
| <b>(a) Carrying amount of investment in associate</b>        |                   |                   |
| Mindarie Regional Council                                    | 11,963,253        | 11,317,776        |
| Tamala Park Regional Council                                 | 7,618,683         | 7,620,895         |
|  | <b>19,581,937</b> | <b>18,938,672</b> |
| <b>(b) Share of profit/(loss) from continuing operations</b> |                   |                   |
| Mindarie Regional Council                                    | 377,285           | 201,329           |
| Tamala Park Regional Council                                 | 2,438             | 27,751            |
|  | <b>379,723</b>    | <b>229,080</b>    |

### Mindarie Regional Council

The City holds 1/6 share in the equity capital of Mindarie Regional Council and its current fair value is estimated at \$11,963,253. As per the audited financial statements of Mindarie Regional Council for the year ended 30 June 2019, the City's share of Net Result of operations was \$377,285 and the share of net revaluation surplus on change in fair value of its assets was \$268,192. The City has recognised the income in the Statement of Comprehensive income and the revaluation surplus in the Asset Revaluation Reserve in accordance with the equity method of accounting.

|  |                   |                   |
|--|-------------------|-------------------|
| - Share of associates profit/(loss) from ordinary activities               | 377,285           | 201,329           |
| - Share of associates other comprehensive income arising during the period | 268,192           | 168,296           |
| - Share of associates total comprehensive income arising during the period | 645,477           | 369,625           |
| <b>Carrying amount at 1 July</b>   | 11,317,776        | 10,935,847        |
| Movement in Capital Contributions  |                   | 12,304            |
| - Share of associates total comprehensive income arising during the period | 645,477           | 369,625           |
| <b>Carrying amount at 30 June</b>  | <b>11,963,253</b> | <b>11,317,776</b> |

### Share of joint operations

The City's interest in Mindarie Regional Council as at 30 June 2019 and 30 June 2018 is as follows:

|                          |                    |                    |
|--------------------------|--------------------|--------------------|
| Current Assets           | 6,207,893          | 5,674,024          |
| Non-Current Assets       | 9,861,892          | 9,686,624          |
| <b>Total assets</b>      | <b>16,069,785</b>  | <b>15,360,648</b>  |
| Current liabilities      | (1,247,897)        | (1,218,966)        |
| Non-Current Liabilities  | (2,858,635)        | (2,823,906)        |
| <b>Total liabilities</b> | <b>(4,106,532)</b> | <b>(4,042,872)</b> |
| <b>Net Assets</b>        | <b>11,963,253</b>  | <b>11,317,776</b>  |



## 21. Investment in Associates (continued)

### Tamala Park Regional Council

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 1/6 equity in the land. The West Australian 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 the equity is estimated at \$7,618,682. As per the audited financial statements of Tamala Park Regional Council for the year ended 30 June 2019, the City's share of Net Result of operations was \$2,438. The City has recognised this income in the Statement of Comprehensive Income in accordance with the equity method of accounting.

### Carrying amount of investment in associate

|  | 2019<br>\$       | 2018<br>\$       |
|--|------------------|------------------|
| - Share of associates profit/(loss) from ordinary activities               | 2,438            | 27,751           |
| - Share of associates total comprehensive income arising during the period | 2,438            | 27,751           |
| <b>Carrying amount at 1 July</b>   | <b>7,620,895</b> | <b>6,864,449</b> |
| Movement in Capital Contributions  | 769,154          | 1,447,697        |
| Distributions Received   | (773,804)        | (719,001)        |
| - Share of associates total comprehensive income arising during the period | 2,438            | 27,751           |
| <b>Carrying amount at 30 June</b>  | <b>7,618,683</b> | <b>7,620,895</b> |

### Share of joint operations

The City's interest in Tamala Park Regional Council as at 30 June 2019 and 30 June 2018 is as follows:

|                          |                  |                  |
|--------------------------|------------------|------------------|
| Current Assets           | 7,386,803        | 7,348,483        |
| Non-Current Assets       | 287,214          | 321,621          |
| <b>Total assets</b>      | <b>7,674,017</b> | <b>7,670,104</b> |
| Current liabilities      | (54,381)         | (48,351)         |
| Non-Current Liabilities  | (953)            | (858)            |
| <b>Total liabilities</b> | <b>(55,334)</b>  | <b>(49,209)</b>  |
| <b>Net Assets</b>        | <b>7,618,683</b> | <b>7,620,895</b> |

## SIGNIFICANT ACCOUNTING POLICIES

### Interests in joint arrangements

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

Separate joint arrangements providing joint ventures with an interest to net assets are classified as a joint venture and accounted for using the equity method. The equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the City's share of net assets of the associate. In addition, the City's share of the profit or loss of the associate is included in the City's profit or loss.

### Interests in joint arrangements (Continued)

Joint operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The City's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements.

## 22. MAJOR LAND TRANSACTIONS

### Tamala Park Land Sales

#### (a) Details

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 917 lots of land to date. The City's share of Sales Proceeds of land to date is \$41,035,548.

#### (b) Current year transactions

|                               | 2019<br>Actual | 2019<br>Budget | 2018<br>Actual |
|-------------------------------|----------------|----------------|----------------|
|                               | \$             | \$             | \$             |
| Sale Proceeds                 | 1,656,448      | -              | 3,672,588      |
| Development and Selling Costs | (887,293)      | -              | (2,224,890)    |
|                               | 769,155        | -              | 1,447,698      |

#### (c) Expected future cash flows

|                       | 2019/20     | 2020/21     | 2021/22     | 2022/23     | Total        |
|-----------------------|-------------|-------------|-------------|-------------|--------------|
|                       | \$          | \$          | \$          | \$          | \$           |
| <b>Cash outflows</b>  |             |             |             |             |              |
| - Development costs   | (5,057,534) | (3,567,065) | (5,241,318) | (5,245,636) | (19,111,553) |
|                       | (5,057,534) | (3,567,065) | (5,241,318) | (5,245,636) | (19,111,553) |
| <b>Cash inflows</b>   |             |             |             |             |              |
| - Sale proceeds       | 5,330,885   | 7,066,598   | 9,340,747   | 8,930,084   | 30,668,314   |
|                       | 5,330,885   | 7,066,598   | 9,340,747   | 8,930,084   | 30,668,314   |
| <b>Net cash flows</b> | 273,351     | 3,499,534   | 4,099,429   | 3,684,448   | 11,556,761   |

#### (d) Assets and liabilities

|                                     | 2019       | 2018       |
|-------------------------------------|------------|------------|
|                                     | \$         | \$         |
| <b>Land held for sale ( Note 6)</b> |            |            |
| Cost of acquisition                 | 14,009,867 | 14,169,697 |
| Development cost                    | 3,251,376  | 3,207,766  |
|                                     | 17,261,243 | 17,377,463 |

## 23. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The City did not participate in any trading undertakings during the 2018-19 financial year.



## 24. CONDITIONS OVER GRANTS/CONTRIBUTIONS

| Grant/Contribution                     | Opening<br>Balance <sup>(1)</sup> | Received <sup>(2)</sup> | Expended <sup>(3)</sup> | Closing<br>Balance <sup>(1)</sup> | Received <sup>(2)</sup> | Expended <sup>(3)</sup> | Closing<br>Balance |
|--|-----------------------------------|-------------------------|-------------------------|-----------------------------------|-------------------------|-------------------------|--------------------|
|  | 1/07/17                           | 2017/18                 | 2017/18                 | 30/06/18                          | 2018/19                 | 2018/19                 | 30/06/19           |
|  | \$                                | \$                      | \$                      | \$                                | \$                      | \$                      | \$                 |
| Operating Grants                       | 37,945                            | 456,620                 | (494,565)               | -                                 | 420,288                 | (418,666)               | 1,622              |
| <b>Total</b>                           | <b>37,945</b>                     | <b>456,620</b>          | <b>- 494,565</b>        | <b>-</b>                          | <b>420,288</b>          | <b>(418,666)</b>        | <b>1,622</b>       |
| <b>Non-operating Grants</b>            |                                   |                         |                         |                                   |                         |                         |                    |
| Building Construction                  | -                                 | 1,016,185               | (958,978)               | 57,207                            | 40,000                  | (97,207)                | -                  |
| Foreshore and Natural Areas Management | 80,000                            | -                       | (80,000)                | -                                 | 311,219                 | (22,633)                | 288,586            |
| New Paths                              | -                                 | 101,586                 | (101,586)               | -                                 | 105,000                 | (7,589)                 | 97,411             |
| Path Replacement                       | -                                 | 41,020                  | (41,020)                | -                                 | -                       | -                       | -                  |
| Major Projects                         | -                                 | 1,851,585               | (1,143,585)             | 708,000                           | 374,000                 | (1,082,000)             | -                  |
| Parks Equipment                        | -                                 | 106,491                 | (106,491)               | -                                 | 316,776                 | (100,360)               | 216,416            |
| Parks Development                      | -                                 | -                       | -                       | -                                 | 133,500                 | (133,500)               | -                  |
| Stormwater Drainage                    | -                                 | 25,000                  | (25,000)                | -                                 | -                       | -                       | -                  |
| Major Road Construction                | 184,535                           | 1,270,667               | (1,071,202)             | 384,000                           | 773,023                 | (713,186)               | 443,837            |
| Road Preservation and Resurfacing      | -                                 | 3,087,582               | (3,023,582)             | 64,000                            | 1,223,563               | (1,145,563)             | 142,000            |
| Blackspot                              | 212,465                           | 739,709                 | (696,491)               | 255,683                           | 537,647                 | (689,330)               | 104,000            |
| Streetscape Enhancement                | -                                 | -                       | -                       | -                                 | 49,612                  | (49,612)                | -                  |
| Street Lighting                        | -                                 | 291,945                 | (291,945)               | -                                 | 1,112,779               | (1,112,779)             | -                  |
| <b>Total</b>                           | <b>477,000</b>                    | <b>8,531,770</b>        | <b>(7,539,880)</b>      | <b>1,468,890</b>                  | <b>4,977,119</b>        | <b>(5,153,759)</b>      | <b>1,292,250</b>   |

### Notes:

(1) - Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous reporting period.

(2) - New grants/contributions which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.

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

(4) - The closing balance at 30 June 2019 was included in the Capital Expenditure Carried Forward Reserve.

## 25. RATING INFORMATION

### (a) Rates

| RATE TYPE                                    | Rate in<br>\$  | Number<br>of<br>Properties | 2018/19<br>Actual<br>Rateable<br>Value<br>\$ | 2018/19<br>Actual<br>Rate<br>Revenue<br>\$ | 2018/19<br>Actual<br>Interim<br>Rates<br>\$ | 2018/19<br>Actual<br>Total<br>Revenue<br>\$ | 2018/19<br>Budget<br>Rate<br>Revenue<br>\$ | 2018/19<br>Budget<br>Interim<br>Rate<br>\$ | 2018/19<br>Budget<br>Total<br>Revenue<br>\$ | 2017/18<br>Actual<br>Total<br>Revenue<br>\$ |
|--|----------------|----------------------------|--|--|---|---|--|--|---|---|
| Differential general rate / general rate     |                |                            |  |  |   |   |  |  |   |   |
| <b>Gross rental valuations</b>               |                |                            |  |  |   |   |  |  |   |   |
| Residential Improved                         | 5.4656         | 53,417                     | 1,300,878,118                                | 71,100,806                                 | 368,432                                     | 71,469,237                                  | 71,100,806                                 | 250,000                                    | 71,350,806                                  | 68,812,149                                  |
| Residential Vacant                           | 10.9312        | 882                        | 18,224,630                                   | 1,992,171                                  | 151,806                                     | 2,143,977                                   | 1,992,171                                  | -  | 1,992,172                                   | 2,104,105                                   |
| Commercial Improved                          | 6.7339         | 938                        | 288,852,650                                  | 19,451,049                                 | 301,407                                     | 19,752,456                                  | 19,451,049                                 | -  | 19,451,049                                  | 18,896,243                                  |
| Commercial Vacant                            | 10.9312        | 23                         | 1,140,500                                    | 124,670                                    | (2,527)                                     | 122,143                                     | 124,670                                    | -  | 124,670                                     | 107,242                                     |
| Industrial Improved                          | 5.7375         | 384                        | 28,773,562                                   | 1,650,883                                  | 34,254                                      | 1,685,137                                   | 1,650,883                                  | -  | 1,650,883                                   | 1,577,104                                   |
| Industrial Vacant                            | 10.9312        | 5                          | 313,500                                      | 34,269                                     | (7,495)                                     | 26,774                                      | 34,269                                     | -  | 34,269                                      | 39,234                                      |
| <b>Unimproved valuations</b>                 |                |                            |  |  |   |   |  |  |   |   |
| Residential                                  | 1.0121         | 1                          | 1,580,000                                    | 15,991                                     | -   | 15,991                                      | 15,991                                     | -  | 15,991                                      | 15,533                                      |
| Rural  | 1.0073         | 2                          | 1,730,000                                    | 17,426                                     | -   | 17,426                                      | 17,426                                     | -  | 17,426                                      | 16,926                                      |
| <b>Sub-Total</b>                             |                | 55,652                     | 1,641,492,960                                | 94,387,266                                 | 845,877                                     | 95,233,142                                  | 94,387,265                                 | 250,000                                    | 94,637,266                                  | 91,568,536                                  |
| <b>Minimum payment</b>                       | <b>Minimum</b> |                            |  |  |   |   |  |  |   |   |
|  | \$             |                            |  |  |   |   |  |  |   |   |
| <b>Gross rental valuations</b>               |                |                            |  |  |   |   |  |  |   |   |
| Residential Improved                         | 889            | 6,246                      | 93,064,368                                   | 5,552,694                                  | -   | 5,552,694                                   | 5,553,583                                  | -  | 5,553,583                                   | 5,398,065                                   |
| Residential Vacant                           | 909            | 128                        | 890,690                                      | 116,352                                    | -   | 116,352                                     | 116,352                                    | -  | 116,352                                     | 63,576                                      |
| Commercial Improved                          | 909            | 35                         | 347,807                                      | 31,815                                     | -   | 31,815                                      | 31,815                                     | -  | 31,815                                      | 29,139                                      |
| Industrial Improved                          | 909            | 3                          | 41,528                                       | 2,727                                      | -   | 2,727                                       | 2,727                                      | -  | 2,727                                       | 2,649                                       |
| <b>Sub-Total</b>                             |                | 6,412                      | 94,344,393                                   | 5,703,588                                  | -   | 5,703,588                                   | 5,704,477                                  | 0  | 5,704,477                                   | 5,493,429                                   |
|  |                | 62,064                     | 1,735,837,353                                | 100,090,854                                | 845,877                                     | 100,936,730                                 | 100,091,742                                | 250,000                                    | 100,341,743                                 | 97,061,965                                  |
| Early Payment Prizes                         |                |                            |  |  |   | (41,709)                                    |  |  | (45,000)                                    | (42,858)                                    |
| <b>Total amount raised from general rate</b> |                |                            |  |  |   | 100,895,021                                 |  |  | 100,296,743                                 | 97,019,107                                  |
| Specified Area Rate (refer Note 25(b))       |                |                            |  |  |   | 567,080                                     |  |  | 561,098                                     | 600,247                                     |
| <b>Totals</b>                                |                |                            |  |  |   | 101,462,101                                 |  |  | 100,857,841                                 | 97,619,354                                  |

## SIGNIFICANT ACCOUNTING POLICIES

### Rates

Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates.



CITY OF JOONDALUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

25. RATING INFORMATION (Continued)

(b) Specified Area Rate

| Specified Area Rate | Basis<br>of<br>Valuation | Rate<br>in<br>\$ | 2018/19<br>Rateable<br>Value | 2018/19<br>Rate<br>Revenue | 2018/19<br>Interim<br>Rate<br>Revenue | 2018/19<br>Total<br>Specified Area<br>Rate<br>Revenue | 2018/19<br>Budget<br>Rate<br>Revenue | 2018/19<br>Budget<br>Back Rate<br>Revenue | 2018/19<br>Budget<br>Interim Rate<br>Revenue | 2018/19<br>Total<br>Budget<br>Revenue | 2017/18<br>Total<br>Actual<br>Revenue |
|---------------------|--------------------------|------------------|------------------------------|----------------------------|---------------------------------------|---|--------------------------------------|---|--|---------------------------------------|---------------------------------------|
|                     |                          |                  | \$                           | \$                         | \$                                    | \$  | \$                                   | \$  | \$   | \$                                    | \$                                    |
| Iluka               |                          | 0.487            | 59,985,650                   | 292,315                    | 1,173                                 | 293,487   | 292,316                              | -   | -  | 292,316                               | 316,017                               |
| Burns Beach         |                          | 0.315            | 40,848,270                   | 128,854                    | 4,381                                 | 133,235   | 128,852                              | -   | -  | 128,852                               | 131,934                               |
| Woodvale Waters     |                          | 0.581            | 4,087,720                    | 23,769                     | -                                     | 23,769  | 23,769                               | -   | -  | 23,769                                | 0                                     |
| Harbour Rise        |                          | 0.560            | 20,748,600                   | 116,161                    | 428                                   | 116,589   | 116,161                              | -   | -  | 116,161                               | 152,296                               |
|                     |                          |                  |                              | 561,098                    | 5,982                                 | 567,080   | 561,098                              | -   | -  | 561,098                               | 600,247                               |

## 25. RATING INFORMATION (Continued)

### (c) Interest Charges & Instalments

| Instalment Options  | Date Due    | Instalment Plan Admin Charge | Instalment Plan Interest Rate | Unpaid Rates Interest Rate |
|---------------------|-------------|------------------------------|-------------------------------|----------------------------|
|                     |             | \$                           | %                             | %                          |
| <b>Option One</b>   |             |                              |                               |                            |
| Single full payment | 24 Aug 2018 | 12.00                        | 5.5%                          | 11%                        |
| <b>Option Two</b>   |             |                              |                               |                            |
| First instalment    | 24 Aug 2018 | 12.00                        | 5.5%                          | 11%                        |
| Second Instalment   | 26 Oct 2018 | 12.00                        | 5.5%                          | 11%                        |
| <b>Option Three</b> |             |                              |                               |                            |
| First instalment    | 24 Aug 2018 | 12.00                        | 5.5%                          | 11%                        |
| Second Instalment   | 26 Oct 2018 | 12.00                        | 5.5%                          | 11%                        |
| Third Instalment    | 28 Dec 2018 | 12.00                        | 5.5%                          | 11%                        |
| Fourth Instalment   | 01 Mar 2019 | 12.00                        | 5.5%                          | 11%                        |

|                             | 2019 Actual      | 2019 Budget      | 2018 Actual      |
|-----------------------------|------------------|------------------|------------------|
|                             | \$               | \$               | \$               |
| Interest on unpaid rates    | 403,928          | 354,000          | 368,631          |
| Interest on instalment plan | 356,225          | 381,100          | 341,571          |
| Charges on instalment plan  | 642,396          | 652,000          | 631,576          |
|                             | <u>1,402,549</u> | <u>1,387,100</u> | <u>1,341,778</u> |



## 26. RATE SETTING STATEMENT INFORMATION

|      | 2018/19<br>(30 June 2019<br>Carried<br>Forward)<br>\$ | 2018/19<br>Budget<br>(30 June 2019<br>Carried<br>Forward)<br>\$ | 2018/19<br>(1 July 2018<br>Brought<br>Forward)<br>\$ |
|------|---|---|--|
| Note |   |   |  |

### (a) Non-cash amounts excluded from operating activities

The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with *Financial Management Regulation 32*.

#### Adjustments to operating activities

|  |       |                   |                   |                   |
|--|-------|-------------------|-------------------|-------------------|
| Less: Profit on asset disposals                            | 11(a) | (759,819)         | (41,225)          | (2,493,092)       |
| Movement in pensioner deferred rates (non-current)         |       | (54,859)          |                   | (66,976)          |
| Movement in employee benefit provisions (non-current)      |       | (62,291)          | 100,000           | 137,076           |
| Add: Loss on disposal of assets                            | 11(a) | 218,623           | 212,295           | 4,340,969         |
| Asset development contribution written off                 |       | -                 | -                 | 888,263           |
| Add: Depreciation on assets                                | 11(b) | 30,698,919        | 30,819,322        | 34,057,633        |
| <b>Non cash amounts excluded from operating activities</b> |       | <b>30,040,573</b> | <b>31,090,392</b> | <b>36,863,873</b> |

### (b) Surplus/(deficit) after imposition of general rates

The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with *Financial Management Regulation 32* to agree to the surplus/(deficit) after imposition of general rates.

#### Adjustments to net current assets

|  |       |                     |                     |                     |
|--|-------|---------------------|---------------------|---------------------|
| Less: Reserves - restricted cash               | 3     | (82,402,047)        | (67,785,777)        | (74,151,620)        |
| Add: Borrowings                                | 13(a) | 3,324,328           | 3,318,983           | 3,201,862           |
| <b>Total adjustments to net current assets</b> |       | <b>(79,077,719)</b> | <b>(64,466,794)</b> | <b>(70,949,758)</b> |

#### Net current assets used in the Rate Setting Statement

|  |  |                  |                |                  |
|--|--|------------------|----------------|------------------|
| Total current assets   |  | 117,802,574      | 94,742,900     | 105,195,588      |
| Less: Total current liabilities                              |  | (33,143,760)     | (30,125,720)   | (29,817,405)     |
| Less: Total adjustments to net current assets                |  | (79,077,719)     | (64,466,794)   | (70,949,758)     |
| <b>Net current assets used in the Rate Setting Statement</b> |  | <b>5,581,095</b> | <b>150,386</b> | <b>4,428,425</b> |

## 27. FINANCIAL RISK MANAGEMENT

This note explains the City's exposure to financial risks and how these risks could affect the City's future financial performance.

| Risk                        | Exposure arising from  | Measurement                       | Management   |
|-----------------------------|--|-----------------------------------|--|
| Market risk - interest rate | Long term borrowings at variable rates                             | Sensitivity analysis              | Utilise fixed interest rate borrowings                             |
| Credit risk                 | Cash and cash equivalents, trade receivables, financial assets and | Aging analysis<br>Credit analysis | Diversification of bank deposits, credit limits. Investment policy |
| Liquidity risk              | Borrowings and other liabilities                                   | Rolling cash flow forecasts       | Availability of committed credit lines and borrowing facilities    |

The City does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by the finance area under policies approved by the Council. The finance area identifies, evaluates and manages financial risks in close co-operation with the operating divisions. Council have approved the overall risk management policy and provide policies on specific areas such as investment policy.

### (a) Interest rate risk

#### Cash and cash equivalents

The City's main interest rate risk arises from cash and cash equivalents with variable interest rates, which exposes the City to cash flow interest rate risk. Short term overdraft facilities also have variable interest rates however these are repaid within 12 months, reducing the risk level to minimal.

Excess cash and cash equivalents are invested in fixed interest rate term deposits which do not expose the City to cash flow interest rate risk. Cash and cash equivalents required for working capital are held in variable interest rate accounts and non-interest bearing accounts. Carrying amounts of cash and cash equivalents at the 30 June and the weighted average interest rate across all cash and cash equivalents and term deposits held disclosed as financial assets at amortised cost are reflected in the table below.

|                                    | Weighted<br>Average<br>Interest Rate | Carrying<br>Amounts | Fixed<br>Interest Rate | Variable<br>Interest Rate | Non Interest<br>Bearing |
|------------------------------------|--------------------------------------|---------------------|------------------------|---------------------------|-------------------------|
|                                    | %                                    | \$                  | \$                     | \$                        | \$                      |
| <b>2019</b>                        |                                      |                     |                        |                           |                         |
| Cash and cash equivalents          | 2.71%                                | 111,629,542         | 106,530,000            | 3,392,551                 | 10,235                  |
| Trade receivable at amortised cost | 11%                                  | 7,805,165           | 3,310,081              | -                         | 4,495,084               |
| <b>2018</b>                        |                                      |                     |                        |                           |                         |
| Cash and cash equivalents          | 2.55%                                | 100,085,669         | 97,330,000             | 2,743,874                 | 11,795                  |
| Trade receivable at amortised cost | 11%                                  | 6,744,344           | 3,134,133              | -                         | 3,610,211               |

#### Sensitivity

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates.

|  | 2019      | 2018      |
|--|-----------|-----------|
|  | \$        | \$        |
| Impact of a 1% movement in interest rates on profit and loss and equity* | 1,132,326 | 1,032,080 |

\* Holding all other variables constant

#### Borrowings

Borrowings are subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The City manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation. The City does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 13(b).



## 27. FINANCIAL RISK MANAGEMENT (Continued)

### (b) Credit risk

#### Trade Receivables

The City's major receivables comprise rates annual charges and user fees and charges. 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 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.

To measure the expected credit losses, rates receivable are separated from other trade receivables due to the difference in payment terms and security for rates receivable.

The loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows for rates receivable. No expected credit loss was forecast on 1 July 2018 or 30 June 2019 for rates receivable as penalty interest applies to unpaid rates and properties associated with unpaid rates may be disposed of to recover unpaid rates.

|                       | Overdue* |                              |                               |                               |           |
|-----------------------|----------|------------------------------|-------------------------------|-------------------------------|-----------|
|                       | Current  | More than 1<br>year past due | More than 2<br>years past due | More than 3<br>years past due | Total     |
| <b>30 June 2019</b>   |          |                              |                               |                               |           |
| Rates receivable      |          |                              |                               |                               |           |
| Gross carrying amount | -        | 3,310,081                    | -                             | -                             | 3,310,081 |
| <b>01 July 2018</b>   |          |                              |                               |                               |           |
| Rates receivable      |          |                              |                               |                               |           |
| Gross carrying amount | -        | 3,134,133                    | -                             | -                             | 3,134,133 |

\* includes deferred pensioner's rates and ESL levy covered by legislation (Refer. Note 5)

The expected credit loss on sundry receivables is based on individual assessment of the sundry debtor accounts considering the historical losses experienced in prior years for that type of debtors and adjusted to reflect the current and forward looking macroeconomic factors to settle the outstanding amounts on their due dates.

The loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows for sundry receivables.

|                       | Current   | More than 30<br>days past due | More than 60<br>days past due | More than 90<br>days past due | Total     |
|-----------------------|-----------|-------------------------------|-------------------------------|-------------------------------|-----------|
| <b>30 June 2019</b>   |           |                               |                               |                               |           |
| Sundry Receivables    |           |                               |                               |                               |           |
| Gross carrying amount | 1,613,922 | 39,783                        | 1,727                         | 108,723                       | 1,764,155 |
| Loss allowance        | -         | -                             | -                             | 107,733                       | 107,733   |
| <b>01 July 2018</b>   |           |                               |                               |                               |           |
| Sundry Receivables    |           |                               |                               |                               |           |
| Gross carrying amount | 531,787   | 78,116                        | 8,249                         | 123,558                       | 741,710   |
| Loss allowance        | -         | -                             | -                             | 2,500                         | 2,500     |

## 27. FINANCIAL RISK MANAGEMENT (Continued)

### (c) Liquidity risk

#### 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 and disclosed in Note 13(c).

The contractual undiscounted cash flows of the City's payables and borrowings are set out in the liquidity table below. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

|             | Due<br>within<br>1 year | Due<br>between<br>1 & 5 years | Due<br>after<br>5 years | Total<br>contractual<br>cash flows | Carrying<br>values |
|-------------|-------------------------|-------------------------------|-------------------------|------------------------------------|--------------------|
|             | \$                      | \$                            | \$                      | \$                                 | \$                 |
| <b>2019</b> |                         |                               |                         |                                    |                    |
| Payables    | 15,137,883              | -                             | -                       | 15,137,883                         | 15,137,883         |
| Borrowings  | 3,603,627               | 6,522,948                     | 979,875                 | 11,106,450                         | 10,414,474         |
|             | 18,741,510              | 6,522,948                     | 979,875                 | 26,244,333                         | 25,552,357         |
| <b>2018</b> |                         |                               |                         |                                    |                    |
| Payables    | 12,555,140              | -                             | -                       | 12,555,140                         | 12,555,140         |
| Borrowings  | 3,603,627               | 10,126,575                    | 979,875                 | 14,710,077                         | 13,616,336         |
|             | 16,158,767              | 10,126,575                    | 979,875                 | 27,265,217                         | 26,171,476         |



## 28. TRUST FUNDS

Funds held at balance date which are required to be held in trust and which are not included in the financial statements are as follows:

|                                    | 1 July 2018 | Amounts Received/<br>Transfers | Amounts Paid | Transfer to<br>Municipal<br>Funds | 30 June 2019 |
|------------------------------------|-------------|--------------------------------|--------------|-----------------------------------|--------------|
|                                    | \$          | \$                             | \$           |                                   | \$           |
| <b>Restricted Trust Creditors:</b> |             |                                |              |                                   |              |
| Burns Beach Dual Use Path Funds    | 1,954,941   | -                              | -            | -                                 | 1,954,941    |
| Duffy House Funds                  | -           | 272,727                        | -            | -                                 | 272,727      |
| Conolly Residents Association      | -           | 84,233                         | -            | -                                 | 84,233       |
| Bonds and Retention Money          | 1,835,750   | 303,339                        | (442,333)    | (1,696,756)                       | -            |
|                                    | 3,790,691   | 660,299                        | (442,333)    | (1,696,756)                       | 2,311,901    |

## 29. INITIAL APPLICATION OF AUSTRALIAN 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 AASB 9 *Financial Instruments*.

### AASB 9 Financial instruments

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* for annual reporting periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The City applied AASB 9 prospectively, with an initial application date of 1 July 2018. The adoption of AASB 9 has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with AASB 9.7.2.15, the City has not restated the comparative information which continues to be reported under AASB 139. Differences arising from adoption have been recognised directly in accumulated surplus/(deficit).

The effect of adopting AASB 9 as at 1 July 2018 was, as follows:

|                                    | Adjustments | 01 July 2018 |
|------------------------------------|-------------|--------------|
|                                    |             | \$           |
| <b>Assets</b>                      |             |              |
| Trade receivables                  | (a),(b)     | 102,107      |
| <b>Total Assets</b>                |             | 102,107      |
| <b>Total adjustments on Equity</b> |             |              |
| Accumulated surplus/(deficit)      | (a),(b)     | 102,107      |
|                                    |             | 102,107      |

The nature of these adjustments are described below:

### (a) Classification and measurement

Under AASB 9, financial assets are subsequently measured at amortised cost (AC), fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL)

The classification is based on two criteria: the City's business model for managing the assets; and whether the assets' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the City's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on financial assets are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.



## 29. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

The classification and measurement requirements of AASB 9 did not have a significant impact on the City. The following are the changes in the classification of the City's financial assets:

Rates Receivable and Sundry Receivables classified as Trade Receivables as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Financial assets at amortised cost beginning 1 July 2018.

The City has designated the Equity accounted investments and Other Financial Assets at FVTPL, this has not changed from prior period.

In summary, upon the adoption of AASB 9, the City had the following required (or elected) reclassifications as at 1 July 2018:

| Financial Asset                                       | Note        | AASB 139 | AASB 9 | Carrying Amount<br>AASB 139 | Carrying Amount<br>AASB 9 |
|---|-------------|----------|--------|-----------------------------|---------------------------|
|   |             |          |        | \$                          | \$                        |
| Term deposits (included in Cash and cash equivalents) | 3 AC        | AC       | AC     | 100,085,669                 | 100,085,669               |
| Trade receivables*                                    | 5 AC        | AC       | AC     | 6,744,344                   | 6,642,237                 |
| Investment in associates - Tamala Park                | 21(a) FVTPL | FVTPL    | FVTPL  | 7,620,895                   | 7,620,895                 |
| Investment in associates - Mindarie Regional Council  | 21(a) FVTPL | FVTPL    | FVTPL  | 11,317,776                  | 11,317,776                |
| Other financial asset - Local Government House Trust  | 8(b) FVTPL  | FVTPL    | FVTPL  | 77,333                      | 77,333                    |
|   |             |          |        | 125,846,018                 | 125,743,911               |

\* The change in carrying amount is a result of additional impairment allowance. See the discussion on impairment below.

### (b) Impairment

The adoption of AASB 9 has fundamentally changed the City's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the City to recognise an allowance for ECLs for all financial assets not held at fair value through P/L. Upon adoption of AASB 9, the City recognised an additional impairment on the City's Trade receivables of \$102,107 which resulted in a decrease in accumulated deficit of (\$102,107) as at 1 July 2018."

Set out below is the reconciliation of the ending impairment allowances in accordance with AASB 139 to the opening loss allowances determined, in accordance with AASB 9:

|   | Impairment<br>under<br>AASB 139<br>as at<br>30 June 2018 | Remeasurement | ECL under<br>AASB 9<br>as at<br>01 July 2018 |
|---|--|---------------|--|
|   | \$   | \$            | \$   |
| Loans and receivables under<br>AASB 139 / Financial assets<br>at amortised cost under<br>AASB 9 | 2,500  | 102,107       | 104,607                                      |
|   | 2,500  | 102,107       | 104,607                                      |

### 30. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE YEARS

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the City.

This note explains management's assessment of the new and amended pronouncements that are relevant to the City, the impact of the adoption of AASB 15 *Revenue from Contracts with Customers*, AASB 16 *Leases* and AASB 1058 *Income for Not-for-Profit Entities*. These standards are applicable to future reporting periods and have not yet been adopted.

#### (a) Revenue from Contracts with Customers

The City will adopt AASB 15 *Revenue from Contracts with Customers* (issued December 2014) on 1 July 2019 resulting in changes in accounting policies. In accordance with the transition provisions AASB 15, the City will adopt the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019.

#### (b) Leases

The City adopted AASB 16 retrospectively from 1 July 2019 which resulted in changes in accounting policies. In accordance with the transition provisions of AASB 16, the City has applied this Standard to its leases retrospectively, with the cumulative effect of initially applying AASB 16 recognised on 1 July 2019. In applying the AASB 16 under the specific transition provisions chosen, the City will not restate comparatives for prior reporting periods.

On adoption of AASB 16, the City will recognise lease liabilities in relation to leases which had previously been classified as an 'operating lease' applying AASB 117. These lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on 1 July 2019.

On adoption of AASB 16, the City will recognise a right-of-use asset in relation to a lease which had previously been classified as an 'operating lease' applying AASB 117. This right-of-use asset is to be measured as if AASB 16 had been applied since its commencement date by the carrying amount but discounted using the lessee's incremental borrowing rate as on 1 July 2019.

On adoption of AASB 16 *Leases* (issued February 2016), for leases which had previously been classified as an 'operating lease' when applying AASB 117, the City is not required to make any adjustments on transition for leases for which the underlying asset is of low value. Assets for which the fair value as at the date of acquisition is under \$5,000 are not recognised as an asset in accordance with Financial Management Regulation 17A (5).

In applying AASB 16 for the first time, the City will use the following practical expedient permitted by the standard.

- The exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application.

#### (c) Income For Not-For-Profit Entities

The City will adopt AASB 1058 *Income for Not-for-Profit Entities* (issued December 2016) on 1 July 2019 which will result in changes in accounting policies. In accordance with the transition provisions AASB 1058, the City will adopt the new rules retrospectively with the cumulative effect of initially applying AASB 1058 recognised at 1 July 2019. Comparative information for prior reporting periods shall not be restated in accordance with AASB 1058 transition requirements.

Assets that were acquired for consideration, that were significantly less than fair value principally to enable the City to further its objectives, may have been measured on initial recognition under other Australian Accounting Standards at a cost that was significantly less than fair value. Such assets are not required to be remeasured at fair value.

Volunteer Services in relation to Volunteer Fire Services will not be recognised in revenue and expenditure as the fair value of the services cannot be reliably estimated



### 31. RESTATEMENT OF PRIOR PERIOD COMPARATIVES DUE TO ERROR/CHANGE IN ACCOUNTING POLICY

#### (a) Prior period corrections

1. Marine Assets : Through the Strategic Asset Management Improvement Project implemented by the City, certain coastal protection assets that were not in the assets inventory, were identified as being part of the City's assets and capitalised in 2016/17. Based on updated information received from the Department of Transport it was confirmed that the City does not hold ownership to some of those assets identified. The carrying costs of those assets as at 01 July 2018, totalling \$8,434,607 were written off and adjusted against the retained surplus as a prior period adjustment.

2. A portion of the capital expenditure spent on the City's buildings that were completed in 2016/17 were not capitalised before the revaluation of land and buildings in 2016/17. These amounts remained in work in progress awaiting further details for componentisation of the building assets in the assets register. Since the fair value of the completed buildings included these costs also, the balances remaining in work in progress, totalling \$3,439,273 were written off against the building revaluation reserve as a prior period adjustment.

3. Joondalup basket ball stadium, built on land belonging to Landcorp were handed over to Landcorp on expiry of the lease agreement in June 2018. The carrying cost of the building and the related assets disposed, totalling \$4,086,961 were adjusted to the retained surplus as a prior year charge.

#### (b) Change in Accounting Policy

On the 26 June 2018 Paragraph 17A (5) was inserted into Local Government (Financial Management) Regulations 1996. The regulation stated an asset is to be excluded from the assets of a local government if the fair value of the asset at the date of acquisition by the local government is under \$5 000.

The City did not comply with this regulation at the 30 June 2018 and included assets with a fair value of under \$5,000 at the time of acquisition within the assets of the City.

During the year assets with a fair value at the date of acquisition of under \$5,000 and purchased prior to 30 June 2018, totalling \$417,878 (includes \$14,850 for the year 2017/18) have been excluded from the assets of the City along with those assets acquired during the year ended 30 June 2019 with a fair value of under \$5,000 which were capitalised in error.

During the year assets with a fair value at the date of acquisition of under \$5,000 and purchased prior to 30 June 2018 have been excluded from the assets of the City along with those assets acquired during the year ended 30 June 2019 with a fair value of under \$5,000 which were capitalised in error.

The above errors/change have been corrected by restating each of the affected financial statement line items for the prior periods as follows:

| Statement of Financial Position<br>(Extract) | 30 June 2018<br>\$ | Increase/<br>(Decrease)<br>\$ | 30 June 2018<br>(Restated)<br>\$ | 30 June 2017<br>\$ | Increase/<br>(Decrease)<br>\$ | 01 July 2017<br>(Restated)<br>\$ |
|--|--------------------|-------------------------------|----------------------------------|--------------------|-------------------------------|----------------------------------|
| Property, plant and equipment                | 442,999,519        | (7,843,179)                   | 435,156,340                      | 449,315,470        | (3,842,301)                   | 445,473,167                      |
| Infrastructure                               | 932,312,203        | (8,535,541)                   | 923,776,662                      | 954,793,693        | (8,434,607)                   | 946,359,086                      |
| Net assets                                   | 1,476,759,808      | (16,378,720)                  | 1,460,381,088                    | 1,491,407,655      | (12,276,908)                  | 1,479,130,740                    |
| Retained earnings                            | 559,686,247        | (12,939,446)                  | 546,746,801                      | 556,410,702        | (8,837,635)                   | 547,573,067                      |
| Revaluation reserve                          | 842,921,941        | (3,439,274)                   | 839,482,667                      | 865,499,136        | (3,439,273)                   | 862,059,863                      |
| Total equity                                 | 1,476,759,808      | (16,378,720)                  | 1,460,381,088                    | 1,491,407,655      | (12,276,908)                  | 1,479,130,740                    |

| Statement of Comprehensive Income<br>(Extract) | 2018<br>\$   | Increase/<br>(Decrease)<br>\$ | 2018<br>(Restated)<br>\$ |
|--|--------------|-------------------------------|--------------------------|
| <i>By Nature or Type</i>                       |              |                               |                          |
| Depreciation of non current assets             | (34,042,783) | (14,850)                      | (34,057,633)             |
| Loss on disposal of assets                     | (254,008)    | (4,086,961)                   | (4,340,969)              |
|  |              | (4,101,811)                   |                          |
| <i>By program</i>                              |              |                               |                          |
| Expenses:                                      |              |                               |                          |
| Other property and services                    | (12,844,209) | (14,850)                      | (12,605,051)             |
| Loss on disposal of assets                     | (254,008)    | (4,086,961)                   | (4,340,969)              |
|  |              | (4,101,811)                   |                          |



## 32. OTHER SIGNIFICANT ACCOUNTING POLICIES

### a) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows.

### b) Current and non-current classification

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

### c) Rounding off figures

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

### d) Comparative figures

Where required, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

When the City applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements that has a material effect on the statement of financial position, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

### e) Budget comparative figures

Unless otherwise stated, the budget comparative figures shown in this annual financial report relate to the original budget estimate for the relevant item of disclosure.

### f) Superannuation

The City contributes to a number of Superannuation Funds on behalf of employees. All funds to which the City contributes are defined contribution plans.

### g) Fair value of assets and liabilities

Fair value is the price that the City would receive to sell the asset or would have to pay to transfer a liability, in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset after taking into account transaction costs and transport costs).

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

### h) Fair value hierarchy

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

#### Level 1

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

#### Level 2

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

#### Level 3

Measurements based on unobservable inputs for the asset or liability.

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

#### Valuation techniques

The City selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the City are consistent with one or more of the following valuation approaches:

#### Market approach

Valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

#### Income approach

Valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

#### Cost approach

Valuation techniques that reflect the current replacement cost of the service capacity of an asset.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the City gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

### i) Impairment of assets

In accordance with Australian Accounting Standards the City's cash generating non-specialised assets, other than inventories, are assessed at each reporting date to determine whether there is any indication they may be impaired.

Where such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount.

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. AASB 116) whereby any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

For non-cash generating specialised assets that are measured under the revaluation model, such as roads, drains, public buildings and the like, no annual assessment of impairment is required. Rather AASB 116.31 applies and revaluations need only be made with sufficient regulatory to ensure the carrying value does not differ materially from that which would be determined using fair value at the ends of the reporting period.



### 33. ACTIVITIES/PROGRAMS

City operations as disclosed in these financial statements encompass the following service orientated activities/programs.

#### PROGRAM NAME AND OBJECTIVES GOVERNANCE

To provide a decision making process for the efficient allocation of limited resources.

#### ACTIVITIES

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

#### GENERAL PURPOSE FUNDING

To collect revenue to allow for the provision of services.

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

#### LAW, ORDER, PUBLIC SAFETY

To provide services to help ensure a safer and environmentally conscious community.

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

#### HEALTH

To provide an operational framework for environmental and community health.

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

#### EDUCATION AND WELFARE

To provide services to disadvantaged persons, family, the elderly, children and youth.

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.

#### HOUSING

Provision of housing and leased accommodation

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

#### COMMUNITY AMENITIES

To provide services required by the community.

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

#### RECREATION AND CULTURE

To establish and effectively manage infrastructure and resources to help the social wellbeing of the community.

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.

#### TRANSPORT

To provide safe, effective and efficient transport services to the community.

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.

#### ECONOMIC SERVICES

To help promote the City and its economic well being.

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

#### OTHER PROPERTY AND SERVICES

To monitor and control Council's overheads and operating accounts.

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

### 34. FINANCIAL RATIOS

|                                   | 2019<br>Actual | 2018<br>Restated* | 2018<br>Actual | 2017<br>Restated* | 2017<br>Actual |
|-----------------------------------|----------------|-------------------|----------------|-------------------|----------------|
| Current ratio                     | 1.02           | 1.04              | 1.04           | 0.90              | 0.90           |
| Asset consumption ratio           | 0.60           | 0.61              | 0.61           | 0.62              | 0.62           |
| Asset renewal funding ratio       | 1.24**         | 0.88              | 0.88           | 0.62              | 0.62           |
| Asset sustainability ratio        | 0.66           | 0.67              | 0.67           | 0.65              | 0.65           |
| Debt service cover ratio          | 9.73           | 6.49              | 7.55           | 8.64              | 8.77           |
| Operating surplus ratio           | 0.04           | (0.05)            | (0.02)         | (0.05)            | (0.05)         |
| Own source revenue coverage ratio | 1.00           | 0.93              | 0.95           | 0.91              | 0.92           |

The above ratios are calculated as follows:

|                                   |  |
|-----------------------------------|--|
| Current ratio                     | $\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$ |
| Asset consumption ratio           | $\frac{\text{depreciated replacement costs of depreciable assets}}{\text{current replacement cost of depreciable assets}}$             |
| Asset renewal funding ratio       | $\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$                 |
| Asset sustainability ratio        | $\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation}}$   |
| Debt service cover ratio          | $\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$                               |
| Operating surplus ratio***        | $\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$  |
| Own source revenue coverage ratio | $\frac{\text{own source operating revenue}}{\text{operating expense}}$   |

\* Ratios for prior years have been restated due to correction of prior period errors/change in accounting policy - Refer Note 31

\*\*Asset Renewal Funding Ratio is calculated based on data provided on planned renewals in the 20 Year Strategic Financial Plan 2018 - (2017/18 to 2036/37). The ratio would be 0.76 if the calculation is based on planned renewals data in the 20 Year Strategic Financial Plan 2019 - (2018/19 to 2037/38) adopted by the Council after 30 June 2019.

\*\*\*Operating revenue includes profit on asset disposals and operating expenses includes loss on asset disposals.





## Auditor General

### INDEPENDENT AUDITOR'S REPORT

#### To the Councillors of the City of Joondalup

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

##### **Opinion**

I have audited the annual financial report of the City of Joondalup which comprises the Statement of Financial Position as at 30 June 2019, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

In my opinion the annual financial report of the City of Joondalup:

- (i) is based on proper accounts and records; and
- (ii) fairly represents, in all material respects, the results of the operations of the City for the year ended 30 June 2019 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

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

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

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

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

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

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



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

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

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

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

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

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

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



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

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

- (i) In my opinion, the following material matter indicates a significant adverse trend in the financial position of the City:
  - a. The Asset Sustainability Ratio has been below the Department of Local Government, Sport and Cultural Industries' standard for the past 3 years.
- (ii) All required information and explanations were obtained by me.
- (iii) All audit procedures were satisfactorily completed.
- (iv) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

### **Other Matter**

The financial ratios for 2017 in Note 34 of the annual financial report were audited by another auditor when performing their audit of the City for the year ending 30 June 2017. The auditor expressed an unmodified opinion on the annual financial report for that year.

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

This auditor's report relates to the annual financial report of the City of Joondalup for the year ended 30 June 2019 included on the City's website. The City's management is responsible for the integrity of the City's website. This audit does not provide assurance on the integrity of the City's website. The auditor's report refers only to the annual financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this annual financial report. If users of the annual financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited annual financial report to confirm the information contained in this website version of the annual financial report.



CAROLINE SPENCER  
AUDITOR GENERAL  
FOR WESTERN AUSTRALIA  
Perth, Western Australia  
5 November 2019



City of Joondalup Record:DOCUMENT REGISTRATION  
 INW REF: INW19/9021  
 CONTAINER: 107564  
 DATE RECEIVED: 10-07-2019  
 RESPONSIBILITY: MAYOR Inwards Mail  
 ACTION: ASSIGNED - No Written response. Must record action  
 CC: CEO Inwards Mail; Financial Services Inwards Mail

ATTACHMENT 3



Office of the Auditor General  
 Serving the Public Interest

Our Ref: 7897

Hon Albert Jacob JP  
 Mayor  
 City of Joondalup  
 PO Box 21  
 JOONDALUP WA 6919

7th Floor, Albert Facey House  
 469 Wellington Street, Perth

Mail to: Perth BC  
 PO Box 8489  
 PERTH WA 6849

Tel: (08) 6557 7500  
 Fax: (08) 6557 7600  
 Email: info@audit.wa.gov.au

Dear Mayor

**ANNUAL FINANCIAL REPORT  
 INTERIM AUDIT RESULTS FOR THE YEAR ENDING 30 JUNE 2019**

We have completed the interim audit for the year ending 30 June 2019. We performed this phase of the audit in accordance with our audit plan. The focus of our interim audit was to evaluate the overall control environment, but not for the purpose of expressing an opinion on the effectiveness of internal control, and to obtain an understanding of the key business processes, risks and internal controls relevant to our audit of the annual financial report.

**Management Control Issues**

I would like to draw your attention to the attached listing of deficiencies in internal control and other matters that were identified during the course of the interim audit. These matters have been discussed with management and their comments have been included on the attachment. The matters reported are limited to those deficiencies that were identified during the interim audit that we have concluded are of sufficient importance to merit being reported to management. Some of the matters may be included in our auditor's report in accordance with section 7.9(2) of the *Local Government Act 1995* or regulation 10(3)(a) and (b) of the *Local Government (Audit) Regulations 1996*. If so, we will inform you before we finalise the report.

This letter has been provided for the purposes of your local government and may not be suitable for other purposes.

We have forwarded a copy of this letter to the CEO. A copy will also be forwarded to the Minister for Local Government when we forward our auditor's report on the annual financial report to the Minister on completion of the audit.

Feel free to contact me on 6557 7515 if you would like to discuss these matters further.

Yours faithfully

VINCE TURCO  
 SENIOR DIRECTOR  
 FINANCIAL AUDIT  
 8 July 2019

Attach



## CITY OF JOONDALUP

PERIOD OF AUDIT: 1 JULY 2018 TO 30 JUNE 2019

## FINDINGS IDENTIFIED DURING THE COURSE OF THE INTERIM AUDIT

| INDEX OF FINDINGS                                  | RATING      |          |       |
|--|-------------|----------|-------|
|  | Significant | Moderate | Minor |
| <b>Matters identified during the Current Audit</b> |             |          |       |
| 1. Fixed assets below \$5,000                      | ✓           |          |       |
| 2. Stocktake of fixed assets                       |             | ✓        |       |
| 3. Protocol – Use of corporate credit cards        |             |          | ✓     |
| <b>Matters outstanding from Previous Audits</b>    |             |          |       |
| 4. Monthly Statement of Financial Activity         |             |          | ✓     |

## KEY TO RATINGS

The Ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.

**CITY OF JOONDALUP****PERIOD OF AUDIT: 1 JULY 2018 TO 30 JUNE 2019****FINDINGS IDENTIFIED DURING THE COURSE OF THE INTERIM AUDIT****FINDINGS****1. Fixed Assets below \$5,000****Finding**

From 1 July 2018, Regulation 17A(5) of the Local Government (Financial Management) Regulations 1996 now requires assets with a fair value at the date of acquisition under \$5,000 to be excluded from the assets of a local government entity.

During our interim audit we reviewed the May 2019 fixed asset register and noted approximately 516 individual assets with a fair value at acquisition below \$5,000 remain in the register.

**Rating: Significant****Implication**

Non-compliance with Regulation 17A(5) of the Local Government (Financial Management) Regulations 1996, in addition assets are likely to be misstated.

**Recommendation**

Management should review the asset register and ensure any assets acquired with a fair value under \$5,000 are excluded from the register.

**Management Comment**

Noted. The City is in the process of reviewing these Property, Plant and Equipment assets to exclude those with an acquisition value under \$5,000.

The City remains of the view that retrospective application of Regulation 17A(5) to assets acquired prior to 1 July 2018 was not the intention of the legislation. It is noted that the Regulation makes no provision for assets such as Artworks, which comprise nearly 87% of the value of assets identified in the finding, that may be acquired for values under \$5,000 but which are likely to appreciate in value over time.

The rating is considered moderate or minor, rather than significant, as the value of the assets identified in the finding above is not material relative to the overall value of assets reported in the City's financial statements and does not constitute a significant risk to the City.

**Responsible Person:** Roney Oommen  
**Completion Date:** 31 July 2019



**CITY OF JOONDALUP****PERIOD OF AUDIT: 1 JULY 2018 TO 30 JUNE 2019****FINDINGS IDENTIFIED DURING THE COURSE OF THE INTERIM AUDIT****2. Stocktake of fixed assets****Finding**

From our review of the City's asset controls and procedures, we identified that there is currently no documented stocktake process in place. We also noted that there is a large number of assets on the City's asset registers that have a written down value of zero.

**Rating: Moderate****Implication**

The absence of a policy outlining a periodic asset stocktake process means that discrepancies between the accounting and physical records will not be detected and corrected on a timely basis. This could result in failure to detect theft or loss and/or misrepresentation of asset balances in the annual financial report.

**Recommendation**

The City should ensure that a policy is developed to carry-out periodic stocktakes that verify the existence of assets and their current condition.

Assets that carry a written down value of zero should be removed from the fixed asset registers for financial reporting purposes.

**Management Comment**

Noted and the City will develop an appropriate asset stocktake protocol as recommended.

While there are some assets that are written down to zero, the City believes it is appropriate for these to remain on the asset register as long as they are still in existence and being used. In some cases these may be components of larger facility assets. For financial reporting purposes, these are no longer included in reported asset values having being written down to zero.

**Responsible Person:**

Roney Oommen

**Completion Date:**

31 December 2019

**CITY OF JOONDALUP****PERIOD OF AUDIT: 1 JULY 2018 TO 30 JUNE 2019****FINDINGS IDENTIFIED DURING THE COURSE OF THE INTERIM AUDIT****3. Protocol – Use of corporate credit cards****Finding**

From our review of the City's credit card controls and procedures, we noted that the City's Protocol for use of credit cards was last reviewed in September 2014. There have since been changes to cardholder positions, credit limits and reviewing/approving officers which have been appropriately authorised, but not reflected within the Protocol document.

**Rating: Minor****Implication**

Outdated policy and protocols may result in inconsistent application of the City's intended controls and processes, potentially leading to errors or non-compliance.

**Recommendation**

The City should ensure that the Protocol for use of corporate credit cards is updated to reflect current practices. All policies and protocols should also be reviewed and updated on a regular basis.

**Management Comment**

This is acknowledged and the City will update the Use of Corporate Credit Cards protocol, and also implement a process to review on a regular basis.

|                            |                  |
|----------------------------|------------------|
| <b>Responsible Person:</b> | Roney Oommen     |
| <b>Completion Date:</b>    | 31 December 2019 |



**CITY OF JOONDALUP****PERIOD OF AUDIT: 1 JULY 2018 TO 30 JUNE 2019****FINDINGS IDENTIFIED DURING THE COURSE OF THE INTERIM AUDIT****4. Monthly Statement of Financial Activity****Finding**

We noted the statement of financial activity for the month of November 2017 was not presented to Council within 2 months as required by Local Government (Financial Management) Regulation 34(4).

**Update - 2019**

We noted the statement of financial activity for the month of November 2018 was presented at the February 2019 Council meeting, which exceeds 2 months.

**Rating: Minor  
Implication**

Actions or decisions required as a result of information in these reports may not be carried out in a timely manner.

**Recommendation**

To help ensure timely presentation of information to Council and compliance with statutory provisions, this requirement should be addressed in the future.

**Management Comment**

This is noted and acknowledged. Due to the Christmas and New Year period the Council traditionally meets too early in December for the November Activity Statement to be reported at that meeting and Council does not meet again until February. Specifically, on this occasion the November 2018 report was presented to the next available Council meeting after the completion of the report in February 2019. This has been the case for many years and is common to a number of other local governments. The City has proposed, in the review of the Local Government Act 1995, that this requirement be amended to accommodate this scenario.

Action in response to matters identified by management reporting are not solely dependent on the Financial Activity Statement reported to Council. February also coincides with the Mid-year Budget Review which is workshopped in detail with Elected Members and reported to February Council.

|                            |              |
|----------------------------|--------------|
| <b>Responsible Person:</b> | Roney Oommen |
| <b>Completion Date:</b>    | Completed    |