

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 4th 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 Actual \$	2019 Budget \$	2018 Restated* \$
Revenue				
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
		<u>155,256,182</u>	<u>150,482,720</u>	<u>147,745,181</u>
Expenses				
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)
		<u>(150,114,011)</u>	<u>(156,376,781)</u>	<u>(153,187,112)</u>
		5,142,171	(5,894,061)	(5,441,931)
Non-Operating Activities				
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
		<u>7,722,557</u>	<u>9,183,878</u>	<u>9,269,475</u>
Net result for the period		12,864,728	3,289,817	3,827,544
Other comprehensive income				
<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)
Total other comprehensive income for the period		(903,388)	-	(22,577,195)
Total comprehensive income for the period		11,961,340	3,289,817	(18,749,651)

*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 Actual \$	2019 Budget \$	2018 Restated* \$
Revenue	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>
Expenses	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>
Finance Costs	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)
Non-Operating Activities				
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>
Net result for the period		<u>12,864,728</u>	<u>3,289,817</u>	<u>3,827,544</u>
Other comprehensive income				
<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)
Total other comprehensive income for the period		<u>(903,388)</u>	<u>-</u>	<u>(22,577,195)</u>
Total comprehensive income for the period		<u>11,961,340</u>	<u>3,289,817</u>	<u>(18,749,651)</u>

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 *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 \$	2018 Restated * \$	1 July 2017 Restated * \$
CURRENT ASSETS				
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
TOTAL CURRENT ASSETS		117,802,574	105,195,588	95,316,987
NON-CURRENT ASSETS				
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
TOTAL NON-CURRENT ASSETS		1,396,443,270	1,397,149,179	1,427,844,707
TOTAL ASSETS		1,514,245,844	1,502,344,767	1,523,161,694
CURRENT LIABILITIES				
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
TOTAL CURRENT LIABILITIES		33,143,760	29,817,405	28,819,895
NON-CURRENT LIABILITIES				
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
TOTAL NON-CURRENT LIABILITIES		8,759,656	12,146,274	15,211,060
TOTAL LIABILITIES		41,903,416	41,963,679	44,030,955
NET ASSETS		1,472,342,428	1,460,381,088	1,479,130,739
EQUITY				
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
TOTAL EQUITY		1,472,342,428	1,460,381,088	1,479,130,739

*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 SURPLUS	RESERVES CASH BACKED	REVALUATION SURPLUS	TOTAL EQUITY
		\$	\$	\$	\$
Balance as at 1 July 2017		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)
Restated total equity at the beginning of the financial year		547,573,062	69,497,817	862,059,860	1,479,130,739
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	-	-
Balance as at 30 June 2018		546,746,801	74,151,620	839,482,667	1,460,381,088
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	-	-
Balance as at 30 June 2019		551,361,102	82,402,047	838,579,279	1,472,342,428

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 Actual \$	2019 Budget \$	2018 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
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
Payments				
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)
Net cash provided by (used in) operating activities	16	36,167,972	25,657,391	29,423,941
CASH FLOWS FROM INVESTING ACTIVITIES				
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)
Net cash provided by (used in) investment activities		(23,118,992)	(27,779,286)	(17,491,105)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings		(3,201,863)	(3,201,862)	(3,084,741)
Net cash provided by (used in) financing activities		(3,201,863)	(3,201,862)	(3,084,741)
Net increase (decrease) in cash held		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	-
Cash and cash equivalents at the end of the year	16	111,629,542	90,721,484	100,085,669

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

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
OPERATING ACTIVITIES				
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
Revenue from operating activities (excluding rates)				
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
Expenditure from operating activities				
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
Amount attributable to operating activities		(60,742,645)	(74,736,579)	(67,361,033)
INVESTING ACTIVITIES				
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)
Amount attributable to investing activities		(23,118,992)	(27,779,286)	(17,491,105)
FINANCING ACTIVITIES				
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	-
Amount attributable to financing activities		(11,452,290)	2,369,507	(7,738,544)
Surplus/(deficit) before imposition of general rates		(95,313,927)	(100,146,358)	(92,590,682)
Total amount raised from general rates	25	100,895,021	100,296,743	97,019,107
Surplus/(deficit) after imposition of general rates	26(b)	5,581,095	150,385	4,428,425

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 Actual	2019 Budget	2018 Actual
	\$	\$	\$
By Nature and Type:			
Operating grants and subsidies			
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
Non-operating grants and subsidies			
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
Total Grant Revenue	10,920,128	12,431,552	14,367,448
By Program:			
Operating grants and subsidies			
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
Non-operating grants and subsidies			
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
Total grants and subsidies	10,920,128	12,431,552	14,367,448

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

	2019 Actual \$	2019 Budget \$	2018 Actual \$
(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
	\$	\$	\$
Fees and Charges (By Nature and Type)			
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
Fees and Charges (By Program)			
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.

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

2. REVENUE AND EXPENSES (Continued)

	2019 Actual \$	2019 Budget \$	2018 Actual \$
(a) Revenue (Continued)			
Interest earnings			
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
	4,604,849	3,446,921	4,060,248
(b) Expenses			
Interest expenses (finance costs)			
Borrowings (refer Note 13(b))	478,486	476,596	617,125
	478,486	476,596	617,125
Auditors remuneration			
- Audit of the Annual Financial Report	67,000	70,000	76,000
- Other services	-	-	6,833
	67,000	70,000	82,833

3. CASH AND CASH EQUIVALENTS

	NOTE	2019 \$	2018 \$
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>
Comprises:			
- 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	1,696,756	-
Total restricted cash and cash equivalents		<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.

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

4. RESERVES - CASH BACKED

	2019 Actual Opening Balance	2019 Actual Transfer to	2019 Actual Transfer (from)	2019 Actual Closing Balance	2019 Budget Opening Balance	2019 Budget Transfer to	2019 Budget Transfer (from)	2019 Budget Closing Balance	2018 Actual Opening Balance	2018 Actual Transfer to	2018 Actual Transfer (from)	2018 Actual Closing 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
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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	
Sundry receivables	
Allowance for impairment of receivables	
GST receivable	

Non-current

Pensioner's rates and ESL deferred	
Long Service Leave - Due from Other Councils	

2019	2018
\$	\$
1,548,338	1,468,379
1,764,155	741,710
(107,733)	(2,500)
809,782	818,502
4,014,542	3,026,091
1,761,743	1,665,754
115,824	156,955
1,877,567	1,822,709

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 \$	2018 \$
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
	\$	\$
Other current assets		
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.

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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 land	Buildings - non- specialised	Total land and buildings	Furniture and equipment	Plant and equipment	Artworks	Easements	Work in Progress	Total property, plant and 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) transferred to revaluation surplus	-	-	-	-	-	20,346	-	-	20,346
Revaluation (loss) / reversals transferred to profit 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
Land and buildings					
Land - freehold land	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.
Land - vested in and under the control of Council	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.
Buildings - non-specialised	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
Buildings - specialised	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
Furniture and equipment	3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Purchase costs and current condition, residual values and remaining useful life assessments inputs
Plant and equipment	3	Cost approach using depreciated replacement cost	Management valuation	June 2016	Purchase costs and current condition, residual values and remaining useful life assessments inputs
Artworks	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
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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 - Roads	Footpaths	Drainage	Parks and Reserves	Car Park	Bridges and Underpasses	Other 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

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.

CITY OF JOONDALUP
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11. PROPERTY, PLANT AND EQUIPMENT AND INFRASTRUCTURE (Continued)

(a) Disposals of Assets

	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss	2019 Budget Net Book Value	2019 Budget Sale Proceeds	2019 Budget Profit	2019 Budget Loss	2018 Actual Net Book Value	2018 Actual Sale Proceeds	2018 Actual Profit	2018 Actual 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 Actual \$	2019 Budget \$	2018 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 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:

- 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
- 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 Opening Balance	2019 Revaluation Increment	2019 Revaluation (Decrement)	Total Movement on Revaluation	2019 Closing Balance	2018 Opening Balance	2018 Revaluation Increment	2018 Revaluation (Decrement)	Total Movement on Revaluation	2018 Closing 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.

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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 1 July 2018	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 1 July 2018	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 1 July 2017	30 June 2018 Actual New Loans	30 June 2018 Actual Principal repayments	30 June 2018 Actual Interest repayments	30 June 2018 Actual Principal outstanding
				\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Community amenities																		
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
Recreation and culture																		
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
Transport																		
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)
Total amount of credit unused	522,801	530,202

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 Annual Leave	Provision for Long Service Leave	Provision for Purchased Leave	Provision for Sick Leave	Provision for Workers Compensation	Total
	\$	\$				\$
Opening balance at 1 July 2018						
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
Additional provision	146,697	367,061	(5,957)	(12,255)	59,309	554,855
Balance at 30 June 2019	4,644,369	7,954,761	127,636	994,195	2,562,776	16,283,737
Comprises						
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
	2019	2018				
Amounts are expected to be settled on the following basis:	\$	\$				
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 Provisions	Total
	\$	\$
Opening balance at 1 July 2018		
Current provisions	63,321	63,321
	<u>63,321</u>	<u>63,321</u>
 Additional provision	 4,000	 4,000
Balance at 30 June 2019	<u>67,321</u>	<u>67,321</u>
 Comprises		
Current	67,321	63,321
	<u>67,321</u>	<u>63,321</u>

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 Actual	2019 Budget	2018 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 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 Actual	2019 Budget	2018 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

	2019 Actual	2018 Actual
	\$	\$
The total of remuneration paid to KMP of the City during the year are as follows:		
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 Actual \$	2018 Actual \$
The following transactions occurred with related parties:		
Mindarie Regional Council (Note 21)		
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
Tamala Park Regional Council (Note 21)		
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
	\$	\$
(a) Carrying amount of investment in associate		
Mindarie Regional Council	11,963,253	11,317,776
Tamala Park Regional Council	7,618,683	7,620,895
	19,581,937	18,938,672
(b) Share of profit/(loss) from continuing operations		
Mindarie Regional Council	377,285	201,329
Tamala Park Regional Council	2,438	27,751
	379,723	229,080

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
Carrying amount at 1 July	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
Carrying amount at 30 June	11,963,253	11,317,776

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
Total assets	16,069,785	15,360,648
Current liabilities	(1,247,897)	(1,218,966)
Non-Current Liabilities	(2,858,635)	(2,823,906)
Total liabilities	(4,106,532)	(4,042,872)
Net Assets	11,963,253	11,317,776

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	2018
	\$	\$
- 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
Carrying amount at 1 July	7,620,895	6,864,449
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
Carrying amount at 30 June	7,618,683	7,620,895

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
Total assets	7,674,017	7,670,104
Current liabilities	(54,381)	(48,351)
Non-Current Liabilities	(953)	(858)
Total liabilities	(55,334)	(49,209)
Net Assets	7,618,683	7,620,895

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.

	2019 Actual	2019 Budget	2018 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
	\$	\$	\$	\$	\$
Cash outflows					
- 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)
Cash inflows					
- 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
Net cash flows	273,351	3,499,534	4,099,429	3,684,448	11,556,761

(d) Assets and liabilities

	2019	2018
	\$	\$
Land held for sale (Note 6)		
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 Balance ⁽¹⁾	Received ⁽²⁾	Expended ⁽³⁾	Closing Balance ⁽¹⁾	Received ⁽²⁾	Expended ⁽³⁾	Closing 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
Total	37,945	456,620	- 494,565	-	420,288	(418,666)	1,622
Non-operating Grants							
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)	-
Total	477,000	8,531,770	(7,539,880)	1,468,890	4,977,119	(5,153,759)	1,292,250

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 \$	Number of Properties	2018/19 Actual Rateable Value \$	2018/19 Actual Rate Revenue \$	2018/19 Actual Interim Rates \$	2018/19 Actual Total Revenue \$	2018/19 Budget Rate Revenue \$	2018/19 Budget Interim Rate \$	2018/19 Budget Total Revenue \$	2017/18 Actual Total Revenue \$
Differential general rate / general rate										
Gross rental valuations										
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
Unimproved valuations										
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
Sub-Total		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
Minimum payment	Minimum \$									
Gross rental valuations										
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
Sub-Total		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)
Total amount raised from general rate						100,895,021			100,296,743	97,019,107
Specified Area Rate (refer Note 25(b))						567,080			561,098	600,247
Totals						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.

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25. RATING INFORMATION (Continued)

(b) Specified Area Rate

Specified Area Rate	Basis of Valuation	Rate in \$	2018/19 Rateable Value	2018/19 Rate Revenue	2018/19 Interim Rate Revenue	2018/19 Total Specified Area Rate Revenue	2018/19 Budget Rate Revenue	2018/19 Budget Back Rate Revenue	2018/19 Budget Interim Rate Revenue	2018/19 Total Budget Revenue	2017/18 Total Actual 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
		\$	%	%
Option One				
Single full payment	24 Aug 2018	12.00	5.5%	11%
Option Two				
First instalment	24 Aug 2018	12.00	5.5%	11%
Second Instalment	26 Oct 2018	12.00	5.5%	11%
Option Three				
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 Budget	2018/19
	2018/19 (30 June 2019 Carried Forward)	(30 June 2019 Carried Forward)	(1 July 2018 Brought Forward)
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
Non cash amounts excluded from operating activities		30,040,573	31,090,392	36,863,873

(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
Total adjustments to net current assets		(79,077,719)	(64,466,794)	(70,949,758)

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)
Net current assets used in the Rate Setting Statement		5,581,095	150,386	4,428,425

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 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 Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
2019					
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
2018					
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 year past due	More than 2 years past due	More than 3 years past due	Total
30 June 2019					
Rates receivable					
Gross carrying amount	-	3,310,081	-	-	3,310,081
01 July 2018					
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 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2019					
Sundry Receivables					
Gross carrying amount	1,613,922	39,783	1,727	108,723	1,764,155
Loss allowance	-	-	-	107,733	107,733
01 July 2018					
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 within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
2019					
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
2018					
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/ Transfers	Amounts Paid	Transfer to Municipal Funds	30 June 2019
	\$	\$	\$		\$
Restricted Trust Creditors:					
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
		\$
Assets		
Trade receivables	(a),(b)	102,107
Total Assets		102,107
Total adjustments on Equity		
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 AASB 139	Carrying Amount AASB 9
				\$	\$
Term deposits (included in Cash and cash equivalents)	3	AC	AC	100,085,669	100,085,669
Trade receivables*	5	AC	AC	6,744,344	6,642,237
Investment in associates - Tamala Park	21(a)	FVTPL	FVTPL	7,620,895	7,620,895
Investment in associates - Mindarie Regional Council	21(a)	FVTPL	FVTPL	11,317,776	11,317,776
Other financial asset - Local Government House Trust	8(b)	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 under AASB 139 as at 30 June 2018	Remeasurement	ECL under AASB 9 as at 01 July 2018
	\$	\$	\$
Loans and receivables under AASB 139 / Financial assets at amortised cost under 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 (Extract)	30 June 2018 \$	Increase/ (Decrease) \$	30 June 2018 (Restated) \$	30 June 2017 \$	Increase/ (Decrease) \$	01 July 2017 (Restated) \$
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 (Extract)	2018 \$	Increase/ (Decrease) \$	2018 (Restated) \$
<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 Actual	2018 Restated*	2018 Actual	2017 Restated*	2017 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
OAG
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
Matters identified during the Current Audit			
1. Fixed assets below \$5,000	✓		
2. Stocktake of fixed assets		✓	
3. Protocol – Use of corporate credit cards			✓
Matters outstanding from Previous Audits			
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.

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

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.

Responsible Person: Roney Oommen

Completion Date: Completed