



City of Stirling Financial Statements

For the year ended 30 June 2019

Understanding the financial report and general purpose financial statements

The City's Financial Report and general purpose financial statements are prepared in accordance with the Australian Accounting Standards (as they apply to local governments and not-for-profit entities), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the *Local Government Act 1995*, accompanying regulations and amendments.

The Financial Report and general purpose financial statements are accepted by Council at the annual Electors General Meeting.

Financial Statements

The financial statements consist of six financial reports, explanatory notes supporting the reports and endorsement from the Chief Executive Officer and the Auditor General.

The six financial reports are:

- Statement of Comprehensive Income by Nature or Type
- Statement of Comprehensive Income by Program
- Statement of Financial Position
- Statement of Changes in Equity
- Statement of Cash Flows
- Rate Setting Statement by Nature or Type.

Statement of comprehensive income by nature or type and program

The Statement of Comprehensive Income measures the City's performance over the year.

It lists the sources of the City's revenue under various income headings and the expenses incurred in running the City during the year. The expenses relate only to the 'operations' and do not include the cost associated with the purchase or the building of assets. Expenses do include an item for depreciation which is the value of the assets used up during the year.

Statement of financial position

The Statement of Financial Position shows the assets the City owns and what it owes (liabilities) as at 30 June 2019.

The assets and liabilities are separated into 'current' and 'non-current'. Current refers to assets or liabilities that will fall due within the next 12 months (except long service leave - refer note 10 within the Notes to the Accounts).

Statement of changes in equity

The Statement of Changes in Equity summarises the change in value of Total Ratepayers Equity.

The value of equity can only change as a result of:

- The profit or loss from operations described as surplus or deficit in the income statement
- The use of monies from the City's reserves
- A change in the value of non-current assets resulting from a revaluation of these assets.

Statement of cash flows

The Statement of Cash Flows summarises the City's cash payments and receipts for the year and the level of cash at the end of the financial year.

Cash in this statement refers to bank deposits and investments capable of being quickly converted to cash.

The City's cash arises from, and is used in, two main areas:

- Cash flows from operating activities
 - » summarises all income and expenses relating to City operations, including service delivery and maintenance.
- Cash flows from Investing Activities
 - » relates to capital works payments recorded as assets in the Statement of Financial Position as well as receipts for the sale of assets

Rate setting statement by nature or type

The Rate Setting Statement is a summary of all operating and capital sources of funds and the application of these funds.

The Rate Setting Statement is a critical part of the budget process and establishes the deficit to be made up from rates. The deficit is derived by offsetting all sources of income (except rates) against operating and capital expenditure which is then covered by the raising of rates from the ratepayers of the City.

The Rate Setting Statement is prepared as set out in the Local Government (Financial Management) Regulations 1996 and the guidelines issued by the Department of Local Government, Sport and Cultural Industries.

Notes to the statements

The Notes to the Statements are an informative section of the report and enable the reader to understand the basis on which the values shown in the statements are established.

The notes also advise if there has been any change to the Accounting Standards, Policy or Legislation that has impacted on the preparation of the statements.

Within the six Financial Statements, there is a 'Note' column to indicate which Note the reader can refer to for additional information. This is particularly useful where there has been a significant change from the previous year's comparative figure.

Statement by Chief Executive Officer

The Annual Financial Report and supporting notes require certification under the *Local Government Act 1995*. The certifications are made by the Chief Executive Officer on behalf of the City as a written undertaking to the Statements being correct and not misleading.

Auditor General report

Under the Local Government Amendment (Auditing) Act 2017, the Auditor General is now responsible for the audit of the City of Stirling 2018- 2019 annual financial audit.

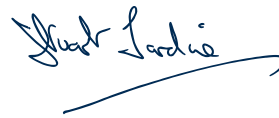
Local Government Act 1995

Local Government (Financial Management) Regulations 1996

Statement by Chief Executive Officer

The attached financial report of the City of Stirling 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 Stirling 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 1st day of October 2019



Stuart Jardine
Chief Executive Office





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Statement of Comprehensive Income by Nature or Type

For the year ended 30 June 2019

	Note	2019 Budget \$	2019 Actual \$	2018 Actual \$
Revenue				
Rates	18a	137,374,048	138,200,209	134,858,541
Security charge	18b	2,980,000	2,999,820	2,987,484
Grants and subsidies		10,965,855	13,174,815	11,319,918
Contributions, reimbursements and donations		2,365,111	3,013,379	5,151,605
Service charges		37,812,038	38,878,421	38,271,590
Fees and charges		17,594,721	18,398,240	16,359,365
Interest earnings	4b	4,841,979	4,459,615	4,099,994
Registrations/Licences and permits		4,773,820	3,889,681	4,456,080
Underground power	4b	4,917,102	4,064,326	-
Other revenue/income		3,079,990	4,378,544	4,718,495
Total revenue from ordinary activities		226,704,664	231,457,050	222,223,072
Expenses				
Employee costs		(79,243,579)	(77,695,213)	(71,513,218)
Materials and contracts direct maintenance of non-current assets		(22,624,680)	(21,049,252)	(21,686,500)
Materials and contracts other works		(71,114,280)	(68,882,223)	(66,336,349)
Underground power		(5,151,313)	(4,064,327)	-
Utility charge		(9,367,984)	(7,270,532)	(7,375,837)
Depreciation and amortisation	4a	(44,633,903)	(48,649,086)	(42,633,690)
Interest Expenses	4a	-	(3,782,438)	-
Insurance expenses		(1,622,493)	(1,785,596)	(1,491,432)
Other expenditure		(2,361,008)	(1,897,828)	(2,759,351)
Total expenditure from ordinary activities		(236,119,240)	(235,076,495)	(213,796,377)
Net result from operating activities		(9,414,576)	(3,619,445)	8,426,695
Non-operating activities				
Grants and subsidies		8,332,876	7,036,583	8,848,177
Gifted and acquired assets		-	42,899,184	10,005
Equity share of investment	4b	2,333,333	220,301	458,158
Fair value adjustment to financial assets		-	(249,675)	-
Profit on asset disposals		218,658	389,177	639,880
Loss on asset disposals		(694,817)	(1,512,542)	(1,407,372)
Total non-operating activities		10,190,050	48,783,028	8,548,848
Net result		775,474	45,163,583	16,975,543
Other comprehensive income				
Changes on revaluation of non-current assets		-	755,408	(261,890,260)
Total comprehensive income		775,474	45,918,991	(244,914,717)

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

Statement of Comprehensive Income by Program

For the year ended 30 June 2019

	Note	2019 Budget \$	2019 Actual \$	2018 Actual \$
Revenue from operations				
General purpose funding	18a	146,861,008	148,420,852	145,670,334
Governance		1,630,850	1,453,920	1,965,358
Law, order and public safety		3,614,650	3,838,593	3,746,185
Health		214,120	225,306	211,512
Education and welfare		9,540,982	9,775,635	8,421,612
Community amenities		41,590,898	43,176,286	42,561,859
Recreation and culture		12,497,050	14,340,899	12,756,487
Transport		2,940,200	3,013,121	3,283,665
Economic services		7,517,102	6,011,650	2,496,807
Other property and services		297,804	1,200,788	1,109,253
Total revenue		226,704,664	231,457,050	222,223,072
Expenses from operations				
General purpose funding		(60,000)	(2,960,961)	(36,020)
Governance		(14,002,719)	(13,554,525)	(12,074,607)
Law, order and public safety		(8,196,074)	(7,698,401)	(7,182,766)
Health		(3,071,607)	(2,786,770)	(2,207,767)
Education and welfare		(17,270,950)	(16,590,688)	(15,198,137)
Community amenities		(45,406,999)	(45,014,527)	(43,893,008)
Recreation and culture		(68,596,971)	(70,233,378)	(66,155,347)
Transport		(55,088,191)	(52,434,777)	(50,982,247)
Economic services		(11,423,773)	(9,809,209)	(5,712,441)
Other property and services		(13,001,956)	(13,993,259)	(10,354,037)
Total expenditure		(236,119,240)	(235,076,495)	(213,796,377)
Net result		(9,414,576)	(3,619,445)	8,426,695
Non-operating grants, subsidies, contributions				
General purpose funding		2,140,864	2,226,585	2,065,220
Law, Order and public safety		-	18,000	218,437
Community amenities		107,000	62,628	315,022
Recreation and culture		1,380,000	653,315	627,813
Transport		3,445,012	3,503,822	3,955,305
Economic services		-	-	214,642
Other property and services		1,260,000	572,233	1,451,738
Total non-operating grants, subsidies, contributions		8,332,876	7,036,583	8,848,177

Statement of Comprehensive Income by Program (continued)

For the year ended 30 June 2019

	Note	2019 Budget \$	2019 Actual \$	2018 Actual \$
Gifted and previously unrecognised assets				
Governance		-	116,000	-
Other property and services		-	42,783,184	10,005
Total gifted and previously unrecognised assets		-	42,899,184	10,005
Equity share of investment				
Other property and services		2,333,333	220,301	458,158
Total equity share of investment		2,333,333	220,301	458,158
Fair Value Adjustment to Financial Assets				
Governances		-	(249,675)	-
Total Fair Value Adjustment to Financial Assets		-	(249,675)	-
Profit/(Loss) on disposal of Assets				
Governance		-	(66,392)	(79,303)
Law, order and public safety		-	(1)	(40,305)
Health		-	(6,634)	(1,059)
Education and welfare		-	(227,780)	(284,993)
Community amenities		-	15,161	(965,862)
Recreation and culture		-	(814,094)	108,527
Transport		-	35,374	(13,032)
Economic services		-	(8)	(16,978)
Other property and services		(476,159)	(58,991)	525,513
Total profit/(loss) on disposal of assets		(476,159)	(1,123,365)	(767,492)
Net result		775,474	45,163,583	16,975,543
Other comprehensive income				
Changes on revaluation of non-current assets		-	755,408	(261,890,260)
Total comprehensive income		775,474	45,918,991	(244,914,717)

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

Statement of Financial Position

For the year ended 30 June 2019

	Note	2019 \$	2018 \$
Assets			
Current assets			
Cash and cash equivalents	5	121,847,339	104,211,669
Receivables	6a	9,139,099	6,762,399
Other financial assets at amortised cost	6c	966,353	800,793
Inventories	7	2,225,935	3,437,540
Total current assets		134,178,726	115,212,401
Non-current Assets			
Investments	16	39,163,821	37,879,612
Other financial assets at fair value	2	175,171	154,668
Other receivables	6b	4,022,932	1,531,939
Property, plant and equipment	8a	758,867,843	743,373,411
Infrastructure	8d	2,245,978,232	2,219,598,008
Total non-current assets		3,048,207,999	3,002,537,638
Total assets		3,182,386,725	3,117,750,039
Liabilities			
Current liabilities			
Trade and other payables	9	33,673,224	17,665,799
Employee related provisions	10	15,450,285	12,523,286
Total current liabilities		49,123,509	30,189,085
Non-current liabilities			
Employee related provisions	10	1,288,735	1,173,964
Total non-current liabilities		1,288,735	1,173,964
Total liabilities		50,412,244	31,363,049
Net assets		3,131,974,481	3,086,386,990
Equity			
Accumulated surplus		1,068,420,715	1,031,272,335
Reserves - cash/investment backed	11a	73,924,250	66,240,547
Reserves - asset revaluation	11b	1,989,629,516	1,988,874,108
Total equity		3,131,974,481	3,086,386,990

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

Statement of Changes in Equity

For the year ended 30 June 2019

	Note	Retained surplus \$	Reserves cash backed \$	Revaluation surplus actual \$	Total equity \$
Balance as at 30 June 2017		1,000,536,180	83,312,606	2,250,427,777	3,334,276,563
Comprehensive income					
Net result		16,975,543	-	-	16,975,543
Equity accounting investment adjustments		-	-	-	-
Change on revaluation of non-current assets		-	-	(261,553,669)	(261,553,669)
Total comprehensive income		16,975,543	-	(261,553,669)	(244,578,126)
Transfers to trust		(3,311,447)	-	-	(3,311,447)
Transfers to reserves	11a	(20,072,326)	20,072,326	-	-
Transfers from reserves	11a	37,144,385	(37,144,385)	-	-
Balance as at 30 June 2018		1,031,272,335	66,240,547	1,988,874,108	3,086,386,990
Comprehensive income					
Net result		48,946,021	-	-	48,946,021
Change on revaluation of non-current assets		-	-	755,408	755,408
Total comprehensive income		48,946,021	-	755,409	49,701,430
Transfers to trust		(331,500)	-	-	(331,500)
Transfers to reserves	11a	(15,476,165)	15,476,165	-	-
Transfers from reserves	11a	7,792,462	(7,792,462)	-	-
Balance as at 30 June 2019		1,068,420,715	73,924,250	1,989,629,517	3,131,974,481

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

Statement of Cash Flows

For the year ended 30 June 2019

	Note	2019 \$	2018 \$
Cash flows from operating activities			
Receipts			
Rates		133,849,035	135,771,410
Underground power		764,575	-
Fees from regulatory services		4,999,455	6,678,487
User charges		58,978,904	55,234,864
Interest earned		4,908,599	4,324,062
Other grants and contributions		14,413,435	12,747,225
Activity functional operating revenue		5,359,190	7,593,022
		226,572,945	222,349,070
Payments			
Staff expenses		(94,914,303)	(91,410,061)
Materials and contracts		(66,908,884)	(69,701,160)
Underground power		(3,750,000)	-
Utilities		(7,270,532)	(7,875,838)
Insurance		(1,785,596)	(1,491,432)
Interest bonds		(447,534)	-
Other expenditure		(1,897,828)	(2,759,351)
		(176,974,677)	(173,237,842)
Net cash from operating activities	17d	49,598,268	49,111,228
Cash flows used in investing activities			
New and redevelopment of community infrastructure		(34,397,996)	(48,914,293)
Payments for purchase of property, plant and equipment		(16,794,167)	(34,534,607)
Acquired assets		-	(2,286,627)
Transfer to trust		(331,500)	-
Transfer from Trust		8,564,468	-
Payments for investment in other entity		-	(24,609)
Proceeds from investment in other entity		1,333,333	1,333,333
Proceeds from sale of property, plant and equipment		2,626,681	5,534,757
Capital grants and contributions (govt & non-govt)		7,036,583	8,784,081
Net cash used in investing activities		(31,962,598)	(70,107,965)
Net (decrease)/increase in cash and cash equivalent		17,635,670	(20,996,737)
Cash and cash equivalent at beginning of reporting period		104,211,669	125,208,406
Cash and cash equivalent at end of reporting period	5, 17a	121,847,339	104,211,669

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

Rate Setting Statement – by Nature or Type

For the year ended 30 June 2019

	Note	2019 Budget \$	2019 Actual \$	2018 Actual \$
Net surplus/(deficit) start of financial year		18,973,865	30,674,051	26,453,934
Revenue				
Security charge		2,980,000	2,999,820	2,987,484
Grants and subsidies		10,965,855	13,174,815	11,319,918
Contributions, reimbursements and donations		2,365,111	3,013,379	5,151,605
Service charges		37,812,038	38,878,421	38,271,590
Fees and charges		17,594,721	18,398,240	16,359,365
Interest earnings		4,841,979	4,459,615	4,099,994
Registrations/licences and permits		4,773,820	3,889,681	4,456,080
Underground power		4,917,102	4,064,326	-
Other revenue/income		3,149,688	4,401,564	3,847,611
Total revenue from ordinary activity		89,400,314	93,279,861	86,493,647
Expenses				
Employee Costs		(79,243,579)	(77,695,213)	(71,513,218)
Materials & Contracts Direct Maintenance of Non-Current Assets		(22,624,680)	(21,049,252)	(21,686,500)
Materials & Contracts Other Works		(71,114,280)	(68,882,223)	(66,336,349)
Underground Power		(5,151,313)	(4,064,327)	-
Utilities		(9,367,984)	(7,270,532)	(7,375,837)
Depreciation on Non-Current Assets		(44,633,903)	(48,649,086)	(42,633,690)
Interest Expenses		-	(3,782,438)	-
Insurance Expenses		(1,622,493)	(1,785,596)	(1,491,432)
Other Expenditure		(2,361,008)	(1,897,828)	(2,759,351)
Total Expenditure from Ordinary Activities		(236,119,240)	(235,076,495)	(213,796,377)
Total Operating		(146,718,926)	(141,796,634)	(127,302,730)
Operating activities excluded				
Profit on disposal of assets		(218,658)	(389,177)	(639,880)
(Loss) on disposal of assets		694,817	1,512,542	1,407,372
Impairment of financial assets		-	(249,675)	-
Reversal of prior years loss on revaluation of fixed assets		-	2,010,571	-
Movement Leave Provisions, Non-Current Assets and Liabilities & Committed Grants		-	1,182,781	6,971,030
Gifted & Previously Unrecognised Assets		-	42,899,184	(10,005)
Depreciation on Assets		44,633,903	48,649,086	42,633,690
Total Excluded from Operating Result		45,110,062	95,615,312	50,362,207
Amount attributed to operating activities		(101,608,864)	(46,181,322)	(76,940,523)

Rate Setting Statement – by Nature or Type (continued)

For the year ended 30 June 2019

	Note	2019 Budget \$	2019 Actual \$	2018 Actual \$
INVESTMENT ACTIVITIES				
Grants & Subsidies		8,332,876	7,036,583	8,848,177
Equity Share of Investment		2,333,333	(1,084,411)	(690,605)
Proceeds from Disposal of Assets		2,327,500	2,626,681	6,302,246
Profit / (Loss) on Disposals		(476,158)	(1,123,365)	(767,492)
Total Capital Expenditure		(69,163,183)	(95,528,951)	(89,888,346)
Amount attributed to investment activities		(56,645,632)	(88,073,463)	(76,196,020)
FINANCIAL ACTIVITIES				
Transfers to & from Town Planning Schemes and Trust		350,000	(331,500)	5,448,972
Transfers to Reserves		(10,628,884)	(15,476,165)	(20,072,326)
Transfers from Reserves		12,208,700	7,792,462	37,144,385
Amount attributed to financial activities		1,929,816	(8,015,203)	22,521,031
Net surplus/(deficit) end of financial year		-	26,581,252	30,674,051
Amount Required to be Raised from Rates		(137,350,815)	(138,177,189)	(134,835,629)

Notes to and forming part of the financial statements

For the year ended 30 June 2019

1. Summary of significant accounting policies

a) 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), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the *Local Government Act 1995* and accompanying regulations plus any amendments under the *Local Government Amendment (Auditing) Act 2017*. Material 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 also 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 judgments, estimates and assumptions that affect 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 judgments 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 City 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 these monies appears in Note 14 to these financial statements.

b) 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.

c) Rates, grants, donations and other contributions

Rates, grants, donations and other contributions are recognised as revenues when the City obtains control over the assets comprising the contributions.

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

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 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 4(f). That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the City's operations for the current reporting period.

d) Rounding off figures

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

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

1. Summary of significant accounting policies (continued)

e) Comparative figures

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

f) 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.

2. Other financial assets

Non-current	2019 \$	2018 \$
a) Other financial assets		
Financial assets at fair value through profit and loss	175,171	154,668
	175,171	154,668

The City, along with other local authorities is a beneficiary of the Local Government Unit Trust. The City of Stirling holds 10 units in the Trust. As set out in the Trust Deed units in the trust can only be issued to local authorities recognised under the Local Government Act and cannot be commercially traded.

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 22.

3. Critical accounting estimates and judgements

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgments, estimates and assumptions that affect 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 judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

4. Operating revenues and expenses

a) The Change in net assets resulting from operations was arrived at after charging the following items:

Depreciation on:	2019 \$	2018 \$
Buildings	5,808,024	5,607,376
Plant and equipment	1,972,243	1,383,111
Mobile vehicles and plant	5,060,796	3,905,617
Furniture and office equipment	2,409,101	1,382,316
Recreation equipment	539,166	338,420
Roads	18,921,200	18,268,815
Drainage	5,932,515	5,804,015
Footpaths	1,822,850	1,751,580
Other engineering infrastructure	6,183,191	4,192,440
	48,649,086	42,633,690
Profit/(Loss) on sale of non-current assets	(1,123,365)	(767,492)
Fees and charges - operating leases See further details in Note 12	100	100
	100	100
Materials and contracts other works - auditors remuneration Audit of the Annual Financial Report	90,000	66,000
	90,000	66,000
Interest Expense Interest on third party payables	3,782,438	-
	3,782,438	-

The City has transferred a number of funds previously held as Trust Funds to the Municipal Fund as at 30 June 2019, recognising this transfer in the Statement of Financial Position. See note 14.

This has resulted in the City conducting an analysis of the interest that should be payable on those funds as at 30 June 2019 and has recognised this on the Statement of Financial Position.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

4. Operating revenues and expenses (continued)

b) The change in net assets resulting from operations was arrived at after crediting the following items:

Underground Power	2019 \$	2018 \$
Other underground power	4,064,326	-
	4,064,326	-
Equity share of investment		
Equity share of Tamala Park Regional Council sales	220,301	458,158
	220,301	458,158
Interest earnings		
Interest on reserve fund investments	1,664,976	1,633,906
Interest on other money investments	2,543,622	2,141,070
Other interest	251,017	325,018
	4,459,615	4,099,994
Gifted and previously unrecognised assets		
Gifted from the Metropolitan Redevelopment Authority (Note 8)	40,528,528	-
Other gifted and previously unrecognised assets*	2,370,656	10,005
	42,899,184	10,005

*Includes land which was acquired from the State of Western Australia for nil consideration.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

4. Operating revenues and expenses (continued)

c) Statement of objective

The City is dedicated to providing high quality services to the community through the various service orientated programs which it has established.

Governance

To manage the administrative functions of the Council.

Law, order and public safety

To increase the support to protection of life and property within the City and reduce inconvenience through the enforcement of statutory powers and the provision of public order, safety and security services.

Health

To maintain and improve the health and well-being of the community.

Education and welfare

To facilitate the provision of a range of services and encourage their utilisation for the social well-being of the community.

Community amenities

To develop waste and environment management programs which recognise community needs.

Recreation and culture

To plan, construct, maintain and initiate a range of facilities and programs which enables the community to satisfy its need for information, personal development, recreation and leisure.

Transport

To provide facilities and services within the road reserve which promote safety, ease of access and improve the amenity of the locality.

General purpose funding

To minimise the costs of financing City operations through effective financial planning and management.

Economic services

To plan facilities and regulate land use consistent with community expectations and environmental considerations.

Other property and services

1. To provide a community information network that complements and supports the corporate and program objectives of the City.
2. To facilitate, develop and maintain City buildings and property.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

4. Operating revenues and expenses (continued)

d) Depreciation of assets (by program)

	\$
Governance	1,047,113
Law, order and public safety	109,346
Health	35,167
Education and welfare	491,941
Community amenities	975,864
Recreation and culture	11,964,516
Transport	27,141,218
Economic services	77,343
Other property and services	6,806,578
	<u>48,649,086</u>

e) Disposal of assets (by program)

	Sale Price \$	Net Book Value \$	Profit or (Loss) on Sales \$
Governance	25,125	91,517	(66,392)
Law, order and public safety	-	1	(1)
Health	2,889	9,523	(6,634)
Education and welfare	1,863	229,643	(227,780)
Community amenities	-	(15,161)	15,161
Recreation and culture	25,286	839,379	(814,093)
Transport	6,000	(29,374)	35,374
Economic services	-	8	(8)
Other property and services	2,565,517	2,624,509	(58,992)
	<u>2,626,680</u>	<u>3,750,045</u>	<u>(1,123,365)</u>

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

4. Operating revenues and expenses (continued)

f) Conditions over contributions

Grants and contributions which were recognised as revenue during the year or prior years and which were obtained on the condition that they be expended on the acquisition of non-current assets but have yet to be applied in that manner at the reporting date were:

	2019 \$	2018 \$
Community programs	136,335	632,004
	136,335	632,004

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

5. Cash and cash equivalents

	2019 \$	2018 \$
a) Cash on hand		
Unrestricted	36,621	35,010
	36,621	35,010
b) Short maturity investments		
Restricted	73,924,250	66,240,547
Restricted Municipal (Note 14b)	8,564,468	-
Unrestricted	39,322,000	37,936,112
	121,810,718	104,176,659
Total cash and cash equivalent	121,847,339	104,211,669
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Consolidated reserve	73,924,250	66,240,547
Restricted Municipal	8,564,468	-
	82,488,718	66,240,547

Cash and cash equivalents

Cash and cash equivalents includes cash on hand and a municipal fund bank account that are highly liquid investments that are readily convertible to cash and are subject to an insignificant risk of changes in values.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

6. Trade and other receivables

	2019 \$	2018 \$
a) Current		
Rates outstanding	3,523,358	3,212,914
Debtors: Libraries	45,363	212,005
Commercial waste	609,097	587,773
Fines and penalties	137,058	669,204
Sundry	748,743	826,400
Underground power	3,453,817	441,767
Australian Taxation Office - GST	818,423	876,459
	9,335,859	6,826,522
Less: Allowance for impairment of receivables	(196,760)	-
Less: Allowance for doubtful debts	-	(64,123)
	9,139,099	6,762,399
b) Non-current		
Rates outstanding - pensioners	1,637,326	1,461,364
Various debtors		
Rates Outstanding	1,007,791	-
Libraries	158,822	-
Commercial Waste	31,760	-
Fines & Penalties	475,552	-
Sundry	403,435	-
Underground Power	287,701	-
Deferred debtors	70,575	70,575
	4,072,962	1,531,939
Less: Allowance for impairment of receivables	(50,030)	-
	4,022,932	1,531,939
c) Other Financial Assets at Amortised Cost		
Interest due on investments not matured	536,564	538,014
Current prepayments	429,789	262,779
	966,353	800,793

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

6. Trade and other receivables (continued)

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 expected credit loss for uncollectible amounts. The carrying amount of net trade receivables is equivalent to the fair value as invoiced less any impairment and risk exposure.

Previous accounting policy: Impairment of trade receivable

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment.

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.

Current and non-current classification

Classification and subsequent measurement of 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.

7. Inventories

	2019 \$	2018 \$
Inventories		
Construction materials and fuel	313,908	315,090
Land for resale	1,912,027	3,122,450
Total	2,225,935	3,437,540

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.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

8. Property, plant, equipment and infrastructure

a) Movement in carrying amounts of each class of property, plant and equipment

	2019 \$	2018 \$
Land		
- Independent valuation	423,655,020	422,262,774
Net book value at end of reporting period	423,655,020	422,262,774
Buildings		
- Independent valuation	289,187,153	267,040,015
- Management valuation	-	-
Less accumulated depreciation	(5,803,772)	-
Net book value at end of reporting period	283,383,381	267,040,015
Plant and equipment		
- Management valuation	12,524,878	15,504,197
Less accumulated depreciation	(42,375)	(2,637,100)
Net book value at end of reporting period	12,482,503	12,867,097
Mobile vehicles and plant		
- Management valuation	23,568,636	30,380,859
Less accumulated depreciation	-	(5,251,549)
Net book value at end of reporting period	23,568,636	25,129,310
Furniture and office equipment		
- Management valuation	5,859,325	7,058,286
Less accumulated depreciation	(369,364)	(2,282,057)
Net book value at end of reporting period	5,489,961	4,776,229
Recreation equipment		
- Management valuation	3,723,786	3,298,451
Less accumulated depreciation	(69,056)	(629,121)
Net book value at end of reporting period	3,654,730	2,669,330
Assets under construction		
- Cost	6,633,612	8,628,656
Net book value at end of reporting period	6,633,612	8,628,656
Total property, plant and equipment		
- Independent valuation	712,842,173	689,302,789
- Management valuation	45,676,625	56,241,793
- Cost	6,633,612	8,628,656
Less accumulated depreciation	(6,284,567)	(10,799,827)
Net book value at end of reporting period	758,867,843	743,373,411

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

8. Property, plant, equipment and infrastructure (continued)

a) Movement in carrying amounts of each class of property, plant and equipment (continued)

The fair value of property, plant and equipment is determined at least every three years in accordance with the regulatory framework, Local Government (Financial Management) Regulation 17A (2). Refer to note 8(c) for which year each asset category was assessed and level of fair value hierarchy. Additions since date of valuations are shown at cost, at the end of each reporting period the valuation is reviewed and where appropriate fair value is updated to reflect current market conditions.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

8. Property, plant, equipment and infrastructure (continued)

b) Movements in carrying amounts of property, plant and equipment

For the year ended 30 June 2019

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

	Balance at the beginning of the year	Additions	(Disposals) net	Gifted assets	Revaluation	Depreciation (expense)	Reclass/ Transfers	Carrying amount at the end of year
	\$	\$	\$	\$	\$	\$	\$	\$
Land	422,262,774	203,125	(1,057,756)	2,246,877	-	-	-	423,655,020
Total land	422,262,774	203,125	(1,057,756)	2,246,877	-	-	-	423,655,020
Buildings	267,040,015	996,677	(1,027,959)	-	-	(5,808,024)	22,182,672	283,383,381
Total buildings	267,040,015	996,677	(1,027,959)	-	-	(5,808,024)	22,182,672	283,383,381
Total land and buildings	689,302,789	1,199,802	(2,085,715)	2,246,877	-	(5,808,024)	22,182,672	707,038,401
Plant and equipment	12,867,097	497,971	(232,136)	116,000	-	(1,972,243)	1,205,814	12,482,503
Mobile vehicle and pant	25,129,310	6,167,133	(2,756,447)	7,779	81,658	(5,060,797)	-	23,568,636
Furniture and office equipment	4,776,229	1,018,237	(50,670)	-	617,454	(2,409,101)	1,537,812	5,489,961
Recreation equipment	2,669,330	770,424	(15,365)	21,713	-	(539,166)	747,794	3,654,730
Assets under construction	8,628,656	7,195,282	-	-	-	-	(9,190,326)	6,633,612
Total property, plant and equipment	743,373,411	16,848,849	(5,140,333)	2,392,369	699,112	(15,789,331)	16,483,766	758,867,843

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

8. Property, plant, equipment and infrastructure (continued)

b) Movements in carrying amounts of property, plant and equipment (continued)

For the year ended 30 June 2018

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

	Balance at the beginning of the year	Additions	(Disposals) net	Revaluation Increments/ (Decrements)	Impairment losses/ reversals	Depreciation (expense)	Reclass/ Transfers	Carrying amount at the end of year
	\$	\$	\$	\$	\$	\$	\$	\$
Land	660,586,181	4	(5,186,087)	(238,108,521)	4,971,197	-	-	422,262,774
Total land	660,586,181	4	(5,186,087)	(238,108,521)	4,971,197	-	-	422,262,774
Buildings	255,521,516	41,138,797	(429,742)	(23,855,488)	311,206	(5,607,376)	(38,898)	267,040,015
Total buildings	255,521,516	41,138,797	(429,742)	(23,855,488)	311,206	(5,607,376)	(38,898)	267,040,015
Total land and buildings	916,107,697	41,138,801	(5,615,829)	(261,964,009)	5,282,403	(5,607,376)	(38,898)	689,302,789
Plant and equipment	13,521,650	398,861	(63,378)	-	-	(1,383,111)	393,075	12,867,097
Mobile vehicle and plant	25,222,773	9,748,097	(6,042,475)	-	106,531	(3,905,617)	-	25,129,310
Furniture and office equipment	4,906,405	1,319,039	(97,799)	-	900	(1,382,316)	30,000	4,776,229
Recreation equipment	2,392,786	383,480	(4,529)	-	-	(338,420)	236,013	2,669,330
Assets under construction	30,307,881	20,124,605	-	-	-	-	(41,803,830)	8,628,656
Total property, plant and equipment	992,459,192	73,112,883	(11,824,010)	(261,964,009)	5,389,834	(12,616,840)	(41,183,640)	743,373,411

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

8. Property, plant, equipment and infrastructure (continued)

c) Fair value measurements of property, plant and equipment

Asset class	Fair value hierarchy	Valuation technique	Basis of valuation	Date of last valuation	Inputs used
Land	2	Market approach using recent observable market data for similar properties / income approach using discounted cashflow methodology	Independent registered valuers	June 2018	Price per hectare / market borrowing rate
Land - golf course	3	Improvements to land valued using cost approach using current replacement cost	Independent registered valuers	June 2018	Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Specialised buildings	3	Cost approach using replacement cost to calculate value, and then adjusted to take account of accumulated depreciation.	Independent registered valuers and management valuation	June 2018	Construction costs and current condition (Level 3)
Non - specialised buildings	3	Market approach using recent observable market data for similar properties / income approach using discounted cashflow methodology	Independent registered valuers	June 2018	Construction costs and current condition (Level 3)
Plant and equipment	2	Market approach using recent observable market data for similar plant and equipment	Management valuation	June 2019	Price per item
Mobile fleet and plant	2	Market approach using recent observable market data for similar mobile fleet and plant	Management valuation	June 2019	Price per item
Furniture and office equipment	2	Market approach using recent observable market data for similar furniture and office equipment	Management valuation	June 2019	Price per item
Recreation equipment	2	Market approach using recent observable market data for similar recreation equipment	Management valuation	June 2019	Price per item
Assets under construction	2	Cost approach using cost of goods or service at acquisition	Actual cost	June 2019	Purchase costs and current stage of works

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

8. Property, plant, equipment and infrastructure (continued)

d) Movement in carrying amounts of each class of infrastructure

	2019 \$	2018 \$
Roads		
- Management valuation	1,526,682,891	1,510,276,215
Less accumulated depreciation	(37,190,015)	(18,268,815)
Net book value at end of reporting period	1,489,492,876	1,492,007,400
Drainage		
- Management valuation	445,786,174	435,457,030
Less accumulated depreciation	(11,736,530)	(5,804,015)
Net book value at end of reporting period	434,049,644	429,653,015
Footpaths		
- Management valuation	98,003,989	93,605,774
Less accumulated depreciation	(3,574,429)	(1,751,580)
Net book value at end of reporting period	94,429,560	91,854,194
Other engineering infrastructure		
- Management valuation	22,889,840	22,357,529
Less accumulated depreciation	(1,368,960)	(670,295)
Net book value at end of reporting period	21,520,880	21,687,234
Reserves		
- Cost	53,817,775	46,652,430
Less accumulated depreciation	-	-
Net book value at end of reporting period	53,817,775	46,652,430
Reticulation and other parks		
- Management valuation	152,072,587	105,448,247
Less accumulated depreciation	(9,006,672)	(3,522,145)
Net book value at end of reporting period	143,065,915	101,926,102
Assets under construction		
- Cost	9,601,582	35,817,633
Net book value at end of reporting period	9,601,582	35,817,633
Total Infrastructure		
- Management valuation	2,245,435,481	2,167,144,795
- Cost	63,419,357	82,470,063
Less accumulated depreciation	(62,876,606)	(30,016,850)
Net book value at end of reporting period	2,245,978,232	2,219,598,008

The fair value of Infrastructure was done as at 30 June 2017 in accordance with the regulatory framework, Local Government (Financial Management) Regulation 17A (2). Refer to note 8(f) for which year each asset category was assessed and level of fair value hierarchy. Additions since date of valuations are shown at cost, at the end of each reporting period the valuation is reviewed and where appropriate fair value is updated to reflect current market conditions.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

8. Property, plant, equipment and infrastructure (continued)

e) Movements in carrying amounts of infrastructure

For the year ended 30 June 2019

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

	Balance at the beginning of the year	Additions	(Disposals) net	Gifted assets	(Losses)/ Reversals	Depreciation (expense)	Reclass/ Transfers	Carrying amount at the end of year
	\$	\$	\$	\$	\$	\$	\$	\$
Roads	1,492,007,400	-	-	-	-	(18,921,200)	16,406,676	1,489,492,876
Drainage	429,653,015	-	-	-	-	(5,932,515)	10,329,144	434,049,644
Footpaths	91,854,194	-	-	-	-	(1,822,848)	4,398,214	94,429,560
Other engineering infrastructure	21,687,234	-	-	46,311	-	(698,664)	485,999	21,520,880
Reserves	46,652,430	-	-	-	-	-	7,165,345	53,817,775
Reticulation and other parks	101,926,102	-	-	40,460,504	-	(5,484,527)	6,163,836	143,065,915
Assets under construction	35,817,633	35,990,212	-	-	-	-	(62,206,263)	9,601,582
Total infrastructure	2,219,598,008	35,990,212	-	40,506,815	-	(32,859,754)	(17,257,049)	2,245,978,232

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

8. Property, plant, equipment and infrastructure (continued)

e) Movements in carrying amounts of infrastructure (continued)

For the year ended 30 June 2018

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

	Balance at the beginning of the year	Additions	(Disposals)	Revaluation Net increments / (Decrements)	Impairment (Losses)/ Reversals	Depreciation (Expense)	Reclass/ Transfers	Carrying amount at the end of Year
	\$	\$	\$	\$	\$	\$	\$	\$
Roads	1,496,794,290	-	-	(1,582,838)	-	(18,268,815)	15,064,763	1,492,007,400
Drainage	430,116,566	-	-	-	-	(5,804,015)	5,340,464	429,653,015
Footpaths	89,864,298	-	-	1,749,615	-	(1,751,580)	1,991,861	91,854,194
Other engineering infrastructure	21,685,114	-	-	-	-	(670,295)	672,415	21,687,234
Reserves	45,103,600	-	-	-	-	-	1,548,830	46,652,430
Reticulation and other parks	102,503,685	-	-	-	-	(3,522,145)	2,944,562	101,926,102
Assets under construction	14,451,833	49,241,435	-	-	-	-	(27,875,635)	35,817,633
Total infrastructure	2,200,519,386	49,241,435	-	166,777	-	(30,016,850)	(312,740)	2,219,598,008

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

8. Property, plant, equipment and infrastructure (continued)

f) Fair value measurements of infrastructure

Asset class	Fair value hierarchy	Valuation technique	Basis of valuation	Date of last valuation	Inputs used
Roads	3	Measurements based on unobservable inputs for the asset or liability.	Management valuation	June 2017	Construction costs and current condition
Drainage	3	Measurements based on unobservable inputs for the asset or liability.	Management valuation	June 2017	Construction costs and current condition
Footpaths	3	Measurements based on unobservable inputs for the asset or liability.	Management valuation	June 2017	Construction costs and current condition
Other engineering infrastructure	3	Measurements based on unobservable inputs for the asset or liability.	Management valuation	June 2017	Construction costs and current condition
Reserves	3	Actual cost of acquisition.	Actual cost	June 2018	Actual cost
Reticulation and other parks	3	Measurements based on unobservable inputs for the asset or liability.	Management valuation	June 2017	Construction costs and current condition
Assets under construction	2	Historical cost of acquisition.	Actual cost	June 2019	Purchase costs and current stage of works

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.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

8. Property, plant, equipment and infrastructure (continued)

g) Major capital expenditure

During the reporting period the City completed the capitalisation of the Scarborough foreshore redevelopment. The project was a partnership between the City and the Metropolitan Redevelopment Authority (MRA). As part of this the City was gifted \$40,528,528 by the MRA

The change in property, plant and infrastructure was arrived at after charging the following items:

	2019 \$
Buildings	15,463,106
Plant and equipment	613,282
Furniture and office equipment	1,231,054
Recreation equipment	732,846
Roads	913,467
Drainage	4,815,203
Footpaths	1,158,683
Other engineering infrastructure	415,790
Reserves	4,701,955
Reticulation	2,592,762
Other parks infrastructure	37,275,323
	69,913,471

These assets are recognised by the City based on information supplied by third parties, in this case the MRA and their consultants who prepared the asset registers for this project on behalf of the City.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

8. Property, plant, equipment and infrastructure (continued)

h) Fixed assets

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

Mandatory requirement to revalue non-current assets

Effective from 1 July 2012, the Local Government (Financial Management) Regulations were amended and the measurement of non-current assets at Fair Value became mandatory.

The amendments allowed for a phasing in of fair value in relation to fixed assets over three years as follows:

- (a) for the financial year ending on 30 June 2013, the fair value of all of the assets of the City that are plant and equipment; and
- (b) for the financial year ending on 30 June 2014, the fair value of all of the assets of the City -
 - (i) that are plant and equipment; and
 - (ii) that are
 - (I) land and buildings; or-
 - (II) Infrastructure; and
- (c) for the financial year ending on or after 30 June 2015, the fair value of all of the assets of the City.

Thereafter, in accordance with the regulations, each asset class must be revalued at least every 5 years.

In 2019, the City continued the process of revaluing non-current assets for Fair Value in accordance with the Regulations for each asset class.

Relevant disclosures, in accordance with the requirements of Australian Accounting Standards, have been made in the financial report as necessary.

Land under control

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

At 30 June 2019 the City had a golf course within the City boundaries which has been included in the City's fixed assets as land. This golf course has been valued in accordance with the above Local Government Regulations.

Easements

In accordance with Local Government (Financial Management) Regulation 16(b), easements are required to be recognised as assets. At 30 June 2019 the City Easements have been included in the City's fixed assets as Land. These have been recognised and revalued in accordance with the above Local Government Regulations.

Initial recognition and measurement between mandatory revaluation dates

All assets are initially recognised at cost and subsequently revalued in accordance with the mandatory measurement framework detailed above.

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable, future economic benefits associated with the item will flow to the City and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in the Statement of Comprehensive Income in the period in which they are incurred.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

8. Property, plant, equipment and infrastructure (continued)

h) Fixed assets (continued)

Revaluation

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 asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in the Statement of Comprehensive Income.

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, the City 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.

Depreciation

All non-current assets having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of the future economic benefits embodied in those assets.

Property, Plant and Equipment, including buildings but excluding freehold land, are depreciated over their estimated useful lives on a straight line basis, using rates which are reviewed each reporting period. The carrying cost of infrastructure assets is depreciated on an annual basis to reflect their expected life.

Infrastructure Assets are depreciated on a basis that reflects their consumed economic benefit, which is reviewed each reporting period. Assets are depreciated from the date of acquisition or from the time an asset is held for use.

The expected useful lives are as follows:

Artwork	Not depreciated
Buildings	10 to 75 years
Furniture and equipment	2 to 10 years
Plant and equipment	5 to 15 years
Mobile vehicles and plant	2 to 10 years
Computer equipment and photocopiers	1 to 10 years
Recreation equipment	10 to 15 years
Roads	10 to 75 years
Drainage	10 to 75 years
Footpaths	10 to 75 years
Other engineering infrastructure	10 to 75 years
Reticulation and other parks infrastructure	10 to 75 years
Reserves	Not depreciated

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

8. Property, plant, equipment and infrastructure (continued)

h) Fixed assets (continued)

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

When revalued assets are disposed of, amounts included in the revaluation surplus relating to that asset are transferred to retained surplus.

Capitalisation threshold

Property, plant and equipment with a value exceeding \$5,000 are capitalised on date of acquisition or in respect of internally constructed assets from the time asset is ready for use. Infrastructure assets ready for use are capitalised annually, with depreciation commencing from first reporting period after capitalisation. The impact on depreciation as a result of capitalising infrastructure assets annually instead of periodically is not considered material.

Fair value of assets and liabilities

When performing a revaluation, the City uses a mix of both independent and management valuations using the following as a guide:

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. The fair values of assets that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

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

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

Fair value hierarchy

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

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the City 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.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

8. Property, plant, equipment and infrastructure (continued)

h) Fixed assets (continued)

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 an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the 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.

As detailed above, the mandatory measurement framework imposed by the Local Government (Financial Management) Regulations requires, as a minimum, all assets carried at a revalued amount to be revalued at least every 5 years.

Impairment of assets

In accordance with Australian Accounting Standards the City's assets, other than inventories, are assessed at each reporting date to determine whether 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 assets such as roads, drains, public buildings and the like, value in use is represented by the current replacement cost of the asset.

Gifted and previously unrecognised assets

Gifted and previously unrecognised assets are recognised by the City based on information supplied by third parties. For assets acquired at no cost, cost is determined as fair value at the date of acquisition based on information supplied by external parties and consultants.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

9. Trade and other payables

	2019 \$	2018 \$
Current		
Trade payables	5,262,174	3,968,540
Accrued creditors	15,621,065	9,572,588
Accrued wages and salaries	2,268,611	2,219,364
Income received in advance	1,956,906	1,905,307
Other Payables (Note 14b)	8,564,468	-
	33,673,224	17,665,799

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 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.

10. Employee related provisions

	2019 \$	2018 \$
Current		
Provision for annual leave	6,302,092	6,154,076
Provision for long service leave	9,148,193	6,369,210
	15,450,285	12,523,286
Non-current		
Provision for long service leave	1,288,735	1,173,964
	1,288,735	1,173,964

The provision for employee entitlements relates to amounts expected to be paid to employees for long service leave and annual leave and is based on legal and contractual entitlements. The funds in the City's long service leave reserve bank account are considered adequate.

Provisions made in respect of wages and salaries, annual leave and other long service leave expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

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

Provisions for sick leave are not made in the accounts as they are non-vesting and are paid when incurred.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

11. Reserve accounts

a) Restricted reserves - cash backed

	2019 Budget \$	2019 Actual \$	2018 Actual \$
Workers compensation reserve			
Opening balance	2,647,511	2,647,511	2,647,411
Amount set aside / Transfer to reserve	1,500,000	1,414,381	1,357,564
Amount used / Transfer from reserve	(2,000,000)	(1,414,381)	(1,357,464)
Closing balance	<u>2,147,511</u>	<u>2,647,511</u>	<u>2,647,511</u>

The scope of this reserve is the payment of premium obligations and common law claims with respect to work related injuries for which the City as employer has a statutory or common law liability.

Plant replacement

Opening balance	4,904,263	4,821,490	6,126,192
Amount set aside / Transfer to reserve	3,691,845	4,430,548	4,921,468
Amount used / Transfer from reserve	(4,805,700)	(4,967,469)	(6,226,170)
Closing balance	<u>3,790,408</u>	<u>4,284,569</u>	<u>4,821,490</u>

This reserve account is designed to eliminate the need for substantial allocations from rates in any year. The principle behind the reserve is that a proportionate payment will be made from the general fund annually that relates to utilisation (consumption) of existing plant and provides for plant replacement.

Previous employees long service leave provision reserve

Opening balance	493,042	524,929	440,882
Amount set aside / Transfer to reserve	100,000	247,802	183,970
Amount used / Transfer from reserve	(100,000)	(112,146)	(99,923)
Closing balance	<u>493,042</u>	<u>660,585</u>	<u>524,929</u>

The purpose of this reserve is to provide for liabilities for long service leave payments that may need to be made to other local governments in respect of the transferred service entitlement of past employees of the City. Regulations provide that long service leave entitlements are transferable from council to council for an employee's uninterrupted service in local government.

Staff leave liability reserve

Opening balance	12,751,906	12,764,023	12,526,763
Amount set aside / Transfer to reserve	303,287	299,924	237,260
Amount used / Transfer from reserve	-	-	-
Closing balance	<u>13,055,193</u>	<u>13,063,947</u>	<u>12,764,023</u>

It is the function of this reserve to cash-back the liability of the City for long service leave and annual leave for continuing employees. The liability is calculated based on legal and contractual entitlements. Current wage and salary rates are used in the calculation of provisions. The calculation of the provisions is audited annually and included in the accounts. Provisions for sick leave are not made in the accounts as they are paid as incurred.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

11. Reserve accounts (continued)

a) Restricted reserves - cash backed (continued)

	2019 Budget \$	2019 Actual \$	2018 Actual \$
Road widening reserve			
Opening balance	132,880	133,296	430,149
Amount set aside / Transfer to reserve	3,160	3,132	8,147
Amount used / Transfer from reserve	-	-	(305,000)
Closing balance	136,040	136,428	133,296

The road widening reserve was set up within the 2012/13 financial year to be used for compensation payments associated with the compulsory acquisition of land for road widening along Beaufort Street and Harborne Street.

Security service charge reserve

Opening balance	1,400,000	525,049	1,040,000
Amount set aside / Transfer to reserve	960,000	575,992	525,049
Amount used / Transfer from reserve	(1,400,000)	(525,049)	(1,040,000)
Closing balance	960,000	575,992	525,049

This reserve was created to accommodate excess funds from the charge levied for the property surveillance and security services. In accordance with the provisions of Section 6.38 of the *Local Government Act 1995* any surplus generated from this charge is to be allocated to a reserve and used for security services, or be repaid to owners.

Payment in lieu of parking reserve

Opening balance	2,771,773	2,774,406	2,722,835
Amount set aside / Transfer to reserve	65,923	65,191	51,571
Amount used / Transfer from reserve	-	-	-
Closing balance	2,837,696	2,839,597	2,774,406

These funds are provided by developers where it is impractical to provide the number of parking spaces generally required for a particular development/use. These are held until an opportunity arises where suitable parking may be provided. Care is taken to ensure that the funds are separately identified to enable them to be applied only to works within the specific areas from which the revenue was sourced.

Corporate projects reserve

Opening balance	-	-	10,744,615
Amount set aside / Transfer to reserve	292,714	1,128,305	3,264,581
Amount used / Transfer from reserve	-	(14,636)	(14,009,196)
Closing balance	292,714	1,113,669	-

Created in 2004/05 to accommodate future development needs of the City. The finalisation of the Strategic Community Plan, together with the long term works plan will assist in identifying appropriate uses for these funds.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

11. Reserve Accounts (continued)

a) Restricted reserves - cash backed (continued)

	2019 Budget \$	2019 Actual \$	2018 Actual \$
Asset acquisition reserve			
Opening balance	2,776,424	2,779,062	2,727,404
Amount set aside / Transfer to reserve	66,034	65,300	51,658
Amount used / Transfer from reserve	-	-	-
Closing balance	2,842,458	2,844,362	2,779,062

Created in 2004/05 to accommodate anticipated revenues from land sales which are an integral part of the City's overall asset rationalisation program.

Edith Cowan Reserve lighting

Opening balance	38,792	38,829	38,107
Amount set aside / Transfer to reserve	923	912	722
Amount used / Transfer from reserve	-	-	-
Closing balance	39,715	39,741	38,829

These funds were provided by the developer of the estate surrounding the Churchlands Reserve. Council resolved to place the funds in a financial reserve fund to pay for future maintenance and running costs associated with the lighting on this reserve.

Tamala Park reserve

Opening balance	1,700,419	1,782,535	13,683,763
Amount set aside / Transfer to reserve	2,373,775	1,375,219	1,592,507
Amount used / Transfer from reserve	(3,032,000)	(716,567)	(13,493,735)
Closing balance	1,042,194	2,441,187	1,782,535

The City will be receiving funds over the next few years for the sale of land developed at Tamala Park. It is proposed that the funds be used for income generating projects which in turn will help create a sustainable City.

Strategic waste development reserve

Opening balance	16,641,532	22,217,177	17,005,885
Amount set aside / Transfer to reserve	898,562	4,199,280	5,246,992
Amount used / Transfer from reserve	(150,000)	(42,214)	(35,700)
Closing balance	17,390,094	26,374,243	22,217,177

The reserve was created in 2015/16 by renaming the 3-bin replacement reserve and is to be used to fund strategic waste related projects.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

11. Reserve accounts (continued)

a) Restricted reserves - cash backed (continued)

	2019 Budget \$	2019 Actual \$	2018 Actual \$
Public parking strategic reserve			
Opening balance	9,601,538	10,127,169	9,484,606
Amount set aside / Transfer to reserve	278,360	758,125	696,098
Amount used / Transfer from reserve	-	-	(53,535)
Closing balance	9,879,898	10,885,294	10,127,169

This reserve was created to fund the City's paid parking strategy.

Investment income reserve

Opening balance	720,719	1,138,573	668,857
Amount set aside / Transfer to reserve	86,164	614,889	469,716
Amount used / Transfer from reserve	-	-	-
Closing balance	806,883	1,753,462	1,138,573

The investment income reserve will hold rent from investment properties, dividends and distributions from other investments and interest earned on capital investment reserve

Capital investment reserve

Opening balance	3,622,805	3,622,805	2,885,569
Amount set aside / Transfer to reserve	-	85,127	737,236
Amount used / Transfer from reserve	(721,000)	-	-
Closing balance	2,901,805	3,707,932	3,622,805

The capital investment reserve will hold proceeds of any sale of investment property, funds allocated by Council for investment purposes, surplus funds from investment purposes and any other funds as determined by Council.

Development contribution right of way improvement works reserve

Opening balance	-	-	-
Amount set aside / Transfer to reserve	-	-	523,662
Amount used / Transfer from reserve	-	-	(523,662)
Closing balance	-	-	-

This reserve was established in accordance with *Local Government Act 1995* to account for contributions and payments for any right of way improvement work undertaken by the City.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

11. Reserve accounts (continued)

a) Restricted reserves - cash backed (continued)

	2019 Budget \$	2019 Actual \$	2018 Actual \$
Tree reserve			
Opening balance	342,076	343,693	139,568
Amount set aside / Transfer to reserve	8,137	212,038	204,125
Amount used / Transfer from reserve	-	-	-
Closing balance	350,213	555,731	343,693

The tree reserve will hold any funds set aside under the City's street and reserve trees policy.

Total restricted reserve accounts

Opening balance	60,545,680	66,240,547	83,312,606
Amount set aside / Transfer to reserve	10,628,884	15,476,165	20,072,326
Amount used / Transfer from reserve	(12,208,700)	(7,792,462)	(37,144,385)
Closing balance	58,965,864	73,924,250	66,240,547

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

11. Reserve accounts (continued)

b) Revaluation reserves - non cash backed

	2019 Actual \$	2018 Actual \$
Plant and equipment revaluation reserve		
Opening balance	29,747	29,747
Amount set aside / Transfer to reserve	-	-
Amount used / Transfer from reserve	-	-
Closing balance	29,747	29,747
Mobile vehicle and plant revaluation reserve		
Opening balance	325,048	431,580
Amount set aside / Transfer to reserve	81,658	-
Amount used / Transfer from reserve	(206,252)	(106,532)
Closing balance	200,454	325,048
Furniture and office equipment revaluation reserve		
Opening balance	249,195	250,095
Amount set aside / Transfer to reserve	617,455	-
Amount used / Transfer from reserve	-	(900)
Closing balance	866,650	249,195
Recreation equipment revaluation reserve		
Opening balance	13,690	13,690
Amount set aside / Transfer to reserve	-	-
Amount used / Transfer from reserve	-	-
Closing balance	13,690	13,690
Roads revaluation reserve		
Opening balance	1,029,585,354	1,031,168,192
Amount set aside / Transfer to reserve	-	-
Amount used / Transfer from reserve	-	(1,582,838)
Closing balance	1,029,585,354	1,029,585,354
Drainage revaluation reserve		
Opening balance	310,987,470	310,987,470
Amount set aside / Transfer to reserve	-	-
Amount used / Transfer from reserve	-	-
Closing balance	310,987,470	310,987,470

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

11. Reserve accounts (continued)

b) Revaluation reserves - non cash backed (continued)

	2019 Actual \$	2018 Actual \$
Footpath revaluation reserve		
Opening balance	67,402,659	65,653,044
Amount set aside / Transfer to reserve	-	1,749,615
Amount used / Transfer from reserve	-	-
Closing balance	67,402,659	67,402,659
Other engineering infrastructure revaluation reserve		
Opening balance	13,130,779	13,116,375
Amount set aside / Transfer to reserve	-	14,404
Amount used / Transfer from reserve	-	-
Closing balance	13,130,779	13,130,779
Reserve revaluation reserve		
Opening balance	31,827,308	31,827,308
Amount set aside / Transfer to reserve	-	-
Amount used / Transfer from reserve	-	-
Closing balance	31,827,308	31,827,308
Other parks infrastructure revaluation reserve		
Opening balance	5,066,854	5,066,854
Amount used / Transfer to reserve	-	-
Amount used / Transfer from reserve	-	-
Closing balance	5,066,854	5,066,854
Reticulation revaluation reserve		
Opening balance	555,012	555,012
Amount set aside / Transfer to reserve	-	-
Amount used / Transfer from reserve	-	-
Closing balance	555,012	555,012
Land revaluation reserve		
Opening balance	406,333,568	644,442,089
Amount set aside / Transfer to reserve	-	-
Amount used / Transfer from reserve	(1,048,911)	(238,108,521)
Closing balance	405,284,657	406,333,568

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

11. Reserve accounts (continued)

b) Revaluation reserves - non cash backed (continued)

	2019 Actual \$	2018 Actual \$
Building revaluation reserve		
Opening balance	113,107,997	136,963,485
Amount set aside / Transfer to reserve	1	-
Amount used / Transfer from reserve	-	(23,855,488)
Closing balance	113,107,998	113,107,997
Equity accounted investments		
Opening balance	10,259,427	9,922,836
Revaluation increment	1,311,457	336,591
Revaluation decrement	-	-
Closing balance	11,570,884	10,259,427
Total asset revaluation reserves		
Opening balance	1,988,874,108	2,250,427,777
Amount set aside / Transfer to reserve	2,010,571	2,100,610
Amount used / Transfer from reserve	(1,255,163)	(263,654,279)
Closing balance	1,989,629,516	1,988,874,108

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

12. Lease commitments

At the reporting date, the City had the following obligations under non-cancellable operating leases (these obligations are not recognised as liabilities):

	2019 \$	2018 \$
Not later than one year	100	100
Later than one year but not later than five years	400	400
Later than five years	1,900	2,000
	2,400	2,500

The operating lease relates to a parcel of land for use by the City for 50 years. The City does not have the option to purchase the leased land at the expiry of the lease period.

13. Superannuation

The City makes compulsory contributions to superannuation plans on behalf of its employees. Amendments to the Local Government Regulations in 2006 enabled freedom of choice for superannuation under the requirements of the Commonwealth Government rules for superannuation schemes. This change allows employees to choose superannuation plans other than the WA Local Government Superannuation Plan (WALGSP) and also provides for the current WALGSP to be the default scheme should an employee not choose another scheme.

Contributions relating to superannuation plans are recognised as expenses in the Statement of Comprehensive Income. The amount of superannuation contributions made by the City during the reporting period was \$9,212,027 (2018: \$9,024,924).

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

14. Trust funds

a) Trust funds allocated interest

Funds over which the City has no control and which are not included in the financial statements are as follows:

Purpose of trust fund	Opening balance 1 July 2018 \$	Receipts \$	Paid out \$	Interest Earned \$	Closing balance 30 June 2019 \$
Other bonds	706,568	29,577	19,032	18,847	735,960
Town Planning Scheme No 18	310,877	395,476	-	11,592	717,945
Town Planning Scheme No 25	558,113	-	-	13,066	571,179
Town Planning Scheme No 27	633,139	-	-	14,829	647,968
Town Planning Scheme No 28	784,498	-	-	18,366	802,864
Laneways	1,006,857	58,691	143,617	24,896	946,827
Other trusts and canteen	1,313,462	187,373	83,415	24,594	1,442,014
Payment in lieu of public open Space	12,267,910	801,500	-	321,344	13,393,754
	17,581,424	1,472,617	246,064	447,534	19,255,511

b) Bond Monies

	Opening balance 1 July 2018 \$	Receipts \$	Paid out \$	Transfer to Municipal Fund \$	Closing balance 30 June 2019 \$
Verge bonds	2,166,001	1,411,000	1,888,500	1,688,501	-
Book bonds	225	1,080	1,080	225	-
Client bonds	440	7,705	7,845	300	-
Hall hire bonds	64,949	754,055	771,764	47,240	-
Key bonds	9,627	700	6,755	3,572	-
Performance bonds	3,188,264	606,502	560,821	3,233,945	-
Reserve hire bond	770	-	-	770	-
Street tree bond	1,186,312	3,743,350	3,648,148	1,281,514	-
Payments in advance	10,000	349,469	354,969	4,500	-
Home care monies	159,763	1,493,908	1,327,923	325,748	-
Unclaimed monies	191,988	79,655	113,444	158,199	-
Land - section 152 land	1,722,744	-	-	1,722,744	-
BRB levy	2,854	1,094,161	1,047,070	49,945	-
Other trusts	-	1,041,659	994,394	47,265	-
	8,703,937	10,583,244	10,722,713	8,564,468	-

The City has transferred a number of funds previously held as Trust Funds to the Municipal Fund as at 30 June 2019, recognising this transfer in the Statement of Financial Position.

In addition, the City conducted an analysis of the interest that should be payable on those funds as at 30 June 2019 and has recognised this on the Statement of Financial Position. See note 4a.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

15. Commitments and contingencies

a) Capital expenditure commitments

At the reporting date, the City had capital expenditure commitments of \$3,259,651 for the purchase of property, plant and equipment and infrastructure which have not been provided for elsewhere in the financial statements. The majority of projects that have expenditure commitments are expected to be finalised in the 2019/20 financial year.

b) Contingent liability - guarantee for Mindarie Regional Council

The City, along with other member councils of the Mindarie Regional Council, has agreed to provide a financial guarantee to the operators of the resource recovery facility to be built at the Mindarie Regional Council site at Neerabup.

The guarantee will cover Mindarie Regional Council's obligations to make a termination payment to the facility operators if there is a force majeure event, a default event under the Resource Recovery Facility Agreement by the Mindarie Regional Council or where member Councils of Mindarie Regional Council fail to pay the applicable gate fees.

The financial guarantee is to provide comfort to the operator (and its financiers) by providing a direct contractual relationship between each member council and the operator.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

16. Investments

Equity contributions in other unlisted entities

	2019 Actual \$	2018 Actual \$
Mindarie Regional Council	23,926,456	22,635,502
Tamala Park Regional Council	15,237,365	15,244,109
	39,163,821	37,879,611

a) Mindarie Regional Council

The City, along with the City of Perth, City of Joondalup, City of Wanneroo, City of Vincent, Town of Cambridge and Town of Victoria Park is a member of the Mindarie Regional Council. The Mindarie Regional Council's objective is to establish and operate a long term refuse disposal site on Mindarie Super lot 118.

The City has contributed one third of the land and establishment costs of the refuse disposal facility. The City uses the refuse disposal facility at Mindarie to deposit all non recyclable waste collected by the City's domestic and commercial waste services.

The City has received its share of lease fees, since the facility became operational. Capital contributions paid during establishment are represented in the accounts of the City as a non current asset.

The City currently has a contingent liability in relation to the Mindarie Regional Council

Details of this contingent liability are provided in note 15(b).

Mindarie Regional Council Financial Position

Retained surplus attributed to equity accounted investment

	2019 Actual \$	2018 Actual \$
Balance at beginning of the financial year	11,014,163	10,611,506
Share of (loss)/profit from activity after tax	712,998	402,657
Adjustment on asset disposal	-	-
Balance at end of the financial year	11,727,161	11,014,163
Carry amount of equity accounted investments		
Balance at beginning of financial year	22,635,502	21,871,645
Share of profit/(loss)	712,998	402,657
Transfer to reserve	41,572	-
Share of revaluation of assets	536,384	336,591
Movement in capital contribution	-	24,609
Balance at end of the financial year	23,926,456	22,635,502

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

16. Investments (continued)

a) Mindarie Regional Council (continued)

	2019 Actual \$	2018 Actual \$
Current assets	37,247,209	34,043,996
Non current assets	59,171,350	58,119,743
Total assets	96,418,559	92,163,739
Current liabilities	7,487,383	7,313,796
Non current liabilities	17,151,807	16,943,437
Total liabilities	24,639,190	24,257,233
Net assets	71,779,369	67,906,506
Total equity Mindarie Regional Council	71,779,369	67,906,506
City's share of equity (one third)	23,926,456	22,635,502

b) Tamala Park Regional Council

The City, along with the City of Perth, City of Joondalup, City of Wanneroo, City of Vincent, Town of Cambridge and Town of Victoria Park is a member of the Tamala Park Regional Council. On the 21 February 2006 the Council received a report advising the formal establishment of the Tamala Park Regional Council under Section 3.61 of the *Local Government Act 1995*. The Tamala Park Regional Council formally came into existence on the 3 February 2006.

The Tamala Park Regional Council's activities will centre around the development of part Lot 118 Mindarie. Lot 118 was initially purchased in 1981 to provide a refuse landfill site for member councils of the Mindarie Regional Council, this lot is now being developed with a purpose of creating a new urban land development and a new urban community.

The investment in the Tamala Park Regional Council has been recognised at the value of its equity contributions. The City has undertaken a revaluation of its investments to fair value according to Local Government (Financial Management) Regulations.

	2019 Actual \$	2018 Actual \$
Tamala Park Regional Council	15,244,109	13,731,154
Restatement in relation to capitalisation threshold	(4,073)	-
Share of profit/(loss)	220,301	55,501
Capital contributions	1,110,361	2,790,788
Distributions received from joint venture entities	(1,333,333)	(1,333,334)
Balance at end of the financial year	15,237,365	15,244,109

The City's share of the inventory of land held for resale in relation to the Joint Venture has been recognised in Note 7 at \$1,912,027.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

16. Investments (continued)

b) Tamala Park Regional Council (continued)

Tamala Park Regional Council financial position

	2019 Actual \$	2018 Actual \$
Current assets	44,320,816	44,097,856
Non current assets	1,723,283	1,929,727
Total assets	46,044,099	46,027,583
Current liabilities	326,286	290,103
Non current liabilities	5,719	5,150
Total liabilities	332,005	295,253
Net assets	45,712,094	45,732,330
Total equity Tamala Park Regional Council	45,712,094	45,732,330
City's share of equity (one third)	15,237,365	15,244,110

17. Notes to the statement of cash flows

a) Reconciliation of cash

For the purpose of the statement of cash flows, cash and cash equivalents includes cash on hand, cash at bank and investments in short term money market activity, net of any outstanding bank overdraft. All trust monies are excluded.

Cash at the end of the reporting period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2019 \$	2018 \$
Cash at bank	36,621	35,010
Short maturity Investment	121,810,718	104,176,659
Total cash and cash equivalents	121,847,339	104,211,669

b) Non-cash investing activities

During the reporting period the City acquired assets that were gifted from the State of Western Australia as well as the Metropolitan Redevelopment Authority as referenced in Note 8.

c) Taxation

Except for the goods and service and fringe benefits tax, the activities of the City are exempt from taxation.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

17. Notes to the statement of cash flows (continued)

d) Reconciliation of net cash used in operating activities to change in net assets.

	2019 \$	2018 \$
Net result	45,163,583	16,975,543
Depreciation	48,649,086	42,633,690
Underground power	(1,499,613)	-
Increase/(Decrease) in impairment	270,178	(39,841)
Increase in employee entitlements	3,091,017	(383,029)
Increase/(Decrease) in payables and provisions	7,342,111	(4,111,261)
Increase/(Decrease) in income in advance	51,599	172,265
Decrease/(Increase) in receivables	(4,867,693)	411,538
Decrease/(Increase) in prepayments	(165,560)	7,069
Decrease/(Increase) in inventory	1,211,605	2,816,984
(Increase) in investments	(1,288,283)	(2,431,481)
(Increase)/Decrease in assets under construction	(23,148)	313,425
Loss on sale of non-current assets	1,123,365	767,492
Acquired assets	(42,899,184)	(10,005)
Reduction of GST refund for fringe benefit tax	696,089	892,517
Equity share of investment	(220,301)	(55,501)
Government subsidies	(7,036,583)	(8,848,177)
Net cash from operating activities	49,598,268	49,111,228

e) Credit standby arrangements

	2019 \$	2018 \$
Bank overdraft limit	500,000	500,000
Bank overdraft at reporting date	-	-
Total amount of credit unused	500,000	500,000

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

18. Rates and service charges

	2019 Budget \$	2019 Actual \$	2018 Actual \$
a) General rate			
GRV rate in the \$: 4.967 cents	107,701,637	109,164,570	105,063,416
Rateable value general rates \$2,168,343,809			
Estimated number of properties 64,785			
Minimum payments			
GRV number of assessments 32,963 at \$845	27,853,735	27,745,105	27,289,087
GRV number of assessments 21 at \$798	16,758	16,758	16,527
Interim rates			
	1,778,685	1,250,756	2,466,599
Specific area rate			
GRV rate in the \$: 3.261 cents	23,233	23,020	22,912
Rateable value specific area \$712,450			
Number of properties 23			
Total general rates levied	137,374,048	138,200,209	134,858,541
Plus			
Late payment penalties	280,000	480,550	428,243
Arrears rates	321,637	394,257	485,979
Instalment charges and interest	-	(108)	697,839
General purpose grant	4,429,981	4,518,411	4,499,716
Other general purpose funding	4,455,342	4,827,533	4,700,016
Total general purpose funding shown on income statement	146,861,008	148,420,852	145,670,334

b) Security service charges

The City provided a security patrol service with a mission "To reduce the incidence of preventable crime, anti-social behaviour and residents fear of crime within the boundaries of the City of Stirling through patrols and proactive security measures".

The charge per property was fixed at \$30.00 and the revenue raised was \$2,999,820. The original budget was \$2,980,000.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

18. Rates and service charges (continued)

c) Instalment option for rates

The City operates four payment option plans consisting of a one payment option that is eligible to be in the City's early payment incentive scheme plus a one payment option that is ineligible for the City's early payment incentive scheme, plus two or four instalment options. The one payment option must be received within 35 days of issue of statements and comprises of any arrears, current rubbish charge, current security charge and current pool fence inspection charge (if any). To be eligible for the early payment incentive scheme the one payment option must be received within 28 days of issue of statements. For the two and four instalment options, payments are required to be 25% or 50% of current rates, plus the instalment interest. Subsequent instalments comprise 25% or 50% of current rates plus any instalment interest.

The rate of interest charged for the instalment options was 3%.

The amount of revenue raised from the imposition of the interest was \$363,327.

The original budget was \$296,637.

d) Rates early payment incentive scheme

The City operated an incentive scheme in which 19 prizes were donated by sponsors.

To be eligible, full payment of all rates and charges must have been received by 22 August 2018.

This excluded pensioner rates deferred under the provisions of the *Rates and Charges (Rebates and Deferments) Act 1992*. The selection method involved a computer programme that selected all assessments eligible to be in the draw. The draw was conducted in the presence of several senior officers.

The total cost to the City for the incentive scheme was \$34,388.

The original budget was \$40,000.

e) Concession and write offs

The total cost or reduction of revenue from the waiver or grant of concession was nil.

The total amount of rates written off was nil. The original budget was nil.

f) Late payment interest

The rate of interest charged for the late payment of rates and service charges was 9%.

The amount of revenue raised from the imposition of the interest for the late payment of rates and service charges was \$480,550. The original budget was \$280,000.

The rate of interest charged for the late payment of any other money was 9%.

The amount of revenue raised from the imposition of the interest for the late payment of any other money was nil. The original budget was nil.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

19. Information about fees to council members

	2019 Budget \$	2019 Actual \$	2018 Actual \$
Communications and IT allowance	49,000	49,000	49,000
Travel expenses	30,000	13,820	13,351
Meeting fee allowance	454,778	444,322	444,322
Mayoral allowance	88,864	88,864	88,862
Deputy Mayoral allowance	22,216	22,216	22,216
	<u>644,858</u>	<u>618,222</u>	<u>617,751</u>

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

20. Related parties transactions

Key Management Personnel (KMP) compensation disclosure

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

	2019 Actual \$	2018 Actual \$
Short-term employee benefits	1,436,687	1,389,382
Post-employment benefits	113,508	132,426
Other long-term benefits	32,939	29,693
Termination benefits	160,216	10,167
	1,743,350	1,561,668

Short-term employee benefits

These amounts include all salary, paid leave, 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 at Note 19.

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.

Termination benefits

These amounts represent termination benefits paid to KMP.

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. 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.

iii. Joint venture entities accounted for under the equity method

The City is involved in joint venture arrangements with Tamala Park Regional Council and Mindarie Regional Council.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

20. Related parties transactions (continued)

The City's main related parties are as follows:

a) Tamala Park Regional Council

The City along with the City of Perth, City of Joondalup, City of Wanneroo, City of Vincent, Town of Cambridge and Town of Victoria Park is a member of the Tamala Park Regional Council. The City will contribute one third of any funding required for capital or operating costs and will also be entitled to one third of revenue from the sale of lots of land.

The City's one-third interest in the Tamala Park Regional Council is accounted for in the financial statements using the equity accounting method and all transactions are accounted for on normal terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following related party transactions occurred with the Tamala Park Regional Council for the financial year ending 30 June 2019:

	2019 Actual \$	2018 Actual \$
Associated companies/individuals:		
Sale of goods and services	216,919	332,769
Purchase of goods and services	164,099	434,454
Joint venture entities:		
Distributions received from joint venture entities	1,333,333	1,333,333
Amounts outstanding from related parties:		
Trade and other receivables	-	889
Loans to associated entities	-	-
Loans to key management personnel	-	-
Amounts payable to related parties:		
Trade and other payables	9,468	25,031
Loans from associated entities	-	-

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

20. Related parties transactions (continued)

b) Mindarie Regional Council

The City along with the City of Perth, City of Joondalup, City of Wanneroo, City of Vincent, Town of Cambridge and Town of Victoria Park is a member of the Mindarie Regional Council.

The City's one-third interest in the Mindarie Regional Council is accounted for in the financial statements using the equity accounting method and all transactions are accounted for on normal terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following related party transactions occurred with the Mindarie Regional Council for the financial year ending 30 June 2019:

	2019 Actual \$	2018 Actual \$
Associated companies/individuals:		
Sale of goods and services	276,365	251,191
Purchase of goods and services	12,504,865	10,081,426
Joint venture entities:		
Distributions received from joint venture entities	-	-
Amounts outstanding from related parties:		
Trade and other receivables	-	-
Loans to associated entities	-	-
Loans to key management personnel	-	-
Amounts payable to related parties:		
Trade and other payables	732,017	669,763
Loans from associated entities	-	-

c) Local government house unit trust

The City along with other councils and shires has units in the local government house trust. There were no transactions between the trust and City in the current financial year.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

21. Major land transaction Information

a) The development and subdivision of Tamala Park (Catalina Estate) Tamala Park Regional Council

The Tamala Park Regional Council was established for the specific purpose of creating an urban development on 165 hectares of land immediately south of Neerabup Road and the Mindarie Regional Council. The project is expected to have a ten-year life cycle with more than 2,500 lots developed for housing that will be progressively sold in stages. The first stage of the development commenced in early 2011 and the first lots were released for sale in July 2012.

The City along with the City of Perth, City of Joondalup, City of Wanneroo, City of Vincent, Town of Cambridge and Town of Victoria Park is a member of the Tamala Park Regional Council. The City will contribute one third of any funding required for capital or operating costs and will also be entitled to one third of revenue from the sale of lots of land.

As at 30 June 2019 the value of the City's equity share of its investment in the Tamala Park Regional Council was \$15,237,365 (refer note 16).

Total of sales and expenditure of Catalina Estate Land

	2019 Actual \$	Total to 30 June 2018 \$	Total \$
Income from sales	10,056,404	227,042,096	237,098,500
Cost of lots sold	(3,371,731)	(82,285,049)	(85,656,780)
Direct selling costs	(444,135)	(21,194,834)	(21,638,969)
Marketing costs	(300,428)	(1,715,512)	(2,015,940)
Administration costs	(945,787)	(2,982,968)	(3,928,755)
Surplus/(Deficit)	4,994,323	118,863,733	123,858,056

City of Stirling equity share of sales and expenditure of Catalina Estate land

	2019 Actual \$	Total to 30 June 2018 \$	Total \$
Income from sales	3,352,135	75,680,699	79,032,833
Cost of lots sold	(1,123,910)	(27,428,350)	(28,552,260)
Direct selling costs	(148,045)	(7,064,945)	(7,212,990)
Marketing costs	(100,143)	(571,837)	(671,980)
Administration costs	(315,262)	(994,323)	(1,309,585)
Surplus/(Deficit)	1,664,774	39,621,244	41,286,019

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

21. Major land transaction information (continued)

a) The development and subdivision of Tamala Park (Catalina Estate) (continued)

Catalina Estate sales	Year	Revenue \$
Stages land was released for Catalina Estate		
FY13 stages	2012/2013	51,375,500
FY 14 stages	2013/2014	50,325,000
Stage 11	Oct-14	17,611,000
Stage 12	Dec-14	14,063,000
Stage 6B	Jan-15	7,452,000
Stage 13A	May-15	9,675,000
Stage 13B	May-15	12,103,000
Stage 14A	Jun-15	16,784,000
Stage 15	Dec-15	15,444,000
Stage 18A	May-16	8,626,000
Stage 14B	Oct-16	2,219,000
Stage 17A	Feb-17	7,135,000
Stage 18B	Jun-17	6,925,000
Stage 25	Aug-17	14,427,000
Stage 17B	May-18	2,934,000
	Total	237,098,500

Sales from Tamala Park Regional Council minutes

Estimated sales and cost of sales Catalina Estate 2020 - 2022

	2019 Actual \$	2020 Forecast \$	2021 Forecast \$	2022 Forecast \$
Income from sales	10,056,404	31,985,308	42,399,590	56,044,482
Cost of lots sold	(3,371,731)	(11,514,711)	(15,263,852)	(20,176,014)
Direct selling costs	(444,135)	(2,958,641)	(3,921,962)	(5,184,115)
Marketing costs	(300,428)	(239,890)	(317,997)	(420,334)
Administration costs	(945,787)	(415,809)	(551,195)	(728,578)
Surplus/(Deficit)	4,994,323	15,129,051	20,055,006	26,509,040

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

21. Major land transaction information (continued)

a) The development and subdivision of Tamala Park (Catalina Estate) (continued)

Tamala Park Regional Council financial position

	2019 Actual \$	2018 Actual \$
Current assets	44,320,816	44,097,856
Non current assets	1,723,283	1,929,727
Total assets	46,044,099	46,027,583
Current liabilities	326,286	290,103
Non current liabilities	5,719	5,150
Total liabilities	332,005	295,253
Net assets	45,712,094	45,732,330
Total equity Tamala Park Regional Council	45,712,094	45,732,330
City's share of equity (one third)	15,237,365	15,244,110

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

22. Financial risk management

The City's activities expose it to a variety of financial risks including price risk, credit risk, liquidity risk and interest rate risk. The City's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the City.

The City does not engage in 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 Council.

The City held the following financial instruments at the balance sheet date:

	Carrying value		Fair value	
	2019 \$	2018 \$	2019 \$	2018 \$
Financial assets				
Cash and cash equivalents	121,847,339	104,211,669	121,847,339	104,211,669
Receivables	9,139,099	6,762,399	9,139,099	6,762,399
Non-current Debtors	4,022,932	1,531,939	4,022,932	1,531,939
	135,009,370	112,506,007	135,009,370	112,506,007
Financial liabilities				
Payables	33,673,224	17,665,799	33,673,224	17,665,799
	33,673,224	17,665,799	33,673,224	17,665,799

Fair value for cash and cash equivalent, receivables, payables and borrowings are estimated as the carrying value, which approximates to fair value.

a) Cash and cash equivalent

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

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

The City manages these risks by diversifying its portfolio and only placing surplus cash with banking institutions with a high credit rating.

b) Receivables

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

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. Council is also able to charge interest on overdue rates and annual charges at higher than market rates, which further encourages payment.

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

No provisions are made for Rates debtors as the City has provisions under Schedule 6.3 of the Local Government Act 1995 to assist in managing rates or service charges which remain unpaid.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

22. Financial risk management (continued)

b) Receivables (continued)

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

A profile of Council's current receivables credit risk at balance date follows:

	2019 %	2018 %
Percentage of rates and annual charges		
Current	0.00%	0.00%
Overdue	100.00%	100.00%

The amount outstanding as at 30 June 2019 represented 0.2% of the total asset base.

Percentage of other receivables

Current	13.43%	15.78%
Overdue	86.57%	84.22%

The amount outstanding after impairment/expected credit loss as at 30 June 2019 represented 0.26% of the total asset base.

c) Payables and borrowing

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. There is no risk associated with borrowing as this is a book figure representing un-presented cheques.

	Due within 1 year \$	Due between 1 and 5 years \$	Total contractual cash flows \$	Carrying values \$
2019				
Payables	33,673,224	-	33,673,224	33,673,224
	33,673,224	-	33,673,224	33,673,224
2018				
Payables	17,665,799	-	17,665,799	17,665,799
	17,665,799	-	17,665,799	17,665,799

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

22. Financial risk management (continued)

d) Interest rate risk

The City is exposed to interest rate risk mainly through financial assets and liabilities. The following table details the City's exposure to interest rate risk as at reporting date.

2019	Av Int Rate %	Var Int Rate \$	Fixed interest rate maturity			Non int bearing \$	Total \$
			Less than 1 year \$	1 to 5 years \$	More than 5 Years \$		
Financial assets							
Cash	2.33	-	-	-	-	36,621	36,621
Cash and cash equivalents	2.33	-	121,810,718	-	-	-	121,810,718
Total		-	121,810,718	-	-	36,621	121,847,339
Financial Liabilities							
Payables	-	-	-	-	-	20,883,239	20,883,239
Bank Overdraft	4.19	-	-	-	-	-	-
Unpresented Cheques/EFT's	-	-	-	-	-	340,452	340,452
Total		-	-	-	-	21,223,691	21,223,691

2018	Av int rate %	Var int rate \$	Fixed interest rate maturity			Non int bearing \$	Total \$
			Less than 1 year \$	1 to 5 years \$	More than 5 years \$		
Financial assets							
Cash	2.48	-	-	-	-	35,010	35,010
Cash and cash equivalents	2.48	-	104,176,659	-	-	-	104,176,659
Total		-	104,176,659	-	-	35,010	104,211,669
Financial liabilities							
Payables	-	-	-	-	-	13,541,128	13,541,128
Bank overdraft	4.28	-	-	-	-	-	-
Unpresented cheques/EFT's	-	-	-	-	-	408,862	408,862
Total		-	-	-	-	13,949,990	13,949,990

The balance of the bank overdraft amount reflects the book position and includes cheques that have been drawn but have not yet been debited to the bank account. Funds are maintained in investment until required.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

22. Financial risk management (continued)

e) Sensitivity to interest rate risk

The City's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates, is considered negligible for all financial instruments.

Liquidity risk is managed through maintaining adequate cash reserves and borrowing facilities. This is achieved by continuously monitoring forecast and actual cash flows, maintaining an appropriate mix of financial institutions to invest with and setting limits in terms of borrowing and investments.

The City has significant funds invested and returns from those investments are dependent upon current interest rates. If interest rates were to increase or decrease by 1%, the annual return would increase or decrease by \$1,218,473

There is no real interest rate risk in relation to financial liabilities because the overdraft disclosure is purely a book figure representing unrepresented cheques.

f) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the City. The Council has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The City measures credit risk on a fair value basis.

The City does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

g) Fair value of financial instruments

The City considers that the carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective fair values.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

23. Performance measurements

Financial information by ratio:

	2019	2018	2017	2016	2015
Current ratio					
Current assets minus restricted current assets	1.7853	2.7364	2.1982	3.0831	2.9252
Current liabilities minus liabilities associated with restricted assets					
Asset sustainability ratio					
Capital renewal and replacement expenditure	0.6808	1.0025	3.4996	2.5187	2.7274
Depreciation expense					
Debt service cover ratio*					
Annual operating surplus before interest and depreciation	0.0000	0.0000	0.0000	0.0000	0.0000
Principal and interest					
*The City has no debt as at 30 June 2019					
Operating surplus ratio					
Operating revenue minus operating expense	0.0021	0.0339	0.0839	0.0500	0.1039
Own source operating revenue					
Own source revenue ratio					
Own source operating revenue	0.9846	1.0419	1.0995	1.0713	1.1252
Operating expense					
Asset consumption ratio					
Depreciated replacement cost of assets	0.8611	0.8702	0.9953	0.9382	0.9410
Current replacement cost of depreciated assets					
Asset renewal funding ratio					
Asset Renewals	0.8831	0.8621	2.8755	1.8890	1.9464
Depreciation, amortisation & impairment					

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

24. Subsequent event

There have been no subsequent events of a material nature to report since the end of the financial year.

25. Opening and closing funds

Determination of opening funds

	Note	2018 Actual \$	2017 Actual \$
Current assets			
Cash and cash equivalents		104,211,669	125,208,406
Trade and other receivables		6,762,399	7,711,951
Other assets		800,793	269,848
Inventories		3,437,540	6,254,524
Total current assets		115,212,401	139,444,729
Current liabilities			
Payables and provisions		30,189,085	34,629,115
Total current liabilities		30,189,085	34,629,115
Net current assets		85,023,316	104,815,614
Budget adjustments (non-cash)			
Less: Committed cash		632,004	4,461,706
Add: Current annual leave	10	6,154,076	6,244,833
Add: Current long service leave	10	6,369,210	6,377,580
Budget adjustments net		11,891,282	8,160,707
Less: Restricted financial assets reserves	5b	66,240,547	83,312,606
Restricted assets town planning schemes	5b	-	3,209,781
Opening fund on rate setting statement		30,674,051	26,453,934

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

25. Opening and closing funds (continued)

Determination of closing funds

	Note	2019 Actual \$	2018 Actual \$
Current assets			
Cash and cash equivalents	5,17a	121,847,339	104,211,669
Trade and other receivables	6a	9,139,099	6,762,399
Other assets	6c	966,353	800,793
Inventories	7	2,225,935	3,437,540
Total current assets		134,178,726	115,212,401
Current liabilities			
Payables and provisions	9, 10	49,123,509	30,189,085
Total current liabilities		49,123,509	30,189,085
Net current assets		85,055,217	85,023,316
Budget adjustments (non-cash)			
Less: Committed cash	4f	-	632,004
Add: Current annual leave	10	6,302,092	6,154,076
Add: Current long service leave	10	9,148,193	6,369,210
Budget adjustments net		15,450,285	11,891,282
Less: Restricted financial assets reserves	5b	73,924,250	66,240,547
Closing funds on rate setting statement		26,581,252	30,674,051

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

26. 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. The effect of adopting AASB 9 as at 1 July 2018 was not material.

a) Classification and measurement

Under AASB 9, financial assets are subsequently measured at amortised cost, fair value through other comprehensive income (fair value through OCI) or fair value through profit or loss (fair value through P/L). 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.

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:

- Trade receivables and loans and advances (i.e. other debtors) classified as Loans and 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 did not designate any financial assets as at fair value through profit and loss.

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

Class of financial instrument presented in the statement of financial position	Original measurement category under AASB 139	New measurement category under AASB 9	Carrying amount under AASB 139	Carrying amount under AASB 9
			\$	\$
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost	104,211,669	104,211,669
Receivables	Loans and receivables	Financial assets at amortised cost	7,300,413	7,300,413
Other assets	Loans and receivables	Financial assets at amortised cost	262,779	262,779
Investments	Loans and receivables	Financial assets at amortised cost	37,879,611	37,879,611
Other receivables	Loans and receivables	Financial assets at amortised cost	1,531,939	1,531,939
Trade and other payables	Loans and receivables	Financial assets at amortised cost	17,665,799	17,665,799

The change in classification has not resulted in any remeasurement adjustment at 1 July 2018.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

26. Initial application of Australian Accounting Standards (continued)

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.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

27. New accounting standards and interpretation 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.

The City is currently assessing the impact of adopting of the new standard but believe the adoption of the new standard will not have a material impact on the financial report.

b) Leases

AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 Leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.

The City is currently assessing the impact of adopting of the new standard but believe the adoption of the new standard will not have a material impact on the financial report.

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.

The City is currently assessing the impact of adopting of the new standard but believe the adoption of the new standard will not have a material impact on the financial report.

Prepaid rates are, until the taxable event for the rates has occurred, refundable at the request of the ratepayer. Therefore the rates received in advance give rise to a financial liability that is within the scope of AASB 9. The City has always recognised prepaid rates as a financial liability until the taxable event occurs at which point the financial liability will be extinguished and the City will recognise income for the prepaid rates that have not been refunded.

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.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

27. New accounting standards and interpretation for application in future years (continued)

d) New Accounting Standards - application in future years

Pronouncement	Title	Summary	Application date
AASB 1059	Service Concession Arrangements: Grantors	<p>This Standard addresses the accounting for a service concession arrangement by a grantor that is a public sector entity. The Standard is based on the International Public Sector Accounting Standard IPSAS 32 Service Concession Arrangements: Grantor and is broadly consistent with AASB Interpretation 12 Service Concession Arrangements, which sets out the accounting for the operator of such arrangements, in relation to its principles for recognising service concession assets.</p> <p>The Standard requires a grantor to:</p> <ul style="list-style-type: none"> » recognise a service concession asset constructed, developed or acquired from a third party by the operator, including an upgrade to an existing asset of the grantor, when the grantor controls the asset » reclassify an existing asset (including recognising previously unrecognised identifiable intangible assets and land under roads) as a service concession asset when it meets the criteria for recognition as a service concession asset » initially measure a service concession asset at current replacement cost in accordance with the cost approach to fair value in AASB 13 Fair Value Measurement. Subsequent to the initial recognition or reclassification of the asset, the service concession asset is accounted for in accordance with AASB 116 Property, Plant and Equipment or AASB 138 Intangible Assets, as appropriate, except as specified in this Standard » recognise a corresponding liability measured initially at the fair value (current replacement cost) of the service concession asset, adjusted for any other consideration between the grantor and the operator, using either (or both) the financial liability model or the grant of a right to the operator model. 	1-Jan-20

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

d) New Accounting Standards - application in future years

Pronouncement	Title	Summary	Application date
Conceptual Framework AASB 2019-1	Conceptual Framework for Financial Reporting Amendments to Australian Accounting Standards – Reference to the Conceptual Framework	<p>The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows:</p> <ul style="list-style-type: none"> » Chapter 1 – The objective of financial reporting » Chapter 2 – Qualitative characteristics of useful financial information » Chapter 3 – Financial statements and the reporting entity » Chapter 4 – The elements of financial statements » Chapter 5 – Recognition and derecognition » Chapter 6 – Measurement » Chapter 7 – Presentation and disclosure » Chapter 8 – Concepts of capital and capital maintenance <p>AASB 2019-1 has also been issued, which sets out the amendments to Australian Accounting Standards, Interpretations and other pronouncements in order to update references to the revised Conceptual Framework. The changes to the Conceptual Framework may affect the application of accounting standards in situations where no standard applies to a particular transaction or event. In addition, relief has been provided in applying AASB 3 and developing accounting policies for regulatory account balances using AASB 108, such that entities must continue to apply the definitions of an asset and a liability (and supporting concepts) in the Framework for the Preparation and Presentation of Financial Statements (July 2004), and not the definitions in the revised Conceptual Framework.</p>	1-Jan-20
AASB 2018-6	Amendments to Australian Accounting Standards – Definition of a Business	The Standard amends the definition of a business in AASB 3 Business Combinations. The amendments clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.	1-Jan-20
AASB 2018-7	Amendments to Australian Accounting Standards – Definition of Material	This Standard amends AASB 101 Presentation of Financial Statements and AAS 108 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.	1-Jan-20



Independent Auditor's report

To the Councillors of the City of Stirling

Report on the Audit of the Financial Report

Opinion

I have audited the annual financial report of the City of Stirling 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 Stirling:

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

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

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

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

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

Auditor's Responsibility for the Audit of the Financial Report

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

- (i) All required information and explanations were obtained by me.
- (ii) All audit procedures were satisfactorily completed.
- (iii) 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 2015, 2016 and 2017 in Note 23 of the financial report were audited by another auditor when performing their audit of the City for the years ending 30 June 2015, 30 June 2016 and 30 June 2017. The auditor expressed an unmodified opinion on the financial report for those years.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the annual financial report of the City of Stirling 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 financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.



DON CUNNINGHAME
ACTING DEPUTY AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Delegate of the Auditor General for Western Australia
Perth, Western Australia
3 October 2019