

Annual Report 2018/19 (Part 2 – Annual Financial Report)



Introduction

The City of Kwinana's Annual Report 2018/19 comprises of two parts, Part 1 – Community and Part 2 – Annual Financial Report. This Annual Report (Part 2 – Annual Financial Report), together with the Annual Report (Part 1 – Community) complies with the requirements of Section 5.53(1) of the Local Government Act 1995.

The Annual Report 2018/19 (Part 1 – Community) is available to download from the City's website www.kwinana.wa.gov.au or in hard copy on request by contacting the City of Kwinana on 9439 0200 or visiting the City of Kwinana Administration Building, Corner Gilmore Avenue and Sulphur Road, Kwinana.



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

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COMMUNITY VISION

Kwinana 2030: Rich in spirit, alive with opportunities, surrounded by nature - it's all here!

Principal place of business:
Corner Gilmore Avenue and Sulphur Road
Kwinana WA 6167

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

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the City of Kwinana 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 Kwinana 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.

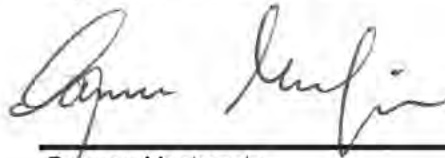
Signed on the

25th

day of

NOVEMBER

2019



Graeme Mackenzie

Chief Executive Officer

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

	NOTE	2019 Actual \$	2019 Budget \$	Restated 2018 Actual \$
Revenue				
Rates	23(a)	38,074,897	38,101,480	35,057,664
Operating grants, subsidies and contributions	2(a)	8,608,169	7,639,227	8,468,213
Fees and charges	2(a)	11,876,679	11,694,484	12,949,200
Interest earnings	2(a)	2,309,386	2,690,500	3,067,213
Other revenue	2(a)	2,946,617	1,489,872	3,895,968
		63,815,748	61,615,563	63,438,258
Expenses				
Employee costs		(27,064,970)	(28,625,503)	(26,770,022)
Materials and contracts		(24,574,645)	(26,006,186)	(24,786,855)
Utility charges		(2,414,314)	(2,361,417)	(2,333,379)
Depreciation on non-current assets	11(b)	(15,359,581)	(13,672,393)	(14,200,785)
Interest expenses	2(b)	(1,110,457)	(1,111,762)	(1,153,004)
Insurance expenses		(571,974)	(570,108)	(558,909)
Other expenditure		(20,507)	(122,653)	(167,643)
		(71,116,448)	(72,470,022)	(69,970,597)
		(7,300,700)	(10,854,459)	(6,532,339)
Non-operating grants, subsidies and contributions	2(a)	14,907,344	4,285,605	15,409,897
Profit on asset disposals	11(a)	6,178	11,132	12,226
(Loss) on asset disposals	11(a)	(152,265)	(200,172)	(181,971)
Fair value adjustments to financial assets through Profit & Loss - Banksia Park Deferred Management Fee	8	(610,100)	0	(4,648)
Fair value adjustments to financial assets through Profit & Loss - Local Government House Trust	8	122,620	0	0
Share of profit or loss of associates accounted for using the equity method - SMRC	21	61,124	0	0
(Loss) on revaluation of Infrastructure - Street Lights	10(a)	0	0	(9,803)
Reversal of prior year loss on revaluation of Infrastructure - Parks & Ovals	10(a)	0	0	2,762,144
		14,334,901	4,096,565	17,987,845
Net result for the period		7,034,201	(6,757,894)	11,455,506
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	12	0	0	57,147,876
Total other comprehensive income for the period		0	0	57,147,876
Total comprehensive income/(loss) for the period		7,034,201	(6,757,894)	68,603,382

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

CITY OF KWINANA
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2019

			Restated
	NOTE	2019 Actual \$	2019 Budget \$ 2018 Actual \$
Revenue	2(a)		
Governance		277,380	35,760 512,047
General purpose funding		42,768,055	42,579,130 40,042,948
Law, order, public safety		545,969	330,500 423,460
Health		92,426	153,066 198,151
Education and welfare		9,843,996	7,168,961 10,763,316
Community amenities		5,596,612	5,534,442 6,521,169
Recreation and culture		2,993,510	2,999,817 3,013,006
Transport		307,985	179,611 421,207
Economic services		1,188,472	1,280,762 1,303,720
Other property and services		201,343	1,353,514 239,234
		63,815,748	61,615,563 63,438,258
Expenses	2(b)		
Governance		(2,212,220)	(2,545,436) (5,255,813)
General purpose funding		(756,875)	(790,130) (1,200,118)
Law, order, public safety		(3,440,502)	(3,356,460) (3,158,348)
Health		(997,155)	(944,776) (1,183,022)
Education and welfare		(11,451,861)	(11,267,355) (10,889,290)
Community amenities		(9,561,640)	(10,245,967) (9,473,565)
Recreation and culture		(21,521,585)	(21,262,322) (18,780,034)
Transport		(14,601,299)	(15,283,330) (13,325,267)
Economic services		(1,599,830)	(1,861,358) (1,886,284)
Other property and services		(3,863,024)	(3,801,126) (3,665,852)
		(70,005,991)	(71,358,260) (68,817,593)
Finance Costs	2(b)		
Governance		(51,272)	(51,364) (57,150)
Education and welfare		(91,138)	(91,300) (94,793)
Recreation and culture		(819,581)	(820,507) (844,658)
Transport		(148,466)	(148,591) (156,403)
		(1,110,457)	(1,111,762) (1,153,004)
		(7,300,700)	(10,854,459) (6,532,339)

CITY OF KWINANA
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	Restated 2018 Actual \$
Non-operating grants, subsidies and contributions	2(a)	14,907,344	4,285,605	15,409,897
Profit on disposal of assets	11(a)	6,178	11,132	12,226
(Loss) on disposal of assets	11(a)	(152,265)	(200,172)	(181,971)
Fair value adjustments to financial assets through Profit & Loss - Banksia Park Deferred Management Fee	8	(610,100)	0	(4,648)
Fair value adjustments to financial assets through Profit & Loss - Local Government House Trust	8	122,620	0	0
Share of profit or loss of associates accounted for using the equity method - SMRC	21	61,124	0	0
(Loss) on revaluation of Infrastructure - Street Lights	10(a)	0	0	(9,803)
Reversal of prior year loss on revaluation of Infrastructure - Parks & Ovals	10(a)	0	0	2,762,144
		14,334,901	4,096,565	17,987,845
Net result for the period		7,034,201	(6,757,894)	11,455,506
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	12	0	0	57,147,876
Total other comprehensive income for the period		0	0	57,147,876
Total comprehensive income/(loss) for the period		7,034,201	(6,757,894)	68,603,382

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

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

	NOTE	2019 \$	2018 Restated *	1 July 2017 Restated *
			\$	\$
CURRENT ASSETS				
Cash and cash equivalents	3	11,888,157	9,367,549	3,382,610
Trade receivables	5	4,541,131	4,729,412	3,937,509
Other financial assets	8	45,662,914	43,892,452	50,761,369
Inventories	6	32,920	34,180	36,203
Other assets	7	656,144	491,927	107,861
TOTAL CURRENT ASSETS		62,781,266	58,515,520	58,225,552
NON-CURRENT ASSETS				
Trade receivables	5	711,755	678,782	599,197
Other financial assets	8	3,468,175	3,923,258	3,888,934
Investments accounted for using the equity method	21	319,244	0	0
Property, plant and equipment	9*	150,793,069	154,855,122	159,163,834
Infrastructure	10	362,312,960	357,614,778	288,754,573
TOTAL NON-CURRENT ASSETS		517,605,203	517,071,940	452,406,538
TOTAL ASSETS		580,386,469	575,587,460	510,632,090
CURRENT LIABILITIES.				
Trade and other payables	13*	21,391,450	23,240,753	26,386,486
Borrowings	14	1,451,093	777,133	617,723
Employee related provisions	15	4,902,379	4,627,270	4,522,884
TOTAL CURRENT LIABILITIES		27,744,922	28,645,156	31,527,093
NON-CURRENT LIABILITIES				
Borrowings	14	20,101,305	21,294,278	22,071,411
Employee related provisions	15	469,604	447,068	436,010
TOTAL NON-CURRENT LIABILITIES		20,570,909	21,741,346	22,507,421
TOTAL LIABILITIES		48,315,831	50,386,502	54,034,514
NET ASSETS		532,070,638	525,200,958	456,597,576
EQUITY				
Retained surplus	*	244,608,437	241,396,775	231,669,958
Reserves - cash backed	4	55,730,366	52,072,348	50,343,659
Revaluation surplus	12	231,731,835	231,731,835	174,583,959
TOTAL EQUITY		532,070,638	525,200,958	456,597,576

* See note 29 for details regarding prior year adjustments and impact of change in accounting policy

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

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

		RETAINED SURPLUS	RESERVES CASH BACKED	REVALUATION SURPLUS	TOTAL EQUITY
	NOTE	\$	\$	\$	\$
Balance as at 1 July 2017		231,669,958	50,343,659	174,583,959	456,597,576
Comprehensive income					
Net result for the period - Restated		11,455,506	0	0	11,455,506
Other comprehensive income	12	0	0	57,147,876	57,147,876
Total comprehensive income		11,455,506	0	57,147,876	68,603,382
Transfers from/(to) reserves		(1,728,689)	1,728,689	0	0
Balance as at 30 June 2018		241,396,775	52,072,348	231,731,835	525,200,958
Initial Application of AASB 9	27 (c)	(164,521)	0	0	(164,521)
Restated total equity at the beginning of the financial year		241,232,254	52,072,348	231,731,835	525,036,437
Comprehensive income					
Net result for the period		7,034,201	0	0	7,034,201
Total comprehensive income		7,034,201	0	0	7,034,201
Transfers from/(to) reserves		(3,658,018)	3,658,018	0	0
Balance as at 30 June 2019		244,608,437	55,730,366	231,731,835	532,070,638

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

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

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		37,773,991	38,305,198	34,142,548
Operating grants, subsidies and contributions		6,390,524	7,453,423	8,106,746
Fees and charges		11,876,679	11,694,484	12,949,200
Interest received		1,884,438	2,690,500	3,067,213
Goods and services tax received		2,835,628	0	2,861,322
Other revenue		2,946,617	1,489,872	3,895,968
		63,707,877	61,633,477	65,022,997
Payments				
Employee costs		(27,141,971)	(28,925,502)	(26,684,529)
Materials and contracts		(25,580,365)	(25,246,302)	(27,821,794)
Utility charges		(2,414,314)	(2,361,417)	(2,333,379)
Interest expenses		(1,111,761)	(1,111,762)	(1,231,824)
Insurance paid		(571,974)	(570,108)	(558,909)
Goods and services tax paid		(531,932)	0	(2,835,644)
Other expenditure		(20,507)	(122,653)	(172,291)
		(57,372,824)	(58,337,744)	(61,638,370)
Net cash provided by (used in) operating activities	16	6,335,053	3,295,733	3,384,627
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment	9(a)	(2,102,378)	(7,395,250)	(2,237,698)
Payments for construction of infrastructure		(3,982,448)	(7,816,908)	(5,163,939)
Proceeds from/ (payments for) financial assets at amortised cost		(1,819,027)	0	6,814,300
Non-operating grants, subsidies and contributions		4,476,940	4,285,605	3,258,381
Proceeds from self supporting loans	14(b)	16,168	16,168	15,644
Proceeds from sale of property, plant & equipment	11(a)	373,433	423,500	531,347
Net cash provided by (used in) investment activities		(3,037,312)	(10,486,885)	3,218,035
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	14(b)	(777,133)	(777,133)	(617,723)
Proceeds from new borrowings	14(c)	0	2,268,000	0
Net cash provided by (used in) financing activities		(777,133)	1,490,867	(617,723)
Net increase (decrease) in cash held		2,520,608	(5,700,285)	5,984,939
Cash at beginning of year		9,367,549	55,089,545	3,382,610
Cash and cash equivalents at the end of the year	16	11,888,157	49,389,260	9,367,549

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

The budgeted cash and cash equivalents include term deposits that are now classified as financial assets. Refer to Note 3 for the breakdown of total cash, cash equivalents, and all term deposits.

CITY OF KWINANA
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	24 (b)	1,898,805	1,345,947	3,194,697
		1,898,805	1,345,947	3,194,697
Revenue from operating activities (excluding rates)				
Governance		277,380	35,760	518,239
General purpose funding		4,693,158	4,477,650	4,985,284
Law, order, public safety		545,969	330,500	423,460
Health		92,426	153,066	198,151
Education and welfare		9,843,996	7,168,961	10,763,316
Community amenities		5,596,612	5,534,442	6,521,169
Recreation and culture		2,993,510	2,999,818	3,013,006
Transport		307,985	179,611	421,207
Economic services		1,188,472	1,280,762	1,303,720
Other property and services		207,521	1,364,646	245,268
		25,747,029	23,525,216	28,392,820
Expenditure from operating activities				
Governance		(2,299,800)	(2,596,800)	(5,336,852)
General purpose funding		(756,875)	(790,130)	(1,200,118)
Law, order, public safety		(3,478,283)	(3,369,960)	(3,204,357)
Health		(997,155)	(950,887)	(1,183,022)
Education and welfare		(12,153,099)	(11,379,613)	(10,988,731)
Community amenities		(9,564,944)	(10,248,550)	(9,479,501)
Recreation and culture		(22,360,221)	(22,098,138)	(19,625,946)
Transport		(14,752,938)	(15,431,921)	(13,511,758)
Economic services		(1,609,317)	(1,861,358)	(1,886,284)
Other property and services		(3,906,181)	(3,942,836)	(988,306)
		(71,878,813)	(72,670,193)	(67,404,875)
Non-cash amounts excluded from operating activities	24(a)	14,289,865	13,861,433	8,765,697
Amount attributable to operating activities		(29,943,114)	(33,937,598)	(27,051,661)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	2(a)	14,907,344	4,285,605	15,409,897
Proceeds from disposal of assets	11(a)	373,433	423,500	531,347
Proceeds from self supporting loans	14(b)	16,168	16,168	15,644
Purchase of property, plant and equipment	9(a)	(2,102,378)	(7,395,250)	(2,237,698)
Purchase and construction of infrastructure	10(a)	(14,412,852)	(7,816,908)	(17,315,455)
Amount attributable to investing activities		(1,218,285)	(10,486,885)	(3,596,265)
FINANCING ACTIVITIES				
Repayment of borrowings	14(b)	(777,133)	(777,133)	(617,723)
Proceeds from borrowings	14(c)	0	2,268,000	0
Transfers to reserves (restricted assets)	4	(9,700,454)	(4,667,140)	(9,116,017)
Transfers from reserves (restricted assets)	4	6,042,436	9,499,275	7,387,328
Amount attributable to financing activities		(4,435,151)	6,323,002	(2,346,412)
Surplus/(deficit) before imposition of general rates		(35,596,550)	(38,101,480)	(32,994,338)
Total amount raised from general rates	23	38,074,897	38,101,480	35,057,664
Surplus/(deficit) after imposition of general rates	24(b)	2,478,347	0	2,063,326

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

1. BASIS OF PREPARATION

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

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 26 to these financial statements.

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

2. REVENUE AND EXPENSES

(a) Revenue

Grant Revenue

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

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Operating grants, subsidies and contributions			
General purpose funding	1,978,780	1,577,588	1,675,627
Law, order, public safety	182,144	165,000	178,449
Health	35,072	11,000	24,028
Education and welfare	5,708,537	5,181,405	5,819,016
Community amenities	42,017	66,000	63,334
Recreation and culture	353,634	458,623	472,817
Transport	307,985	179,611	234,942
	8,608,169	7,639,227	8,468,213
Non-operating grants, subsidies and contributions			
Law, order, public safety	72,000	0	599,260
Education and welfare	0	0	9,650
Community amenities	3,144,657	2,861,616	527,801
Recreation and culture	39,603	213,170	519,860
Transport	11,604,814	1,210,819	13,753,326
Other property and services	46,270	0	0
	14,907,344	4,285,605	15,409,897
Total grants, subsidies and contributions	23,515,513	11,924,832	23,878,110

SIGNIFICANT ACCOUNTING POLICIES

Grants, donations and other contributions

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

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

Grants, donations and other contributions (Continued)

a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 22. That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current reporting period.

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)	2019 Actual \$	2019 Budget \$	2018 Actual \$
Significant revenue			
Non-Operating Grants, Subsidies & Contributions - Contributed Assets	10,430,404	4,285,605	12,151,516
Other revenue			
Reimbursements and recoveries	832,661	304,898	922,993
Other	2,113,956	1,184,974	2,972,975
	2,946,617	1,489,872	3,895,968
Fees and Charges			
Governance	15,966	35,760	39,593
General purpose funding	195,531	158,000	158,726
Law, order, public safety	303,782	148,900	203,977
Health	42,533	134,066	150,217
Education and welfare	1,995,768	1,968,515	1,962,266
Community amenities	5,541,723	5,439,442	6,445,575
Recreation and culture	2,533,678	2,419,610	2,436,356
Transport	0	0	181,818
Economic services	1,147,445	1,212,691	1,207,161
Other property and services	100,253	177,500	163,511
	11,876,679	11,694,484	12,949,200
Interest earnings			
Loans receivable - clubs/institutions	11,167	11,202	11,802
Reserve accounts interest	1,352,653	1,250,000	1,239,050
Rates instalment and penalty interest (refer Note 23(c))	785,940	650,000	750,045
Other interest earnings	159,626	779,298	1,066,316
	2,309,386	2,690,500	3,067,213
(b) Expenses			
Auditors remuneration			
- Audit of the Annual Financial Report	60,000	35,000	28,454
- Other services	22,298	0	7,150
	82,298	35,000	35,604
Interest expenses (finance costs)			
Borrowings (refer Note 14(b))	1,110,457	1,111,762	1,153,004
	1,110,457	1,111,762	1,153,004
Rental charges			
- Operating leases	533,909	491,610	433,083
	533,909	491,610	433,083

SIGNIFICANT ACCOUNTING POLICIES

Interest earnings

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest earnings (Continued)

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes

3. CASH AND CASH EQUIVALENTS

	NOTE	2019 \$	2018 \$
Cash at bank and on hand		9,752,320	2,624,639
Short-term Term Deposits		2,135,837	6,742,910
Total cash and cash equivalents		11,888,157	9,367,549
Financial assets at amortised cost (Term deposits)	8(a)	45,348,386	43,529,359
Total cash, cash equivalents, and all term deposits		57,236,543	52,896,908
Comprises:			
- Unrestricted cash and cash equivalents		(75,760)	824,560
- Restricted cash and cash equivalents		57,312,303	52,072,348
		57,236,543	52,896,908
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Reserve accounts			
Aged Persons Units Reserve	4	807,624	748,728
Asset Management Reserve	4	762,988	501,595
Asset Replacement Reserve	4	579,628	498,123
Banksia Park Reserve	4	190,418	115,626
City Assist Initiative Reserve	4	0	100,401
CLAG Reserve	4	275,223	265,873
Community Services & Emergency Relief Reserve	4	88,835	84,017
Employee Leave Reserve	4	4,033,993	4,231,590
Family Day Care Reserve	4	1,489,179	1,462,302
Future Community Infrastructure Reserve	4	1,067,201	1,381,900
Golf Course Cottage Reserve	4	28,887	28,033
Information Technology Reserve	4	2,068,659	1,890,703
Infrastructure Reserve	4	348,075	339,968
Refuse Reserve	4	8,844,888	8,736,657
Renewable Energy Efficiency Reserve	4	53,983	0
Restricted Grants & Contributions Reserve	4	3,170,082	1,688,298
Settlement Agreement Reserve	4	164,874	160,000
Workers Compensation Reserve	4	141,443	338,710
Youth Engagement Reserve	4	0	144,650
DCA 1 - Hard Infrastructure - Bertram	4	228,688	1,887,550
DCA 2 - Hard Infrastructure - Wellard	4	2,435,413	1,877,524
DCA 4 - Hard Infrastructure - Anketell	4	533,009	0
DCA 5 - Hard Infrastructure - Wandii	4	1,073,049	1,309,322
DCA 7 - Hard Infrastructure - Mandogalup (west)	4	2,988	11,713
DCA 8 - Soft Infrastructure - Mandogalup	4	471,270	0
DCA 9 - Soft Infrastructure - Wandii/Anketell	4	11,762,971	10,487,573
DCA 10 - Soft Infrastructure - Casuarina/Anketell	4	225,488	227,912
DCA 11 - Soft Infrastructure - Wellard East	4	6,079,450	5,944,904
DCA 12 - Soft Infrastructure - Wellard West	4	7,741,470	6,663,351
DCA 13 - Soft Infrastructure - Bertram	4	283,533	282,230
DCA 14 - Soft Infrastructure - Wellard/Leda	4	614,490	504,779
DCA 15 - Soft Infrastructure - Townsite	4	162,567	158,316
		55,730,366	52,072,348
Other restricted cash and cash equivalents			
Bonds and Deposits held	26	1,581,937	0
Total restricted cash and cash equivalents		57,312,303	52,072,348

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Cash and cash equivalents (Continued)

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

CITY OF KWINANA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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4. RESERVES - CASH BACKED

	2019 Actual Opening Balance	2019 Actual Transfer to	2019 Actual Transfer (from)	2019 Actual Closing Balance	2019 Budget Opening Balance	2019 Budget Transfer to	2019 Budget Transfer (from)	2019 Budget Closing Balance	2018 Actual Opening Balance	2018 Actual Transfer to	2018 Actual Transfer (from)	2018 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Aged Persons Units Reserve	748,728	58,896	0	807,624	765,541	308,844	(232,750)	841,635	643,364	315,600	(210,236)	748,728
(b) Asset Management Reserve	501,595	440,034	(178,641)	762,988	501,595	8,721	(180,000)	330,316	566,868	17,817	(83,090)	501,595
(c) Asset Replacement Reserve	498,123	315,384	(233,879)	579,628	748,122	263,007	(351,200)	659,929	595,442	17,900	(115,219)	498,123
(d) Banksia Park Reserve	115,626	74,792	0	190,418	134,175	2,333	(49,738)	86,769	107,840	112,975	(105,189)	115,626
(e) City Assist Initiative Reserve	100,401	2,571	(102,972)	0	100,401	1,743	(102,144)	0	0	100,401	0	100,401
(f) CLAG Reserve	265,873	43,284	(33,934)	275,223	263,146	14,575	(20,000)	257,721	239,215	30,882	(4,224)	265,873
(g) Community Services & Emergency Relief Reserve	84,017	4,818	0	88,835	84,017	1,461	0	85,478	26,059	57,958	0	84,017
(h) Employee Leave Reserve	4,231,590	102,403	(300,000)	4,033,993	4,119,629	71,623	(300,000)	3,891,252	4,074,338	169,645	(12,393)	4,231,590
(i) Family Day Care Reserve	1,462,302	36,542	(9,665)	1,489,179	1,479,306	25,719	(805,560)	699,465	1,383,878	78,424	0	1,462,302
(j) Future Community Infrastructure Reserve	1,381,900	35,718	(350,417)	1,067,201	1,538,389	26,746	(663,284)	901,851	1,568,683	44,291	(231,074)	1,381,900
(k) Golf Course Cottage Reserve	28,033	854	0	28,887	28,033	487	0	28,520	27,264	769	0	28,033
(l) Information Technology Reserve	1,890,703	413,040	(235,084)	2,068,659	1,890,703	32,871	(1,416,000)	507,574	0	1,890,703	0	1,890,703
(m) Infrastructure Reserve	339,968	8,107	0	348,075	339,968	5,911	0	345,879	128,213	211,755	0	339,968
(n) Rates Strategy Reserve	0	0	0	0	0	0	0	0	819,692	0	(819,692)	0
(o) Refuse Reserve	8,736,657	194,769	(86,538)	8,844,888	8,698,885	180,697	(83,880)	8,795,702	8,636,810	190,371	(90,524)	8,736,657
(p) Renewable Energy Efficiency Reserve	0	53,983	0	53,983	0	0	0	0	0	0	0	0
(q) Restricted Grants & Contributions Reserve	1,688,298	2,788,948	(1,307,164)	3,170,082	1,694,812	0	(1,694,812)	0	2,644,457	1,327,747	(2,283,906)	1,688,298
(r) Settlement Agreement Reserve	160,000	4,874	0	164,874	160,000	2,782	0	162,782	157,743	2,257	0	160,000
(s) Workers Compensation Reserve	338,710	7,980	(205,247)	141,443	330,200	5,741	0	335,941	210,503	204,225	(76,018)	338,710
(t) Youth Engagement Reserve	144,650	4,581	(149,231)	0	130,412	2,264	(132,676)	0	270,000	917	(126,267)	144,650
(u) DCA 1 - Hard Infrastructure - Bertram	1,887,550	155,260	(1,814,122)	228,688	1,851,461	182,424	(491,817)	1,542,068	1,743,837	216,358	(72,645)	1,887,550
(v) DCA 2 - Hard Infrastructure - Wellard	1,877,524	697,023	(139,134)	2,435,413	1,772,974	429,946	(2,197,177)	5,743	1,969,898	423,144	(515,518)	1,877,524
(w) DCA 4 - Hard Infrastructure - Anketell	0	633,006	(99,997)	533,009	0	0	0	0	0	0	0	0
(x) DCA 5 - Hard Infrastructure - Wandl	1,309,322	32,888	(269,161)	1,073,049	1,286,174	661,998	(454,627)	1,493,545	3,104,086	732,392	(2,527,156)	1,309,322
(y) DCA 7 - Hard Infrastructure - Mandogalup (west)	11,713	12,205	(20,930)	2,988	11,803	14,077	(159)	25,720	8,567	15,326	(12,180)	11,713
(z) DCA 8 - Soft Infrastructure - Mandogalup	0	478,973	(7,703)	471,270	0	0	0	0	0	0	0	0
(aa) DCA 9 - Soft Infrastructure - Wandl/Anketell	10,487,573	1,283,101	(7,703)	11,762,971	10,446,476	576,997	(141,136)	10,882,338	9,928,654	571,099	(12,180)	10,487,573
(ab) DCA 10 - Soft Infrastructure - Casuarina/Anketell	227,912	5,279	(7,703)	225,488	229,412	246,696	(3,099)	473,009	0	240,092	(12,180)	227,912
(ac) DCA 11 - Soft Infrastructure - Wellard East	5,944,904	586,940	(452,394)	6,079,450	5,734,336	1,081,744	(77,473)	6,738,607	4,374,577	1,583,546	(13,219)	5,944,904
(ad) DCA 12 - Soft Infrastructure - Wellard West	6,663,351	1,085,824	(7,705)	7,741,470	6,622,131	355,217	(89,468)	6,887,880	6,297,347	378,184	(12,180)	6,663,351
(ae) DCA 13 - Soft Infrastructure - Bertram	282,230	9,007	(7,704)	283,533	283,730	8,356	(3,833)	288,252	288,108	6,302	(12,180)	282,230
(af) DCA 14 - Soft Infrastructure - Wellard/Leda	504,779	117,415	(7,704)	614,490	480,660	130,374	(6,494)	604,540	367,092	149,867	(12,180)	504,779
(ag) DCA 15 - Soft Infrastructure - Townsite	158,316	11,955	(7,704)	162,567	144,189	23,788	(1,948)	166,029	161,124	25,070	(27,878)	158,316
	52,072,348	9,700,454	(6,042,436)	55,730,366	51,870,680	4,667,140	(9,499,275)	47,038,546	50,343,659	9,116,017	(7,387,328)	52,072,348

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

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4. RESERVES - CASH BACKED (Continued)

In accordance with Council resolutions in relation to each reserve account, the purpose for which the reserves are set aside and their anticipated date of use are as follows:

Name of Reserve	Anticipated date of use	Purpose of the reserve
(a) Aged Persons Units Reserve	Ongoing	This Reserve was established to provide funds for the capital acquisition and maintenance of the Aged Persons Units, Callistemon Court.
(b) Asset Management Reserve	Ongoing	This Reserve was established to provide funds for asset management renewal projects of the City's building and infrastructure assets, thereby extending the useful economic life of such assets.
(c) Asset Replacement Reserve	Ongoing	This Reserve is utilised to replace existing fleet, plant and other City assets.
(d) Banksia Park Reserve	Ongoing	This Reserve has been established to provide funds for the capital acquisition and maintenance of the Banksia Park Retirement Village.
(e) City Assist Initiative Reserve	Complete	This Reserve was established to provide funds for infrastructure and other initiatives to enhance the safety and security of the City.
(f) CLAG Reserve	Ongoing	This Reserve was established to provide funds for the prevention and education of Mosquito management.
(g) Community Services & Emergency Relief Reserve	Ongoing	This Reserve was established to provide funding to alleviate the effect of any disaster within the City of Kwinana boundaries and to provide funds to develop community services.
(h) Employee Leave Reserve	Ongoing	This Reserve was established for the purpose of ensuring that adequate funds are available to finance employee leave entitlements.
(i) Family Day Care Reserve	Ongoing	This Reserve provides for the capital acquisitions and maintenance of this facility.
(j) Future Community Infrastructure Reserve	Ongoing	This Reserve was established to accumulate the City's contributions for the capital funding of future community infrastructure in accordance with Town Planning Scheme #2.
(k) Golf Course Cottage Reserve	Ongoing	This Reserve was established to provide funds for the maintenance of this building.
(l) Information Technology Reserve	Ongoing	This Reserve was established to provide funds for the implementation and maintenance of the City's software requirements.
(m) Infrastructure Reserve	Ongoing	This Reserve was established to be used to provide funds to create new City assets or for the major upgrade of City assets to increase the service level provided by the asset.
(n) Rates Strategy Reserve	Complete	This Reserve was established to assist in the future management of the City's rating strategy.
(o) Refuse Reserve	Ongoing	This Reserve was established to provide funds for the costs and subsidy of Waste Management in the City.
(p) Renewable Energy Efficiency Reserve	Ongoing	This Reserve was established to provide funds for renewable energy and water efficiency initiatives
(q) Restricted Grants & Contributions Reserve	Ongoing	This Reserve was established to restrict funds required to complete projects relating to prior financial years.
(r) Settlement Agreement Reserve	Ongoing	This Reserve was established to provide funds to account for future negotiated settlement agreement payments.
(s) Workers Compensation Reserve	Ongoing	This Reserve was established to fund workers compensation costs incurred by the City where the maximum contribution amount for a previous year has been reached and there is a claim which remains open and requires the City to pay costs relating to the open claims in the current and future years.
(t) Youth Engagement Reserve	Complete	This Reserve was established to assist with youth engagement and diversion initiatives.
(u) DCA 1 - Hard Infrastructure - Bertram	Ongoing	This Reserve was established to restrict funds received from Developers for contributions towards future infrastructure costs and administrative costs for DCA 1 Hard Infrastructure Bertram.
(v) DCA 2 - Hard Infrastructure - Wellard	Ongoing	This Reserve was established to restrict funds received from Developers for contributions towards future infrastructure costs and administrative costs for DCA 2 Hard Infrastructure Wellard.
(w) DCA 4 - Hard Infrastructure - Anketell	Ongoing	This Reserve was established to restrict funds received from Developers for contributions towards future infrastructure costs and administrative costs for DCA 4 Hard Infrastructure Anketell.
(x) DCA 5 - Hard Infrastructure - Wandl	Ongoing	This Reserve was established to restrict funds received from Developers for contributions towards future infrastructure costs and administrative costs for DCA 5 Hard Infrastructure Wandl.
(y) DCA 7 - Hard Infrastructure - Mandogalup (west)	Ongoing	This Reserve was established to restrict funds received from Developers for contributions towards future infrastructure costs and administrative costs for DCA 7 Hard Infrastructure Mandogalup (west).
(z) DCA 8 - Soft Infrastructure - Mandogalup	Ongoing	This Reserve was established to restrict funds received from Developers for contributions towards future infrastructure costs and administrative costs for DCA 8 Soft Infrastructure Mandogalup.
(aa) DCA 9 - Soft Infrastructure - Wandl/Anketell	Ongoing	This Reserve was established to restrict funds received from Developers for contributions towards future infrastructure costs and administrative costs for DCA 9 Soft Infrastructure Wandl/Anketell.
(ab) DCA 10 - Soft Infrastructure - Casuarina/Anketell	Ongoing	This Reserve was established to restrict funds received from Developers for contributions towards future infrastructure costs and administrative costs for DCA 10 Soft Infrastructure Casuarina/Anketell.
(ac) DCA 11 - Soft Infrastructure - Wellard East	Ongoing	This Reserve was established to restrict funds received from Developers for contributions towards future infrastructure costs and administrative costs for DCA 11 Soft Infrastructure Wellard East.
(ad) DCA 12 - Soft Infrastructure - Wellard West	Ongoing	This Reserve was established to restrict funds received from Developers for contributions towards future infrastructure costs and administrative costs for DCA 12 Soft Infrastructure Wellard West.
(ae) DCA 13 - Soft Infrastructure - Bertram	Ongoing	This Reserve was established to restrict funds received from Developers for contributions towards future infrastructure costs and administrative costs for DCA 13 Soft Infrastructure Bertram.
(af) DCA 14 - Soft Infrastructure - Wellard/Leda	Ongoing	This Reserve was established to restrict funds received from Developers for contributions towards future infrastructure costs and administrative costs for DCA 14 Soft Infrastructure Wellard/Leda.
(ag) DCA 15 - Soft Infrastructure - Townsite	Ongoing	This Reserve was established to restrict funds received from Developers for contributions towards future infrastructure costs and administrative costs for DCA 15 Soft Infrastructure Townsite.

5. TRADE RECEIVABLES

Current

Rates receivable	
Sundry receivables	
GST receivable	
Allowance for impairment of receivables	

Non-current

Pensioner's rates and ESL deferred	
------------------------------------	--

2019	2018
\$	\$
3,865,054	3,597,121
462,500	720,635
312,998	411,656
(99,421)	0
4,541,131	4,729,412
711,755	678,782
711,755	678,782

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

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

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

Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 25.

Previous accounting policy: Impairment of trade receivables

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.

Classification and subsequent measurement

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

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

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

6. INVENTORIES

Current

	2019 \$	2018 \$
Stores & Materials	32,920	34,180
	32,920	34,180

The following movements in inventories occurred during the year:

Carrying amount at 1 July

Inventories expensed during the year

Carrying amount at 30 June

	34,180	34,180
	(1,260)	0
	32,920	34,180

SIGNIFICANT ACCOUNTING POLICIES

General

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

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

7. OTHER ASSETS

Other current assets

	2019 \$	2018 \$
Prepayments	28,963	467
Accrued Income	627,181	491,460
	656,144	491,927

SIGNIFICANT ACCOUNTING POLICIES

Other current assets

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

Other non-financial assets include accrued income which represents income that has been earned but not yet received. Therefore, accrued income is recognised in the accounting period in which it arises.

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8. OTHER FINANCIAL ASSETS

	NOTE	2019 \$	2018 \$
(a) Current assets			
Financial assets at fair value through profit and loss		297,819	346,925
Other financial assets at amortised cost		45,365,095	43,529,359
Other loans and receivables		0	16,168
		45,662,914	43,892,452
Financial assets at fair value through profit and loss			
- Banksia Park Deferred Management Fee		297,819	346,925
		297,819	346,925
Other financial assets at amortised cost			
- Financial assets at amortised cost - term deposits	3	45,348,386	43,529,359
- Financial assets at amortised cost - self supporting loans		16,709	0
		45,365,095	43,529,359
Financial assets previously classified as loans and receivables			
- Self supporting loans		0	16,168
		0	16,168
(b) Non-current assets			
Other financial assets at amortised cost		249,973	0
Financial assets at fair value through profit and loss		3,218,202	3,656,576
Other loans and receivables		0	266,682
		3,468,175	3,923,258
Other financial assets at amortised cost			
- Financial assets at amortised cost - self supporting loans		249,973	0
		249,973	0
Financial assets at fair value through profit and loss			
- Interest in Local Government House Trust		122,620	0
- Banksia Park Deferred Management Fees Receivable		3,095,582	3,656,576
		3,218,202	3,656,576
Financial assets previously classified as loans and receivables			
- Self supporting loans		0	266,682
		0	266,682
During the year, the following gains/(losses) were recognised in profit and loss:			
Fair value gains/(losses) on equity investments at fair value through profit and loss are recognised in other gains/(losses) and classified as other property and services			
Movement in fair value of Banksia Park DMF Receivable		(610,100)	(4,648)
Investment in Local Government House Trust		122,620	0
		(487,480)	(4,648)

Self supporting loans have the same terms and conditions as the related borrowing disclosed in Note 14(b).

SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

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

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

Term deposits with original maturities of three months or more were classified as cash and cash equivalents in the 2018 financial report. However, they have now been re-classified to financial assets at amortised cost.

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.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 25.

Previous accounting policy: Loans and receivables

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

Refer to Note 27 for explanations regarding the change in accounting policy and reclassification of available for sale financial assets to financial assets at fair value through profit and loss.

9. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Carrying Amounts

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

	Land - freehold land	Land - vested in and under the control of Council	Total land	Buildings - specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Computer software/ equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017 - restated	35,431,000	12,140,000	47,571,000	104,101,016	104,101,016	151,672,016	1,169,416	6,322,402	0	159,163,834
Additions	0	0	0	783,780	783,780	783,780	152,248	1,301,670	0	2,237,698
(Disposals) - restated	0	0	0	0	0	0	(2,254)	(698,838)	0	(701,092)
Depreciation (expense) - restated	0	0	0	(4,641,717)	(4,641,717)	(4,641,717)	(343,217)	(860,384)	0	(5,845,318)
Carrying amount at 30 June 2018 - restated	35,431,000	12,140,000	47,571,000	100,243,079	100,243,079	147,814,079	976,193	6,064,850	0	154,855,122
Comprises:										
Gross carrying amount at 30 June 2018 - restated	35,431,000	12,140,000	47,571,000	104,884,796	104,884,796	152,455,796	4,486,124	8,984,182	0	165,926,102
Accumulated depreciation at 30 June 2018 - restated	0	0	0	(4,641,717)	(4,641,717)	(4,641,717)	(3,509,931)	(2,919,332)	0	(11,070,980)
Carrying amount at 30 June 2018 - restated	35,431,000	12,140,000	47,571,000	100,243,079	100,243,079	147,814,079	976,193	6,064,850	0	154,855,122
Additions	0	0	0	924,854	924,854	924,854	8,149	860,702	308,673	2,102,378
(Disposals)	0	0	0	0	0	0	0	(519,520)	0	(519,520)
Depreciation (expense)	0	0	0	(4,481,581)	(4,481,581)	(4,481,581)	(260,892)	(902,438)	0	(5,644,911)
Carrying amount at 30 June 2019	35,431,000	12,140,000	47,571,000	96,686,352	96,686,352	144,257,352	723,450	5,503,594	308,673	150,793,069
Comprises:										
Gross carrying amount at 30 June 2019	35,431,000	12,140,000	47,571,000	105,809,650	105,809,650	153,380,650	4,488,944	8,984,624	308,673	167,162,891
Accumulated depreciation at 30 June 2019	0	0	0	(9,123,298)	(9,123,298)	(9,123,298)	(3,765,494)	(3,481,030)	0	(16,369,822)
Carrying amount at 30 June 2019	35,431,000	12,140,000	47,571,000	96,686,352	96,686,352	144,257,352	723,450	5,503,594	308,673	150,793,069

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FOR THE YEAR ENDED 30TH JUNE 2019

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Land and buildings Land					
- freehold land					
- Independent valuation	2	Market approach using recent observable open market values as evidenced by sales transactions of similar property types	Independent registered valuer	June 2017	Price per square metre
- Independent valuation	3	Market approach using recent observable open market values as evidenced by sales transactions of similar property types, adjusted for condition and comparability, at their current use as highest and best use.	Independent registered valuer	June 2017	Price per square metre adjusted for zoning restrictions
Land - vested in and under the control of Council					
- Independent valuation	3	Improvements to land valued using cost approach	Independent registered valuer	June 2017	Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Buildings - specialised					
- Independent valuation	3	Cost approach using depreciated replacement costs	Independent registered valuer	June 2017	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Furniture and equipment					
- Independent valuation	3	Cost approach using depreciated replacement cost	Independent registered valuer	June 2016	Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (level 3) inputs
- Management Valuation	3	Cost approach using depreciated replacement cost	Management valuation	June 2016	Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (level 3) inputs
Plant and equipment					
- Independent Valuation	2	Market approach using recent observable market data for similar assets	Independent registered valuer	June 2016	Market price per item
- Independent Valuation	3	Cost approach using depreciated replacement cost	Independent registered valuer	June 2016	Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
- Management Valuation	3	Cost approach using depreciated replacement cost	Management valuation	June 2016	Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

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

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

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10. INFRASTRUCTURE

(a) Movements in Carrying Amounts

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

	Infrastructure - Roads	Infrastructure - Footpaths	Infrastructure - Drainage	Infrastructure - Car Parks	Infrastructure - Bus Shelters	Infrastructure - Street Lights	Infrastructure - Parks & Ovals	Infrastructure - Other	Total Infrastructure
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	182,636,623	34,805,073	49,220,758	1,409,348	740,563	938,221	18,475,827	528,160	288,754,573
Additions	9,718,038	1,919,481	2,720,336	344,631	33,521	26,839	2,455,101	97,508	17,315,455
Revaluation increments / (decrements) transferred to revaluation surplus	54,065,551	1,516,411	(4,711,655)	1,525,181	(79,008)	0	4,869,464	(38,068)	57,147,876
Impairment (losses) / reversals	0	0	0	0	0	(9,803)	2,762,144	0	2,752,341
Depreciation (expense)	(4,918,898)	(1,045,795)	(884,616)	(154,554)	(72,860)	(55,799)	(1,153,434)	(69,511)	(8,355,467)
Carrying amount at 30 June 2018	241,501,314	37,195,170	46,344,823	3,124,606	622,216	899,458	27,409,102	518,089	357,614,778
Comprises:									
Gross carrying amount at 30 June 2018	241,501,314	37,195,170	46,344,823	3,124,606	622,216	899,458	27,409,102	518,089	357,614,778
Carrying amount at 30 June 2018	241,501,314	37,195,170	46,344,823	3,124,606	622,216	899,458	27,409,102	518,089	357,614,778
Additions	5,648,124	1,110,130	2,594,192	6,012	16,554	334,163	4,695,095	8,582	14,412,852
Depreciation (expense)	(6,325,113)	(572,233)	(562,737)	(347,178)	(44,444)	(52,909)	(1,712,257)	(97,799)	(9,714,670)
Carrying amount at 30 June 2019	240,824,325	37,733,067	48,376,278	2,783,440	594,326	1,180,712	30,391,940	428,872	362,312,960
Comprises:									
Gross carrying amount at 30 June 2019	247,149,438	38,305,300	48,939,015	3,130,618	638,770	1,233,621	32,104,197	526,671	372,027,630
Accumulated depreciation at 30 June 2019	(6,325,113)	(572,233)	(562,737)	(347,178)	(44,444)	(52,909)	(1,712,257)	(97,799)	(9,714,670)
Carrying amount at 30 June 2019	240,824,325	37,733,067	48,376,278	2,783,440	594,326	1,180,712	30,391,940	428,872	362,312,960

CITY OF KWINANA
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10. INFRASTRUCTURE (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - Roads	3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs and current condition, non-depreciable components and remaining useful life assessments (Level 3 inputs)
Infrastructure - Footpaths	3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs and current condition, non-depreciable components and remaining useful life assessments (Level 3 inputs)
Infrastructure - Drainage	3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs and current condition, non-depreciable components and remaining useful life assessments (Level 3 inputs)
Infrastructure - Car Parks	3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs and current condition, non-depreciable components and remaining useful life assessments (Level 3 inputs)
Infrastructure - Bus Shelters	3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs and current condition, non-depreciable components and remaining useful life assessments (Level 3 inputs)
Infrastructure - Street Lights	3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs and current condition, non-depreciable components and remaining useful life assessments (Level 3 inputs)
Infrastructure - Parks & Ovals	3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs and current condition, non-depreciable components and remaining useful life assessments (Level 3 inputs)
Infrastructure - Other	3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs and current condition, non-depreciable components and remaining useful life assessments (Level 3 inputs)

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

During the period there were no changes in the valuation techniques used to determine the fair value of infrastructure using level 3 inputs.

11. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE)

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

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

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

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

Revaluation

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

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

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

Land under control

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

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

Land under roads

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

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

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

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

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

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

(a) Disposals of Assets

	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss	2019 Budget Net Book Value	2019 Budget Sale Proceeds	2019 Budget Profit	2019 Budget Loss	2018 Actual Net Book Value	2018 Actual Sale Proceeds	2018 Actual Profit	2018 Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Furniture and equipment	0	0	0	0	0	0	0	0	2,254	1,062	67	(1,259)
Plant and equipment	519,520	373,433	6,178	(152,265)	612,540	423,500	11,132	(200,172)	698,838	530,285	12,159	(180,712)
	519,520	373,433	6,178	(152,265)	612,540	423,500	11,132	(200,172)	701,092	531,347	12,226	(181,971)

The following assets were disposed of during the year.

	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
	\$	\$	\$	\$
Plant and Equipment				
Governance				
Subaru Forrester 2.5i	22,860	15,736	0	(7,124)
Mazda CX-5 Maxx Sport	28,967	20,509	0	(8,458)
Toyota Aurion 3.5L V6	21,475	11,645	0	(9,830)
Mazda CX-5 Maxx Sport	14,005	12,555	0	(1,450)
Mazda CX-5 Maxx Sport	29,045	19,600	0	(9,445)
Law, order, public safety				
Hyundai i30 Hatch 2L Auto	21,467	10,509	0	(10,958)
Volkswagon Amarok Utility	26,823	0	0	(26,823)
Community amenities				
Holden Colorado Dual Cab	26,313	23,009	0	(3,304)
Recreation and culture				
Holden Commodore Evoke Wagon VF	18,412	15,736	0	(2,676)
Holden Commodore Evoke Auto V6	23,019	16,191	0	(6,828)
Holden Commodore Evoke Auto V6	21,877	12,327	0	(9,550)
Transport				
Cat Skid Steer Loader	21,685	18,512	0	(3,173)
Economic services				
Holden Colorado Single Cab	18,000	13,236	0	(4,764)
Holden Colorado Single Cab	19,097	14,373	0	(4,724)
Other property and services				
Agrizzi Rota Slasher 72 inch	0	2,273	2,273	0
Massey Ferguson Tractor	49,748	30,000	0	(19,748)
Mitsubishi Tip Truck	30,564	22,176	0	(8,388)
KAP Ride on Mower with Catcher	17,795	6,364	0	(11,431)
Holden Colorado Dual Cab	26,600	23,009	0	(3,591)
Hyundai TQ2 iLoad 3S 2.5L Auto	20,000	20,509	509	0
Hyundai TQ2 iLoad 3S 2.5L Auto	20,000	21,645	1,645	0
Holden Colorado Space Cab	21,934	23,463	1,529	0
Holden Colorado Single Cab	19,834	20,056	222	0
	519,520	373,433	6,178	(152,265)

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

(b) Depreciation

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Buildings - specialised	4,481,581	3,987,093	4,641,717
Furniture and equipment	260,892	415,005	343,217
Plant and equipment	902,438	906,608	860,384
Infrastructure - Roads	6,325,113	4,923,737	4,918,898
Infrastructure - Footpaths	572,233	1,046,824	1,045,795
Infrastructure - Drainage	562,737	885,486	884,616
Infrastructure - Car Parks	347,178	154,706	154,554
Infrastructure - Bus Shelters	44,444	72,932	72,860
Infrastructure - Street Lights	52,909	55,854	55,799
Infrastructure - Parks & Ovals	1,712,257	1,154,569	1,153,434
Infrastructure - Other	97,799	69,579	69,511
	15,359,581	13,672,393	14,200,785

Revision of useful lives of assets

A review of the City's roads has resulted in the useful life being decreased from 0-120 years down to 0-80 years dependant on the traffic use and structure of the road.

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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

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

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

Depreciation rates

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

Asset Class	Useful life
Buildings	2 to 100 years
Furniture and equipment	
Computer & Audio Visual Equip	2 to 7 years
Office Furniture & Equipment	3 to 15 years
Other Furniture & Equipment Art	5 to 15 years
Works	not depreciated
Plant and equipment	5 to 15 years
Motor Vehicles	3 to 10 years
Other Plant & Equipment	3 to 20 years
Infrastructure	
Roads	0 to 80 years
Footpaths	40 to 80 years
Drainage	80 years
Car Parks	5 to 20 years
Bus Shelters	20 to 25 years
Street Lights	15 to 30 years
Parks & Ovals	10 to 50 years
Other Infrastructure	30 to 40 years

Depreciation (Continued)

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

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

12. REVALUATION SURPLUS

	2019 Opening Balance	2019 Closing Balance	2018 Opening Balance	2018 Revaluation Increment	2018 Revaluation (Decrement)	Total Movement on Revaluation	2018 Closing Balance
	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	78,166,636	78,166,636	78,166,636	0	0	0	78,166,636
Revaluation surplus - Furniture and equipment	199,013	199,013	199,013	0	0	0	199,013
Revaluation surplus - Plant and equipment	1,581,222	1,581,222	1,581,222	0	0	0	1,581,222
Revaluation surplus - Infrastructure - Roads	112,417,177	112,417,177	58,351,626	54,065,551	0	54,065,551	112,417,177
Revaluation surplus - Infrastructure - Footpaths	14,917,826	14,917,826	13,401,415	1,516,411	0	1,516,411	14,917,826
Revaluation surplus - Infrastructure - Drainage	17,185,601	17,185,601	21,897,256	0	(4,711,655)	(4,711,655)	17,185,601
Revaluation surplus - Infrastructure - Car Parks	1,837,027	1,837,027	311,846	1,525,181	0	1,525,181	1,837,027
Revaluation surplus - Infrastructure - Bus Shelters	379,791	379,791	458,799	0	(79,008)	(79,008)	379,791
Revaluation surplus - Infrastructure - Parks & Ovals	4,869,464	4,869,464	0	4,869,464	0	4,869,464	4,869,464
Revaluation surplus - Infrastructure - Other	178,078	178,078	216,146	0	(38,068)	(38,068)	178,078
	231,731,835	231,731,835	174,583,959	61,976,607	(4,828,731)	57,147,876	231,731,835

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

No assets were revalued this Financial Year. Property, Plant and Equipment will be revalued in the 2020 Financial Year.

13. TRADE AND OTHER PAYABLES

Current

Sundry creditors
Bonds and Deposits Held (refer Note 26)
Accrued salaries and wages
Accrued Expenses
Accrued Interest on long term borrowings
Unit Contribution - Banksia Park

2019	2018
\$	\$
1,826,349	2,686,691
1,581,937	0
629,954	1,004,600
187,490	291,863
32,295	33,599
17,133,425	19,224,000
21,391,450	23,240,753

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

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

Trade and other payables (Continued)

Trade and other payables also include the unit contribution payable for the Banksia Park retirement village units. This amount represents non-interest bearing payments made by individuals to the City upon signing a lease agreement to occupy units at the retirement village.

The balance is recognised at fair value through profit and loss. Fair value is the amount payable on demand and is measured at the principle amount plus the residents share of any increase/decrease in the market value of the units less deferred management fees calculated in accordance with the lease agreement. As there is no unconditional right to defer the payment beyond 12 months this balance is recognised as a current liability.

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14. INFORMATION ON BORROWINGS

(a) Borrowings

	2019	2018
	\$	\$
Current	1,451,093	777,133
Non-current*	20,101,305	21,294,278
Total	21,552,398	22,071,411

(b) Repayments - Borrowings

Particulars	Loan Number	Institution	Interest Rate	Actual	30 June 2019	30 June 2019	30 June 2019	Budget	30 June 2019	30 June 2019	30 June 2019	30 June 2019	Actual	30 June 2018	30 June 2018	30 June 2018
				Principal 1 July 2018	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding		Budget New Loans\$	Budget Principal repayments	Budget Interest repayments	Budget Principal outstanding		Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding
				\$	\$	\$	\$		\$	\$	\$	\$	\$	\$	\$	\$
Governance																
Administration Office Renovations	99	WATC	6.35%	761,572	89,773	51,272	671,799	761,573	0	89,773	51,364	671,800	845,986	84,414	57,150	761,572
Administration / Chambers Building Refurbishment	107	WATC	N/A	0	0	0	0	0	2,268,000	0	0	2,268,000	0	0	0	0
Education and welfare																
Youth Specific Space	96	WATC	7.67%	147,840	25,366	11,586	122,474	147,840	0	25,366	11,654	122,474	171,398	23,558	13,543	147,840
Youth Specific Space Stage 2	100	WATC	4.72%	1,521,312	122,515	79,551	1,398,797	1,521,312	0	122,515	79,645	1,398,797	1,521,312	0	81,250	1,521,312
Recreation and culture																
Wellard Sports Pavilion	94	WATC	6.48%	204,825	46,488	13,236	158,337	204,824	0	46,488	13,704	158,336	248,483	43,658	16,363	204,825
Orelia Oval Pavilion	95	WATC	7.67%	354,815	60,877	27,808	293,938	354,815	0	60,878	27,970	293,937	411,355	56,540	32,503	354,815
Orelia Oval Pavilion Stage 2	97	WATC	6.35%	1,685,135	198,641	113,449	1,486,494	1,685,138	0	198,641	113,653	1,486,497	1,871,922	186,787	126,457	1,685,135
Resource & Knowledge Centre	102	WATC	4.59%	7,421,567	0	386,720	7,421,567	7,421,567	0	0	386,720	7,421,567	7,421,567	0	386,720	7,421,567
Recquatic Centre Upgrade	104	WATC	4.09%	3,350,000	0	159,125	3,350,000	3,350,000	0	0	159,125	3,350,000	3,350,000	0	159,126	3,350,000
Bertram Community Centre	105	WATC	3.29%	1,296,840	0	50,827	1,296,840	1,296,840	0	0	50,827	1,296,840	1,296,840	0	50,827	1,296,840
Calista Destination Park	106	WATC	3.16%	1,516,532	96,112	57,249	1,420,420	1,516,532	0	96,112	57,307	1,420,420	1,609,695	93,163	60,860	1,516,532
Transport																
Industrial Area Streetscape	98	WATC	6.35%	1,028,123	121,193	69,217	906,930	1,028,122	0	121,193	69,341	906,929	1,142,082	113,959	77,153	1,028,123
City Centre Redevelopment	101	WATC	2.49%	2,500,000	0	79,250	2,500,000	2,500,000	0	0	79,250	2,500,000	2,500,000	0	79,250	2,500,000
				21,788,561	760,965	1,099,290	21,027,596	21,788,563	2,268,000	760,965	1,100,560	23,295,597	22,390,640	602,079	1,141,202	21,788,561
Self Supporting Loans																
Recreation and culture																
Kwinana Golf Club Refurbishment	103B	WATC	3.35%	282,850	16,168	11,167	266,682	282,849	0	16,168	11,202	266,681	298,494	15,644	11,802	282,850
				282,850	16,168	11,167	266,682	282,849	0	16,168	11,202	266,681	298,494	15,644	11,802	282,850
				22,071,411	777,133	1,110,457	21,294,278	22,071,412	2,268,000	777,133	1,111,762	23,562,278	22,689,134	617,723	1,153,004	22,071,411
Share of SMRC Loan				0			258,120									
				22,071,411			21,552,398									

Self supporting loans are financed by payments from third parties. These are shown in Note 8 as other financial assets at amortised cost.
All other loan repayments were financed by general purpose revenue.

* Non-current portion of borrowings includes \$258,120, which represents the City's share of the Southern Metropolitan Regional Council (SMRC) Administration Building loan with the WATC. Due to the balance being immaterial, it has been recognised as at 30 June 2019.

(c) New Borrowings - 2018/19

Particulars/Purpose	Institution	Loan Type	Term Years	Interest Rate %	Amount Borrowed		Amount (Used)		Total Interest & Charges \$	Actual Balance Unspent \$
					2019	2019	2019	2019		
					Actual	Budget	Actual	Budget		
Loan 107 - Administration / Chambers Building Refurbishment	WATC	Debenture	10	3.52%	\$ 0	\$ 2,268,000	\$ 0	\$ 2,268,000	0	0
					0	2,268,000	0	2,268,000	0	0

(d) Undrawn Borrowing Facilities
Credit Standby Arrangements

	2019 \$	2018 \$
Bank overdraft limit	0	0
Bank overdraft at balance date	0	0
Credit card limit	100,000	85,000
Credit card balance at balance date	(31,535)	(15,045)
Total amount of credit unused	68,465	69,955

Loan facilities

Loan facilities - current	1,451,093	777,133
Loan facilities - non-current	20,101,305	21,294,278
Total facilities in use at balance date	21,552,398	22,071,411

SIGNIFICANT ACCOUNTING POLICIES

<p>Financial liabilities</p> <p>Financial liabilities are recognised at fair value when the City becomes a party to the contractual provisions to the instrument.</p> <p>Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.</p> <p>Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of the consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.</p>
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<p>Borrowing costs</p> <p>Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset until such time as the asset is substantially ready for its intended use or sale.</p> <p>Risk</p> <p>Information regarding exposure to risk can be found at Note 25.</p>
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15. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions

Opening balance at 1 July 2018

Current provisions

Non-current provisions

Additional provision

Balance at 30 June 2019

Comprises

Current

Non-current

Provision for Annual Leave	Provision for Long Service Leave	Provision for Other Leave	Total
\$	\$	\$	\$
2,160,304	1,856,610	610,356	4,627,270
0	447,068	0	447,068
2,160,304	2,303,678	610,356	5,074,338
88,485	187,126	22,034	297,645
2,248,789	2,490,804	632,390	5,371,983
2,248,789	2,021,200	632,390	4,902,379
0	469,604	0	469,604
2,248,789	2,490,804	632,390	5,371,983

Amounts are expected to be settled on the following basis:

Less than 12 months after the reporting date

More than 12 months from reporting date

2019	2018
\$	\$
3,446,078	3,231,609
1,925,905	1,842,729
5,371,983	5,074,338

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

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

Long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at 2.5%

Other long-term employee benefits (Continued)

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

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

Provisions

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

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

16. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

	2019 Actual \$	2019 Budget \$	2018 Actual \$
Cash and cash equivalents	11,888,157	49,389,260	9,367,549
Reconciliation of Net Cash Provided By			
Operating Activities to Net Result			
Net result	7,034,201	(6,757,894)	11,455,506
Non-cash flows in Net result:			
Adjustments to fair value of financial assets through profit and loss - Banksia Park DMF Receivable	610,100	0	4,648
Adjustments to fair value of financial assets through profit and loss - Local Government House Trust	(122,620)	0	0
Depreciation	15,359,581	13,672,393	14,200,785
(Profit)/loss on sale of asset	146,087	189,040	169,745
Contributed Assets	(10,430,404)	0	(12,151,516)
Share of profits of associates (SMRC)	(61,124)	0	0
Loss on revaluation of fixed assets	0	0	9,803
Reversal of loss on revaluation of fixed assets	0	0	(2,762,144)
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(9,213)	317,373	(871,487)
(Increase)/decrease in Financial assets	0	0	(384,066)
(Increase)/decrease in inventories	1,260	0	2,023
(Increase)/decrease in other assets	(164,217)	0	0
Increase/(decrease) in payables	(1,849,303)	460,426	(3,145,733)
Increase/(decrease) in provisions	297,645	(300,000)	115,444
Grants contributions for the development of assets	(4,476,940)	(4,285,605)	(3,258,381)
Net cash from operating activities	6,335,053	3,295,733	3,384,627

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2019	2018
	\$	\$
Governance	73,748,984	70,010,999
Law, order, public safety	1,953,715	2,185,717
Health	80,256	93,753
Education and welfare	31,885,016	33,342,265
Community amenities	1,128,260	892,948
Recreation and culture	85,910,119	84,664,247
Transport	330,930,080	329,275,107
Economic services	51,402,122	51,589,540
Other property and services	3,347,917	3,532,884
	580,386,469	575,587,460

18. CONTINGENT LIABILITIES

The City did not have any contingent liabilities as at 30 June 2019.

19. CAPITAL AND LEASING COMMITMENTS

(a) Capital Expenditure Commitments

Contracted for:

- capital expenditure projects

Payable:

- not later than one year

Bertram Oval - Ablution Block

Kwinana Tennis Courts - Fencing

Medina Oval - Carpark

Varris Park Upgrade

Smirks Cottage Tractor Shed Preliminaries

2019	2018
\$	\$
103,866	209,615
103,866	209,615
0	181,470
0	24,535
0	3,610
81,569	0
22,297	0
103,866	209,615

(b) Operating Lease Commitments

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

Payable:

- not later than one year

- later than one year but not later than five years

2019	2018
\$	\$
438,663	543,070
344,990	746,861
783,653	1,289,931

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

Leases (Continued)

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

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

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

20. RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties

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

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

The following transactions occurred with related parties:	2019	2018
	Actual	Actual
	\$	\$
Sale of goods and services	69,384	15,957
Purchase of goods and services	183,964	220,566
Amounts payable to related parties:		
Trade and other payables	0	445

Related Parties

The City's main related parties are as follows:

- i. Key management personnel*
Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any elected member, are considered key management personnel.
- ii. Entities subject to significant influence by the City*
An entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement.

21. INVESTMENT IN ASSOCIATES

South Metropolitan Regional Council (SMRC)

The City is a member of the South Metropolitan Regional Council (SMRC), established in 1998 to deliver innovative and responsible waste management solutions for the benefit of the community and environment. The current participants are City of Cockburn (withdrew as at 30 June 2019), Town of East Fremantle, City of Fremantle, City of Melville and City of Kwinana.

The following local governments have previously withdrawn from the regional Council:

City of Canning - June 2010

City of Rockingham - June 2012

The City has held 20% voting rights since the City of Rockingham withdrew membership effective 1 July 2013, representing significant influence in accordance with AASB128 Investments in Associates and Joint Ventures. The City has not previously recognised this interest. However, as the interest is considered immaterial, no prior period adjustment has been made to restate the figures.

The City holds 25% voting rights as at 30 June 2019 after the withdrawal of City of Cockburn.

	Note	2019
		\$
The City's Share of Associate Entity's Net Assets		319,244
Equity Ratio		1.27%
Represented by Share of Associate Entity's Statement of Financial Position		
Current Assets		327,835
Non Current Assets		451,078
Total Assets		778,913
Current Liabilities		198,641
Non-Current Liabilities		261,028
Total Liabilities		459,669
Net Assets		319,244
Net Increase in Share of Associate Entity's Net Assets:		
Net Assets		319,244
Less: City of Kwinana's Share of SMRC Loan Liability	14	(258,120)
		61,124

SIGNIFICANT ACCOUNTING POLICIES Investment in associates

An associate is an entity over which the City has significant influence. Significant influence is the power to participate in the financial operating policy decisions of that entity but is not control or joint control of those policies. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the City's share of net assets of the associate. In addition, the City's share of the profit or loss of the associate is included in the City's profit or loss.

The carrying amount of the investment includes, where applicable, goodwill relating to the associate. Any discount on acquisition, whereby the City's share of the

SIGNIFICANT ACCOUNTING POLICIES (Continued) Investment in associates (Continued)

net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the City and the associate are eliminated to the extent of the City's interest in the associate. When the City's share of losses in an associate equals or exceeds its interest in the associate, the City discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the City will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

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

22. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening Balance ⁽¹⁾ 1/07/17	Received ⁽²⁾ 2017/18	Expended ⁽³⁾ 2017/18	Closing Balance ⁽¹⁾ 30/06/18	Received ⁽²⁾ 2018/19	Expended ⁽³⁾ 2018/19	Closing Balance 30/06/19
	\$	\$	\$	\$	\$	\$	\$
Law, order, public safety							
Kwinana South Station Upgrade - Dept of Premier & Cabinet	0	0	0	0	30,000	0	30,000
Mandogalup Station Upgrade - Dept of Premier & Cabinet	0	0	0	0	25,000	0	25,000
FESA ESL Grant	23,923	175,183	(157,485)	41,621	182,144	(180,015)	43,750
Education and welfare							
Connections Your Next Step	1,177	0	(1,177)	0	0	0	0
LYRIK - Youth Incentives Program	0	20,000	0	20,000	20,000	(20,000)	20,000
Community amenities							
BP Coastcare	4,644	0	(4,644)	0	0	0	0
Bushcare Projects	11,039	0	(11,039)	0	0	0	0
Coastcare in the Kwinana Industrial Area	14,774	0	(10,102)	4,672	10,000	(7,011)	7,661
Fauna Survey and Feral Animal Control	11,168	0	(11,168)	0			0
Greening Fund	0	100,000	(685)	99,315		(12,490)	86,825
Street Furniture Maintenance & Bus Shelter Subsidy	8,699	13,108	(21,807)	0			0
Perth Region NRM Support for South Metro Coast	2,336	0	(2,336)	0	5,000	(294)	4,706
SMCC - Challenger Beach Coastal Rehab Project	13,439	16,000	(14,861)	14,578		(14,331)	247
SMCC - Degremont (proAlliance) - Adopt a Beach	7,496	0	(1,861)	5,635		(2,047)	3,588
SMCC - Tronox - Adopt a Beach	0	0	0	0	5,000	(2,554)	2,446
Developer Contributions - DCA 1 - DCA 15	28,243,290	4,341,379	(3,229,495)	29,355,174	5,108,875	(2,849,663)	31,614,386
Recreation and culture							
Beach Emergency Number Signs (BEN Program)	0	4,115	0	4,115	0	(4,115)	0
Medina Oval Lighting	0	150,000	(5,625)	144,375	0	(144,375)	0
Rock Symphony Sponsorship	0	10,000	0	10,000	5,000	(10,000)	5,000
Youth Festival - Lotterywest	0	0	0	0	6,870	0	6,870
Kwinana Tennis Club Cultural Heritage Program	0	0	0	0	3,073	(3,073)	0
Noongar Cultural Heritage Program	1,606	0	(1,606)	0	0	0	0
Wandi Playing Fields - Education Department contr. To goal posts				0	25,500	0	25,500
Silversport - Pilot Seniors Program	4,064	0	(4,064)	0	0	0	0
Transport							
Roads to Recovery 2016/2017 Funding	81,065	645,353	(726,418)	0	0	0	0
Speed Alert Mobile Trailer for Driver Speed Education	26,290	0	(26,290)	0	0	0	0
State Black Spot	1,203	0	(1,203)	0	0	0	0
Total	28,456,213	5,475,138	(4,231,866)	29,699,485	5,426,462	(3,249,968)	31,875,979

For grants and contributions where funds have not been fully expended at 30 June 2019, the balance of the grant has been transferred to the Restricted Grants and Contributions Reserve, relevant Developer Contribution Reserve or remains in net current assets at 30 June surplus. These funds are quarantined as Restricted Cash at year ended 30 June 2019 and will be expended in the 2019/20 year or as determined by the relevant Developer Contribution Scheme.

Notes:

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

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

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

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

23. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	2018/19 Actual Rateable Value \$	2018/19 Actual Rate Revenue \$	2018/19 Actual Interim Rates \$	2018/19 Actual Back Rates \$	2018/19 Actual Total Revenue \$	2018/19 Budget Rate Revenue \$	2018/19 Budget Interim Rate \$	2018/19 Budget Total Revenue \$	2017/18 Actual Total Revenue \$
Differential general rate / general rate											
Gross rental valuations											
Improved Residential	0.07999	13,747	238,950,796	18,859,093	413,654	11,467	19,284,214	18,859,093	529,676	19,388,769	16,881,680
Vacant Residential	0.16828	376	7,792,630	1,375,819	(55,435)	(3,207)	1,317,177	1,375,819	0	1,375,819	1,309,947
Improved Special Residential	0.07120	815	19,436,231	1,372,308	11,525	(723)	1,383,110	1,372,308	0	1,372,308	1,253,425
Light Industrial and Commercial	0.09043	133	23,230,285	2,118,044	27,193	(2,340)	2,142,897	2,118,044	0	2,118,044	2,081,600
General Industry and Service Commercial	0.08647	319	35,313,111	3,074,926	28,378	(8,387)	3,094,917	3,074,926	0	3,074,926	3,048,910
Large Scale General Industry and Service Commercial	0.08909	47	47,549,186	4,178,852	22,756	37,854	4,239,462	4,178,852	0	4,178,852	4,021,528
Vacant Non Residential	0.10304	35	2,422,880	235,692	30,427	0	266,119	235,692	0	235,692	0
Unimproved valuations											
General Industrial	0.01759	3	121,200,000	2,131,908	0	0	2,131,908	2,131,908	0	2,131,908	2,055,552
Rural	0.00505	143	242,241,000	1,241,497	(3,753)	(630)	1,237,114	1,241,497	0	1,241,497	457,282
Mining	0.00847	25	39,960,000	338,461			338,461	338,461	0	338,461	319,309
Urban/Urban Deferred	0.00000	0	0	0	0	0	0	0	0	0	888,855
Sub-Total		15,643	778,096,119	34,926,600	474,745	34,034	35,435,379	34,926,600	529,676	35,456,276	32,318,088
Minimum payment											
Gross rental valuations											
Improved Residential	1,036	1,438	1,658,878	1,481,480	3,991	1,056	1,486,527	1,481,480	0	1,481,480	1,661,240
Vacant Residential	1,036	904	923,572	992,488	(25,891)	452	967,049	992,488	0	992,488	901,155
Improved Special Residential	1,036	4	6,228	3,108	1,036	0	4,144	3,108	0	3,108	6,228
Light Industrial and Commercial	1,348	25	317,800	33,700	2,696	0	36,396	33,700	0	33,700	31,800
General Industry and Service Commercial	1,348	34	47,994	45,832	0	0	45,832	45,832	0	45,832	47,994
Large Scale General Industry and Service Commercial	1,348	0	0	0	0	0	0	2,072	0	2,072	0
Vacant Non Residential	1,036	2	0	2,072	0	0	2,072	0	0	0	0
Unimproved valuations											
General Industrial	1,348	0	923,572	0	0	0	0	0	0	0	0
Rural	1,036	115	1,658,878	66,304	5,572	4,058	75,934	66,304	0	66,304	14,878
Mining	1,348	16	47,994	20,220	1,344	0	21,564	20,220	0	20,220	17,011
Urban/Urban Deferred	0	0	0	0	0	0	0	0	0	0	59,270
Sub-Total		2,538	5,584,916	2,645,204	(11,252)	5,566	2,639,518	2,645,204	0	2,645,204	2,739,576
Total amount raised from general rate		18,181	783,681,035	37,571,804	463,493	39,600	38,074,897	37,571,804	529,676	38,101,480	35,057,664
Discounts/concessions expensed during the year (refer Note 23(b))							(6,477)			(6,243)	(7,302)
							38,068,420			38,095,237	35,050,362

SIGNIFICANT ACCOUNTING POLICIES

Rates

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

23. RATING INFORMATION (Continued)

(b) Discounts, Incentives, Concessions, & Write-offs

Rates Discounts

Rate or Fee	2019 Actual	2019 Budget	2018 Actual
Discount Granted			
	\$	\$	\$
Small Balance Write Off	1,477	1,243	2,302
Rates Incentive Prize	5,000	5,000	5,000
	6,477	6,243	7,302

(c) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge	Instalment Plan Interest Rate	Unpaid Rates Interest Rate
		\$	%	%
Option One				
Single full payment	07 Sep 2018	\$ 0.00	5.50%	11.00%
Option Two				
First instalment	07 Sep 2018	\$ 7.70	5.50%	11.00%
Second instalment	21 Jan 2019		5.50%	11.00%
Option Three				
First instalment	07 Sep 2018	\$ 23.10	5.50%	11.00%
Second instalment	09 Nov 2018		5.50%	11.00%
Third instalment	21 Jan 2019		5.50%	11.00%
Fourth instalment	25 Mar 2019		5.50%	11.00%
Option Four				
Direct debit option is available on a fortnightly deduction cycle. Instalment plan administration charge is charged annually on a pro-rata basis	28 Jun 2019	\$ 6.90	5.50%	11.00%
Option Five				
Direct debit option is available on a weekly deduction cycle. Instalment plan administration charge is charged annually on a pro-rata basis	28 Jun 2019	\$ 12.90	5.50%	11.00%

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Interest on unpaid rates	472,700	370,000	453,321
Interest on instalment plan	294,923	280,000	281,864
Deferred Pensioner Interest	18,317	0	14,860
Charges on instalment plan	164,002	118,000	119,040
	949,942	768,000	869,085

24. RATE SETTING STATEMENT INFORMATION

		2018/19 (30 June 2019 Carried Forward)	2018/19 Budget (30 June 2019 Carried Forward)	2018/19 (1 July 2018 Brought Forward)
	Note	\$	\$	\$
(a) Non-cash amounts excluded from operating activities				
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .				
Adjustments to operating activities				
Less: Profit on asset disposals	11(a)	(6,178)	(11,132)	(12,226)
Less: Reversal of prior year loss on revaluation of fixed assets		0	0	(2,762,144)
Movement in pensioner deferred rates (non-current)		(32,973)	0	(79,585)
Movement in Banksia Park deferred management fund receivable		610,100	0	4,648
Movement in Banksia Park valuation of unit contribution		(2,090,575)	0	(2,893,000)
Movement in employee benefit provisions		297,645	0	115,445
Add: Loss on disposal of assets	11(a)	152,265	200,172	181,971
Add: Loss on revaluation of fixed assets	10(a)	0	0	9,803
Add: Depreciation on assets	11(b)	15,359,581	13,672,393	14,200,785
Non cash amounts excluded from operating activities		14,289,865	13,861,433	8,765,697
(b) Surplus/(deficit) after imposition of general rates				
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.				
Adjustments to net current assets				
Less: Reserves - restricted cash	3	(55,730,366)	(47,038,546)	(52,072,348)
Less: Financial assets at amortised cost - self supporting loans	8(a)	(16,709)	(16,709)	(16,168)
Less: Banksia Park DMF Receivable	8(a)	(297,819)	0	(346,925)
Add: Current Borrowings	14(a)	1,451,093	1,643,965	777,133
Add: Current Provisions	15	4,902,379	4,222,885	4,627,270
Add: Banksia Park Unit Contributions	13	17,133,425	0	19,224,000
Add: Allowance for impairment of receivables as at 1 July 2018	27(b)	0	0	(164,521)
Total adjustments to net current assets		(32,557,997)	(41,188,405)	(27,971,559)
Net current assets used in the Rate Setting Statement				
Total current assets		62,781,266	52,836,197	58,515,520
Less: Total current liabilities		(27,744,922)	(11,647,792)	(28,645,156)
Less: Total adjustments to net current assets		(32,557,997)	(41,188,405)	(27,971,559)
Net current assets used in the Rate Setting Statement		2,478,347	0	1,898,805

Difference:

There was a difference of \$164,521 between the 1 July 2018 surplus brought forward position used in the 2019 audited financial report and the surplus carried forward position as disclosed in the 2018 audited financial report. This difference relates to the recognition of the allowance for impairment of receivables as at 1 July 2018 due to the application of AASB 9: Financial Instruments.

25. FINANCIAL RISK MANAGEMENT

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

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

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

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

(a) Interest rate risk

Cash and cash equivalents

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

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

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
2019					
Cash and cash equivalents	0.99%	11,888,157	2,135,837	9,747,750	4,570
Financial assets at amortised cost - term deposits	2.46%	45,348,386	45,348,386	0	0
2018					
Cash and cash equivalents	0.99%	9,367,549	6,742,910	2,619,989	4,650
Financial assets at amortised cost	2.49%	43,529,359	43,529,359	0	0

Sensitivity

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

	2019	2018
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	572,365	528,969

* Holding all other variables constant

Borrowings

The City manages interest rate risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation. The City does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 14(b).

25. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade Receivables

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

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

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

The City applies the AASB 9 simplified approach to measuring expected credit losses using a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, rates receivable are separated from other trade receivables due to the difference in payment terms and security for rates receivable.

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 12 months before 1 July 2018 or 1 July 2019 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of ratepayers and residents to settle the receivables. Housing prices and unemployment rates have been identified as the most relevant factor in repayment rates, and accordingly adjustments are made to the expected credit loss rate based on these factors. There are no material receivables that have been subject to a re-negotiation of repayment terms.

No expected credit loss was forecast on 1 July 2018 or 30 June 2019 for rates receivable as penalty interest applies to unpaid rates and properties associated with unpaid rates may be disposed of to recover outstanding amounts.

	Current	More than 1 year past due	Total
30 June 2019			
Rates receivable			
Expected credit loss	0.00%	0.00%	0.00%
Gross carrying amount	0	3,865,054	3,865,054
Loss allowance	0	0	0

01 July 2018

Rates receivable			
Expected credit loss	0.00%	0.00%	0.00%
Gross carrying amount	0	3,597,121	3,597,121
Loss allowance	0	0	0

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

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2019					
Sundry Receivables					
Expected credit loss	1.2%	3.6%	3.5%	35.9%	
Gross carrying amount	149,773	29,983	15,737	267,007	462,500
Loss allowance	1,812	1,084	558	95,967	99,421

01 July 2018

Sundry Receivables					
Expected credit loss	0.3%	3.2%	9.7%	38.3%	
Gross carrying amount	93,480	166,496	61,992	398,667	720,635
Loss allowance	310	5,408	6,044	152,759	164,521

25. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables and borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The City manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required and disclosed in Note 14(d).

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
2019					
Payables	5,308,025	8,041,713	8,041,713	21,391,450	21,391,450
Borrowings	2,505,552	13,396,661	10,808,530	26,710,743	21,552,398
	7,813,577	21,438,373	18,850,243	48,102,193	42,943,848
2018					
Payables	5,176,753	9,032,000	9,032,000	23,240,753	23,240,753
Borrowings	1,888,752	13,346,702	13,364,041	28,599,495	22,071,411
	7,065,505	22,378,702	22,396,041	51,840,248	45,312,164

26. TRUST FUNDS

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

In previous years, bonds and deposits were held as trust monies. In the current year they are included in Restricted cash at Note 3 and shown as a current liability at Note 13.

	1 July 2018	Amounts Received	Amounts Paid	Reclassification to Restricted Cash	30 June 2019
	\$	\$	\$	\$	\$
APU Security Bonds	15,481	580	(470)	0	15,591
Contiguous Local Authorities Group (CLAG)	200	3,594	(200)	0	3,594
Public Open Space Cash In Lieu	200,061	4,178	0	0	204,239
Hall Security Bonds	71,653	157,087	(161,236)	(67,504)	0
Footpath & Kerbing Security Deposits	410,680	1,123	(147,040)	(264,763)	0
Sports Forfeiture Security Deposits	200	0	0	(200)	0
Bus Hire Security Deposits	3,000	3,000	(2,500)	(3,500)	0
Demolition Security Deposits	2,351	0	0	(2,351)	0
Miscellaneous Deposits	82,423	3,156	(600)	(84,979)	0
Footpath Construction Bonds	2,000	0	0	(2,000)	0
Land Subdivision Bonds	588,211	69,322	(179,734)	(477,799)	0
Road Maintenance Bonds	293,234	53,165	(269,403)	(76,996)	0
Landscaping Subdivision Bonds	138,786	1,739	(1,196)	(139,329)	0
Mortimer Road - Community Trust	10,421	273	0	(10,694)	0
ATU Landscaping Bonds	2,378	0	0	(2,378)	0
Landscaping Development Bonds	64,477	627	0	(65,104)	0
Subdivision Handrails	15,395	0	0	(15,395)	0
Off Road Vehicles	1,510	0	0	(1,510)	0
DCA Contingency Bonds	265,736	47,240	(89,842)	(223,134)	0
Retention Funds	37,524	30,823	(43,751)	(24,596)	0
City of Kwinana Staff Christmas Saver	0	126,057	(6,352)	(119,705)	0
	2,205,721	501,964	(902,324)	(1,581,937)	223,424

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

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

	Adjustments	01 July 2018
		\$
Assets		
Trade receivables	(a),(b)	(164,521)
Total Assets		(164,521)
Total adjustments to Retained Surplus		
Retained surplus	(a),(b)	(164,521)
		(164,521)

The nature of these adjustments are described below:

(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.

27. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

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

- 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.

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

	AASB 139 value	AASB 9 category amortised cost	Fair value through OCI	Fair value through P/L
	\$	\$	\$	\$
AASB 139 category				
Loans and receivables				
Trade receivables*	4,996,538	4,996,538	0	0
Loans and advances	282,850	282,850	0	0
	<u>5,279,388</u>	<u>5,279,388</u>	<u>0</u>	<u>0</u>

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

(b) Impairment

The adoption of AASB 9 has fundamentally changed the City's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the City to recognise an allowance for ECLs for all financial assets not held at fair value through P/L. Upon adoption of AASB 9, the City recognised an additional impairment on the City's Trade receivables of \$164,521 which resulted in a decrease in retained surplus of \$164,521 as at 1 July 2018.

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

	Impairment under AASB 139 as at 30 June 2018	Remeasurement	ECL under AASB 9 as at 01 July 2018
	\$	\$	\$
Loans and receivables under AASB 139 / Financial assets at amortised cost under AASB 9	0	164,521	164,521
	<u>0</u>	<u>164,521</u>	<u>164,521</u>

(c) Impact of changes to Retained Surplus

The impact on the City of the changes as at 1 July 2018 is as follows:

	Adjustments	2018
		\$
Retained surplus - 30 June 2018		241,396,775
Adjustment to retained surplus from adoption of AASB 9	(164,521)	(164,521)
Retained surplus - 1 July 2018		<u>241,232,254</u>

28. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE YEARS

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

This note explains management's assessment of the new and amended pronouncements that are relevant to the City, the impact of the adoption of AASB 15 *Revenue from Contracts with Customers*, AASB 16 *Leases* and AASB 1058 *Income for Not-for-Profit Entities*.

These standards are applicable to future reporting periods and have not yet been adopted.

(a) Revenue from Contracts with Customers

The City will adopt AASB 15 *Revenue from Contracts with Customers* (issued December 2014) on 1 July 2019 resulting in changes in accounting policies. In accordance with the transition provisions AASB 15, the City will adopt the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019. In summary the following adjustments are expected to be made to the amounts recognised in the Statement of Financial Position at the date of initial application (1 July 2019):

	Note	AASB 118 carrying amount 30 June 2019	Reclassification	AASB 15 carrying amount 01 July 2019
		\$	\$	\$
Contract liabilities - current				
Unspent grants, contributions and reimbursements		0	215,781	215,781
Developer contributions		0	8,230,641	8,230,641
Contract liabilities non-current				
Developer contributions		0	23,383,745	23,383,745
Adjustment to retained surplus from adoption of AASB 15	28(d)		(31,830,167)	

(b) Leases

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

On adoption of AASB 16, the City will recognise lease liabilities in relation to leases which had previously been classified as an 'operating lease' applying AASB 117. These lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on 1 July 2019. The weighted average lessee's incremental borrowing rates applied to the lease liabilities on 1 July 2019 is 2.35%.

	Note	2019
		\$
Operating lease commitments disclosed as at 30 June 2019		783,653
Lease liability recognised as at 1 July 2019		
Discounted using the City's incremental borrowing rate of 2.35%		230,899
Right-of-use asset recognised at 1 July 2019		226,133
Adjustment to Retained Earnings 1 July 2019	28(d)	4,766
Low-value leases recognised on a straight-line basis as an expense		544,143

On adoption of AASB 16, the City will recognise a right-of-use asset in relation to a lease which had previously been classified as an 'operating lease' applying AASB 117. This right-of-use asset is to be measured as if AASB 16 had been applied since its commencement date by the carrying amount but discounted using the lessee's incremental borrowing rate as on 1 July 2019. Property, plant and equipment increases by \$226,133 on 1 July 2019 and an adjustment of \$4,766 to retained earnings.

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

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

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

28. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE YEARS (Continued)

(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.

In applying AASB 1058 prospectively with the cumulative effect of initially applying the Standard on 1 July 2019 changes will occur to the following financial statement line items by application of AASB 1058 as compared to AASB 1004 Contributions before the change:

	Note	AASB 1004 carrying amount 30 June 2019	Reclassification	AASB 1058 carrying amount 01 July 2019
		\$	\$	\$
Trade and other payables		21,391,450	904,842	22,296,292
Adjustment to retained surplus from adoption of AASB 1058	28(d)		(904,842)	

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. On 1 July 2019 the prepaid rates will be recognised as a financial asset and a related amount recognised as a financial liability and no income recognised by the City. When the taxable event occurs 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.

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

(d) Impact of changes to Retained Surplus

The impact on the City of the changes as at 1 July 2019 is as follows:

	Note	Adjustments	2019
			\$
Retained surplus - 30 June 2019			244,608,437
Adjustment to retained surplus from adoption of AASB 15	28(a)	(31,830,167)	
Adjustment to retained surplus from adoption of AASB 16	28(b)	4,766	
Adjustment to retained surplus from adoption of AASB 1058	28(c)	(904,842)	(32,730,243)
Retained surplus - 01 July 2019			211,878,194

29. EFFECT OF CHANGE IN ACCOUNTING POLICY / CORRECTION OF ERROR

Balances relating to the 2018 comparative period have been amended due to a change in accounting policy and correction of error.

These amendments have been adjusted as shown below.

(a) Change in Accounting Policy

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

Australian Accounting Standard AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, required this amendment to the asset values to be treated as a change in accounting policy. The standard requires balances to be adjusted retrospectively, unless it is impracticable to determine the period-specific or cumulative effects of the change.

The City has applied this change retrospectively, adjusting the Financial report balances as at 30 June 2018. Assets with a fair value at the date of acquisition of under \$5,000 and purchased prior to 30 June 2018 have been excluded from the assets of the City.

(b) Correction of error

The following adjustments have been made to comparative amounts in the 30 June 2018 Financial Report to bring in to account financial activities that were incorrectly classified in prior years.

Banksia Park Retirement Village Unit Contributions payable have historically been split as current and non-current liabilities dependant on the City's view on timing of lease terminations. Irrespective of the City's expectation that the liability will not be settled within the next 12 months, there is no unconditional right to defer settlement of the liability beyond that period and as such the contributions should be recognised wholly as a current liability in accordance with AASB101 Presentation of Financial Statements.

Financial Assistance Grants paid in the current financial year but relating to the future financial year have been reclassified from restricted to unrestricted cash for the 2018 comparatives.

These changes have resulted in restating each of the affected financial statement line items for the prior periods as follows:

2017	30 June 17 Original Balance	Increase/ (Decrease)	1 July 17 Restated
<u>Statement of Financial Position</u>	\$	\$	\$
Non-Current Assets			
Property, plant and equipment	159,964,117	(800,283)	159,163,834
Current Liabilities			
Current Trade and other payables	4,269,486	22,117,000	26,386,486
Non-Current Liabilities			
Non-Current Payables	22,117,000	(22,117,000)	0
Equity			
Retained Surplus	232,470,241	(800,283)	231,669,958
Financial Ratios			
Current Ratio	1.48	(1.19)	0.29
Debt service cover ratio	1.97	(0.18)	1.79
Operating surplus ratio	(0.10)	(0.01)	(0.11)
Own source revenue coverage ratio	0.79	(0.01)	0.78

29. EFFECT OF CHANGE IN ACCOUNTING POLICY / CORRECTION OF ERROR (Continued)

2018	30 June 18 Original Balance	Increase/ (Decrease)	30 June 18 Restated
	\$	\$	\$
Statement of Financial Position			
Non-Current Assets			
Property, plant and equipment	155,477,757	(622,635)	154,855,122
Current Liabilities			
Current Trade and other payables	4,016,753	19,224,000	23,240,753
Non-Current Liabilities			
Non-Current Payables	19,224,000	(19,224,000)	0
Equity			
Retained Surplus	241,215,987	180,788	241,396,775
Reserves Cash Backed	52,875,771	(803,423)	52,072,348
Statement of Comprehensive Income			
<i>By Nature or Type</i>			
Expenses - Depreciation on non-current assets	(14,379,553)	178,768	(14,200,785)
Loss on disposal of assets	(180,851)	(1,120)	(181,971)
<i>By program</i>			
Governance	(5,286,761)	30,948	(5,255,813)
General purpose funding	(1,200,118)	0	(1,200,118)
Law, order, public safety	(3,165,065)	6,717	(3,158,348)
Health	(1,185,747)	2,725	(1,183,022)
Education and welfare	(10,907,996)	18,706	(10,889,290)
Community amenities	(9,480,011)	6,446	(9,473,565)
Recreation and culture	(18,851,782)	71,748	(18,780,034)
Transport	(13,325,344)	77	(13,325,267)
Economic services	(1,888,929)	2,645	(1,886,284)
Other property and services	(3,704,608)	38,756	(3,665,852)
(Loss) on asset disposals	(180,851)	(1,120)	(181,971)
Net result for the period	11,277,858	177,648	11,455,506
Total comprehensive income for the period	68,425,734	177,648	68,603,382
Rate Setting Statement			
Expenditure from operating activities			
Governance	(5,366,680)	29,828	(5,336,852)
General purpose funding	(1,200,118)	0	(1,200,118)
Law, order, public safety	(3,211,075)	6,717	(3,204,357)
Health	(1,185,747)	2,725	(1,183,022)
Education and welfare	(11,007,437)	18,706	(10,988,731)
Community amenities	(9,485,946)	6,446	(9,479,501)
Recreation and culture	(19,697,694)	71,748	(19,625,946)
Transport	(13,511,834)	77	(13,511,758)
Economic services	(1,888,929)	2,645	(1,886,284)
Other property and services	(1,027,063)	38,756	(988,306)
	(67,582,523)	177,648	(67,404,875)
Non-cash amounts excluded from operating activities	8,943,345	(177,648)	8,765,697
Transfers to reserves (restricted assets)	(9,919,440)	803,423	(9,116,017)
Surplus/(deficit) after imposition of general rates	1,259,903	803,423	2,063,326

29. EFFECT OF CHANGE IN ACCOUNTING POLICY / CORRECTION OF ERROR (Continued)

2018	30 June 18 Original Balance	Increase/ (Decrease)	30 June 18 Restated
	\$	\$	\$
Note 9 - Property, Plant and Equipment			
Opening Balance as at 1st July 2018	159,964,117	(800,283)	159,163,834
Additions	2,237,698	0	2,237,698
Disposals	(699,972)	(1,120)	(701,092)
Depreciation (expense)	(6,024,086)	178,768	(5,845,318)
Carrying amount at 30 June 2018	155,477,757	(622,635)	154,855,122
Note 11(a) - Disposal of Assets			
Netbook Value	699,972	1,120	701,092
Loss on Disposal	(180,851)	(1,120)	(181,971)
Note 11(b) - Depreciation			
Buildings - specialised	4,643,062	1,345	4,641,717
Furniture and equipment	492,885	149,668	343,217
Plant and equipment	888,139	27,755	860,384
Infrastructure - Roads	4,918,898	0	4,918,898
Infrastructure - Footpaths	1,045,795	0	1,045,795
Infrastructure - Drainage	884,616	0	884,616
Infrastructure - Car Parks	154,554	0	154,554
Infrastructure - Bus Shelters	72,860	0	72,860
Infrastructure - Street Lights	55,799	0	55,799
Infrastructure - Parks & Ovals	1,153,434	0	1,153,434
Infrastructure - Other	69,511	0	69,511
	14,379,553	178,768	14,200,785
Note 16 - Notes to the Statement of Cash Flows			
Net Result	11,277,858	(177,648)	11,455,506
Depreciation	14,379,553	178,768	14,200,785
Profit/(loss) on sale of asset	168,625	(1,120)	169,745
Note 17 - Total Assets Classified by Function and Activity			
Governance	70,100,083	89,084	70,010,999
Law, order, public safety	2,204,801	19,084	2,185,717
Health	99,513	5,760	93,753
Education and welfare	33,416,340	74,075	33,342,265
Community amenities	908,486	15,538	892,948
Recreation and culture	84,968,301	304,054	84,664,247
Transport	329,275,107	0	329,275,107
Economic services	51,599,340	9,800	51,589,540
Other property and services	3,638,124	105,240	3,532,884
	576,210,095	622,635	575,587,460
Note 31 - Financial Ratios			
Current Ratio	1.09	(0.83)	0.26
Operating surplus ratio	(0.08)	0.01	(0.07)
Asset renewal funding ratio *	0.78	0.28	1.06

*The asset renewal funding ratio changed due the discount rate being incorrectly entered as 2.5 rather than 2.5% in the 2018 Financial report.

30. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

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

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

i) Impairment of assets

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

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

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

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

31. FINANCIAL RATIOS

	2019 Actual	2018 Actual	2017 Actual
Current ratio ¹	0.25	0.26	0.29
Asset consumption ratio	0.79	0.81	0.76
Asset renewal funding ratio ³	0.91	1.06	1.02
Asset sustainability ratio	0.22	0.24	0.31
Debt service cover ratio ²	4.55	6.44	1.79
Operating surplus ratio ²	(0.14)	(0.07)	(0.11)
Own source revenue coverage ratio ²	0.77	0.78	0.78

The above ratios are calculated as follows:

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

1. The prior years Current Ratio has been restated due to the reclassification of the Banksia Park Retirement Village Unit Contribution from a Non-Current Liability to a Current Liability. Refer Note 29(b)
This results in a distortion of the ratio as any future lease termination will be accompanied by a corresponding debtor. The City does not expect the full liability to be realised within the next 12 months.
The 2018 current ratio is also restated due to the reclassification of Financial Assistance Grants from restricted to unrestricted cash.
2. The prior years Debt Service Cover ratio, Operating Surplus ratio and Own Source Revenue coverage ratio have been restated due to a change in accounting policy resulting from the application of Local Government (Financial Management) Regulation 17A(5).
3. The 2018 Asset Renewal Funding ratio has been restated due to the discount rate being inadvertently entered as 250% rather than 2.5%



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the City of Kwinana

Report on the Audit of the Financial Report

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter – Basis of Accounting

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

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

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

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

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

Auditor's Responsibility for the Audit of the Financial Report

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

- (i) In my opinion, the following material matters indicate significant adverse trends in the financial position of the City:

- a. The Current Ratio, Asset Sustainability Ratio and the Operating Surplus Ratio have been below the Department of Local Government, Sport and Cultural Industries (DLGSC) standard for the past 3 years.

The financial ratios are reported in Note 31 of the financial report.

- (ii) The following material matter indicating non-compliance with Part 6 of the *Local Government Act 1995*, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law was identified during the course of my audit:

- a. The City's unrestricted cash position as at 30 June 2019 is a negative balance of \$75,760 as the City had transferred funds into reserves that exceeded the balance of unrestricted cash that was in the Municipal Fund.

- (iii) All required information and explanations were obtained by me.

- (iv) All audit procedures were satisfactorily completed.

- (v) 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 annual financial report of the City for the year ended 30 June 2018 was audited by another auditor who expressed an unmodified opinion on that annual financial report. The financial ratios for 2017 and 2018 in Note 31 of the audited annual financial report were included in the supplementary information and/or audited annual 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 Kwinana for the year ended 30 June 2019 included on the City's website. The City's management is responsible for the integrity of the City's website. This audit does not provide assurance on the integrity of the City's website. The auditor's report refers only to the annual financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this annual financial report. If users of the annual financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited annual financial report to confirm the information contained in this website version of the annual financial report.



CAROLINE SPENCER
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia

29 November 2019





ADMINISTRATION

Cnr Gilmore Ave and Sulphur Rd,
Kwinana WA 6167
PO Box 21, Kwinana WA 6966

Telephone 08 9439 0200

customer@kwinana.wa.gov.au

www.kwinana.wa.gov.au

