

# Annual Report 2019/20

## (Part 2 – Annual Financial Report)





# Introduction

The City of Kwinana’s Annual Report 2019/20 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 2019/20 (Part 1 – Community) is available to download from the City’s website [www.kwinana.wa.gov.au](http://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 30 JUNE 2020**

**TABLE OF CONTENTS**

Statement by Chief Executive Officer	2
Statement of Comprehensive Income by Nature or Type	3
Statement of Comprehensive Income by Program	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Rate Setting Statement	8
Index of Notes to the Financial Report	9
Independent Auditor's Report	56

**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 30 JUNE 2020**

*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 2020 is based on proper accounts and records to present fairly the financial position of the City of Kwinana at 30 June 2020 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 31<sup>st</sup> day of December 2020

\_\_\_\_\_  
Chief Executive Officer

Wayne Jack  
\_\_\_\_\_  
Name of Chief Executive Officer

**CITY OF KWINANA  
STATEMENT OF COMPREHENSIVE INCOME  
BY NATURE OR TYPE  
FOR THE YEAR ENDED 30 JUNE 2020**

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>Revenue</b>				
Rates	26(a)	39,435,048	39,802,378	38,074,897
Operating grants, subsidies and contributions	2(a)	7,445,800	8,971,318	8,608,169
Fees and charges	2(a)	11,438,704	12,254,403	11,876,679
Interest earnings	2(a)	1,825,211	2,088,408	2,309,386
Other revenue	2(a)	1,308,211	685,839	2,946,617
		<b>61,452,974</b>	<b>63,802,346</b>	<b>63,815,748</b>
<b>Expenses</b>				
Employee costs		(27,440,286)	(29,800,091)	(27,064,970)
Materials and contracts		(24,052,350)	(29,036,680)	(24,574,645)
Utility charges		(2,500,313)	(2,377,800)	(2,414,314)
Depreciation on non-current assets	11(b)	(15,630,143)	(14,269,092)	(15,359,581)
Interest expenses	2(b)	(1,058,626)	(1,054,610)	(1,110,457)
Insurance expenses		(574,494)	(575,863)	(571,974)
Other expenditure		(37,756)	(122,229)	(20,507)
		<b>(71,293,968)</b>	<b>(77,236,365)</b>	<b>(71,116,448)</b>
		<b>(9,840,994)</b>	<b>(13,434,019)</b>	<b>(7,300,700)</b>
Non-operating grants, subsidies and contributions	2(a)	10,810,522	10,936,569	14,907,344
Profit on asset disposals	11(a)	124,076	42,863	6,178
(Loss) on asset disposals	11(a)	(1,247,307)	(101,926)	(152,265)
Fair value adjustments to financial assets at fair value through profit or loss - Banksia Park Deferred Management Fee		110,762	0	(610,100)
Fair value adjustments to financial assets at fair value through profit or loss - Local Government House Trust		2,017	0	122,620
Share of net profit of associates accounted for using the equity method	25	18,131	0	61,124
		<b>9,818,201</b>	<b>10,877,506</b>	<b>14,334,901</b>
<b>Net result for the period</b>		<b>(22,793)</b>	<b>(2,556,513)</b>	<b>7,034,201</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	14	431,670	0	0
<b>Total other comprehensive income for the period</b>		<b>431,670</b>	<b>0</b>	<b>0</b>
<b>Total comprehensive income for the period</b>		<b>408,877</b>	<b>(2,556,513)</b>	<b>7,034,201</b>

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 30 JUNE 2020**

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>Revenue</b>	2(a)			
Governance		457,683	31,786	277,380
General purpose funding		43,528,014	43,734,955	42,768,055
Law, order, public safety		579,054	345,445	545,969
Health		167,748	166,229	92,426
Education and welfare		6,525,695	8,408,713	9,843,996
Community amenities		6,060,354	6,074,580	5,596,612
Recreation and culture		2,343,973	2,980,825	2,993,510
Transport		345,961	324,478	307,985
Economic services		1,164,861	1,260,737	1,188,472
Other property and services		279,631	474,598	201,343
		61,452,974	63,802,346	63,815,748
<b>Expenses</b>	2(b)			
Governance		(4,938,245)	(4,750,355)	(2,212,220)
General purpose funding		(1,153,777)	(1,099,586)	(756,875)
Law, order, public safety		(3,098,933)	(3,318,431)	(3,440,502)
Health		(856,942)	(940,939)	(997,155)
Education and welfare		(10,204,491)	(12,652,758)	(11,451,861)
Community amenities		(9,540,849)	(10,410,075)	(9,561,640)
Recreation and culture		(20,669,023)	(22,117,455)	(21,521,585)
Transport		(14,915,194)	(14,935,910)	(14,601,299)
Economic services		(1,360,878)	(1,742,856)	(1,599,830)
Other property and services		(3,497,010)	(4,213,390)	(3,863,024)
		(70,235,342)	(76,181,755)	(70,005,991)
<b>Finance Costs</b>	2(b)			
Governance		(50,204)	(45,130)	(51,272)
General purpose funding		(253)	0	0
Education and welfare		(82,765)	(82,693)	(91,138)
Recreation and culture		(785,313)	(786,562)	(819,581)
Transport		(140,091)	(140,225)	(148,466)
		(1,058,626)	(1,054,610)	(1,110,457)
		(9,840,994)	(13,434,019)	(7,300,700)
Non-operating grants, subsidies and contributions	2(a)	10,810,522	10,936,569	14,907,344
Profit on disposal of assets	11(a)	124,076	42,863	6,178
(Loss) on disposal of assets	11(a)	(1,247,307)	(101,926)	(152,265)
Fair value adjustments to financial assets at fair value through profit or loss		112,779	0	(487,480)
Share of net profit of associates accounted for using the equity method	25	18,131	0	61,124
		9,818,201	10,877,506	14,334,901
<b>Net result for the period</b>		<b>(22,793)</b>	<b>(2,556,513)</b>	<b>7,034,201</b>
<b>Other comprehensive income</b>				
Items that will not be reclassified subsequently to profit or loss				
Changes in asset revaluation surplus	14	431,670	0	0
<b>Total other comprehensive income for the period</b>		<b>431,670</b>	<b>0</b>	<b>0</b>
<b>Total comprehensive income for the period</b>		<b>408,877</b>	<b>(2,556,513)</b>	<b>7,034,201</b>

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



**CITY OF KWINANA**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2020**

	NOTE	2020 \$	2019 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	25,471,026	11,888,157
Trade and other receivables	6	4,455,262	4,541,131
Other financial assets	5(a)	34,124,318	45,662,914
Inventories	7	37,323	32,920
Contract assets	2(a)	44,388	0
Other assets	8	1,731,667	656,144
<b>TOTAL CURRENT ASSETS</b>		<b>65,863,984</b>	<b>62,781,266</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	6	760,126	711,755
Other financial assets	5(b)	3,542,013	3,468,175
Investment in associate	25	504,775	319,244
Property, plant and equipment	9	135,058,794	150,484,396
Infrastructure	10	363,572,821	362,312,960
Intangible assets	13	616,115	308,673
Right of use assets	12(a)	190,679	0
<b>TOTAL NON-CURRENT ASSETS</b>		<b>504,245,323</b>	<b>517,605,203</b>
<b>TOTAL ASSETS</b>		<b>570,109,307</b>	<b>580,386,469</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	24,256,420	21,391,450
Contract liabilities	16	356,545	0
Other liabilities	16	10,087,995	0
Lease liabilities	17(a)	114,357	0
Borrowings	18(a)	2,314,779	1,451,093
Employee related provisions	19	5,505,931	4,902,379
<b>TOTAL CURRENT LIABILITIES</b>		<b>42,636,027</b>	<b>27,744,922</b>
<b>NON-CURRENT LIABILITIES</b>			
Other liabilities	16	16,953,626	0
Lease liabilities	17(a)	77,148	0
Borrowings	18(a)	17,953,926	20,101,305
Employee related provisions	19	410,209	469,604
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>35,394,909</b>	<b>20,570,909</b>
<b>TOTAL LIABILITIES</b>		<b>78,030,936</b>	<b>48,315,831</b>
<b>NET ASSETS</b>		<b>492,078,371</b>	<b>532,070,638</b>
<b>EQUITY</b>			
Retained surplus		216,805,180	244,608,437
Reserves - cash/financial asset backed	4	55,249,686	55,730,366
Revaluation surplus	14	220,023,505	231,731,835
<b>TOTAL EQUITY</b>		<b>492,078,371</b>	<b>532,070,638</b>

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





CITY OF KWINANA  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2020

		RESERVES CASH/FINANCIAL		
	NOTE	RETAINED SURPLUS	ASSET BACKED	REVALUATION SURPLUS
		\$	\$	\$
<b>Balance as at 1 July 2018</b>		<b>241,396,775</b>	<b>52,072,348</b>	<b>231,731,835</b>
Change in accounting policy		(164,521)	0	0
<b>Restated total equity at the beginning of the financial year</b>		<b>241,232,254</b>	<b>52,072,348</b>	<b>231,731,835</b>
Comprehensive income				
Net result for the period		7,034,201	0	0
Total comprehensive income		7,034,201	0	0
Transfers from reserves	4	6,042,436	(6,042,436)	0
Transfers to reserves	4	(9,700,454)	9,700,454	0
<b>Balance as at 30 June 2019</b>		<b>244,608,437</b>	<b>55,730,366</b>	<b>231,731,835</b>
Change in accounting policy	30(b)	(28,261,144)	0	(12,140,000)
<b>Restated total equity at 1 July 2019</b>		<b>216,347,293</b>	<b>55,730,366</b>	<b>219,591,835</b>
Comprehensive income				
Net result for the period		(22,793)	0	0
Changes on revaluation of assets		0	0	431,670
Total comprehensive income		(22,793)	0	431,670
Transfers from reserves	4	15,090,636	(15,090,636)	0
Transfers to reserves	4	(14,609,956)	14,609,956	0
<b>Balance as at 30 June 2020</b>		<b>216,805,180</b>	<b>55,249,686</b>	<b>220,023,505</b>

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

CITY OF KWINANA  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Rates		39,956,734	41,502,378	37,773,991
Operating grants, subsidies and contributions		6,682,681	9,121,318	6,390,524
Fees and charges		8,649,778	12,254,403	11,876,679
Interest received		1,811,395	2,088,408	1,884,438
Goods and services tax received		2,738,222	0	2,835,628
Other revenue		1,308,211	685,839	2,946,617
		61,147,021	65,652,346	63,707,877
<b>Payments</b>				
Employee costs		(26,697,613)	(29,800,091)	(27,141,971)
Materials and contracts		(23,107,086)	(29,536,680)	(25,580,365)
Utility charges		(2,500,313)	(2,377,800)	(2,414,314)
Interest expenses		(1,060,470)	(1,054,610)	(1,111,761)
Insurance paid		(574,494)	(575,863)	(571,974)
Goods and services tax paid		(671,965)	0	(531,932)
Other expenditure		(37,756)	(122,229)	(20,507)
		(54,649,697)	(63,467,273)	(57,372,824)
<b>Net cash provided by (used in) operating activities</b>	20	<b>6,497,324</b>	<b>2,185,073</b>	<b>6,335,053</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for financial assets at amortised cost		0	0	(1,819,027)
Payments for purchase of property, plant & equipment	9(a)	(2,520,306)	(8,098,360)	(1,793,705)
Payments for construction of infrastructure	10(a)	(4,738,586)	(12,242,614)	(3,982,448)
Payments for intangible assets	13(a)	(307,442)	0	(308,673)
Non-operating grants, subsidies and contributions	2(a)	3,944,619	10,936,569	4,476,940
Proceeds from financial assets at amortised cost - term deposits		11,560,827	0	0
Proceeds from financial assets at amortised cost - self supporting loans		16,710	16,709	16,168
Proceeds from sale of property, plant & equipment	11(a)	696,834	334,500	373,433
<b>Net cash provided by (used in) investment activities</b>		<b>8,652,656</b>	<b>(9,053,196)</b>	<b>(3,037,312)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of borrowings	18(b)	(1,451,093)	(1,451,093)	(777,133)
Payments for principal portion of lease liabilities	17(b)	(116,018)	0	0
Proceeds from new borrowings	18(b)	0	2,268,000	0
<b>Net cash provided by (used in) financing activities</b>		<b>(1,567,111)</b>	<b>816,907</b>	<b>(777,133)</b>
<b>Net increase (decrease) in cash held</b>		<b>13,582,869</b>	<b>(6,051,216)</b>	<b>2,520,608</b>
Cash at beginning of year		11,888,157	54,690,424	9,367,549
<b>Cash and cash equivalents at the end of the year</b>	20	<b>25,471,026</b>	<b>48,639,208</b>	<b>11,888,157</b>

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

**CITY OF KWINANA**  
**RATE SETTING STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual
<b>OPERATING ACTIVITIES</b>				
Net current assets at start of financial year - surplus/(deficit)	27 (b)	1,573,505	1,504,912	1,898,805
		1,573,505	1,504,912	1,898,805
<b>Revenue from operating activities (excluding rates)</b>				
Governance		483,250	37,438	277,380
General purpose funding		4,092,966	3,932,577	4,693,158
Law, order, public safety		594,845	357,487	545,969
Health		176,266	166,229	92,426
Education and welfare		6,636,457	8,408,713	9,843,996
Community amenities		6,082,531	6,081,141	5,596,612
Recreation and culture		2,346,762	2,983,041	2,993,510
Transport		345,961	324,478	307,985
Economic services		1,185,400	1,261,187	1,188,472
Other property and services		328,474	490,540	207,521
		22,272,912	24,042,831	25,747,029
<b>Expenditure from operating activities</b>				
Governance		(4,991,014)	(4,795,485)	(2,299,800)
General purpose funding		(1,154,030)	(1,099,586)	(756,875)
Law, order, public safety		(3,122,690)	(3,318,431)	(3,478,283)
Health		(862,553)	(949,882)	(997,155)
Education and welfare		(10,287,256)	(12,735,451)	(12,153,099)
Community amenities		(9,550,266)	(10,423,143)	(9,564,944)
Recreation and culture		(21,477,137)	(22,904,017)	(22,360,221)
Transport		(16,137,127)	(15,076,180)	(14,752,938)
Economic services		(1,360,878)	(1,742,856)	(1,609,317)
Other property and services		(3,598,324)	(4,293,260)	(3,906,181)
		(72,541,275)	(77,338,291)	(71,878,813)
Non-cash amounts excluded from operating activities	27(a)	16,843,365	14,328,155	14,289,865
Amount attributable to operating activities		(31,851,493)	(37,462,393)	(29,943,114)
<b>INVESTING ACTIVITIES</b>				
Non-operating grants, subsidies and contributions	2(a)	10,810,522	10,936,569	14,907,344
Proceeds from disposal of assets	11(a)	696,834	334,500	373,433
Proceeds from financial assets at amortised cost - self supporting loans		16,710	16,709	16,168
Purchase of property, plant and equipment	9(a)	(2,603,033)	(8,098,360)	(1,793,705)
Purchase and construction of infrastructure	10(a)	(12,276,761)	(12,242,614)	(14,412,852)
Payments for intangible assets	13(a)	(307,442)	0	(308,673)
Amount attributable to investing activities		(3,663,170)	(9,053,196)	(1,218,285)
<b>FINANCING ACTIVITIES</b>				
Repayment of borrowings	18(b)	(1,451,093)	(1,451,093)	(777,133)
Proceeds from borrowings	18(c)	0	2,268,000	0
Payments for principal portion of lease liabilities	17(b)	(116,018)	0	0
Transfers to reserves (restricted assets)	4	(14,609,956)	(15,869,208)	(9,700,454)
Transfers from reserves (restricted assets)	4	15,090,636	21,765,512	6,042,436
Amount attributable to financing activities		(1,086,431)	6,713,211	(4,435,151)
Surplus/(deficit) before imposition of general rates		(36,601,094)	(39,802,378)	(35,596,550)
Total amount raised from general rates	26(a)	39,435,048	39,802,378	38,074,897
Surplus/(deficit) after imposition of general rates	27(b)	2,833,954	0	2,478,347

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

**CITY OF KWINANA**  
**INDEX OF NOTES TO THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2020**

Note 1	Basis of Preparation	10
Note 2	Revenue and Expenses	11
Note 3	Cash and Cash Equivalents	15
Note 4	Reserves - Cash backed	16
Note 5	Other Financial Assets	18
Note 6	Trade and Other Receivables	19
Note 7	Inventories	20
Note 8	Other Assets	20
Note 9	Property, Plant and Equipment	21
Note 10	Infrastructure	23
Note 11	Fixed Assets	25
Note 12	Leases	28
Note 13	Intangible Assets	29
Note 14	Revaluation Surplus	30
Note 15	Trade Payables and Other Liabilities	31
Note 16	Contract and Other Liabilities	32
Note 17	Lease Liabilities	33
Note 18	Information on Borrowings	34
Note 19	Employee Provisions	36
Note 20	Notes to the Statement of Cash Flows	37
Note 21	Total Assets Classified by Function and Activity	38
Note 22	Contingent Liabilities and Contaminated Sites	38
Note 23	Commitments	39
Note 24	Related Party Transactions	40
Note 25	Investment in Associate	42
Note 26	Rating Information	43
Note 27	Rate Setting Statement Information	45
Note 28	Financial Risk Management	46
Note 29	Initial Application of Australian Accounting Standards	49
Note 30	Change in Accounting Policies	51
Note 31	Trust Funds	52
Note 32	Other Significant Accounting Policies	53
Note 33	Activities/Programs	54
Note 34	Financial Ratios	55



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.

AMENDMENTS TO LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996

The *Local Government (Financial Management) Regulations 1996* take precedence over Australian Accounting Standards. Prior to 1 July 2019, *Financial Management Regulation 16* arbitrarily prohibited a local government from recognising as assets Crown land that is a public thoroughfare, i.e. 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 pertaining to vested land, including land under roads acquired on or after 1 July 2008, were not recognised in previous financial reports of the City. This was not in accordance with the requirements of AASB 1051 *Land Under Roads* paragraph 15 and AASB 116 *Property, Plant and Equipment* paragraph 7.

From 1 July 2019, the City has applied AASB 16 Leases which requires leases to be included by lessees in the statement of financial position. Also, the *Local Government (Financial Management) Regulations 1996* have been amended to specify that vested land is a right-of-use asset to be measured at cost. All right-of-use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not included in the statement of financial position) rather than at fair value. The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which continue to be reported at fair value, as opposed to the vested land which is measured at zero cost. The measurement of vested improvements at fair value is a departure from AASB 16 which would have required the City to measure any vested improvements at zero cost.

The City has accounted for the removal of the vested land values associated with vested land previously recognised by removing the land value and associated revaluation reserve as at 1 July 2019. The comparative year amounts have been retained as AASB 16 does not require comparatives to be restated in the year of transition.

Therefore the departure from AASB 1051 and AASB 16 in respect of the comparatives for the year ended 30 June 2019 remains.

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.

NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS

On 1 July 2020 the following new accounting standards are to be adopted:

- AASB 1059 *Service Concession Arrangements: Grantors*
- AASB 2018-7 *Amendments to Australian Accounting Standards - Materiality*

AASB 1059 *Service Concession Arrangements: Grantors* is not expected to impact the financial report.

Specific impacts of AASB 2018-7 *Amendments to Australian Accounting Standards - Materiality*, have not been identified.

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 31 to these financial statements.

CITY OF KWINANA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020

2. REVENUE AND EXPENSES

REVENUE RECOGNITION POLICY									
Recognition of revenue is dependant on the source of revenue and the associated terms and conditions associated with each source of revenue and recognised as follows:									
Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Determination of transaction price	Allocating transaction price	Measuring obligations for returns	Timing of revenue recognition	
Rates	General Rates	Over time	Payment dates adopted by Council during the year	None	Adopted by council annually	When taxable event occurs	Not applicable	When rates notice is issued	
Grant contracts with customers	Community events, minor facilities, research, design, planning evaluation and services	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the customer	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms breached	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared	
Grants, subsidies or contributions for the construction of non-financial assets	Construction or acquisition of recognisable non-financial assets to be controlled by the local government	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Obligation if project not complete	Set by mutual agreement with the customer	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms breached	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared	
Grants with no contract commitments	General appropriations and contributions with no reciprocal commitment	No obligations	Not applicable	Not applicable	Cash received	On receipt of funds	Not applicable	When assets are controlled	
Licences/ Registrations/ Approvals	Building, planning, development and animal management, having the same nature as a licence regardless of naming.	Single point in time	Full payment prior to issue	None	Set by State legislation or limited by legislation to the cost of provision	Based on timing of issue of the associated rights	No refunds	On payment and issue of the licence, registration or approval	
Pool inspections	Compliance safety check	Single point in time	Equal proportion based on an equal annually fee	None	Set by State legislation	Apportioned equally across the inspection cycle	No refunds	After inspection complete based on a 4 year cycle	
Other inspections	Regulatory Food, Health and Safety	Single point in time	Full payment prior to inspection	None	Set by State legislation or limited by legislation to the cost of provision	Applied fully on timing of inspection	Not applicable	Revenue recognised after inspection event occurs	
Waste management collections	Kerbside collection service	Over time	Payment on an annual basis in advance	None	Adopted by council annually	Apportioned equally across the collection period	Not applicable	Output method based on regular weekly and fortnightly period as proportionate to collection service	
Property hire and entry	Use of halls and facilities	Single point in time	In full in advance	Refund if event cancelled within terms	Adopted by council annually	Based on timing of entry to facility	Returns limited to repayment of transaction price	On entry or at conclusion of hire	
Memberships	Gym and pool membership	Over time	Payment in full in advance or by instalments	Refund as per terms and conditions	Adopted by council annually	Apportioned equally across the access period	Returns limited to repayment of transaction price	Output method Over 12 months matched to access right	
Fees and charges for other goods and services	Cemetery services, library fees, reinstatements and private works	Single point in time	Payment in full in advance	None	Adopted by council annually	Applied fully based on timing of provision	Not applicable	Output method based on provision of service or completion of works	
Sale of stock	Aviation fuel, kiosk and visitor centre stock	Single point in time	In full in advance, on 15 day credit	Refund for faulty goods	Adopted by council annually, set by mutual agreement	Applied fully based on timing of provision	Returns limited to repayment of transaction price	Output method based on goods	
Commissions	Commissions on licencing and ticket sales	Over time	Payment in full on sale	None	Set by mutual agreement with the customer	On receipt of funds	Not applicable	When assets are controlled	
Reimbursements	Insurance claims	Single point in time	Payment in arrears for claimable event	None	Set by mutual agreement with the customer	When claim is agreed	Not applicable	When claim is agreed	

CITY OF KWINANA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020

2. REVENUE AND EXPENSES

(a) Grant revenue

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

	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>Operating grants, subsidies and contributions</b>			
General purpose funding	1,796,876	1,580,138	1,978,780
Law, order, public safety	202,912	163,650	182,144
Health	14,703	12,150	35,072
Education and welfare	4,772,577	6,406,485	5,708,537
Community amenities	78,832	107,000	42,017
Recreation and culture	250,337	377,417	353,634
Transport	329,563	324,478	307,985
	7,445,800	8,971,318	8,608,169
<b>Non-operating grants, subsidies and contributions</b>			
Law, order, public safety	260,745	631,000	72,000
Community amenities	891,296	8,015,014	3,144,657
Recreation and culture	201,506	279,836	39,603
Transport	9,366,982	1,910,719	11,604,814
Economic services	89,993	100,000	0
Other property and services	0	0	46,270
	10,810,522	10,936,569	14,907,344
<b>Total grants, subsidies and contributions</b>	18,256,322	19,907,887	23,515,513
<b>Fees and charges</b>			
Governance	4,124	8,800	15,966
General purpose funding	253,441	181,600	195,531
Law, order, public safety	318,813	146,095	303,782
Health	126,491	145,959	42,533
Education and welfare	1,557,274	1,966,551	1,995,768
Community amenities	5,946,335	5,938,370	5,541,723
Recreation and culture	1,976,234	2,507,170	2,533,678
Economic services	1,113,046	1,199,560	1,147,445
Other property and services	142,946	160,298	100,253
	11,438,704	12,254,403	11,876,679

**Grants, subsidies and contributions**

Operating grants, subsidies and contributions are grants, subsidies or contributions that are not non-operating in nature.

Non-operating grants, subsidies and contributions are amounts received for the acquisition or construction of recognisable non-financial assets to be controlled by the local government.

**Fees and Charges**

Revenue (other than service charges) from the use of facilities and charges made for local government services, sewerage rates, rentals, hire charges, fee for service, photocopying charges, licences, sale of goods or information, fines, penalties and administration fees.

CITY OF KWINANA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020  
2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

**Contracts with customers and transfers for recognisable non-financial assets**

Revenue from contracts with customers and transfers to enable the acquisition or construction of recognisable non-financial assets to be controlled by the City was recognised during the year for the following nature or types of goods or services:

	2020 Actual \$	2020 Budget \$	2019 Actual \$
Operating grants, subsidies and contributions	953,896	8,971,318	0
Fees and charges	10,161,087	11,189,173	10,693,362
Non-operating grants, subsidies and contributions	3,272,347	10,936,569	0
	14,387,330	31,097,060	10,693,362

Revenue from contracts with customers and transfers to enable the acquisition or construction of recognisable non-financial assets to be controlled by the City is comprised of:

Contracts with customers included as a contract liability at the start of the period	72,428	0	0
Other revenue from contracts with customers recognised during the year	11,042,554	20,160,491	0
Transfers intended for acquiring or constructing recognisable non financial assets included as a liability at the start of the period	928,646	0	0
Other revenue from performance obligations satisfied during the year	2,343,701	10,936,569	10,693,362
	14,387,330	31,097,060	0

Information about receivables, contract assets and contract liabilities from contracts with customers along with financial assets and associated liabilities arising from transfers to enable the acquisition or construction of recognisable non financial assets is:

Trade and other receivables from contracts with customers	560,351	0	0
Contract assets	44,388	0	0
Other liabilities from contracts with customers	(194,030)	0	0
Financial assets held from transfers for recognisable financial assets	27,041,621	0	0
Other liabilities from transfers for recognisable non financial assets	(27,041,621)	0	0

Contract assets primarily relate to the City's right to consideration for work completed but not billed at 30 June 2020. Impairment of assets associated with contracts with customers are detailed at note 2 (b) under 'Other expenditure'. Contract liabilities for contracts with customers primarily relate to grants with performance obligations received in advance, for which revenue is recognised over time as the performance obligations are met. Information is not provided about remaining performance obligations for contracts with customers that had an original expected duration of one year or less. Consideration from contracts with customers is included in the transaction price. Performance obligations in relation to liabilities from transfers for recognisable non financial assets are satisfied as project milestones are met or completion of construction or acquisition of the asset.



CITY OF KWINANA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Revenue from statutory requirements

Revenue from statutory requirements was recognised during the year for the following nature or types of goods or services:

	2020 Actual \$	2020 Budget \$	2019 Actual \$
General rates	39,428,423	39,794,978	38,068,420
Statutory permits and licences	1,065,098	993,930	961,969
Fines	210,339	69,140	219,279
	40,703,860	40,858,048	39,249,668

Assets and services acquired below fair value

Contributed assets	7,538,175	0	10,430,404
Grants, subsidies and contributions	6,491,904	0	0
	14,030,079	0	10,430,404

Other revenue

Reimbursements and recoveries	1,105,989	640,959	832,661
Other	202,222	44,880	2,113,956
	1,308,211	685,839	2,946,617

Interest earnings

Financial assets at amortised cost - self supporting loans	10,516	10,551	11,167
Interest on reserve funds	846,100	860,000	1,352,653
Rates instalment and penalty interest (refer Note 26(c))	784,551	743,408	785,940
Other interest earnings	184,044	474,449	159,626
	1,825,211	2,088,408	2,309,386

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.

(b) Expenses

Auditors remuneration

- Audit of the Annual Financial Report	67,000	60,000	60,000
- Other services	2,000	5,000	22,298
	69,000	65,000	82,298

Interest expenses (finance costs)

Borrowings	18(b) 1,052,767	1,054,610	1,110,457
Interest expense - other	249	0	0
Lease liabilities	17(b) 5,610	0	0
	1,058,626	1,054,610	1,110,457

Other expenditure

Impairment loss on trade and other receivables	12,379	2,600	(12,194)
DCA - City Contributions	0	65,629	0
Sundry expenses	25,377	54,000	32,701
	37,756	122,229	20,507

CITY OF KWINANA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020

3. CASH AND CASH EQUIVALENTS

	NOTE	2020 \$	2019 \$
Cash at bank and on hand		25,471,026	9,752,320
Term deposits <91 days		0	2,135,837
<b>Total cash and cash equivalents</b>		25,471,026	11,888,157
<b>Restrictions</b>			
The following classes of assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used:			
- Cash and cash equivalents		22,695,291	11,963,917
- Financial assets at amortised cost		33,787,559	45,348,386
		56,482,850	57,312,303

The restricted assets are a result of the following specific purposes to which the assets may be used:

Reserves - cash/financial asset backed	4	55,249,686	55,730,366
Contract liabilities from contracts with customers	16	194,030	0
Other liabilities from transfers for recognisable non financial assets	16	27,041,621	0
Deposits and Bonds Held		1,070,649	1,581,937
Less contract and other liabilities - reserve backed		(27,073,136)	0
<b>Total restricted assets</b>		56,482,850	57,312,303

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 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.

Restricted assets

Restricted asset balances are not available for general use by the local government due to externally imposed restrictions. Externally imposed restrictions are specified in an agreement, contract or legislation. This applies to reserves, unspent grants, subsidies and contributions and unspent loans that have not been fully expended in the manner specified by the contributor, legislation or loan agreement.

CITY OF KWINANA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020

4. RESERVES - CASH/FINANCIAL ASSET BACKED

	2020 Actual Opening Balance	2020 Actual Transfer to	2020 Actual Transfer (from)	2020 Actual Closing Balance
(a) Aged Persons Units Reserve	\$ 807,624	\$ 208,083	\$ (274,663)	\$ 741,044
(b) Asset Management Reserve	762,988	6,058,755	(1,658,496)	5,163,247
(c) Banksia Park Reserve	190,418	2,830	(169,251)	23,997
(d) City Assist Initiative Reserve	0	0	0	0
(e) City Infrastructure Reserve	0	1,592,930	(597,675)	995,255
(f) Contiguous Local Authorities Group Reserve	275,223	19,508	(28,813)	265,918
(g) Community Services & Emergency Relief Reserve	88,835	252,160	0	340,995
(h) Employee Leave Reserve	4,033,993	573,816	(2,119,426)	2,488,383
(i) Employee Vacancy Reserve	0	500,233	0	500,233
(j) Family Day Care Reserve	1,489,179	20,247	(279,523)	1,229,903
(k) Future Community Infrastructure Reserve	1,067,201	0	(1,067,201)	0
(l) Golf Course Cottage Reserve	28,887	509	0	29,396
(m) Golf Club Maintenance Reserve	0	8,846	0	8,846
(n) Information Technology Reserve	2,068,659	989,813	(461,304)	2,597,168
(o) Infrastructure Reserve	348,075	1,648	(349,723)	0
(p) Plant and Equipment Replacement Reserve	579,628	609,396	(758,125)	430,899
(q) Refuse Reserve	8,844,888	0	(3,200,000)	5,644,888
(r) Renewable Energy Efficiency Reserve	53,983	8,861	(28,672)	34,172
(s) Restricted Grants & Contributions Reserve	3,170,082	1,592,614	(2,504,711)	2,187,985
(t) Settlement Agreement Reserve	164,874	2,897	0	167,771
(u) Workers Compensation Reserve	141,443	2,485	0	143,928
(v) Youth Engagement Reserve	0	0	0	0
(w) DCA 1 - Hard Infrastructure - Bertram	228,688	401,282	(30,248)	599,722
(x) DCA 2 - Hard Infrastructure - Wellard	2,435,413	40,432	(487,551)	1,988,294
(y) DCA 3 - Hard Infrastructure - Casuarina	0	0	0	0
(z) DCA 4 - Hard Infrastructure - Anketell	533,009	7,298	(18,817)	521,490
(aa) DCA 5 - Hard Infrastructure - Wandl	1,073,049	15,909	(681,740)	427,218
(ab) DCA 6 - Hard Infrastructure - Mandogalup	0	398,205	(124,150)	274,055
(ac) DCA 7 - Hard Infrastructure - Mandogalup West/Bertram	2,988	15,183	0	18,171
(ad) DCA 8 - Soft Infrastructure - Mandogalup	471,270	6,453	(27,222)	450,501
(ae) DCA 9 - Soft Infrastructure - Wandl/Anketell	11,762,971	205,101	(26,798)	11,941,274
(af) DCA 10 - Soft Infrastructure - Casuarina/Anketell	225,488	3,951	(25,257)	204,182
(ag) DCA 11 - Soft Infrastructure - Wellard East	6,079,450	99,723	(26,196)	6,152,877
(ah) DCA 12 - Soft Infrastructure - Wellard West	7,741,470	753,764	(27,138)	8,468,096
(ai) DCA 13 - Soft Infrastructure - Bertram	283,533	4,963	(25,170)	263,326
(aj) DCA 14 - Soft Infrastructure - Wellard/Leda	614,490	121,201	(28,770)	706,921
(ak) DCA 15 - Soft Infrastructure - Townsite	162,567	100,860	(23,996)	239,431
(...)	55,730,366	14,609,956	(15,090,636)	55,249,686

All reserves are supported by cash and cash equivalents and financial assets at amortised cost and are restricted within equity as Reserves - cash/financial assets backed.

CITY OF KWINANA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020

In accordance with Council resolutions or adopted budget 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	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) Banksia Park Reserve	Complete	This Reserve has been established to provide funds for the capital acquisition and maintenance of the Banksia Park Retirement Village.
(d) City Assist Initiative Reserve	Ongoing	This Reserve was established to provide funds for infrastructure and other initiatives to enhance the safety and security of the City.
(e) City Infrastructure Reserve	Ongoing	This Reserve was established to fund the City's contributions to community infrastructure projects.
(f) Contiguous Local Authorities Group 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) Employee Vacancy Reserve	Ongoing	The Reserve was established to ensure that adequate funds are available to finance employee costs.
(j) Family Day Care Reserve	Ongoing	This Reserve provides for the capital acquisitions and maintenance of this facility.
(k) 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.
(l) Golf Course Cottage Reserve	Ongoing	This Reserve was established to provide funds for the maintenance of this building.
(m) Golf Club Maintenance Reserve	Ongoing	This Reserve was established to provide funds for the maintenance of this building.
(n) Information Technology Reserve	Ongoing	This Reserve was established to provide funds for the implementation and maintenance of the City's software requirements.
(o) Infrastructure Reserve	Ongoing	This Reserve was established to provide funds for the major upgrade of City assets to increase the service level provided by the asset.
(p) Plant and Equipment Replacement Reserve	Ongoing	This Reserve is utilised to replace existing fleet, plant and other City assets.
(q) Refuse Reserve	Ongoing	This Reserve was established to provide funds for the costs and subsidy of Waste Management in the City.
(r) Renewable Energy Efficiency Reserve	Ongoing	This Reserve was established to provide funds for renewable energy and water efficiency initiatives.
(s) Restricted Grants & Contributions Reserve	Ongoing	This Reserve was established to restrict funds required to complete projects relating to prior financial years.
(t) Settlement Agreement Reserve	Ongoing	This Reserve was established to provide funds to account for future negotiated settlement agreement payments.
(u) 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.
(v) Youth Engagement Reserve	Ongoing	This Reserve was established to assist with youth engagement and diversion initiatives.
(w) 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.
(x) 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.
(y) DCA 3 - Hard Infrastructure - Casuarina	Ongoing	This Reserve was established to restrict funds received from Developers for contributions towards future infrastructure costs and administrative costs for DCA 3 Hard Infrastructure Casuarina.
(z) 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.
(aa) 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.
(ab) DCA 6 - Hard Infrastructure - Mandogalup	Ongoing	This Reserve was established to restrict funds received from Developers for contributions towards future infrastructure costs and administrative costs for DCA 6 Hard Infrastructure Mandogalup.
(ac) DCA 7 - Hard Infrastructure - Mandogalup West/Bertram	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
(ad) 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.
(ae) 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.
(af) 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.
(ag) 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.
(ah) 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.
(ai) 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.
(aj) 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.
(ak) 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.



CITY OF KWINANA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020

5. OTHER FINANCIAL ASSETS

(a) Current assets

Financial assets at amortised cost  
Financial assets at fair value through profit and loss

2020	2019
\$	\$
33,804,828	45,365,095
319,490	297,819
34,124,318	45,662,914

Other financial assets at amortised cost

Term deposits - term greater than 90 days  
Self supporting loans

33,787,559	45,348,386
17,269	16,709
33,804,828	45,365,095

Financial assets at fair value through profit and loss

Banksia Park Deferred Management Fee

319,490	297,819
319,490	297,819

(b) Non-current assets

Financial assets at amortised cost  
Financial assets at fair value through profit and loss

232,703	249,973
3,309,310	3,218,202
3,542,013	3,468,175

Financial assets at amortised cost

Self supporting loans

232,703	249,973
232,703	249,973

Financial assets at fair value through profit and loss

Units in Local Government House Trust  
Banksia Park Deferred Management Fee

124,637	122,620
3,184,673	3,095,582
3,309,310	3,218,202

Loans receivable from clubs/institutions have the same terms and conditions as the related borrowing disclosed in Note 18(b) as self supporting loans.

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 cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets at fair value through profit and loss

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

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

Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 28.

CITY OF KWINANA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020

6. TRADE AND OTHER RECEIVABLES

Current

Rates receivable  
Trade and other receivables  
GST receivable  
Allowance for impairment of receivables

2020	2019
\$	\$
3,588,655	3,865,054
560,351	462,500
404,862	312,998
(98,606)	(99,421)
4,455,262	4,541,131
760,126	711,755
760,126	711,755

Non-current

Pensioner's rates and ESL deferred

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 28.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 cash flows 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.

7. INVENTORIES

Current

Stores and materials

	2020	2019
	\$	\$
	37,323	32,920
	37,323	32,920
	32,920	34,180
	(65,045)	(144,689)
	69,448	143,429
	37,323	32,920

The following movements in inventories occurred during the year:

Carrying amount at beginning of period

Inventories expensed during the year

Additions to inventory

Carrying amount at end of period

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.

8. OTHER ASSETS

Other assets - current

Prepayments

Accrued income

	2020	2019
	\$	\$
	164,937	28,963
	1,566,730	627,181
	1,731,667	656,144

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.

CITY OF KWINANA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020

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	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2018	35,431,000	12,140,000	47,571,000	100,243,079	100,243,079	147,814,079	976,193	6,064,850	154,855,122
Additions	0	0	0	924,854	924,854	924,854	8,149	860,702	1,793,705
(Disposals)	0	0	0	0	0	0	0	(519,520)	(519,520)
Depreciation (expense)	0	0	0	(4,481,581)	(4,481,581)	(4,481,581)	(260,892)	(902,438)	(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	150,484,396
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	166,854,218
Accumulated depreciation at 30 June 2019	0	0	0	(9,123,298)	(9,123,298)	(9,123,298)	(3,765,494)	(3,481,030)	(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	150,484,396
Change in accounting policy	0	(12,140,000)	(12,140,000)	0	0	(12,140,000)	0	0	(12,140,000)
Carrying amount at 1 July 2019	35,431,000	0	35,431,000	96,686,352	96,686,352	132,117,352	723,450	5,503,594	138,344,396
Additions	0	0	0	1,316,754	1,316,754	1,316,754	180,830	1,105,449	2,603,033
(Disposals)	0	0	0	0	0	0	(24,385)	(713,838)	(738,223)
Revaluation increments / (decrements) transferred to revaluation surplus	0	0	0	0	0	0	58,484	373,186	431,670
Depreciation (expense)	0	0	0	(4,495,716)	(4,495,716)	(4,495,716)	(196,691)	(889,675)	(5,582,082)
Carrying amount at 30 June 2020	35,431,000	0	35,431,000	93,507,390	93,507,390	128,938,390	741,688	5,378,716	135,058,794
Comprises:									
Gross carrying amount at 30 June 2020	35,431,000	0	35,431,000	107,126,404	107,126,404	142,557,404	2,469,987	5,378,716	150,406,107
Accumulated depreciation at 30 June 2020	0	0	0	(13,619,014)	(13,619,014)	(13,619,014)	(1,728,299)	0	(15,347,313)
Carrying amount at 30 June 2020	35,431,000	0	35,431,000	93,507,390	93,507,390	128,938,390	741,688	5,378,716	135,058,794



CITY OF KWINANA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020

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
- 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 costs	Independent registered valuer	June 2020	Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (level 3) inputs
- Independent valuation	3	Cost approach using depreciated replacement costs	Management valuation	June 2020	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 2020	Market price per item
- Independent valuation	3	Cost approach using depreciated replacement cost	Independent registered valuer	June 2020	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 2020	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.					
Following a change to <i>Local Government (Financial Management) Regulation 17A</i> , plant and equipment type assets (being plant and equipment and furniture and equipment) are to be measured under the cost model, rather than at fair value. This change is effective from 1 July 2019 and represents a change in accounting policy. Revaluations carried out previously were not reversed as it was deemed fair value approximates cost at the date of change.					

CITY OF KWINANA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020

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 - Parks	Infrastructure - Car Parks	Infrastructure - Bus Shelters	Infrastructure - Street Lights	Infrastructure - Parks & Ovals	Infrastructure - Other	Total Infrastructure
Balance at 1 July 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	48,839,015	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
Additions	4,572,717	848,910	1,627,944	23,442		15,397	58,424	5,129,927	0	12,276,761
(Disposals)	(1,081,842)	0	0	0		0	0	0	0	(1,081,842)
Depreciation (expense)	(6,337,844)	(586,091)	(588,643)	(347,479)		(45,105)	(64,033)	(1,867,841)	(98,022)	(9,935,058)
Carrying amount at 30 June 2020	237,977,356	37,995,886	49,415,579	2,459,403		564,618	1,175,103	33,654,026	330,850	363,572,821
Comprises:										
Gross carrying amount at 30 June 2020	250,559,079	39,154,210	50,566,959	3,154,060		654,167	1,292,045	37,234,123	526,671	383,141,314
Accumulated depreciation at 30 June 2020	(12,581,723)	(1,158,324)	(1,151,380)	(694,657)		(89,549)	(116,942)	(3,580,097)	(195,821)	(19,568,493)
Carrying amount at 30 June 2020	237,977,356	37,995,886	49,415,579	2,459,403		564,618	1,175,103	33,654,026	330,850	363,572,821

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.

CITY OF KWINANA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020

11. FIXED ASSETS

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

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)*. These assets are expensed immediately.

Where multiple individual low value assets are purchased together as part of a larger asset or collectively forming a larger asset exceeding the threshold, the individual assets are recognised as one asset and capitalised.

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 zero cost or otherwise significantly less than fair value, 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 that are land, buildings and infrastructure 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 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 land, buildings and infrastructure is determined at least every five years in accordance with the regulatory framework. This includes buildings and infrastructure items which were pre-existing improvements (i.e. vested improvements) on vested land acquired by the City.

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 land, buildings, infrastructure, investment properties and vested improvements 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 prior to 1 July 2019

In accordance with the then *Local Government (Financial Management) Regulation 16(a)(ii)*, the City was previously required to include as an asset (by 30 June 2013), vested 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.

Land under roads prior to 1 July 2019

In Western Australia, most 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 then *Local Government (Financial Management) Regulation 16(a)(i)* which arbitrarily prohibited local governments from recognising such land as an asset. This regulation has now been deleted.

In respect of land under roads acquired on or after 1 July 2008, as detailed above, the then *Local Government (Financial Management) Regulation 16(a)(i)* prohibited 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 was not included as an asset of the City.

Land under roads from 1 July 2019

As a result of amendments to the *Local Government (Financial Management) Regulations 1996*, effective from 1 July 2019, vested land, including land under roads, are treated as right-of-use assets measured at zero cost. Therefore, the previous inconsistency with AASB 1051 in respect of non-recognition of land under roads acquired on or after 1 July 2008 has been removed, even though measurement at zero cost means that land under roads is still not included in the statement of financial position.

The City has accounted for the removal of the vested land values associated with vested land previously recognised by removing the land value and associated revaluation reserve as at 1 July 2019. The comparatives have not been restated.

Vested improvements from 1 July 2019

The measurement of vested improvements at fair value in accordance with *Local Government (Financial Management) Regulation 17A(2)(iv)* is a departure from AASB 16 which would have required the City to measure the vested improvements as part of the related right-of-use assets at zero cost.

Refer to Note 12 that details the significant accounting policies applying to leases (including right of use assets).



11. FIXED ASSETS

(a) Disposals of Assets

	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss	2020 Budget Net Book Value	2020 Budget Sale Proceeds	2020 Budget Profit	2020 Budget Loss	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
Furniture and equipment	24,385	0	0	(24,385)	0	0	0	0	0	0	0	0
Plant and equipment	713,838	696,834	124,076	(141,080)	393,563	334,500	42,863	(101,926)	519,520	373,433	6,178	(152,265)
Infrastructure - Roads	1,081,842	0	0	(1,081,842)	0	0	0	0	0	0	0	0
	1,820,065	696,834	124,076	(1,247,307)	393,563	334,500	42,863	(101,926)	519,520	373,433	6,178	(152,265)

The following assets were disposed of during the year.

Disposals	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss
<b>Governance</b>				
P526 1GJD112	28,763	27,782	0	(981)
P496 1GDR926	16,178	25,282	9,104	0
P513 1GIW674	23,875	38,321	14,446	0
Minor plant & equipment written off during fair value review	1,584	0	0	(1,584)
<b>Law, order, public safety</b>				
P450 KWN2063	13,089	21,873	8,784	0
P449 KWN2061	9,866	16,873	7,007	0
K9 Kube Dog Catcher System - attached to KWN2061	23,757	0	0	(23,757)
<b>Health</b>				
P458 KWN1991	26,802	21,191	0	(5,611)
P457 KWN1981	6,082	14,600	8,518	0
<b>Community amenities</b>				
P429 KWN1956	20,000	15,055	0	(4,945)
P454 1EWO610	23,390	18,918	0	(4,472)
P480 KWN2027	10,319	18,691	8,372	0
P486 KWN2067	11,996	25,055	13,059	0
P473 Piglet Mower - Environment	2,890	3,636	746	0
<b>Recreation and culture</b>				
Minor plant & equipment written off during fair value review	22,801	0	0	(22,801)
Plant Replacement - P491 1GCH843	11,175	13,964	2,789	0
<b>Transport</b>				
Kwinana Beach Road transferred to Main Roads	1,081,842	0	0	(1,081,842)
<b>Economic services</b>				
P482 1GDA257	9,088	11,496	2,408	0
<b>Other property and services</b>				
P456 KWN1986	22,433	15,736	0	(6,697)
P452 KWN2023	22,000	19,145	0	(2,855)
P409 KWN1896	20,000	16,418	0	(3,582)
P453 KWN1989	24,203	21,873	0	(2,330)
P408 KWN1899	22,000	19,827	0	(2,173)
P431 KWN1982	27,989	21,645	0	(6,354)
P434 KWN1981	26,000	20,282	0	(7,718)
P265 Footpath grinder	800	420	0	(380)
P306 1TKU712 Boxtop trailer	1,131	656	0	(475)
P324 KWN1833 Hino 300 Series 816 Crew Cab	32,993	20,379	0	(12,614)
P333 KWN1835 Signage Truck	27,850	8,511	0	(19,339)
P530 1GJU179 Toro Ground Master Ride On Mower	137,825	101,028	8,630	(36,797)
P451 KWN2025	11,879	20,509	8,630	0
P520 KWN2049	19,264	25,509	6,245	0
P51 KWN650 Massey Ferguson 362 Tractor	0	8,300	8,300	0
P208 3 PTL Hyd Drive Road Broom Hyd Angle	0	1,000	1,000	0
P235 1TJO798 Mowing Dovetail Trailer	0	5,285	4,285	0
P252 KWN1761	52,480	60,475	7,995	0
P323 1TLN469 Mowing Trailer Industrial Crew	2,546	5,284	2,736	0
P325 1TLL524 Flat Top Trailer	2,597	5,285	2,688	0
P534 Trailer - Transportable Radar Speed Display Trailer	19,566	26,530	6,964	0
	1,820,065	696,834	124,076	(1,247,307)

CITY OF KWINANA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020

11. FIXED ASSETS

(b) Depreciation

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Buildings - specialised	4,495,716	4,489,788	4,481,581
Furniture and equipment	196,691	454,980	260,892
Plant and equipment	889,675	890,784	902,438
Infrastructure - Roads	6,337,844	5,306,849	6,325,113
Infrastructure - Footpaths	586,091	480,111	572,233
Infrastructure - Drainage	588,643	472,144	562,737
Infrastructure - Car Parks	347,479	291,287	347,178
Infrastructure - Bus Shelters	45,105	44,448	44,444
Infrastructure - Street Lights	64,033	44,390	52,909
Infrastructure - Parks & Ovals	1,867,841	1,712,256	1,712,257
Infrastructure - Other	98,022	82,055	97,799
Right of use assets - plant and equipment	113,003	0	0
	15,630,143	14,269,092	15,359,581

Revision of useful lives of plant and equipment

Property, plant and equipment were assessed for fair value adjustments during the year. Some asset useful lives and residual values were also revised during this process to align with expected future use.

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

The depreciable amount of all fixed assets, excluding freehold land, vested land, artwork and road sub-grade 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	5 to 15 years
Plant and equipment	5 to 15 years
Motor Vehicles	3 to 10 years
Other Plant & Equipment	3 to 20 years
Infrastructure	
Roads	12 to 80 years
Footpaths	40 to 80 years
Drainage	100 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 on revaluation

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

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

(b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Amortisation

All intangible assets with a finite useful life, are amortised on a straight-line basis over the individual asset's useful life from the time the asset is held for use.

The residual value of intangible assets is considered to be zero and the useful life and amortisation method are reviewed at the end of each financial year.

Amortisation is included within Depreciation on non-current assets in the Statement of Comprehensive Income and in the note above.

12. LEASES

(a) Right of Use Assets

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

	Right of use assets - plant and equipment	Right of use assets Total
	\$	\$
Carrying amount at 30 June 2019	0	0
Recognised on initial application of AASB 16	226,618	226,618
Restated total equity at the beginning of the financial year	226,618	226,618
Additions	77,064	77,064
Depreciation (expense)	(113,003)	(113,003)
Carrying amount at 30 June 2020	190,679	190,679
(b) Cash outflow from leases		
Interest expense on lease liabilities	5,610	5,610
Lease principal expense	116,017	116,017
Total cash outflow from leases	121,627	121,627
(c) Other expenses and income relating to leases		
Short-term lease payments recognised as expense	268,226	268,226
Low-value asset lease payments recognised as expense	127,714	127,714
	395,940	395,940

SIGNIFICANT ACCOUNTING POLICIES

Leases

At inception of a contract, the City assesses if the contract contains or is a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the commencement date, a right-of-use asset is recognised at cost and lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the City uses its incremental borrowing rate.

All contracts that are classified as short-term leases (i.e. a lease with a remaining term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Leases for right-of-use assets are secured over the asset being leased.

Right-of-use assets - valuation

Right-of-use assets are measured at cost. This means that all right-of-use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not included in the statement of financial position). The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which are reported at fair value.

Refer to Note 11 for details on the significant accounting policies applying to vested improvements.

Right-of-use assets - depreciation

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest. Where a lease transfers ownership of the underlying asset, or the cost of the right-of-use asset reflects that the City anticipates to exercise a purchase option, the specific asset is amortised over the useful life of the underlying asset.

13. INTANGIBLE ASSETS

(a) Computer Software

Non-current

Intangible asset - Computer Software

Movements in carrying amounts of computer software during the financial year are shown as follows:

Carrying amount at beginning of period  
Recognition of Intangible asset - Computer Software  
Carrying amount at end of period

TOTAL INTANGIBLE ASSETS

	2020 Actual	2019 Actual
	\$	\$
Intangible asset - Computer Software	616,115	308,673
	616,115	308,673
Carrying amount at beginning of period	308,673	0
Recognition of Intangible asset - Computer Software	307,442	308,673
Carrying amount at end of period	616,115	308,673
TOTAL INTANGIBLE ASSETS	616,115	308,673

SIGNIFICANT ACCOUNTING POLICIES

Computer software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the the City are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software.
- it can be demonstrated how the software will generate probable future economic benefits;

Computer software (continued)

- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and

- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.



14. REVALUATION SURPLUS

	2020 Opening Balance	2020 Change in Accounting Policy	2020 Revaluation Increment	2020 Revaluation (Decrement)	2020 Total Movement on Revaluation	2020 Closing Balance	2019 Opening Balance	2019 Revaluation Increment	2019 Revaluation (Decrement)	2019 Total Movement on Revaluation	2019 Closing Balance
	\$		\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land	78,166,636	(12,140,000)	0	0	0	66,026,636	78,166,636	0	0	0	78,166,636
Revaluation surplus - Furniture and equipment	199,013	0	58,484	0	58,484	257,497	199,013	0	0	0	199,013
Revaluation surplus - Plant and equipment	1,581,222	0	373,186	0	373,186	1,954,408	1,581,222	0	0	0	1,581,222
Revaluation surplus - Infrastructure - Roads	112,417,177	0	0	0	0	112,417,177	112,417,177	0	0	0	112,417,177
Revaluation surplus - Infrastructure - Footpaths	14,917,826	0	0	0	0	14,917,826	14,917,826	0	0	0	14,917,826
Revaluation surplus - Infrastructure - Drainage	17,185,601	0	0	0	0	17,185,601	17,185,601	0	0	0	17,185,601
Revaluation surplus - Infrastructure - Car Parks	1,837,027	0	0	0	0	1,837,027	1,837,027	0	0	0	1,837,027
Revaluation surplus - Infrastructure - Bus Shelters	379,791	0	0	0	0	379,791	379,791	0	0	0	379,791
Revaluation surplus - Infrastructure - Parks & Ovals	4,869,464	0	0	0	0	4,869,464	4,869,464	0	0	0	4,869,464
Revaluation surplus - Infrastructure - Other	178,078	0	0	0	0	178,078	178,078	0	0	0	178,078
	231,731,835	(12,140,000)	431,670	0	(11,708,330)	220,023,505	231,731,835	0	0	0	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.

CITY OF KWINANA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020

15. TRADE AND OTHER PAYABLES

Current

Sundry creditors  
Prepaid rates  
Accrued salaries and wages  
Bonds and deposits held  
Accrued Expenses  
Accrued Interest on long term borrowings  
Unit Contribution - Banksia Park

2020	2019
\$	\$
3,061,626	1,826,349
1,198,500	0
828,470	629,954
1,070,649	1,581,937
1,091,374	187,490
30,451	32,295
16,975,350	17,133,425
24,256,420	21,391,450

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.

Prepaid rates

Prepaid rates are, until the taxable event has occurred (start of the next financial year), refundable at the request of the ratepayer. Rates received in advance are initially recognised as a financial liability. When the taxable event occurs, the financial liability is extinguished and the City recognises revenue for the prepaid rates that have not been refunded.

16. CONTRACT AND OTHER LIABILITIES

Current

Contract liabilities from contracts with customers - fees & charges  
Contract liabilities from contracts with customers - operating grants  
Other liabilities from transfers for recognisable non financial assets

Non-current

Other liabilities from transfers for recognisable non financial assets

Performance obligations from contracts and other liabilities are expected to be recognised as revenue in accordance with the following time bands:

Less than 1 year  
1 to 2 years  
2 to 3 years  
3 to 4 years  
4 to 5 years  
> 5 years

SIGNIFICANT ACCOUNTING POLICIES

Contract Liabilities

Contract liabilities represent the the City's obligation to transfer goods or services to a customer for which the City has received consideration from the customer.

Contract liabilities are recognised as revenue when the performance obligations in the contract are satisfied.

With respect to transfers for recognisable non-financial assets, liabilities represent performance obligations which are not yet satisfied.

	2020	2019
	\$	\$
Contract liabilities from contracts with customers - fees & charges	162,515	0
Contract liabilities from contracts with customers - operating grants	194,030	0
Other liabilities from transfers for recognisable non financial assets	10,087,995	0
	10,444,540	0
Other liabilities from transfers for recognisable non financial assets	16,953,626	0
	16,953,626	0
	27,398,166	0

4,650,761
6,873,436
4,773,145
11,100,824
0
0
27,398,166

17. LEASE LIABILITIES

(a) Lease Liabilities

	2020	2019
	\$	\$
Current	114,357	0
Non-current	77,148	0
	191,505	0

(b) Movements in Carrying Amounts

Purpose	Lease Number	Institution	Lease Interest Rate	Lease Term	30 June 2020 Actual Lease Principal 1 July 2019	30 June 2020 Actual New Leases	30 June 2020 Actual Lease Repayments	30 June 2020 Actual Lease Principal Outstanding	30 June 2020 Actual Lease Interest Repayments
Education and welfare									
Vehicle Lease - Bright Futures	1EYT548	Toyota Finance	2.00%	February 2021	6,819	0	4,282	2,537	96
Vehicle Lease - Youth	1EWZ823	Easifleet	2.00%	November 2020	11,373	0	8,501	2,872	150
Recreation and culture									
Nilfisk - Floor Scrubber - Recquatic	Nilfisk	Nilfisk	1.70%	December 2022	0	21,044	4,008	17,036	192
Other property and services									
Data#3 Limited Server Storage	E6N0160168	Alleasing	2.00%	June 2021	114,276	0	56,568	57,708	1,863
ELB 4x Proline84 Interactive	E6N0160185	Alleasing	2.00%	June 2022	31,188	0	10,189	20,999	548
Kyocera Equipment	5389066248AUS1	HP	3.65%	June 2022	66,803	0	22,109	44,694	2,072
Photocopier/Printers	E6N0162743	Maia	1.80%	October 2024	0	56,020	10,361	45,659	689
					230,459	77,064	116,018	191,505	5,610



CITY OF KWINANA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020

18. INFORMATION ON BORROWINGS

(a) Borrowings	2020		2019	
	\$		\$	
Current	2,314,779		1,451,093	
Non-current	17,953,926		20,101,305	
	20,268,705		21,552,398	

(b) Repayments - Borrowings

Particulars	30 June 2020				30 June 2020				30 June 2020				30 June 2019				30 June 2019			
	Loan Number	Institution	Interest Rate		Actual Principal 1 July 2019	Actual Interest repayments	Actual Principal outstanding	\$	Budget Principal 1 July 2019	Budget Interest repayments	Budget Principal outstanding	\$	Actual Principal 1 July 2018	Actual Interest repayments	Actual Principal outstanding	\$	Actual Principal 1 July 2017	Actual Interest repayments	Actual Principal outstanding	\$
<b>Governance</b> Administration Office Renovations Administration / Chambers Building Refurbishment <b>Education and welfare</b> Youth Specific Space Youth Specific Space Stage 2 <b>Recreation and culture</b> Wellard Sports Pavilion Orelia Oval Pavilion Orelia Oval Pavilion Stage 2 Resource & Knowledge Centre Requatic Centre Upgrade Bertram Community Centre Callista Destination Park <b>Transport</b> Industrial Area Streetscape City Centre Redevelopment	99	WATC	6.35%		671,799	95,471	45,032	576,328	0	671,799	0	45,130	576,328	0	761,572	89,773	761,572	51,272	671,799	0
	107	WATC	N/A		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	96	WATC	7.67%		122,474	27,312	9,482	95,162	122,474	0	95,162	9,555	147,840	25,366	11,586	122,474	147,840	11,586	122,474	11,586
	100	WATC	4.72%		1,398,797	128,303	73,040	1,270,494	1,398,797	0	1,270,494	73,138	1,521,312	122,515	79,551	1,398,797	1,521,312	79,551	1,398,797	79,551
	94	WATC	6.48%		158,337	48,501	9,908	108,838	158,337	0	108,838	10,406	204,825	46,488	13,236	158,337	204,825	13,236	158,337	13,236
	95	WATC	7.67%		293,938	65,548	22,757	228,380	293,938	0	228,380	22,933	354,615	60,877	27,808	293,938	354,615	27,808	293,938	27,808
	97	WATC	6.35%		1,486,494	211,250	99,643	1,275,243	1,486,493	0	1,275,243	99,859	1,685,135	198,641	113,449	1,486,494	1,685,135	113,449	1,486,494	113,449
	102	WATC	4.59%		7,421,567	601,391	378,715	6,820,176	7,421,567	0	6,820,176	378,164	7,421,567	0	386,720	7,421,567	7,421,567	0	7,421,567	386,720
	104	WATC	4.09%		3,350,000	0	159,189	3,350,000	3,350,000	0	3,350,000	0	3,350,000	0	159,125	3,350,000	3,350,000	0	3,350,000	159,125
	105	WATC	3.29%		1,296,840	27,568	50,840	1,269,272	1,296,840	0	1,269,272	50,840	1,296,840	0	50,827	1,296,840	1,296,840	0	1,296,840	50,827
<b>Self Supporting Loans</b> <b>Recreation and culture</b> Kwinana Golf Club Refurbishment  Share of SMRC Loan	106	WATC	3.16%		1,420,420	99,153	53,554	1,321,267	1,420,420	0	1,321,267	53,613	1,516,532	96,112	57,249	1,420,420	1,516,532	57,249	1,420,420	57,249
	98	WATC	6.35%		906,930	128,886	60,793	778,044	906,930	0	778,044	60,927	1,028,123	121,193	69,217	906,930	1,028,123	69,217	906,930	69,217
	101	WATC	2.49%		2,500,000	0	79,298	2,500,000	2,500,000	0	2,500,000	79,298	2,500,000	0	79,250	2,500,000	2,500,000	0	2,500,000	79,250
					21,027,596	1,434,383	1,042,251	19,583,213	21,027,596	2,268,000	21,861,211	1,044,059	21,861,211	760,965	1,089,290	21,027,596	21,788,581	1,089,290	21,027,596	1,089,290
	103B	WATC	3.35%		286,682	16,710	10,516	249,972	286,682	0	249,972	10,551	282,850	16,168	11,167	286,682	282,850	16,168	286,682	11,167
					286,682	16,710	10,516	249,972	286,682	0	249,972	10,551	282,850	16,168	11,167	286,682	282,850	16,168	286,682	11,167
					258,120	0	0	425,520	258,120	0	0	0	0	0	0	258,120	0	0	258,120	0
					21,552,398	1,451,093	1,052,767	20,288,705	21,294,277	2,268,000	22,111,184	1,054,610	22,111,184	777,133	1,110,457	21,552,398	22,071,411	1,110,457	21,552,398	1,110,457

\* WATC = WA Treasury Corporation

Self supporting loans are financed by payments from third parties. These are shown in Note 5 as other financial assets at amortised cost.  
All other loan repayments were financed by general purpose revenue.

Current portion of borrowings includes \$425,520, which represents the City's share of the Southern Metropolitan Regional Council (SMRC) Administration Building loan with the WATC.

CITY OF KWINANA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020

18. INFORMATION ON BORROWINGS (Continued)

(c) New Borrowings - 2019/20

Particulars/Purpose	Institution	Loan Type	Term Years	Interest Rate	Amount Borrowed		Amount (Used)		Total Interest & Charges	Actual Balance Unspent
					2020 Actual	2020 Budget	2020 Actual	2020 Budget		
Loan 107 - Administration / Chambers Building Refurbishment	WATC	Debenture	10	3.52%	0	2,268,000	0	2,268,000	0	0
* WA Treasury Corporation					0	2,268,000	0	2,268,000	0	0

(d) Undrawn Borrowing Facilities

Credit Standby Arrangements

Bank overdraft limit

Bank overdraft at balance date

Credit card limit

Credit card balance at balance date

Total amount of credit unused

Loan facilities

Loan facilities - current

Loan facilities - non-current

Lease liabilities - current

Lease liabilities - non-current

Total facilities in use at balance date

2020	2019
\$	\$
0	0
0	0
100,000	100,000
(11,308)	(31,535)
88,692	68,465
2,314,779	1,451,093
17,953,926	20,101,305
114,357	0
77,148	0
20,460,210	21,552,398

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

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

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

Borrowing costs

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

Risk

Information regarding exposure to risk can be found at Note 28.

CITY OF KWINANA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020

19. EMPLOYEE RELATED PROVISIONS

(a) Employee Related Provisions

	Provision for Annual Leave	Provision for Long Service Leave	Provision for Other Leave	Total
	\$	\$	\$	\$
Opening balance at 1 July 2019				
Current provisions	2,248,789	2,021,200	632,390	4,902,379
Non-current provisions	0	469,604	0	469,604
	2,248,789	2,490,804	632,390	5,371,983
Additional provision	258,449	169,641	116,067	544,157
Balance at 30 June 2020	2,507,238	2,660,445	748,457	5,916,140
Comprises				
Current	2,507,238	2,250,236	748,457	5,505,931
Non-current	0	410,209	0	410,209
	2,507,238	2,660,445	748,457	5,916,140
Amounts are expected to be settled on the following basis:	2020	2019		
	\$	\$		
Less than 12 months after the reporting date	4,372,097	3,446,078		
More than 12 months from reporting date	1,544,043	1,925,905		
	5,916,140	5,371,983		

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

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

Other long-term employee benefits (Continued)

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

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

Provisions

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

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

CITY OF KWINANA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020

20. 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:

	2020 Actual \$	2020 Budget \$	2019 Actual \$
Cash and cash equivalents	25,471,026	48,639,208	11,888,157
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	(22,793)	(2,556,513)	7,034,201
Non-cash flows in Net result:			
Adjustments to fair value of financial assets through profit and loss - Banksia Park DMF Receivable	(110,762)	0	610,100
Adjustments to fair value of financial assets through profit and loss - Local Government House Trust	(2,017)	0	(122,620)
Depreciation	15,630,143	14,269,092	15,359,581
(Profit)/loss on sale of asset	1,123,231	59,063	146,087
Contributed Assets	(7,538,175)	0	(10,430,404)
Share of profits of associates (SMRC)	(18,131)	0	(61,124)
Changes in assets and liabilities:			
(Increase)/decrease in receivables	37,498	1,850,000	(9,213)
(Increase)/decrease in financial assets	(1,023,821)	0	0
(Increase)/decrease in inventories	(4,403)	0	1,260
(Increase)/decrease in other assets	(44,388)	0	(164,217)
Increase/(decrease) in payables	1,877,401	(500,000)	(1,849,303)
Increase/(decrease) in provisions	544,157	0	297,645
Increase/(decrease) in contract and other liabilities	(678,269)	0	0
Grants contributions for the development of assets	(3,272,347)	(10,936,569)	(4,476,940)
Net cash from operating activities	6,497,324	2,185,073	6,335,053



## 21. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2020	2019
	\$	\$
Governance	73,884,766	73,748,984
Law, order, public safety	2,339,301	1,953,715
Health	82,182	80,256
Education and welfare	33,937,419	31,885,016
Community amenities	851,964	1,128,260
Recreation and culture	87,482,048	85,910,119
Transport	329,262,657	330,930,080
Economic services	39,089,204	51,402,122
Other property and services	3,179,766	3,347,917
	570,109,307	580,386,469

## 22. CONTINGENT LIABILITIES AND CONTAMINATED SITES

The City did not have any contingent liabilities as at 30 June 2020.

The City has currently identified the following potentially contaminated sites:

Peace Park - the City is currently seeking a contaminated sites audit certification to classify the site as 'remediated for restricted use'.

City Depot site - the City is currently seeking a 'non contaminated - unrestricted use' or 'decontaminated' classification.

Kwinana Golf Course - the City is currently seeking a 'contaminated restricted use' classification. Ground water monitoring is undertaken periodically.

Banksia Road (Reserve R24784) - classification is unknown and the site is subject to a preliminary contaminated sites assessment by the City. The property is currently subject to a mining lease conditioned that the lessee remediate the site.

Lot 434 & 304 Thomas Road Landfill - both sites are leased by the City to the Department of Planning and Infrastructure. The lease provides that the lessee is responsible for post operation management.

Each of the above sites has been reported to the Department of Water and Environmental Regulation (DWER), however none have been classified as 'contaminated' nor registered in the DWER Contaminated Sites database.

As the obligation and cost to remediate the sites remain uncertain and is not expected to be material, the City has not recognised a liability as at 30 June 2020.

## 23. CAPITAL AND LEASING COMMITMENTS

### (a) Capital Expenditure Commitments

Contracted for:

- capital expenditure projects
- plant & equipment purchases

Payable:

- not later than one year

Varris Park Upgrade	0	81,569
Smirks Cottage Tractor Shed Preliminaries	0	22,297
Gilmore Avenue Crossing Signals	220,042	0
Thomas Oval Lighting Towers	196,984	0
Website Design Redevelopment	65,819	0
Wellard Road Electrical Infrastructure	11,308	0
Wellard Road Landscape Design	9,347	0
Library Self Checkout Touchscreens & Workstations	7,751	0

### (b) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the accounts (short term and low value leases).

Payable:

- not later than one year
- later than one year but not later than five years

### 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.

2020	2019
\$	\$
503,500	103,866
7,751	0
511,251	103,866
511,251	103,866
0	81,569
0	22,297
220,042	0
196,984	0
65,819	0
11,308	0
9,347	0
7,751	0

2020	2019
\$	\$
226,748	438,663
65,379	344,990
292,127	783,653

#### Leases (Continued)

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

## 24. RELATED PARTY TRANSACTIONS

### Elected Members Remuneration

	2020 Actual	2020 Budget	2019 Actual
The following fees, expenses and allowances were paid to council members and/or the Mayor.	\$	\$	\$
Meeting fees	276,462	276,462	273,794
Mayor's allowance	89,753	89,753	88,864
Deputy Mayor's allowance	22,438	22,438	22,216
Travelling expenses	2,610	6,000	2,396
Telecommunications allowance	28,000	28,000	28,000
	419,263	422,653	415,270

### Key Management Personnel (KMP) Compensation Disclosure

	2020 Actual	2019 Actual
The total of remuneration paid to KMP of the City during the year are as follows:	\$	\$
Short-term employee benefits	1,428,736	1,343,082
Post-employment benefits	142,883	142,026
Other long-term benefits	32,510	31,216
	1,604,129	1,516,324

#### Short-term employee benefits

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

#### Post-employment benefits

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

#### Other long-term benefits

These amounts represent long service benefits accruing during the year.

## 24. 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.

	2020 Actual	2019 Actual
The following transactions occurred with related parties:	\$	\$
Sale of goods and services	52,519	69,384
Purchase of goods and services	182,110	183,964

### Related Parties

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

##### i. Key management personnel

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

##### ii. Other Related Parties

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

##### iii. Entities subject to significant influence by the City

An entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement.

25. INVESTMENT IN ASSOCIATES

South Metropolitan Regional Council (SMRC)

The SMRC is a statutory local government authority established in 1991 by the local governments of Canning, Cockburn, East Fremantle, Kwinana, Melville and Rockingham. The SMRC is responsible for developing environmentally sustainable waste management solutions for the communities of the Participants.

The member local governments have jointly agreed to establish SMRC under an Establishment Agreement and each participant may participate in regional projects that are governed by a Participants' Project Agreement.

There are two core projects, being:

- 1. The Regional Resource Recovery Centre (RRRC) Project and;
- 2. The Office Accommodation Project.

Both the projects were established through separate project participants' agreements. The City of Kwinana are not participants in the RRRC project. In addition to the above two projects, the support activities of SMRC such as Administrative activities, Education and Marketing and Research and Development, are referred to as Existing Undertakings.

The following local governments have since withdrawn from the Regional Council:  
City of Canning in June 2010, City of Rockingham in June 2012 and City of Cockburn in June 2019.

	Note	2020 \$	2019 \$
The City's Share of Associate Entity's Net Assets		504,775	319,244
Equity Ratio		17.85%	11.39%
Represented by Share of Associate Entity's Statement of Financial Position			
Current Assets		304,299	327,835
Non Current Assets		300,253	451,078
Total Assets		604,552	778,913
Current Liabilities		98,192	198,641
Non-Current Liabilities		1,585	261,028
Total Liabilities		99,777	459,669
Net Assets		504,775	319,244
Net Increase in Share of Associate Entity's Net Assets:			
Net Assets		185,531	319,244
Less: City of Kwinana's Share of SMRC Loan Liability	14	(167,400)	(258,120)
		18,131	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 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.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in associates (Continued)

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 30 JUNE 2020

26. RATING INFORMATION

(a) Rates																			
Differential general rate / general rate																			
RATE TYPE		2019/20		2019/20		2019/20		2019/20		2019/20		2019/20		2019/20		2018/19			
Rate in \$	Number of Properties	Actual Rateable Value \$	Actual Rate Revenue \$	Actual Interim Rates \$	Actual Back Rates \$	Actual Total Revenue \$	2019/20 Actual Rate Revenue \$	2019/20 Actual Interim Rates \$	2019/20 Actual Back Rates \$	2019/20 Actual Total Revenue \$	2019/20 Budget Interim Rate \$	2019/20 Budget Back Rate \$	2019/20 Budget Total Revenue \$	2018/19 Actual Rate Revenue \$	2018/19 Actual Interim Rate \$	2018/19 Actual Back Rate \$	2018/19 Actual Total Revenue \$		
Gross rental valuations																			
Improved Residential	0.08199	14,165	245,441,404	19,718,904	320,726	(105,393)	19,934,237	19,718,903	500,000	0	20,218,903	19,718,903	500,000	0	20,218,903	19,284,214	0	0	19,284,214
Improved Special Residential	0.07518	827	19,737,051	1,477,596	6,825	3,020	1,487,441	1,477,596	0	0	1,477,596	1,477,596	0	0	1,477,596	1,383,111	0	0	1,383,111
Improved Commercial and Industrial	0.09269	506	108,866,403	10,017,187	60,714	27,710	10,105,611	10,017,187	0	0	10,017,187	10,017,187	0	0	10,017,187	9,477,276	0	0	9,477,276
Vacant Residential	0.17249	421	7,430,200	1,324,927	(13,051)	(8,328)	1,303,548	1,324,927	0	0	1,324,927	1,324,927	0	0	1,324,927	1,317,177	0	0	1,317,177
Vacant Non Residential	0.12193	43	3,229,500	353,095	34,315	(28,783)	358,627	353,095	0	0	353,095	353,095	0	0	353,095	266,119	0	0	266,119
Unimproved valuations																			
General Industrial	0.01803	3	121,200,000	2,185,236	0	0	2,185,236	2,185,236	0	0	2,185,236	2,185,236	0	0	2,185,236	2,131,908	0	0	2,131,908
Rural	0.00518	136	205,487,000	1,260,537	(165,660)	11,892	1,106,769	1,260,537	0	0	1,260,537	1,260,537	0	0	1,260,537	1,237,114	0	0	1,237,114
Mining and Industrial	0.00868	25	39,960,000	346,853	0	0	346,853	346,853	0	0	346,853	346,853	0	0	346,853	338,461	0	0	338,461
Sub-Total		16,126	751,351,558	36,684,335	243,869	(99,882)	36,828,322	36,684,334	500,000	0	37,184,334	36,684,334	500,000	0	37,184,334	35,435,379	0	0	35,435,379
Minimum payment																			
Gross rental valuations																			
Improved Residential	1.062	1,430	16,941,328	1,520,784	(1,233)	(85)	1,519,466	1,520,784	0	0	1,520,784	1,520,784	0	0	1,520,784	1,486,527	0	0	1,486,527
Improved Special Residential	1.062	4	54,600	4,248	0	0	4,248	4,248	0	0	4,248	4,248	0	0	4,248	4,144	0	0	4,144
Improved Commercial and Industrial	1.382	62	599,583	84,302	1,382	1,348	87,032	84,302	0	0	84,302	84,302	0	0	84,302	82,228	0	0	82,228
Vacant Residential	1.062	808	4,100,563	917,568	(30,232)	97	887,433	917,568	0	0	917,568	917,568	0	0	917,568	967,049	0	0	967,049
Vacant Non Residential	1.062	3	4,770	3,186	0	0	3,186	3,186	0	0	3,186	3,186	0	0	3,186	2,072	0	0	2,072
Unimproved valuations																			
Rural	1.382	62	8,872,600	65,844	3,688	14,197	83,729	65,844	0	0	65,844	65,844	0	0	65,844	75,934	0	0	75,934
Mining and Industrial	1.382	15	187,205	22,112	(480)	0	21,632	22,112	0	0	22,112	22,112	0	0	22,112	21,564	0	0	21,564
Sub-Total		2,384	30,760,649	2,618,044	(26,875)	15,557	2,606,726	2,618,044	0	0	2,618,044	2,618,044	0	0	2,618,044	2,639,518	0	0	2,639,518
Discounts (Note 26(b))																			
Total amount raised from general rate																			

SIGNIFICANT ACCOUNTING POLICIES

Rates  
Control over assets acquired from rates is obtained at the commencement of the rating period.  
Prepaid rates are, until the taxable event has occurred (start of the next financial year), refundable at the request of the ratepayer.  
Rates received in advance are initially recognised as a financial liability. When the taxable event occurs, the financial liability is extinguished and the City recognises revenue for the prepaid rates that have not been refunded.



## 26. RATING INFORMATION (Continued)

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

#### Rates Discounts

Rate or Fee Discount Granted	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Small Balance Write Off	1,625	2,400	1,477
Rates Incentive Prize	5,000	5,000	5,000
Total discounts/concessions (Note 26(a))	6,625	7,400	6,477

### (c) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge	Instalment Plan Interest Rate	Unpaid Rates Interest Rate
		\$	%	%
<b>Option One</b>				
Single full payment	23/08/2019	\$ -	5.50%	11.00%
<b>Option Two</b>				
First instalment	23/08/2019	\$ 10.50	5.50%	11.00%
Second instalment	2/01/2020			
<b>Option Three</b>				
First instalment	23/08/2019	\$ 21.00	5.50%	11.00%
Second instalment	25/10/2019			
Third instalment	2/01/2020			
Fourth instalment	3/03/2020			
<b>Option Four</b>				
Fortnightly Direct Debit cycle	29/05/2020	\$ 21.00	5.50%	11.00%
<b>Option Five</b>				
Weekly Direct Debit cycle	29/05/2020	\$ 21.00	5.50%	11.00%
		2020 Actual	2020 Budget	2019 Actual
		\$	\$	\$
Interest on unpaid rates		455,119	448,408	472,700
Interest on instalment plan		313,552	295,000	294,923
Deferred Pensioner Interest		15,880	0	18,317
Charges on instalment plan		221,486	142,000	164,002
		1,006,037	885,408	949,942

## 27. RATE SETTING STATEMENT INFORMATION

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

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

#### Adjustments to operating activities

Note	2019/20 (30 June 2020 Carried Forward)	2019/20 Budget (30 June 2020 Carried Forward)	2018/19 (30 June 2019 Carried Forward)
	\$	\$	\$
11(a)	(124,076)	(42,863)	(6,178)
	0	0	0
	(116,810)	0	
	(112,779)	0	610,100
	(18,131)	0	0
	(158,075)	0	(2,090,575)
	(48,371)	0	(32,973)
	544,157	0	297,645
11(a)	1,247,307	101,926	152,265
11(b)	15,630,143	14,269,092	15,359,581
	16,843,365	14,328,155	14,289,865

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

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

#### Adjustments to net current assets

4	(55,249,686)	(48,632,038.00)	(55,730,366)
5(a)	(17,269)	(17,269)	(16,709)
5	(319,490)	0	(297,819)
18(a)	2,314,779	1,889,259	1,451,093
	194,030	0	0
	10,087,995	0	0
	114,357	0	0
	5,505,931	4,241,502	4,902,379
	16,975,350	0	17,133,425
	(20,394,003)	(42,518,546)	(32,557,997)

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

	65,863,984	51,295,915	62,781,266
	(42,636,027)	(8,777,369)	(27,744,922)
	(20,394,003)	(42,518,546)	(32,557,997)
	2,833,954	0	2,478,347

### (c) Adjustments to current assets and liabilities at 1 July 2019 on application of new accounting standards

		62,781,266
29(a)	- Other assets	0
	Total current assets at 1 July 2019	62,781,266
		(27,744,922)
29(a)	- Contract liabilities from contracts with customers	(135,281)
29(a)	- Other liabilities from transfers for recognisable non financial assets	(8,311,141)
29(b)	- Rates paid in advance	(904,842)
29(c)	- Lease liabilities	(101,360)
	Total current liabilities at 1 July 2019	(37,197,546)

## 28. 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
<b>Market risk - interest rate</b>	Long term borrowings at variable rates	Sensitivity analysis	Utilise fixed interest rate borrowings
<b>Credit risk</b>	Cash and cash equivalents, trade receivables, financial assets and	Aging analysis Credit analysis	Diversification of bank deposits, credit limits. Investment policy
<b>Liquidity risk</b>	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 Council. The finance area identifies, evaluates and manages financial risk 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.

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 \$
<b>2020</b>					
Cash and cash equivalents	0.61%	25,471,026	0	25,466,506	4,520
Financial assets at amortised cost - term deposits	0.74%	33,787,559	33,787,559	0	0
<b>2019</b>					
Cash and cash equivalents	0.99%	11,888,157	2,135,837	9,747,750	4,570
Financial assets at amortised cost	2.46%	45,348,386	45,348,386	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.

	2020 \$	2019 \$
Impact of a 1% movement in interest rates on profit and loss and equity*	592,586	572,365

\* Holding all other variables constant

#### Borrowings

Borrowings are subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The City manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation. The City does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 18(b).

## 28. FINANCIAL RISK MANAGEMENT (Continued)

### (b) Credit risk

#### Trade and Other 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 has also been 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 24 months before 1 July 2019 or 1 July 2020 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 residents to settle the receivables.

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

No expected credit loss was forecast 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
<b>30 June 2020</b>			
Rates receivable			
Expected credit loss	0.00%	0.00%	
Gross carrying amount	0	3,588,655	3,588,655

<b>30 June 2019</b>			
Rates receivable			
Expected credit loss	0.00%	0.00%	
Gross carrying amount	0	3,865,054	3,865,054

The loss allowance as at 30 June 2020 and 30 June 2019 was determined as follows for trade receivables.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
<b>30 June 2020</b>					
Trade and other receivables					
Expected credit loss	0.52%	14.81%	18.93%	30.10%	
Gross carrying amount	632,938	11,512	26,535	294,229	965,213
Loss allowance	3,316	1,705	5,023	88,562	98,606

<b>30 June 2019</b>					
Trade and other receivables					
Expected credit loss	1.20%	3.60%	3.50%	35.90%	
Gross carrying amount	149,773	29,983	15,737	267,007	462,500
Loss allowance	1,812	1,084	558	95,967	99,421

## 28. 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 payments 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.

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
	\$	\$	\$	\$	\$
<b>2020</b>					
Payables	8,331,072	7,962,674	7,962,674	24,256,420	24,256,420
Borrowings	1,889,259	10,604,275	7,775,171	20,268,705	20,268,705
Contract and other liabilities	10,444,540	22,747,405	0	33,191,945	27,398,166
Lease liabilities	119,134	87,577	0	206,711	191,505
	20,784,005	41,401,931	15,737,845	77,923,781	72,114,796
<b>2019</b>					
Payables	5,308,025	8,041,713	8,041,713	21,391,450	21,391,450
Borrowings	2,505,552	13,396,660	10,808,530	26,710,743	21,552,398
	7,813,577	21,438,373	18,850,243	48,102,193	42,943,848

## 29. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

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

### (a) AASB 15: Revenue from Contracts with Customers

The City adopted 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 adopted the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019. In summary the following adjustments were made to the amounts recognised in the balance sheet 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 \$
<b>Contract liabilities - current</b>				
Contract liabilities from contracts with customers	16	0	(135,281)	(135,281)
Adjustment to retained surplus from adoption of AASB 15	30(b)		(135,281)	

### (b) AASB 1058: Income For Not-For-Profit Entities

The City adopted 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 adopted the new rules retrospectively with the cumulative effect of initially applying AASB 1058 recognised at 1 July 2019. Comparative information for prior reporting periods was not restated in accordance with AASB 1058 transition requirements.

In applying AASB 1058 retrospectively with the cumulative effect of initially applying the Standard on 1 July 2019 changes occurred to the following financial statement line items by application of AASB 1058 as compared to AASB 118: Revenue and AASB 1004:

	Note	AASB 118 and AASB 1004 carrying amount 30 June 2019 \$	Reclassification \$	AASB 1058 carrying amount 01 July 2019 \$
<b>Trade and other payables</b>				
Rates paid in advance	15	0	(904,842)	(904,842)
<b>Other liabilities - current</b>				
Other liabilities from transfers for recognisable non financial assets	16	0	(8,311,141)	(8,311,141)
<b>Other liabilities non-current</b>				
Other liabilities from transfers for recognisable non financial assets	16	0	(18,906,039)	(18,906,039)
Adjustment to retained surplus from adoption of AASB 1058	30(b)		(28,122,022)	

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 gave rise to a financial liability that is within the scope of AASB 9. On 1 July 2019 the prepaid rates were 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 occurred, the financial liability was extinguished and the City recognised 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.



CITY OF KWINANA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020

29. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

The table below provides details of the amount by which each financial statement line item is affected in the current reporting period by the application of this Standard as compared to AASB 118 and 1004 and related Interpretations that were in effect before the change.

		2020 \$	Adjustment due to application of AASB 15 and AASB 1058	2020 \$ Compared to AASB 118 and AASB 1004
Statement of Comprehensive Income				
Revenue				
Rates	26(a)	39,435,048	1,198,500	40,633,548
Operating grants, subsidies and contributions	2(a)	7,445,800	17,310,171	24,755,971
Fees and charges	2(a)	11,438,704	(44,388)	11,394,316
Non-operating grants, subsidies and contributions	2(a)	10,810,522	10,087,995	20,898,517
Net result		(22,793)	28,552,278	28,529,485
Statement of Financial Position				
Other assets	2(a)	44,388	(44,388)	0
Trade and other payables	15	24,256,420	(1,198,500)	23,057,920
Contract and Other liabilities	16	27,398,166	(27,398,166)	0
Net assets		492,078,371	28,552,278	520,630,649
Statement of Changes in Equity				
Net result		(22,793)	28,552,278	28,529,485
Retained surplus		216,805,180	28,552,278	245,357,458

Refer to Note 2(a) for new revenue recognition accounting policies as a result of the application of AASB 15 and AASB 1058.

(c) AASB 16: Leases

The City adopted AASB 16 retrospectively from 1 July 2019 which resulted in changes in accounting policies. In accordance with the transition provisions of AASB 16, the City has applied this Standard to its leases retrospectively, with the cumulative effect of initially applying AASB16 recognised on 1 July 2019. In applying AASB 16, under the specific transition provisions chosen, the City will not restate comparatives for prior reporting periods.

	Note	2020 \$
Operating lease commitments at 30 June 2019 applying AAS 117		239,510
Discount applied using incremental borrowing rate		(9,051)
Lease liability recognised as 1 July 2019 discounted using the City's incremental borrowing rate of 2.48%	17(b)	230,459
Lease liability - current		101,360
Lease liability - non-current		129,099
Adjustment to Retained Earnings 1 July 2019		(3,841)
Right-of-use assets recognised at 1 July 2019		226,618

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.

CITY OF KWINANA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR

30. CHANGE IN ACCOUNTING POLICIES

(a) Change in Accounting Policies due to regulation changes

Effective 6 November 2020, *Local Government (Financial Management) Regulation 16* was deleted and *Local Government (Financial Management) Regulation 17A* was amended with retrospective application. The changes were effective for financial years ending on or after 30 June 2020 so are required to be applied retrospectively with cumulative effect applied initially on 1 July 2019.

In accordance with the changes, the City was required to remove the values attributable to certain crown land assets previously required to be recognised, as well as the associated revaluation surplus at 1 July 2019. These assets have been measured as concessionary lease right-of-use assets at zero cost in accordance with AASB 16. For further details relating to these changes, refer to Note 11.

In summary the following adjustments were made to the amounts recognised in the statement of financial position at the date of initial application (1 July 2019):

	Note	Carrying amount 30 June 2019 \$	Reclassification \$	Carrying amount 01 July 2019 \$
Property, plant and equipment	9	150,484,396	(12,140,000)	138,344,396
Revaluation surplus	14	231,731,835	(12,140,000)	219,591,835

Also, following changes to *Local Government (Financial Management) Regulation 17A*, plant and equipment type assets (being plant and equipment and furniture and equipment) are to be measured under the cost model, rather than at fair value. This change is effective from 1 July 2019 and represents a change in accounting policy. Revaluations carried out during the year were not reversed as it was deemed fair value approximates cost at the date of the change.

(b) Changes in equity due to change in accounting policies

	Note	Adjustments	2019 \$
Retained surplus - 30 June 2019			244,608,437
Adjustment to retained surplus from adoption of AASB 15	29(a)	(135,281)	
Adjustment to retained surplus from adoption of AASB 1058	29(b)	(28,122,022)	
Adjustment to retained surplus from adoption of AASB 16	29(c)	(3,841)	(28,261,144)
Retained surplus - 1 July 2019			216,347,293

The impact on the City's opening revaluation surplus resulting from *Local Government (Financial Management) Regulation 16* being deleted and the amendments to *Local Government (Financial Management) Regulation 17A* as at 1 July 2019 was as follows:

	Note	Adjustments	2019 \$
Revaluation surplus - 30 June 2019			231,731,835
Adjustment to revaluation surplus from deletion of FM Reg 16	30(a)	(12,140,000)	
Adjustment to revaluation surplus from deletion of FM Reg 17	30(a)	0	(12,140,000)
Revaluation surplus - 1 July 2019			219,591,835

31. TRUST FUNDS

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

	1 July 2019	Amounts Received	Amounts Paid	30 June 2020
	\$	\$	\$	\$
APU Security Bonds	15,591	4,610	(2,267)	17,934
Contiguous Local Authorities Group (CLAG)	3,594	0	0	3,594
Public Open Space Cash In Lieu	204,239	79,609	0	283,848
	223,424	84,219	(2,267)	305,376

32. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

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

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

i) Impairment of assets

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

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

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

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

33. ACTIVITIES/PROGRAMS

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

PROGRAM NAME AND OBJECTIVES	ACTIVITIES
<b>GOVERNANCE</b> To provide a decision making process for the efficient allocation of scarce resources.	Members of Council & Governance (includes Audit & other costs associated with reporting to council). Administration, Financial and Information Technology Services are included.
<b>GENERAL PURPOSE FUNDING</b>  To collect revenue to allow for the provision of services.	  Rates Income and Expenditure, Grants Commission and Pensioner Deferred Rates interest and interest on investments.
<b>LAW, ORDER, PUBLIC SAFETY</b> To provide services to help ensure a safer and environmentally conscious community.	Supervision of various local laws, fire prevention and animal control.
<b>HEALTH</b> To provide an operational framework for environmental and community health.	Prevention and treatment of human illnesses, including inspection of premises/food control, immunisation and child health services.
<b>EDUCATION AND WELFARE</b> To provide services to disadvantaged persons, the elderly, children and youth.	Provision, management and support of services for families, children and the aged and disabled within the community; including pre-school playgroups, day and after school care, assistance to schools, and senior citizens support groups.
<b>COMMUNITY AMENITIES</b> To provide services required by the community.	City planning and development, rubbish collection services, storm water drainage, the provision of public conveniences, bus shelters, roadside furniture and litter control.
<b>RECREATION AND CULTURE</b> To establish and effectively manage infrastructure and resources which will help the social wellbeing of the community.	Provision of facilities and support for organisations concerned with leisure time activities and sport, support for the performing and creative arts and the preservation of the national estate. This includes maintenance of halls, aquatic centre, recreation and community centres, parks, gardens, sports grounds and the operation of Libraries.
<b>TRANSPORT</b> To provide safe, effective and efficient transport services to the community.	Construction, maintenance and cleaning of streets, roads, bridges, drainage works, footpaths, parking facilities, traffic signs and the City depot, including plant purchase and maintenance.
<b>ECONOMIC SERVICES</b> To help promote the City and its economic wellbeing.	Tourism and area promotion, rural services and pest control and the implementation of building controls.
<b>OTHER PROPERTY AND SERVICES</b> To monitor and control the City's overhead operating accounts.	Private works, public works overheads, City plant operations, materials, salaries and wages. With the exception of private works, the above activities listed are mainly summaries of costs that are allocated to all works and services undertaken by the City.

34. FINANCIAL RATIOS

	2020 Actual	2019 Actual	2018 Actual
Current ratio	0.33	0.25	0.26
Asset consumption ratio	0.77	0.79	0.81
Asset renewal funding ratio	0.30	0.91	1.06
Asset sustainability ratio	0.27	0.22	0.24
Debt service cover ratio	2.34	4.55	6.44
Operating surplus ratio	(0.20)	(0.14)	(0.07)
Own source revenue coverage ratio	0.75	0.77	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	$\frac{\text{own source operating revenue}}{\text{operating expense}}$





## 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 2020, and 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, as well as 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 2020 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 Notes 1 and 11 to the annual financial report, which describe the basis of accounting. The annual financial report has been prepared for the purpose of fulfilling the City's financial reporting responsibilities under the Act, including the Local Government (Financial Management) Regulations 1996 (Regulations). My opinion is not modified in respect of these matters:

- (i) Regulation 17A requires a local government to measure vested improvements at fair value and the associated vested land at zero cost. This is a departure from AASB 16 *Leases* which would have required the entity to measure the vested improvements also at zero cost.
- (ii) In respect of the comparatives for the previous year ended 30 June 2019, Regulation 16 did not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report

##### **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 the 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.

A further description of my responsibilities for the audit of the annual financial report is located on the Auditing and Assurance Standards Board website at [https://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This includes the identification and assessment of the risk of material misstatement due to fraud arising from management override of controls. This description forms part of my auditor's report.

##### **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 as reported in Note 34 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries' (DLGSCI's) standard of 1.00 for the last three financial years;
  - b. The Asset Sustainability Ratio as reported in Note 34 of the annual financial report is below the DLGSCI's standard of 0.90 for the last three financial years; and
  - c. The Operating Surplus Ratio as reported in Note 34 of the annual financial report is below the DLGSCI's standard of 0.01 for the last three financial years.
- (ii) All required information and explanations were obtained by me.
- (iii) All audit procedures were satisfactorily completed.
- (iv) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

##### **Other Matter**

The financial ratios for 2018 in Note 34 of the annual financial report were audited by another auditor when performing their audit of the City for the year ending 30 June 2018. The auditor expressed an unmodified opinion on the annual financial report for that year.



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

This auditor's report relates to the annual financial report of the City of Kwinana for the year ended 30 June 2020 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.

*Labuschagne*

SANDRA LABUSCHAGNE  
DEPUTY AUDITOR GENERAL

Delegate of the Auditor General for Western Australia  
Perth, Western Australia  
8 December 2020







## **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](mailto:customer@kwinana.wa.gov.au)

[www.kwinana.wa.gov.au](http://www.kwinana.wa.gov.au)

