



# Council Agenda

**SPECIAL COUNCIL MEETING**

**5:30pm, 3 December 2019**

**Council Chambers (Level 1), Civic Centre,  
23 Dundobar Road, Wanneroo**

# RECORDING AND ACCESS TO RECORDINGS OF COUNCIL MEETINGS POLICY

## Objective

- To ensure there is a process in place to outline the access to recorded Council Meetings.
- To emphasise that the reason for recording of Council Meetings is to ensure the accuracy of Council Meeting Minutes and that any reproduction of these Minutes are for the sole purpose of Council business.

## Implications

City of Wanneroo Strategic Community Plan 2017/2018 to 2026/2027:

*“4 Civic Leadership*

*4.2 Good Governance*

*4.2.1 Provide transparent and accountable governance and leadership”*

Recordings pertaining to the proceedings of Council Meetings shall be retained in accordance with the *State Records Act 2000*.

## Implementation

This Policy shall be printed within the Agenda of all Council Meetings which include:

- Ordinary Council Meeting;
- Special Council Meeting;
- Annual General Meeting of Electors; and
- Special Electors Meeting.

To advise the public that the proceedings of the meeting are recorded.

## Evaluation and Review Provisions

### ***Recording of Proceedings***

1. Proceedings for Council Meetings; as well as Deputations and Public Question Time during these meetings shall be recorded by the City on sound recording equipment, except in the case of a meeting where Council closes the meeting to the public.
2. Notwithstanding subclause 1, proceedings of a Council Meeting, which is closed to the public, shall be recorded where the Council resolves to do so.
3. No member of the public is to use any audio visual technology or devices to record the proceedings of a Council or Committee Meeting, without the written permission of the Mayor or the Mayors Delegate.

### ***Access to Recordings***

4. Members of the public may purchase a copy of the recorded proceedings or alternatively, listen to the recorded proceedings at the Civic Centre. Costs of providing a copy of the recorded proceedings to members of the public will include staff time to make the copy of the proceedings; as well as the cost of the digital copy for the recording to be placed on. The cost of staff time will be set in the City's Schedule of Fees and Charges each financial year.
5. Elected Members may request a copy of the recording of the Council proceedings at no charge.
6. All Elected Members are to be notified when recordings are requested by members of the public, and of Council.
7. Transcripts can be produced on the request of the Chief Executive Officer and will include staff time set by the City's Schedule of Fees and Charges.



# City of Wanneroo

Notice is given that the next Special Council Meeting will be held at the Council Chambers  
(Level 1), Civic Centre,  
23 Dundobar Road, Wanneroo on **Tuesday 3 December, 2019** commencing at **5:30pm**.

D Simms  
Chief Executive Officer  
28 November, 2019

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# A G E N D A

*Good evening Councillors, staff, ladies and gentlemen, we wish to acknowledge the traditional custodians of the land we are meeting on, the Whadjuk people. We would like to pay respect to the Elders of the Nyoongar nation, past and present, who have walked and cared for the land and we acknowledge and respect their continuing culture and the contributions made to the life of this city and this region and I invite you to bow your head in prayer:*

*Lord*

*We ask for your blessing upon our City, our community and our Council. Guide us in our decision making to act fairly, without fear or favour and with compassion, integrity and honesty. May we show true leadership, be inclusive of all, and guide the City of Wanneroo to a prosperous future that all may share. We ask this in your name.*

*Amen*

## **Item 1 Attendances**

## **Item 2 Apologies and Leave of Absence**

## **Item 3 Public Question Time**

In accordance with *Section 7(4)(b) of the Local Government (Administration) Regulations 1996*, a Council at a Special Meeting is not required to answer a question that does not relate to the purpose of the meeting. It is therefore requested that only questions that relate to items on the agenda be asked.

## **Item 4 Reports**

**Declarations of Interest by Elected Members, including the nature and extent of the interest. Declaration of Interest forms to be completed and handed to the Chief Executive Officer.**

## **Strategic & Business Planning**

### **SCS01-12/19 Annual Report 2018/19**

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File Ref:	37244V01 – 19/465603
Responsible Officer:	Director Corporate Strategy & Performance
Disclosure of Interest:	Nil
Attachments:	1

## **Issue**

To consider the unbranded City of Wanneroo Annual Report 2018/19.



## Background

The development of an Annual Report is a requirement of the *Local Government Act 1995* (the **Act**). Section 5.53(1) of the Act requires local governments to develop and publish an Annual Report for each financial year with the required content of the Annual Report specified in section 5.53(2).

Section 5.54 of the Act requires that the Local Government accepts the Annual Report for a financial year no later than 31 December after that financial year; the exception being that if the Auditor's report is not available in time for the Annual Report for a financial year to be accepted by 31 December after that financial year, the Annual Report is to be accepted by the Local Government no later than two months after the Auditor's report becomes available.

## Detail

The Annual Report 2018/19 outlines the progress made towards the strategic objectives as set out in the City's Strategic Community Plan 2017/18-2026/27 and details achievements and performance against the 2018/19 commitments made in the Corporate Business Plan 2018/19 - 2021/22.

The Annual Report has been developed based on the formal feedback on improvement opportunities as received from the Australasian Reporting Awards (**ARA**) adjudicator in relation to last year's Annual Report as well as to address changes to the awards criteria.

Significant changes include:

- Alternative Formats section has been updated to align with Access and Inclusion Plan principals and has been translated into the top five languages as per the City's website. The translations will be inserted during the design phase;
- Elected Member profiles have been updated to display terms of service and contact details;
- Our History section has been rearranged to state the Noongar history of the area prior to the European settlement history and expanded to include additional information;
- Occupational Health & Safety section has been expanded to meet special award reporting requirements; and
- Reporting against Strategic themes and Corporate Business Plan (**CBP**) actions have been separated into individual sub-sections within the Our Performance section.

Editing of the Annual Report by a professional editor in accordance with the Western Australian Local Government Association (**WALGA**) standards and the City's Brand Strategy has been completed. In addition the Executive Leadership Team reviewed the draft on 31 October 2019 and provided feedback.

The design of the document has been commenced in accordance with the City's recently adopted brand strategy and is scheduled to be completed prior to presentation to the AGM on 9 December 2019.

Branding of the Annual Report and production of an interactive PDF version will occur after Council adoption.

## Consultation

In preparing the Annual Report consultation has occurred throughout Administration and with a broad range of staff including the Chief Executive Officer, Directors, Managers and Coordinators. Managers and their Directors have reviewed and approved the content provided for this Report. A draft Annual Report was presented to Audit and Risk Committee

on 19 November and subject to minor changes, which have been completed; it was recommended that the report be adopted by Council.

## Comment

Participation in the Australasian Reporting Awards (**ARA**) provides an opportunity for the City to benchmark its Annual Report against the ARA criteria, which are a perfect alignment to our measurement and reporting goals, with a view to improve the standards and quality of the City's financial and business reporting. The 2018/19 Annual Report will again be entered into the ARA 2020.

## Statutory Compliance

Section 5.55 and 5.55A of the Act requires that Council give local public notice of the availability of the Annual Report once adopted by Council and to publish the annual report on the local government's official website within 14 days after the report has been accepted by the local government

Section 5.27 of the Act states that an Annual General Meeting (**AGM**) of Electors' is to be held once every financial year and not more than 56 days after the local government accepts the Annual Report.

The AGM is scheduled to be held on 9 December 2019, six days after Council adoption; this will ensure that the Annual Report complies with section 5.27 of the Act which requires the report to be submitted to an AGM within 56 days.

## Strategic Implications

The proposal aligns with the following objective within the Strategic Community Plan 2017 – 2027:

*“4 Civic Leadership*

*4.2 Good Governance*

*4.2.1 Provide transparent and accountable governance and leadership”*

## Risk Management Considerations

Risk Title	Risk Rating
Integrated Reporting	Low
Accountability	Action Planning Option
Director Corporate Strategy and Performance	Manage

Risk Title	Risk Rating
Financial Management	Moderate
Accountability	Action Planning Option
Director Corporate Strategy and Performance	Manage

The above risks relating to the issue contained within this report have been identified and considered within the City's Corporate risk registers. Action plans have been developed to manage these risks and to support existing management systems.

## Policy Implications

Nil.

## **Financial Implications**

The cost of development and production the 2018/19 Annual Report has been included within the City's operating budget.


## **Voting Requirements**

Absolute Majority

## **Recommendation**

**That Council, BY ABSOLUTE MAJORITY, ADOPTS the unbranded City of Wanneroo Annual Report 2018/19, as recommended by the Audit and Risk Committee.**

*Attachments:*

1  Annual Report under separate cover 19/433512

## **Attachment 1 – Final Draft Annual Report 2018/19**

This attachment (Final Draft Annual Report 2018/19) is available on the Elected Member's Hub.

### ***Administration Use only***

Attachment 1 – HPE # 19/327464[v6]

## Transactional Finance

### SCS02-12/19 Annual Audit Financial Statements for the period ended 30 June 2019

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File Ref:	38026 – 19/452479
Responsible Officer:	Director Corporate Strategy & Performance
Disclosure of Interest:	Nil
Attachments:	2

## Issue

To consider the Audit and Risk Committee's recommendation to Council to adopt the City's Annual Audited Financial Statements (the **Report**) for the year ended 30 June 2019, audited by the City's Auditors, the Office of the Auditor General (**OAG**).

## Background

In accordance with the *Local Government Act 1995* (the **Act**) a local government is required to prepare the Annual Financial Statements on its operations for the preceding financial year by 30 September and submit the report to its Auditors.

The City submitted its draft Annual Financial Statements to its Auditors OAG, and their sub contracted auditor Grant Thornton, in September 2019. They have completed their audit and issued the Independent Auditor's Report for the year ended 30 June 2019.

## Detail

The Report is per **Attachment 1**. As part of the City's audit process, as agreed with OAG, the Audit and Risk Committee is requested to review the Report and recommend the Chief Executive Officer (**CEO**) to sign the "Statement By Chief Executive Officer" (**page 2 of Attachment 1**), as required by the *Local Government (Financial Management) Regulations 1996* Regulation 51. Subsequent to the receipt of a version of the Report that was signed by the CEO, the OAG issued the Independent Auditor's Report (**Attachment 2**).

## Consultation

The Report was presented to the Audit and Risk Committee held on 19 November 2019, it was resolved that the Committee:

1. *RECOMMENDS the CEO to sign the "Statement by Chief Executive Officer" (page 2 of Attachment 1), as required by the Local Government (Financial Management) Regulations 1996 Regulation 51; and*
2. *RECOMMENDS that Council ADOPTS the Annual Audited Financial Statements for the City of Wanneroo for the year ended 30 June 2019 as detailed in Attachment 1."*

## Comment

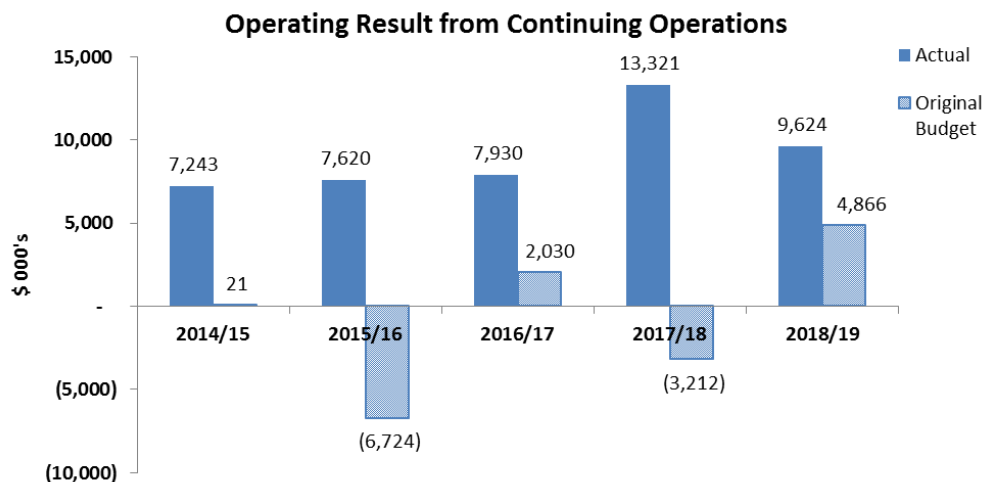
It should be noted that within the context of the Report, all operating budget figures are in accordance with the original Adopted Budget and all budgeted capital expenditures are in accordance with the Revised Budget. The Budget document is an evolving document that changes throughout the year as circumstances in the City change. The changes are recognised and recorded through the process of the budget reviews approved by Council

and the updated budget is referred to as the Revised Budget. A monthly Financial Activity Statement is provided to Council explaining the year to date Budget variances using the Revised Budget as comparison.

The following commentary is provided to highlight the most critical financial information and to acknowledge areas of financial interest, achievement or concern.

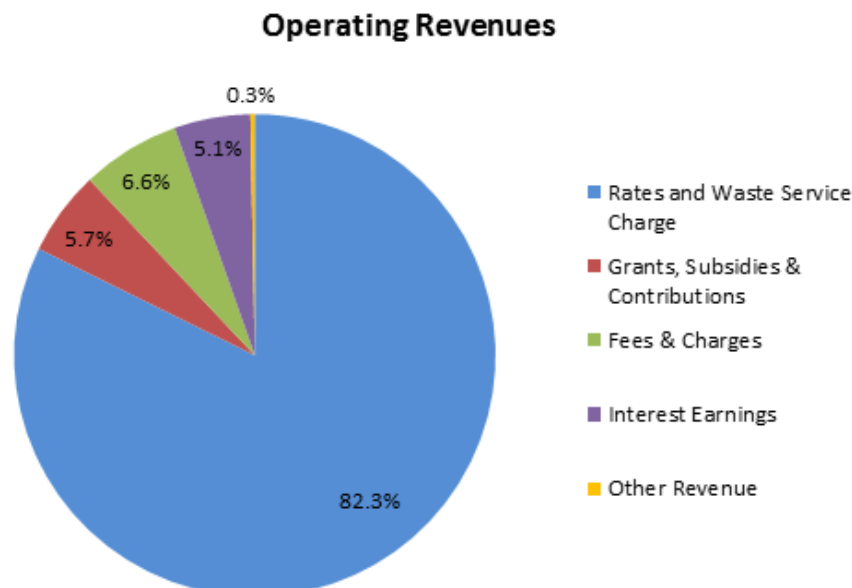
## 1. Operating Result from Continuing Operations

The result from operations graph shows stable financial results achieved through an increase in income and cost containing programs. Reasons for significant variance to the Budget in 2018/19 include the early partial receipt of the 2019/20 Financial Assistance Grant, lower than anticipated costs associated with material and contracts and lower employee costs due to delays in filling staff vacancies.

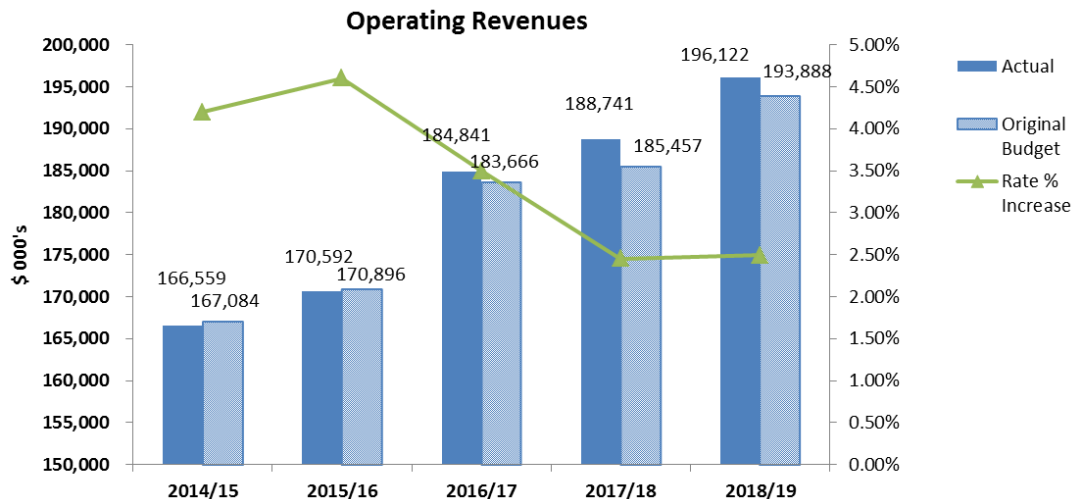


## 2. Operating Revenue

The City's operating revenue is derived from various sources, including rates, fees and charges, interest earnings, operating grants, subsidies and contributions and other revenue. A breakdown is shown below:



As more than 82% of the City's operating revenue is attributable to rates and waste service charge, there is a greater focus on increasing alternative revenue sources through grants, subsidies and contributions and fees & charges. Initiatives currently in place to assist with this intent include our proactive work to secure grant funding to support delivery of the City's activities.

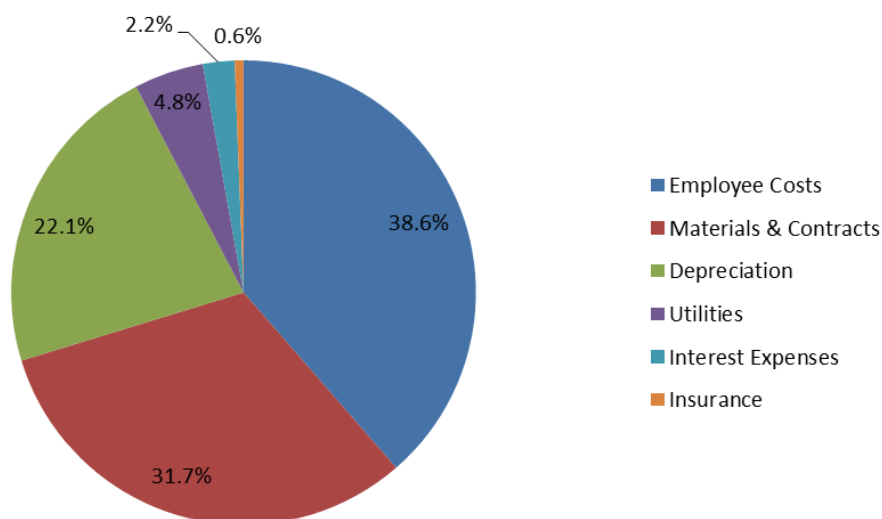


Operating revenue continues to increase predominantly in rates and waste service charges resulting from growth in the number of rateable properties. Operating revenue has also experienced increases in 2018/19 compared to original budget due to the early partial receipt of Financial Assistance Grants from the Department of Local Government, Sport and Cultural Industries (**DLGSCI**), partially offset by lower fees and charges income due to the temporary closure of the swimming pool at Aquamotion for renovation.

### 3. Operating Expenses

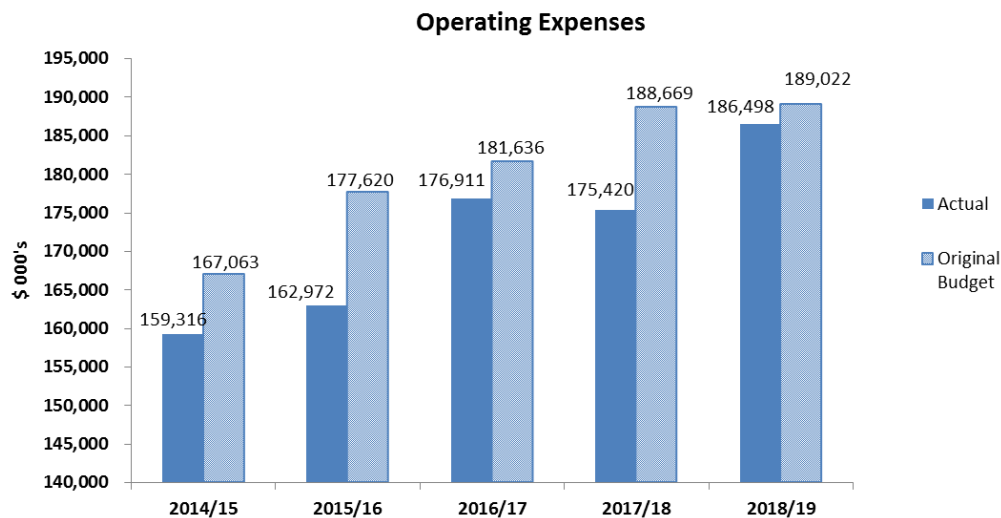
Operating expenses consist of employee costs, materials and contracts, utilities, depreciation, interest expenses and insurance. A breakdown is shown as follows:

#### Operating Expenses by Nature or Type



92% of the City's operating expenses are captured within three categories: employee costs, materials & contracts and depreciation. In reviewing the results of these three categories and

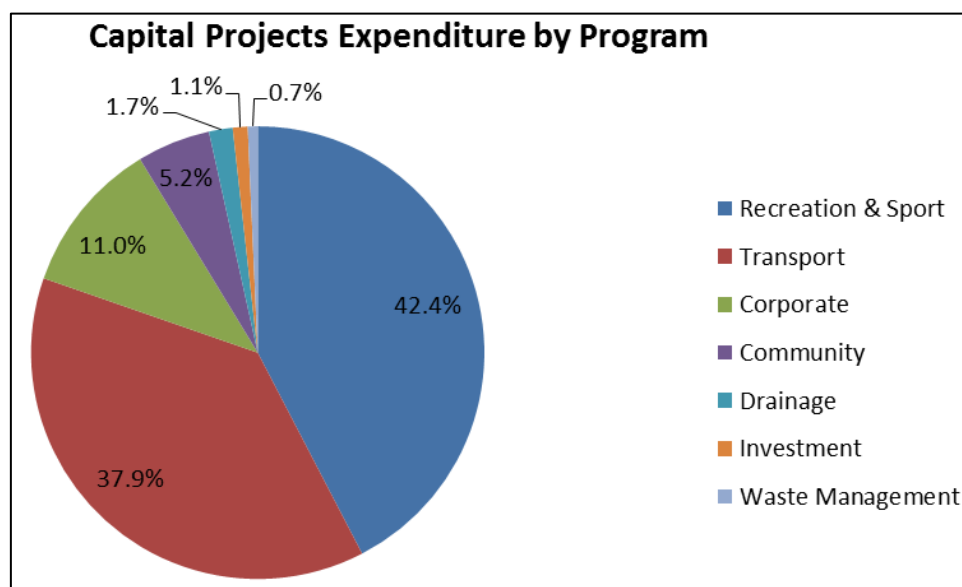
when compared to recent financial years, they remain consistent and are reflective of the City's continued and constant levels of growth.



Operating expenses over the past five years have been tracking below budget with moderate increases from year to year. The achievement of operating expenditure remaining below budget is a result of containing costs through the introduction of cost saving initiatives and processes across the City. The rise in operating expenditure in 2018/19 was mainly from higher materials and contracts, primarily due to increases in waste removal fees. This relates to Mindarie Regional Council's gate fees increase and the cost of service level programs for parks and streetscapes, in line with community expectations. Rising depreciation expenses occurred from a combination of new asset construction, Development Contribution Plan (DCP) assets and fair value revaluations.

#### 4. Capital Expenditure

The following chart illustrates the capital spend aligned to financial programs:

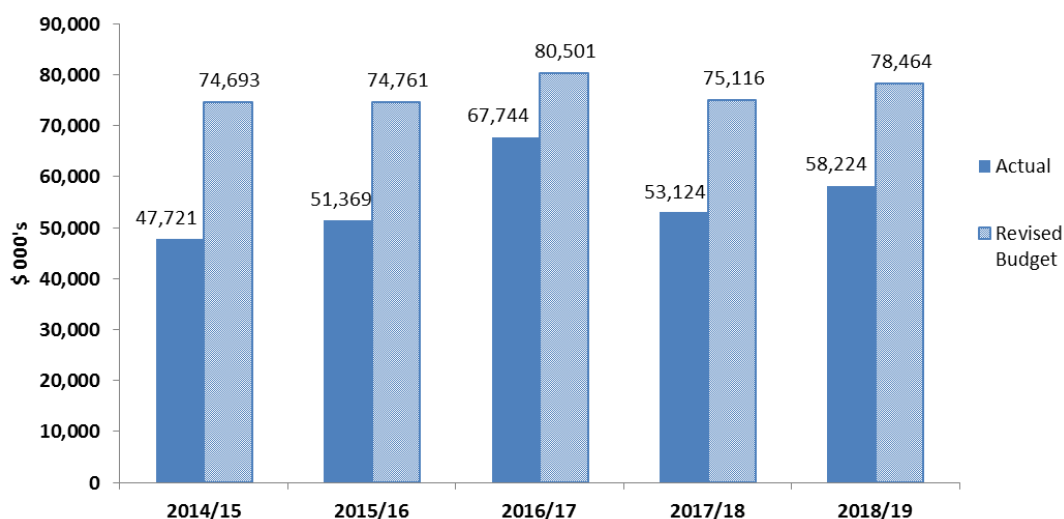


The two main categories of capital project expenditure relate to transport and recreation & sport (totalling 80%).



It is noted that while \$58.2 million was spent on capital programs in 2018/19, an additional \$16.7 million of infrastructure assets were constructed by developers as part of subdivisional development and handed over to the City. DCP assets included roads, pathways, stormwater drainage and parks (the upkeep and maintenance of which is now the City's responsibility).

### Capital Projects Expenditure



Capital spend has been tracking below budget in the past five years. The capital program is developed with the aim of balancing the demands for new infrastructure against the need to maintain, renew, upgrade and replace existing assets. In 2018/19, capital expenditure was \$58.2 million against a revised budget of \$78.5 million. This reflects slippage in a number of projects including: new sports facilities Halesworth Park, Butler (\$3.9 million); Marmion Ave upgrade to dual carriageway from Butler Blvd. to Yanchep Beach Rd (\$3.4 million); and recurring program, new/renew IT equipment and software (\$1.5 million). While \$83.4 million reflects the original Adopted Budget, it should be noted that changes made to capital budgets throughout the year resulted in a revised total budget of \$78.5 million. Of the Revised Budget, an estimated \$12.6 million was carried forward to 2019/20.

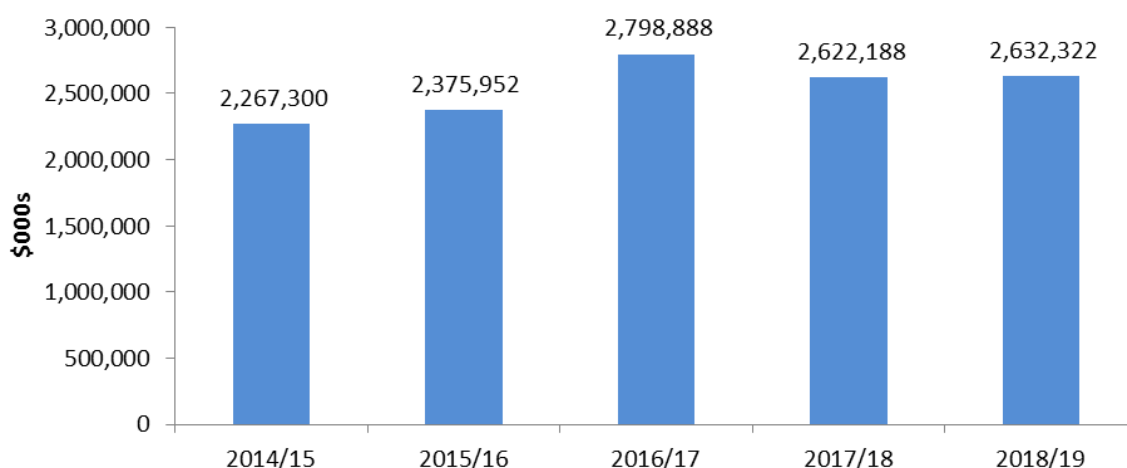
## 5. Statement of Financial Position

Description	2014/15	2015/16	2016/17	2017/18	2018/19		Variance
	Actual	Actual	Actual	Actual	Original Budget	Actual	18/19 Vs 17/18 Actual %
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Total Assets	2,364,686	2,477,868	2,911,518	2,731,825	3,057,515	2,769,517	1.4
Total Liabilities	97,386	101,916	112,630	109,637	117,535	137,195	25.1
Net Assets	2,267,300	2,375,952	2,798,888	2,622,188	2,939,980	2,632,322	0.4

An increase in assets is the result of ongoing expansion and development in the City through capital works, DCP assets and fair value increments.

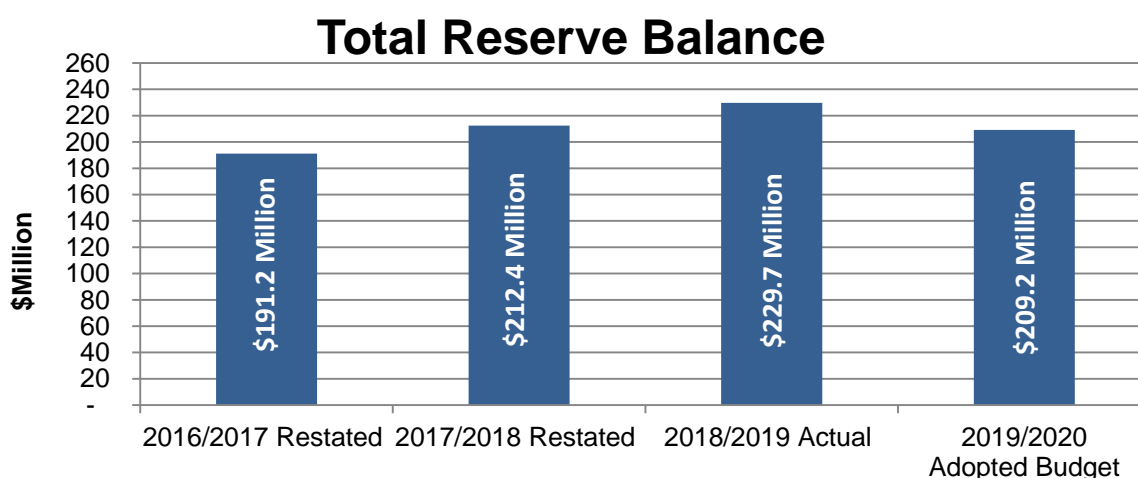
Total liabilities have experienced increases over the past few years mainly due to an increase in payables. In 2018/19, the increase of 25.1% was primarily due to the provision for excess funds of Town Planning Scheme Cell 1 to be refunded and capital works payables.

### Net Assets Trend Comparison



## 6. Reserve Balances

To ensure the effective management of municipal funds the City has a number of reserve accounts created for specific purposes. These funds are systematically invested to maximise their use until required, as identified in the Long Term Financial Plan (**LTFP**). Indicated below are the total balances of Reserves recorded to account for the past three financial years and Adopted Budget balance for 2019/20 (Note 12 of **Attachment 1**).



Whilst the total net reserve transfer for 2018/19 presented a \$22.9 million difference from original Adopted Budget the more significant movements are as follows:

Reserve	2018/2019		Comment
	Net Reserve Transfer		
	Actual	Budget	
Strategic Projects/ Initiatives Reserve	\$7,707,254	-\$4,060,452	Improved result from operations
Yanchep/Two Rocks Coastal Corridor Community Facilities reserve	-\$319,701	\$706,328	Developers land sales less than anticipated
Plant Replacement Reserve	\$3,642,681	\$1,582,803	Vehicle replacement delayed due to light vehicle review

Reserve	2018/2019		Comment
	Net Reserve Transfer		
	Actual	Budget	
Asset Replacement Reserve	-\$181,407	-\$2,274,291	Capital expenditure delayed
Domestic Refuse Reserve	\$3,080,648	\$165,065	Savings due to lower volume of waste collected and savings in waste fleet charge out rates
Neerabup Development Reserve	-\$159,045	-\$924,311	Capital expenditure delayed

## 7. Ratios

Each year a number of financial ratios are prepared as part of the Annual Financial Statements, to help further analyse financial results. The City has maintained above benchmark DLGSCI results in all but two ratios.

A description of the purpose of each ratio and explanation for variations to benchmark ratios has been provided.

Financial Ratios	2016/2017 Actual	2017/2018 Actual	2018/2019 Actual	Benchmark
<i>Liquidity Ratio</i>				
<b>1. Current Ratio</b>				
<u>(Current Assets - Restricted Current Assets)</u>	0.89 : 1	0.89 : 1	0.80 : 1	>1 : 1
(Current Liabilities - Liabilities Associated with Restricted Assets)				
<i>Debt Ratio</i>				
<b>2. Debt Service Cover Ratio</b>				
<u>(Operating Surplus before Interest and Depreciation Expense)</u>	14.88 : 1	14.92 : 1	6.71 : 1	>2 : 1
(Principal and Interest Repayments)				
<i>Coverage Ratio</i>				
<b>3. Own Source Revenue Coverage Ratio</b>				
<u>(Own Source Operating Revenue)</u>	1.00 : 1	1.05 : 1	1.03 : 1	>0.4 : 1
(Operating Expense)				
<i>Financial Performance Ratio</i>				
<b>4. Operating Surplus Ratio</b>				
<u>(Operating Revenue - Operating Expense)</u>	0.09 : 1	0.11 : 1	0.08 : 1	>0.01 : 1
(Own Source Operating Revenue)				
<i>Asset Management Ratio</i>				
<b>5. Asset Consumption Ratio</b>				
<u>(Depreciated Replacement Cost of Depreciable Assets)</u>	0.72 : 1	0.72 : 1	0.69 : 1	>0.5 : 1
(Current Replacement Cost of Depreciable Assets)				
<b>6. Asset Sustainability Ratio</b>				
<u>(Capital Renewal and Replacement Expenditure)</u>	0.32 : 1	0.34 : 1	0.44 : 1	>0.9 : 1
(Depreciation Expense)				
<b>7. Asset Renewal Funding Ratio</b>				

(NPV of Planned Capital Renewals over 10 years) (NPV of Required Capital Expenditure over 10 years)	1.10 : 1	0.91 : 1	0.96 : 1	>0.75 : 1
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## Ratio Description

### *(Local Government Operational Guidelines – Number 18 by DLGSCI)*

Current Ratio:	This ratio is designed to focus on the liquidity position of a local government that has arisen from past year's transaction.
Debt Service Cover Ratio:	This ratio is the measurement of a local government's ability to repay its debt including lease payments; the higher the ratio, the greater the borrowing capacity.
Own Source Revenue Ratio:	This ratio is the measurement of a local government's ability to cover its costs through its own revenue efforts.
Operating Surplus Ratio:	This ratio is a measure of a local government's ability to cover its operational costs and have revenues available for capital funding or other purposes.
Asset Consumption Ratio:	This ratio measures the extent to which depreciable assets have been consumed by comparing their written down value to their replacement cost.
Asset Sustainability Ratio:	This ratio indicates whether a local government is replacing or renewing existing non-financial assets at the same rate that its overall asset stock is wearing out.
Asset Renewal Funding:	This ratio is a measure of the ability of a local government to fund its projected asset renewal/replacements in the future.

## Specific Ratio Result Explanations

Current Ratio:	The City has not met the benchmark for 2018/19 as all unallocated surplus from the Rate Setting Statement are transferred to Strategic Projects/ Initiatives Reserve in line with the City's Financial (Cash-Backed) Reserves Policy.
Debt Service Cover Ratio:	The Standard has been met by the City. However, this ratio does not take into account 'interest only' loans, in circumstances where the Principal is to be repaid in a future year. The City has a provision in the Loan Repayment Reserve for the repayment of its Treasury funded debt by 2026.
Own Source Revenue Ratio:	The City has met the benchmark for 2018/19 due to its own source operating revenue exceeding operating expenses, with Rates income being the significant contributor. Capital program funding is in part drawn from the City's own source revenue.
Operating Surplus Ratio:	The City has consistently exceeded the benchmark due to substantial own source operating revenue to cover both operating and capital expenses.
Asset Consumption Ratio:	The Standard has been met consistently as the City's assets are in new to very good condition.

**Asset Sustainability Ratio:** The benchmark has not been met as most of the City's assets are in new to very good condition and do not require immediate attention. It should be noted that the ratio is improving compared to previous year.

**Asset Renewal Funding:** The Standard has been met as the ratio is greater than the 75% target.

Further explanations for the ratios which fell short of DLGSC benchmark are as follows:

### Current Ratio

*Extract from the DLGSCI Guidelines on Ratio's:*

$$\text{“Current Ratio”} = \frac{(\text{Current Assets MINUS Restricted Assets})}{(\text{Current Liabilities MINUS Liabilities Associated with Restricted Assets})}$$

*Purpose: This is a modified commercial ratio designed to focus on the liquidity position of a local government that has arisen from past year's transactions.*

*Standards: The standard is not met if the ratio is lower than 1:1 (less than 100%) The standard is met if the ratio is greater than 1:1 (100% or greater). A ratio less than 1:1 means that a local government does not have sufficient assets that can be quickly converted into cash to meet its immediate cash commitments. This may arise from a budget deficit from the past year, a Council decision to operate an overdraft or a decision to fund leave entitlements from next year's revenues.*

*This ratio is used to determine if a Local Government (LG) has sufficient assets to meet its short term commitments. A ratio of less than 1 would mean that the LG may struggle to meet its short term commitments.”*

The City does not believe the above generalised view is correct as it deems “restricted” cash as un-accessible. While it is acknowledged that the City's Special Purpose Cash Backed Reserves are set aside for a specific purpose, the City has a detailed cash flow forecasting model in place which tracks all operating and capital inflows and outflows including the realisation of investments and transfers from/ to restricted reserves. It has managed its payment commitments without any recorded delays in its payment cycles for creditor and staff commitments.

The City's cash holdings (restricted and un-restricted) have been progressively improving as noted below:

	2014/15	2015/16	2016/17	2017/18	2018/19
Restricted	\$293.6m	\$305.2m	\$340.8m	\$361.8m	\$358.3m
Unrestricted	\$8.9m	\$14.4m	\$18.6m	\$12.7m	\$21.4m
<b>Total</b>	<b>\$302.5m</b>	<b>\$319.6m</b>	<b>\$359.4m</b>	<b>\$374.5m</b>	<b>\$379.7m</b>

The City has a deliberate strategy to improve its Cash Backed Reserves Balances to enable financially sustainable and responsible management of the deliverability of large multiyear projects and long term liabilities. This strategy enables the City to ensure that it has the capacity to manage future General Rate rises/ declines.

It should be noted that Council has the ability to transfer funds from a number of restricted reserves (e.g. Strategic Project/ Initiatives Reserve) to unrestricted cash holdings should the need arise.

Nevertheless as it stands the City does not meet the DLGSCI guidelines. However, as noted above, it is by choice to ensure the City has appropriate reserves which will help smoothen General Rate rises/ declines in the future.

#### Asset Sustainability Ratio

The DLGSCI Asset Management Framework and Guidelines publication provides the following explanation in respect to the Asset Sustainability Ratio (**ASR**):

$$\text{Asset Sustainability Ratio} = \frac{\text{Capital Renewal and Replacement Expenditure}}{\text{Depreciation}}$$

*"If capital expenditure on renewing or replacing assets is at least equal to depreciation on average over time, then the local government is ensuring the value of its existing stock of physical assets is maintained. If capital expenditure on existing assets is less than depreciation then, unless a local government's overall asset stock is relatively new, it is likely that it is underspending on renewal or replacement."*

A large percentage of the City's assets are in new to very good condition with approximately 85% of the total asset base at or below condition 2 (a rating of '0' represents a new asset and a '10' represents an asset that has failed). Less than 1% of the asset base is at or above condition 8, which represents assets that require intervention.

With the City's current mix of old and new assets and continued high growth, a lower than average ASR is expected, and the current condition of assets and level of renewal expenditure confirms this position. As the stock ages and renewal expenditure incrementally increases the ratio should increase, however continued growth may keep it relatively lower than the industry standard.

Taking a long-term outlook, the level of asset stock and renewal demand necessitates the development of strategies to address the future impact and ensure that the City can continue to grow and maintain its assets in a financially sustainable manner. Given that renewal expenditure is lower than the depreciation being charged and that certain years' experience significant spikes in demand, a specific Asset Renewal Reserve has been established.

#### **Restatement of Financial Statements**

In 2018/19, Financial Statements, the balances relating to the 2018 comparative year have been amended due to the correction of prior period adjustments. In accordance with the requirements of AASB 101, a statement of financial position as at the beginning of the earliest comparative period has been included in the Financial Statements.

The main reason for the restatement is, in March 2016, the City commenced an internal review of the accuracy of the financial data for the financial years from 1999/2000 to 2017/18 for all East Wannon Development Area Cells (1-9). The result of this review identified a number of financial misstatements that require adjustments. As at 30 June 2019, the City has made prior-period adjustments to recognise these financial misstatements. As a result of recognising these financial misstatements, a net amount \$14,591,337 has been transferred out of the East Wannon Development Area Cells and recouped to the City's Strategic Projects/ Initiatives Reserve.

#### **Summary**

As demonstrated by the financial data available for each of the key indicators above, the 2018/2019 financial results for the City present a prudent and sustainable financial position that reflects the City's focus on effective and efficient financial management.

## Statutory Compliance

*Local Government (Financial Management) Regulations 1996* regulation 36 specifies the information that is to be included in the Annual Financial Statements.

The *Local Government (Audit) Regulations 1996* prescribes the following compliance matters in respect to the Audit Report:

*“10. Report by auditor*

- (1) An auditor’s report is to be forwarded to the persons specified in section 7.9(1) within 30 days of completing the audit.*
- (2) The report is to give the auditor’s opinion on —*
  - (a) the financial position of the local government; and*
  - (b) the results of the operations of the local government.*
- (3) The report is to include —*
  - (a) any material matters that in the opinion of the auditor indicate significant adverse trends in the financial position or the financial management practices of the local government; and*
  - (b) any matters indicating non-compliance with Part 6 of the Act, the Local Government (Financial Management) Regulations 1996 or applicable financial controls in any other written law; and*
  - (c) details of whether information and explanations were obtained by the auditor; and*
  - (d) a report on the conduct of the audit; and*
  - (e) the opinion of the auditor as to whether or not the following financial ratios included in the annual financial report are supported by verifiable information and reasonable assumptions-*
    - (i) the asset consumption ratio; and*
    - (ii) the asset renewal funding ratio.*
- (4) Where it is considered by the auditor to be appropriate to do so, the auditor is to prepare a management report to accompany the auditor’s report and to forward a copy of the management report to the persons specified in section 7.9(1) with the auditor’s report.”*

## Strategic Implications

The proposal aligns with the following objective within the Strategic Community Plan 2017 – 2027:

*“4 Civic Leadership*

*4.2 Good Governance*

*4.2.1 Provide transparent and accountable governance and leadership”*

## Risk Management Considerations

Risk Title	Risk Rating
Financial Management	Moderate
Accountability	Action Planning Option
Executive Management Team	Manage

The above risk relating to the issue contained within this report has been identified and considered within the City's Corporate risk register. Action plans have been developed to manage this risk to support existing management systems.

## Policy Implications

Nil

## Financial Implications

As detailed in the Report

## Voting Requirements

Absolute Majority

## Recommendation

**That Council ADOPTS BY ABSOLUTE MAJORITY:-**

- 1. The Annual Audited Financial Statements for the City of Wanneroo for the year ended 30 June 2019 as detailed in Attachment 1 as recommended by Audit and Risk Committee; and**
- 2. The Independent Auditor's Report from the Office of the Auditor General as detailed in Attachment 2.**

### Attachments:

- |                       |   |           |         |
|-----------------------|---|-----------|---------|
| 1 <a href="#">↓</a> . | COW Annual Financial Statements 2018/19                       | 19/464664 | Minuted |
| 2 <a href="#">↓</a> . | OAG Independent Auditor's Report (Audit opinion) 30 June 2019 | 19/464670 | Minuted |



## City of Wanneroo

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 27. Fees &amp; Charges

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Governance	19,293	333,800	17,395
General Purpose Funding	485,530	512,000	487,242
Law, Order, Public Safety	721,279	837,000	712,156
Health	344,195	366,311	336,443
Education and Welfare	134,830	92,150	415,524
Community Amenities	31,663,199	31,226,704	2,191,675
Recreation and Culture	7,460,900	7,243,899	6,740,444
Transport	649,642	1,450,000	1,059,952
Economic Services	1,854,084	2,085,700	2,053,232
Other Property and Services	19,701	6,100	6,780
	<b>43,352,653</b>	<b>44,153,664</b>	<b>14,020,843</b>

As approved by Council, waste service fees are separated from the City's Rates income from 2018/19 onwards. In 2017/18, waste service fees were included as part of the City's Rates income.

## Note 28. Grants, Subsidies &amp; Contributions

	2019 Actual	2018 Actual
	\$	\$

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

## (a) By Nature &amp; Type

Operating Grants, Subsidies and Contributions	11,162,394	12,866,706
Non-Operating Grants, Subsidies and Contributions	26,186,692	33,541,640
	<b>37,349,086</b>	<b>46,408,346</b>

## (b) By Program

Governance	310,766	566,670
General Purpose Funding	8,793,034	7,180,451
Law, Order, Public Safety	329,266	589,233
Health	195,795	147,855
Education & Welfare	269,793	3,253,771
Community Amenities	56,455	135,737
Recreation & Culture	6,946,049	9,901,595
Transport	19,732,263	24,565,825
Economic Services	2,368	4,128
Other Property & Services	713,297	63,081
	<b>37,349,086</b>	<b>46,408,346</b>



# 2018 | 2019

## FINANCIAL STATEMENTS

## City of Wanneroo

### General Purpose Financial Statements for the year ended 30 June 2019

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<b>5. Independent Auditor's Report</b>	<b>109-110</b>

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#### Overview

- (i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for the City of Wanneroo.
  - (ii) All figures presented in these financial statements are presented in Australian Currency.
  - (iii) These financial statements were adopted by Council on XX XXX 2019.  
Council has the power to amend and reissue the financial statements.
-

## City of Wanneroo

### General Purpose Financial Statements

for the year ended 30 June 2019

## Understanding The City of Wanneroo's Financial Statements

### Introduction

Each year, individual Local Governments across Western Australia are required to present a set of audited Financial Statements to their Council and Community in accordance with the Australian Accounting Standards (applicable to Local Governments and not for profit entities), the Local Government Act 1995 and the accompanying regulations.

### About the Certification of Financial Statements

The Financial Statements must be certified by the Chief Executive Officer as (i) presenting fairly the financial results of the City of Wanneroo (the City) for the year and (ii) complying with Australian Accounting Standards, the *Local Government Act 1995* and the accompanying regulations.

### What you will find in the Financial Statements

The Financial Statements set out the financial performance, financial position and cash flows of the City for the financial year ended 30 June 2019.

The format of the Financial Statements is standard across all Western Australian Local Governments and complies with both the accounting and reporting requirements of Australian Accounting Standards and the requirements as set down in the Western Australian Local Government Act 1995 and accompanying regulations.

The Financial Statements incorporate six "primary" statements:

#### 1. A Statement of Comprehensive Income (by Nature or Type)

A summary of the City's financial performance for the year, listing all income and expenses by their "nature or type". This allows users of the financial statements to identify a break up of operating revenues and expenses for the year.

#### 2. A Statement of Comprehensive Income (by Program)

A summary of the City's financial performance for the year, listing all income and expenses by "program". This allows users of the financial statements to identify the cost relating to each of the City's Programs and whether or not these costs were recovered from Program revenues.

#### 3. A Statement of Financial Position

A 30 June snapshot of the City's financial position listing its assets and liabilities.

#### 4. A Statement of Changes in Equity

The overall change for the year (in dollars) of the City's "net wealth".

#### 5. A Statement of Cash Flows

Indicates where the City's cash and cash equivalents came from and where it was spent across operating, investing and financing activities.

#### 6. A Rate Setting Statement

(by Program)

A Statement showing the amount of Rates raised during the year to fund the City's Programs (and any surplus/deficit from prior years).

### About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the six primary statements.

### About the Auditor's Reports

The City's Financial Statements are required to be audited by external auditors (that generally specialise in Local Government). These Financial Statements have been audited by Office of the Auditor General (OAG) by mandate given on 28 October 2017 under the Local Government Amendment (Auditing) Act 2017.

In Western Australia, the Auditor provides an opinion on whether the Financial Statements present fairly the City's financial performance and position.

### Who uses the Financial Statements?

The Financial Statements are publicly available documents and are used by (but not limited to) Councillors, Residents and Ratepayers, Employees, Suppliers, Contractors, Customers, the Department of Local Government, Sport and Cultural Industries, and Financiers including Banks and other Financial Institutions.

Under the *Local Government Act 1995* the Financial Statements must be made available at the administration headquarters of the Local Government.

## City of Wanneroo

### General Purpose Financial Statements for the year ended 30 June 2019

#### Statement by Chief Executive Officer

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

Signed on the 19th day of November 2019

  
Daniel Simms

CHIEF EXECUTIVE OFFICER





Financial Statements 2019

## City of Wanneroo

Statement of Comprehensive Income (by Nature or Type)  
for the year ended 30 June 2019

		2019	2019	2018
	Note	Actual	Budget	Restated* Actual
		\$	\$	\$
<b>Revenue</b>				
Rates	24	131,012,348	131,005,140	151,662,858
Operating Grants, Subsidies & Contributions	28(a)	11,162,394	9,091,698	12,866,706
Fees & Charges	27	43,352,653	44,153,664	14,020,843
Interest Earnings	2(a)	10,016,623	8,922,995	9,501,387
Other Revenue		577,704	714,795	689,554
		<u>196,121,722</u>	<u>193,888,292</u>	<u>188,741,348</u>
<b>Expenses</b>				
Employee Costs	29	(71,993,127)	(72,888,729)	(68,497,915)
Materials & Contracts		(59,046,810)	(60,390,801)	(53,520,965)
Utilities		(9,038,918)	(9,720,952)	(9,103,058)
Depreciation of Non-Current Assets	2(a)	(41,166,717)	(40,430,000)	(38,955,873)
Interest Expenses (Municipal)	2(a)	(4,112,351)	(4,114,682)	(4,113,518)
Insurance		(1,140,206)	(1,476,858)	(1,228,734)
		<u>(186,498,129)</u>	<u>(189,022,022)</u>	<u>(175,420,063)</u>
<b>Operating Result from Continuing Operations</b>		<u>9,623,593</u>	<u>4,866,270</u>	<u>13,321,285</u>
Non-Operating Grants, Subsidies & Contributions	28(a)	26,186,692	53,112,216	33,541,640
Town Planning Scheme & Development Contribution Plan Income		10,923,882	11,619,251	20,114,035
Town Planning Scheme & Development Contribution Plan Expenses		(36,839,060)	(8,015,217)	(13,337,392)
Loss on Revaluation of Furniture and Equipment	13	-	-	(364,975)
Net Share of Interests in Controlled Entities, Associated Entities & Joint Ventures	17	388,792	-	306,412
Profit on Asset Disposals	21	26,431	1,666,667	2,823,890
Loss on Asset Disposals	21	(157,608)	(500,000)	(731,299)
		<u>529,129</u>	<u>57,882,917</u>	<u>42,352,311</u>
<b>Net Result</b>		<u>10,152,722</u>	<u>62,749,187</u>	<u>55,673,596</u>
<b>Other Comprehensive Income / (Loss)</b>				
Changes on Revaluation of Non-Current Assets (net)	13	(19,095)	-	(232,373,190)
<b>Total Other Comprehensive (Loss)</b>		<u>(19,095)</u>	<u>-</u>	<u>(232,373,190)</u>
<b>Total Comprehensive Income / (Loss)</b>		<u>10,133,627</u>	<u>62,749,187</u>	<u>(176,699,594)</u>

\* Refer Note 39 Prior Period Corrections



This statement should be read in conjunction with the accompanying notes.

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Financial Statements 2019

## City of Wanneroo

Statement of Comprehensive Income (by Program)  
for the year ended 30 June 2019

	Note	2019 Actual	2019 Budget	2018 Actual
		\$	\$	\$
<b>Revenue</b>				
Governance		304,101	878,640	583,651
General Purpose Funding		151,057,582	147,222,298	169,114,618
Law, Order, Public Safety		1,173,262	1,347,005	1,355,281
Health		539,989	535,476	484,581
Education & Welfare		353,964	373,750	3,271,462
Community Amenities		31,749,628	31,298,523	2,255,550
Recreation & Culture		8,322,847	7,977,437	8,068,141
Transport		1,094,164	1,825,200	1,451,656
Economic Services		1,952,784	2,234,250	2,176,567
Other Property & Services		10,886,076	9,458,336	20,400,288
		<u>207,434,397</u>	<u>203,150,915</u>	<u>209,161,795</u>
<b>Expenses (excl. Finance Costs)</b>				
Governance		(9,677,017)	(5,939,310)	(8,138,084)
General Purpose Funding		(2,736,260)	(1,816,165)	(1,785,909)
Law, Order, Public Safety		(8,424,426)	(9,517,554)	(8,112,145)
Health		(2,433,461)	(2,679,685)	(2,388,699)
Education & Welfare		(5,688,454)	(7,418,004)	(8,386,282)
Community Amenities		(36,553,558)	(40,785,902)	(35,002,525)
Recreation & Culture		(59,952,939)	(58,940,079)	(53,859,118)
Transport		(51,675,986)	(54,576,747)	(50,335,265)
Economic Services		(4,679,783)	(5,180,461)	(4,484,331)
Other Property & Services		(37,114,632)	(5,767,761)	(12,240,783)
		<u>(218,936,516)</u>	<u>(192,621,668)</u>	<u>(184,733,141)</u>
<b>Finance Costs</b>				
General Purpose Funding		(635,437)	(720,526)	(613,190)
Recreation & Culture		(3,198,387)	(3,174,723)	(3,233,694)
Transport		(154,558)	(138,388)	(156,853)
Other Property & Services		(412,293)	(381,938)	(385,552)
	2(a)	<u>(4,400,675)</u>	<u>(4,415,575)</u>	<u>(4,389,289)</u>
		<u>(15,902,794)</u>	<u>6,113,672</u>	<u>20,039,365</u>
<b>Non-Operating Grants, Subsidies, Contributions</b>				
Governance		30,306	129,230	30,000
Law, Order, Public Safety		-	182,740	59,994
Education & Welfare		-	217,700	278,000
Community Amenities		22,425	-	106,325
Recreation & Culture		6,126,852	7,092,973	8,680,953
Transport		19,390,611	45,289,573	24,328,010
Other Property & Services		616,499	2,556,632	58,358
		<u>26,186,693</u>	<u>55,468,848</u>	<u>33,541,640</u>



This statement should be read in conjunction with the accompanying notes.

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Financial Statements 2019

## City of Wanneroo

Statement of Comprehensive Income (by Program) (continued)  
for the year ended 30 June 2019

	Note	2019 Actual	2019 Budget	2018 Actual
		\$	\$	\$
<b>Profit/(Loss) on Disposal of Assets</b>				
Governance	21	(31,569)	-	-
Health	21	-	-	(2,240)
Recreation & Culture	21	58,000	-	(108,930)
Other Property & Services	21	(157,608)	1,166,667	2,203,761
	21	(131,177)	1,166,667	2,092,591
<b>Net Result</b>		<u>10,152,722</u>	<u>62,749,187</u>	<u>55,673,596</u>
<b>Other Comprehensive Income / (Loss)</b>				
Changes on Revaluation of Non-Current Assets (net)	13	(19,095)	-	(232,373,190)
<b>Total Other Comprehensive Income / (Loss)</b>		<u>(19,095)</u>	<u>-</u>	<u>(232,373,190)</u>
<b>Total Comprehensive Income / (Loss)</b>		<u>10,133,627</u>	<u>62,749,187</u>	<u>(176,699,594)</u>



This statement should be read in conjunction with the accompanying notes.



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Financial Statements 2019

## City of Wanneroo

Statement of Financial Position  
as at 30 June 2019

		2019	2018	1 July 2017
	Note	Actual	Restated* Actual	Restated Actual
		\$	\$	\$
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	3	379,715,338	374,458,602	359,431,307
Trade and Other Receivables	5	23,592,102	21,624,523	19,218,020
Inventories	6	314,347	316,384	355,123
<b>Total Current Assets</b>		<b>403,621,787</b>	<b>396,399,509</b>	<b>379,004,450</b>
<b>Non-Current Assets</b>				
Investments	4	19,669,497	19,017,143	17,801,403
Trade and Other Receivables	5	3,407,870	3,060,808	2,650,278
Inventories	6	22,117,151	21,396,956	19,612,517
Property, Plant and Equipment	7	341,408,585	337,607,107	554,632,142
Infrastructure Assets	8	1,979,292,819	1,954,343,934	1,937,817,466
<b>Total Non-Current Assets</b>		<b>2,365,895,922</b>	<b>2,335,425,948</b>	<b>2,532,513,806</b>
<b>TOTAL ASSETS</b>	19	<b>2,769,517,709</b>	<b>2,731,825,457</b>	<b>2,911,518,256</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Trade and Other Payables	9	39,079,751	23,446,151	28,012,349
Provisions	11	17,342,241	15,465,129	16,620,016
<b>Total Current Liabilities</b>		<b>56,421,992</b>	<b>38,911,280</b>	<b>44,632,365</b>
<b>Non-Current Liabilities</b>				
Long Term Borrowings	10	69,078,188	69,078,188	66,378,188
Provisions	11	11,695,065	1,647,152	1,619,272
<b>Total Non-Current Liabilities</b>		<b>80,773,253</b>	<b>70,725,340</b>	<b>67,997,460</b>
<b>TOTAL LIABILITIES</b>		<b>137,195,245</b>	<b>109,636,620</b>	<b>112,629,825</b>
<b>Net Assets</b>		<b>2,632,322,464</b>	<b>2,622,188,837</b>	<b>2,798,888,431</b>
<b>EQUITY</b>				
Retained Surplus		1,262,504,874	1,241,905,213	1,211,182,585
Reserves - Cash/Investment Backed	12	229,713,207	212,383,004	191,150,344
Reserves - Asset Revaluation	13	1,064,248,263	1,064,267,358	1,296,640,548
Town Planning Schemes		75,856,120	103,633,262	99,914,954
<b>TOTAL EQUITY</b>		<b>2,632,322,464</b>	<b>2,622,188,837</b>	<b>2,798,888,431</b>

\* Refer Note 39 Prior Period Corrections



This statement should be read in conjunction with the accompanying notes.

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## City of Wanneroo

Statement of Changes in Equity  
for the year ended 30 June 2019

			Reserves			
	Note	Retained	Cash /	Asset	Town	Total
		Surplus	Investment	Revaluation	Planning	Equity
		\$	Backed	Reserve	Schemes	\$
<b>Balance as at 1 July 2017</b>		1,209,474,073	179,140,478	1,296,640,548	113,633,332	2,798,888,431
Correction of Errors	39	1,708,512	12,009,866	-	(13,718,378)	-
<b>Restated Balance</b>		1,211,182,585	191,150,344	1,296,640,548	99,914,954	2,798,888,431
Net Result		55,673,596	-	-	-	55,673,596
Changes on Revaluation of Non-Current Assets (net)	13	-	-	(232,373,190)	-	(232,373,190)
Reserve Transfers	12	(21,232,660)	21,232,660	-	-	-
Town Planning Scheme Transfers		(3,718,308)	-	-	3,718,308	-
<b>Balance as at 30 June 2018 (Restated)</b>		1,241,905,213	212,383,004	1,064,267,358	103,633,262	2,622,188,837
Net Result		10,152,722	-	-	-	10,152,722
Changes on Revaluation of Non-Current Assets (net)	13	-	-	(19,095)	-	(19,095)
Reserve Transfers	12	(17,330,203)	17,330,203	-	-	-
Town Planning Scheme Transfers		27,777,142	-	-	(27,777,142)	-
<b>Balance as at 30 June 2019</b>		1,262,504,874	229,713,207	1,064,248,263	75,856,120	2,632,322,464



This statement should be read in conjunction with the accompanying notes.

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Financial Statements 2019

## City of Wanneroo

Statement of Cash Flows  
for the year ended 30 June 2019

		2019	2019	2018
	Note	Actual	Budget	Restated* Actual
		\$	\$	\$
<b>Cash Flows from Operating Activities</b>				
<u>Receipts:</u>				
Rates		131,134,679	131,005,140	149,765,196
Operating Grants, Subsidies and Contributions		11,162,394	9,091,698	12,866,706
Fees and Charges		43,428,727	44,153,664	14,463,447
Interest Earnings		10,155,731	8,922,994	10,076,175
Goods and Services Tax		10,983,655	12,696,420	11,333,236
Other Revenue		1,414,007	714,795	251,805
		208,279,193	206,584,711	198,756,565
<u>Payments:</u>				
Employee Costs		(69,732,311)	(72,888,729)	(70,384,304)
Materials and Contracts		(44,721,885)	(60,390,801)	(57,793,406)
Utilities		(9,038,918)	(9,720,952)	(9,103,058)
Insurance		(1,140,206)	(1,476,858)	(1,228,734)
Interest		(4,119,262)	(4,114,682)	(4,302,056)
Goods and Services Tax		(11,902,477)	(11,607,133)	(12,139,348)
		(140,655,059)	(160,199,155)	(154,950,906)
Net Cash generated (or used) in Operating Activities	14(b)	67,624,134	46,385,556	43,805,659
<b>Cash Flows from Investing Activities</b>				
<u>Receipts:</u>				
Non-Operating Grants, Subsidies and Contributions		9,487,621	13,112,216	12,097,668
Proceeds from Sale of Assets		1,067,612	2,090,757	5,164,637
Town Planning Scheme & Development Contribution Plan Income		10,923,882	11,619,251	20,114,035
<u>Payments:</u>				
Payments for Development of Land Held for Resale		(720,195)	-	(2,805,364)
Payments for Purchase of Property, Plant & Equipment		(16,645,319)	(42,340,589)	(26,610,965)
Payments for Construction of Infrastructure		(39,614,489)	(41,048,860)	(25,359,951)
Town Planning Scheme & Development Contribution Plan Expenses		(11,178,307)	(8,015,217)	(13,337,392)
Headworks Levy Refund		(15,692,833)	-	-
<u>Movement in Equity Investments</u>				
Equity Contribution - Mindarie Regional Council		-	-	(12,304)
Equity Contributions - Tamala Regional Council		4,630	-	(728,728)
Net Cash generated (or used) in Investing Activities		(62,367,398)	(64,582,442)	(31,478,364)
<b>Cash Flows from Financing Activities</b>				
<u>Receipts:</u>				
Proceeds from New Loans		-	-	2,700,000
<u>Payments:</u>				
Nil		-	-	-
Net Cash generated (or used) in Financing Activities		-	-	2,700,000
Net Increase/(Decrease) in Cash & Cash Equivalents		5,256,736	(18,196,886)	15,027,295
Cash at the beginning of the year		374,458,602	367,269,529	359,431,307
Cash & Cash Equivalents - End of the Year	14(a)	379,715,338	349,072,643	374,458,602
Additional Information:				
Plus: Investments - end of year	4	19,669,497	-	19,017,143
Total Cash, Cash Equivalents & Investments		399,384,835	349,072,643	393,475,745

\* Refer Note 39 Prior Period Corrections



This statement should be read in conjunction with the accompanying notes.

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Financial Statements 2019

## City of Wanneroo

Rate Setting Statement (by Program)  
for the year ended 30 June 2019

		2019	2019	2018
	Note	Actual	Budget	Restated* Actual
		\$	\$	\$
Net current assets at start of financial year - surplus/(deficit)		-	-	-
<b>OPERATING ACTIVITIES</b>				
Revenue from operating activities (excluding Rates)				
Governance		334,407	1,007,870	613,651
General Purpose Funding (Excl. Rates)		20,045,234	16,217,158	17,451,760
Law, Order, Public Safety		1,173,262	1,529,745	1,415,275
Health		539,989	535,476	484,581
Education and Welfare		353,964	373,750	3,549,462
Community Amenities		31,772,053	31,298,523	2,361,875
Recreation and Culture		14,449,699	15,070,410	16,749,094
Transport		20,484,775	47,114,773	25,779,666
Economic Services		1,952,784	2,234,250	2,176,567
Other Property and Services		11,344,967	13,181,635	22,662,407
		102,451,134	128,563,590	93,244,338
Expenses from operating activities				
Governance		(9,708,586)	(5,939,310)	(8,138,084)
General Purpose Funding		(3,371,697)	(2,536,691)	(2,399,099)
Law, Order, Public Safety		(8,424,426)	(9,517,554)	(8,112,145)
Health		(2,433,461)	(2,679,685)	(2,390,939)
Education and Welfare		(5,688,454)	(7,200,304)	(8,386,282)
Community Amenities		(36,553,558)	(40,785,902)	(35,002,525)
Recreation and Culture		(63,093,326)	(62,114,802)	(57,201,742)
Transport		(51,830,544)	(54,715,135)	(50,492,118)
Economic Services		(4,679,783)	(5,180,461)	(4,484,331)
Other Property and Services		(37,526,688)	(6,149,699)	(12,626,335)
		(223,310,523)	(196,819,543)	(189,233,600)
Non-cash amounts excluded from operating activities				
(Profit)/Loss on Asset Disposal	21	131,177	(1,166,667)	(2,092,591)
Movement in Non-Current Debtors		(347,062)	-	(410,527)
Movement in Non-Current Employee Benefit Provisions		79,993	-	27,880
Depreciation and Amortisation of Assets	2(a)	41,166,717	40,430,000	38,955,873
Movement in Equity Accounted Investments	17	(388,792)	-	(306,412)
Loss on Revaluation of Furniture and Equipment		-	-	364,975
Amount attributable to operating activities		40,642,033	39,263,333	36,539,198
<b>INVESTING ACTIVITIES</b>				
Purchase and Development of Land Held for Resale		(720,195)	-	(2,805,364)
Physical Assets Received from Developers	20(b)	(16,699,071)	(40,000,000)	(21,443,972)
Purchase Land and Buildings		(9,473,588)	(21,388,389)	(35,103,795)
Purchase Plant and Equipment		(2,665,976)	(4,986,772)	(3,031,916)
Purchase Furniture and Equipment		(2,623,670)	(15,965,428)	(4,214,012)
Construction of Infrastructure Assets		(20,095,566)	(41,048,860)	(26,396,925)
Assets under \$5,000 Expensed		1,555,723	-	-
Equity Contribution - Tamala Park Regional Council		4,630	-	(728,728)
Equity Contribution - Mindarie Regional Council		-	-	(12,304)
Movement in Works in Progress		(21,401,007)	-	16,775,732
Proceeds from Disposal of Assets	21	1,067,612	2,090,757	5,164,637
Amount attributable to investing activities		(71,051,108)	(121,298,692)	(71,796,647)



This statement should be read in conjunction with the accompanying notes.

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Financial Statements 2019

## City of Wanneeroo

Rate Setting Statement (by Program) (continued)  
for the year ended 30 June 2019

		2019	2019	2018
	Note	Actual	Budget	Restated* Actual
		\$	\$	\$
<b>FINANCING ACTIVITIES</b>				
Transfers to Reserves (Restricted Assets)	12	(42,159,058)	(28,382,341)	(53,486,118)
Transfers from Reserves (Restricted Assets)	12	24,828,855	33,971,565	32,253,458
Proceeds from New Loans		-	-	2,700,000
Movement in Restricted Grants, Contributions & Unspent Loans		9,809,176	15,523,251	1,834,821
Transfers to Town Planning Schemes (excluding DCPs)		(9,153,467)	(9,262,619)	(18,377,418)
Transfers from Town Planning Schemes (excluding DCPs)		36,930,609	7,436,316	14,659,110
Amount attributable to financing activities		20,256,115	19,286,172	(20,416,147)
Surplus/(deficiency) before general Rates		(131,012,349)	(131,005,140)	(151,662,858)
Total amount raised from general Rates		131,012,348	131,005,140	151,662,858
Net current assets as at June 30 c/fwd - surplus/(deficit)	35	-	-	-

\* Refer Note 39 Prior Period Corrections



This statement should be read in conjunction with the accompanying notes.

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## City of Wanneroo

### Notes to the Financial Statements

for the year ended 30 June 2019

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## City of Wanneroo

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the Financial Statements are set out below.

##### (a) Basis of Preparation

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

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

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

##### Critical Accounting Estimates

The preparation of these Financial Statements is in conformity with Australian Accounting Standards that 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 this experience and

other factors combine to form the basis of making judgements about carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

##### (b) The Local Government Reporting Entity

All Funds through which City of Wanneroo ("the City") controls resources to carry on its functions, have been included in the Financial Statements. 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 18 to this financial statements.

##### (c) Goods and Services Tax (GST)

In accordance with recommended practice, revenues, expenses and assets capitalised are stated net of any GST. Receivables and payables in the Statement of Financial Position are stated inclusive of applicable GST.

##### (d) Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and on hand and short-term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included as short-term borrowings in current liabilities on the Statement of Financial Position.

##### (e) 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.

Receivables expected to be collected within 12 months of the end of the reporting period are

## City of Wanneroo

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Summary of Significant Accounting Policies (continued)

classified as current assets. All other receivables are classified as non-current assets.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. A loss allowance is recognised by applying the expected credit loss model.

#### (f) Inventories

##### 1) Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost or net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the established selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

##### 2) Land held for resale/capitalisation of borrowing costs

Land held for resale is stated at the lower of cost or net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, development and borrowing costs during development. When development is completed, borrowing costs and other holding charges are expensed as incurred. Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

Revenue arising from the sale of property is recognised in the operating statement as at the time of signing a binding contract of sale. Land held for resale is classified as current except where it is held as non-current based on the City's intentions to release for sale.

#### (g) Non-Current Assets

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

Expenditure on items of equipment under \$5,000 are not capitalised but are placed on an "Attractive & Portable Device Register" list for reference and maintenance.

##### Mandatory requirement to revalue non-current assets

The Local Government (Financial Management) Regulations require non-current assets to be measured at Fair Value.

Each asset class is revalued in accordance with the regulatory framework established and the City revalues its asset classes in accordance with this framework.

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

##### Initial recognition and measurement between mandatory revaluation dates

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

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

Individual assets acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework detailed above, are carried at cost less accumulated depreciation as management believes this approximates fair value. They will be subject to subsequent revaluation at the next revaluation date in



## City of Wanneroo

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Summary of Significant Accounting Policies (continued)

accordance with the mandatory measurement framework detailed above.

##### Revaluation

The fair value of fixed assets is determined at least every three years in accordance with the regulatory framework. At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires property, plant and equipment to be shown at fair value.

Increases in the carrying amount arising on revaluation of assets are credited to a revaluation reserve in equity. Decreases in the carrying amount that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the Statement of Comprehensive Income.

##### Land under control

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

These assets are recorded in accordance with AASB 116 and revalued along with other land in accordance with the policies detailed in this Note.

##### Land under Roads

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

Effective as at 1 July 2008, the City elected not to recognise any value for land under roads acquired. This accords with the treatment available in *Local Government (Financial Management) Regulation 16(a)(i)*, which prohibits local governments from recognising such land as an asset.

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

Government (Financial Management) Regulations prevail.

##### (h) Depreciation of Non-Current Assets

All non-current assets that have a limited useful life are separately and systematically depreciated over their useful lives in a manner that reflects the consumption of the future economic benefits embodied in those assets. Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time the asset is completed and held ready for use.

Depreciation for infrastructure assets is calculated from the end of the year in which the asset was completed and brought into account.

Depreciation is recognised on a straight-line basis, using rates which are reviewed each reporting period. Major depreciation periods are:

Buildings	40 years
Bus Shelters*	30 - 50 years
Computer Hardware	3 years
Computer Software	2 years
Pathways*	25 - 70 years
Furniture & Equipment (excluding Artwork & Artefacts**)	10 years
Heavy Vehicles - 1,201 kg to 4,000 kg	6 years/100,000 km's (45% residual)
Heavy Vehicles - 4,001 kg to 9,000 kg	6 years/200,000 km's (40% residual)
Heavy Vehicles - 9,001 kg to 12,000 kg	8 years/500,000 km's (48% residual)
Heavy Vehicles – Refuse	5 years (20% residual)
Irrigation Piping	30 years
Land**	Not Applicable
Light Vehicles	3 years (60% residual)
Other Infrastructure*	10 - 80 years
Other Plant and Equipment	10 years
Parks & Reserves*	12 - 85 years
Plant	10 years (50% residual)
Reserves/Playground Equipment*	10 - 15 years
Sealed Car Parks – Pavement*	40 - 80 years
Road - Kerb	40 years
Road - Seal*	15 - 40 years
Road Pavement	40 years
Underpasses	40 years
Water Supply Piping & Drainage Systems*	40 - 80 years

\*Due to useful lives of the individual assets within each asset type varying, despite being of a similar nature, the asset types denoted have a range of depreciation periods.

## City of Wanneroo

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Summary of Significant Accounting Policies (continued)

\*\*Land, Artwork and Artefacts are not considered depreciable asset classes.

The assets residual value 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. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

#### (i) Financial Instruments

##### 1) Recognition and derecognition

Financial Instruments, financial assets and financial liabilities are recognised when the City becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

#### Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost;
- fair value through profit or loss (FVTPL); and
- fair value through other comprehensive income (FVOCI).

The classification is determined by both:

- the City's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

#### 2) Subsequent measurement of financial assets

##### Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This category includes non-derivative financial assets like loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The City's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

##### Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model than 'hold to collect' or 'hold to collect and sell', and financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions

## City of Wanneroo

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Summary of Significant Accounting Policies (continued)

or using a valuation technique where no active market exists.

#### **Financial assets at fair value through other comprehensive income (FVOCI)**

Financial assets are accounted for at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is hold to collect the associated cash flows and sell; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in Other Comprehensive Income will be recycled upon derecognition of the asset. This category includes listed securities and debentures.

#### **3) Classification and measurement of financial liabilities**

Financial liabilities are initially measured at fair value and where applicable adjusted for transaction costs unless the City designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest related charges and if applicable changes in an instrument's fair value that are reported in profit or loss, are included within finance costs or finance income.

#### **4) Impairment of Financial assets**

The City considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions and reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Measurement of the expected credit losses is determined by a probability weighted estimate of

credit losses over the expected life of the financial instrument.

#### **(j) Fair Value Estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is determined using various valuation techniques. The City uses valuation methods and makes assumptions that are based on market conditions existing at each Statement of Financial Position date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the City for similar financial instruments.

#### **(k) Provisions**

Provisions are recognised when the City has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow, with respect to any one item included in the same class of obligations, may be small.

#### **(l) Leases**

Leases of property, plant and equipment, where the City has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's inception recorded at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net



## City of Wanneroo

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Summary of Significant Accounting Policies (continued)

of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the Statement of Comprehensive Income, over the lease period, so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term. Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

##### (m) Investments 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 associates. 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. 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. This occurs unless the City 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.

##### (n) Impairment

In accordance with Australian Accounting Standards the City's assets, other than inventories, are tested annually for impairment. Where such an indication exists, an estimate of the recoverable amount of the asset is made in accordance with *AASB 136 Impairment of Assets* and appropriate adjustments made. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses are recognised in the Statement of Comprehensive Income.

For non-cash generating assets of the City such as roads, drains, public buildings and the like, value in use is represented by the asset's written down replacement cost.

##### (o) Trade and Other Payables

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Municipality prior to the end of the financial year that are unpaid and arise when the Municipality becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

##### (p) Interest-bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid for the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the City has an unconditional right to defer settlement of the liability for at least 12 months after the Statement of Financial Position date. Borrowing costs

## City of Wanneroo

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Summary of Significant Accounting Policies (continued)

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.

##### (q) Employee Benefits

The provisions for employee benefits relates to amounts expected to be paid for long service leave, annual leave, sick leave, wages and salaries and are calculated as follows:

##### Wages, Salaries, Sick Leave, Annual Leave and Long Service Leave (Short-term Benefits)

The provision for employees' benefits wages, salaries, sick leave, annual leave and long service leave expected to be settled within 12 months represents the amount the City has a present obligation to pay resulting from employee's services provided to Statement of Financial Position date. The provision has been calculated at nominal amounts based on remuneration rates the City expects to pay and includes related on-costs.

##### Long Service Leave (Long-term Benefits)

The liability for long service leave is recognised in the provision for employee benefits. It is measured as the present value of expected future payments to be made in respect of services provided by employees up to the Statement of Financial Position date, using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity, and currency, that match as closely as possible, the estimated future cash outflows.

Where the City does not have the unconditional right to defer settlement beyond 12 months, the liability is recognised as a current liability.

##### (r) Superannuation

The City contributes to a number of Superannuation Funds on behalf of its employees. Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid

contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

##### (s) Interests in Joint Arrangements

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

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a joint venture and accounted for using the equity method. Refer to Note 1(m) for a description of the equity method of accounting.

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

##### (t) Rates, Grants, Donations and Other Contributions

Rates, grants, donations and other contributions are recognised as revenues when the local government obtains control over the assets comprising the contributions. Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates.

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed at Note 2(d). That note also discloses the amount of contributions recognised as revenues in a previous reporting period, which were obtained in respect of the local government's operation for the current reporting period.

##### (u) Current and Non-Current Classification

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if

## City of Wanneroo

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Summary of Significant Accounting Policies (continued)

it is expected to be settled within the next 12 months, being the City's operation 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 even if not expected to be realised in the next 12 months. An exception exists for land held for resale, where it is held as non-current based on the City's intentions to release for sale.

##### (v) Rounding Off Figures

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

##### (w) 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 or corrects prior period errors, the City makes a retrospective restatement or reclassifies items in the financial statements that have 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.

##### (x) Budget Comparative Figures

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

##### (y) Investment Property

Investment property, principally comprising freehold buildings, is held for long-term rental yields. Investment property is carried at fair value, representing open-market value determined annually by external users.

##### (z) Non-Current Assets (or Disposal Groups) "Held for Sale" and Discontinued Operations

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either (i) their carrying amount, or (ii) fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles, which are turned over on a regular basis. Plant and motor vehicles are retained in Non-Current Assets under the classification of Property, Plant and Equipment - unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

For any assets or disposal groups classified as Non-Current Assets "held for sale", an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

Non-current assets "held for sale" are not depreciated or amortised while they are classified as "held for sale".

Non-current assets classified as "held for sale" are presented separately from the other assets in the Statement of Financial Position.

A Discontinued Operation is a component of the City's operations that has been disposed of or is classified as "held for sale" and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are presented separately on the face of the Statement of Comprehensive Income.

##### (aa) Intangible Assets

The City has not classified any assets as Intangible.

##### (ab) New Accounting Standards and Interpretations for Application in Future Periods

In the current year, the City adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB)

## City of Wanneroo

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Summary of Significant Accounting Policies (continued)

that are relevant to its operations and effective for the current reporting period. AASB 15 *Revenue from Contracts with Customers* is effective for reporting periods on or after 1 January 2019 and will replace AASB 118 *Revenue*, AASB 111 *Construction Contracts* and a number of Interpretations. It establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The effect of this Standard will depend upon the nature of future transactions the City has with those third parties it has dealings with. It may or may not be significant.

AASB 16 *Leases* is effective for reporting periods beginning on or after 1 January 2019 and will replace AASB 117 *Leases*. Under AASB 16 there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-to-use asset and lease liability onto their statement of financial position for all leases. Effectively this means the vast majority of operating leases as defined by the current AASB 117 *Leases* which currently do not impact the statement of financial position will be required to be capitalised on the statement of financial position once AASB 16 is adopted.

Currently, operating lease payments are expensed as incurred. This will cease and will be replaced by both depreciation and interest charges.

AASB 1058 *Income of Non-for-Profit Entities* (incorporating AASB 2016-7 and AASB 2016-8) is effective for reporting periods beginning on or after 1 January 2019. Under this standard, it is likely to have a significant impact on the income recognition for Not-for-Profit Entities. Key areas for consideration are: assets received below fair value, transfers received to acquire or construct non-financial assets, grants received, prepaid rates, leases entered into at below market rates and volunteer services.

Other amended Australian Accounting Standards and Interpretations, which were issued at the date of authorisation of the financial statements, but have future commencement dates are not likely to have a material impact on the financial statements.

The City does not expect to adopt the new standards before their operative date and before the standards become applicable to the City.

#### Standards not applicable to Local Government;

There are no other standards that are “not yet effective” and expected to have a material impact on the City in the current or future reporting periods and on foreseeable future transactions.

#### (ac) Disclaimer

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstance.



## City of Wanneroo

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 2. Operating Revenues and Expenses

		2019	2019	2018
	Note	Actual	Budget	Restated Actual
		\$	\$	\$
<b>(a) Net Result</b>				
The Result includes:				
<b>(i) Charging as an Expense:</b>				
<b>Auditors Remuneration</b>				
- Audit		75,000	100,000	49,524
<b>Movement in Expected Credit Loss / Bad &amp; Doubtful Debts</b>				
Sundry Debtors		(38,525)	-	24,184
<b>Depreciation &amp; Amortisation</b>				
<i>Property, Plant &amp; Equipment</i>	7(b)			
- Buildings		5,479,130	4,090,173	3,406,470
- Furniture and Equipment		1,557,069	6,207,393	1,925,087
- Plant and Equipment		2,765,843	2,913,995	3,346,861
<i>Infrastructure Assets</i>	8(b)			
- Roads		14,762,045	14,969,590	14,246,183
- Drainage		3,458,003	3,603,087	3,396,061
- Other Infrastructure		3,626,455	1,077,740	3,554,599
- Pathways		2,573,218	2,684,559	2,530,332
- Car Parks		342,445	306,387	325,687
- Reserves		6,602,509	4,577,076	6,224,593
		<b>41,166,717</b>	<b>40,430,000</b>	<b>38,955,873</b>
<b>Interest Expenses (Finance Costs)</b>				
Accrued Interest on Loans		(6,908)	-	22,437
Loan interest paid	23(a)	4,407,583	4,415,575	4,366,852
		<b>4,400,675</b>	<b>4,415,575</b>	<b>4,389,289</b>
- Municipal Fund		4,112,351	4,114,682	4,113,518
- Developer Contribution Schemes		288,324	300,893	275,771
<b>Interest Expenses (Finance Costs)</b>		<b>4,400,675</b>	<b>4,415,575</b>	<b>4,389,289</b>
<b>(ii) Crediting as Revenue:</b>				
<b>Interest Earnings</b>				
Investments - Municipal Funds		2,736,079	2,399,703	2,965,654
Investments - Reserve Funds		4,992,104	4,537,792	4,199,735
Other Interest Income	26	2,288,440	2,335,998	2,335,998
		<b>10,016,623</b>	<b>9,273,493</b>	<b>9,501,387</b>
Town Planning Schemes & Developer Contribution Schemes		3,441,465	3,488,491	3,207,397
<b>Total</b>		<b>13,458,088</b>	<b>12,761,984</b>	<b>12,708,784</b>

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## City of Wanneroo

### Notes to the Financial Statements

for the year ended 30 June 2019

### Note 2. Operating Revenues and Expenses (continued)

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#### (b) Statement of Objectives, Reporting Programs and Nature or Type

##### Statement of Objective

In order to discharge its responsibilities to the Community, the City has developed a set of operational and financial objectives. These objectives have been established both on an overall basis, reflected by the City's Vision, and for each of the City's broad activities/programs.

With reference to the City's Strategic Community Plan 2017/18 - 2026/27:

##### Vision

Inspired by our past, working to create a vibrant, progressive City, providing opportunity and investment to enable our growing communities to prosper.

##### Community Aspirations

The Community aspirations, developed under the four pillars of the community priorities are:

- 1) Society  
Healthy, safe, vibrant and connected communities.
- 2) Economy  
Progressive, connected communities that enable economic growth and employment.
- 3) Environment  
A healthy and sustainable natural and built environment.
- 4) Civic Leadership  
Working with others to ensure the best use of our resources.

#### REPORTING PROGRAM DESCRIPTIONS

The City's operations that are disclosed encompass the following service orientated activities/programs:

##### GOVERNANCE

**Objective:** To provide a decision making process for the efficient allocation of scarce resources.

**Activities:** Includes the activities of members of Council and the administrative support available to the City for the provision of governance of the district. Other costs relate to the task of assisting elected members and ratepayers on matters that do not concern specific City's services.

##### GENERAL PURPOSE FUNDING

**Objective:** To collect revenue to allow for the provision of services.

**Activities:** Collection of Rates, general purpose government grants and interest revenue.

## City of Wanneroo

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 2. Operating Revenues and Expenses (continued)

---

##### (b) Statement of Objectives, Reporting Programs and Nature or Type (continued)

##### LAW, ORDER, PUBLIC SAFETY

**Objective:** To provide services to help ensure a safer and environmentally conscious Community.

**Activities:** Supervision and enforcement of various local laws relating to fire prevention, animal control and protection of the environment and other aspects of public safety including emergency

##### HEALTH

**Objective:** To provide services to achieve community and environmental health.

**Activities:** Maternal and infant health facilities, immunisation, meat inspection services, inspection of food outlets, noise control and pest control services.

##### EDUCATION AND WELFARE

**Objective:** To provide services to children, youth, the elderly and disadvantaged persons.

**Activities:** Pre-school and other education services, child minding facilities, playgroups and senior citizens centres.

##### COMMUNITY AMENITIES

**Objective:** To provide services required by the Community.

**Activities:** Rubbish collection services, operation of rubbish disposal sites, litter control, construction and maintenance of urban storm water drains, protection of the environment, administration of town planning schemes and public conveniences.

##### RECREATION AND CULTURE

**Objective:** To establish and effectively manage infrastructure and resources which will help the social wellbeing of the community.

**Activities:** Maintenance of public halls, civic centre, aquatic centre, beaches, recreation centres and various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of library, museum and other cultural facilities.

##### TRANSPORT

**Objective:** To provide safe, effective and efficient transport services to the Community.

**Activities:** Construction and maintenance of roads, streets, footpaths, depots, cycleways, parking facilities and traffic control. Water transport facilities, cleaning of streets, maintenance of street trees and street lighting.

## City of Wanneroo

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 2. Operating Revenues and Expenses (continued)

---

##### (b) Statement of Objectives, Reporting Programs and Nature or Type (continued)

###### ECONOMIC SERVICES

**Objective:** To help promote the City and its economic wellbeing.

**Activities:** Tourism and provision of rural services including weed control, vermin control and standpipes.  
Building control services.

###### OTHER PROPERTY AND SERVICES

**Objective:** To monitor and control the City's operations.

**Activities:** Plant repair, operational costs and engineering costs.

##### (c) Nature or Type Classifications

In accordance with Australian Accounting Standards, the City is required to disclose revenue and expenditure according to its nature or type classification. Additionally, the following nature or function descriptions are required by State Government regulations.

###### REVENUE

###### Rates

All Rates levied under the *Local Government Act 1995*. This includes general, differential, specific area Rates, minimum Rates, interim Rates, back Rates and ex-gratia Rates, less discounts offered. This excludes administration fees, interest on instalments, interest on arrears, service charges and waste service and sewerage fees.

###### Operating Grants, Subsidies and Contributions

This refers to all amounts received as grants, subsidies and contributions that are not classified as non-operating grants.

###### Non-Operating Grants, Subsidies and Contributions

These are amounts received specifically for the acquisition, construction of new or the upgrade of non-current assets. They are included irrespective of whether these amounts are received as capital grants, subsidies, contributions or donations.

## City of Wanneroo

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 2. Operating Revenues and Expenses (continued)

---

##### (c) Nature or Type Classifications (continued)

##### **Profit on Asset Disposal**

Profit on the disposal of non-current assets.

##### **Fees and Charges**

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

##### **Service Charges**

Service charges imposed under Division 6 of Part 6 of the *Local Government Act 1995*. Regulation 54 of the *Local Government (Financial Management) Regulations* identifies the charges which can be raised. These charges are television and radio rebroadcasting, underground electricity, property surveillance and security and water services. This excludes rubbish removal and charges for the provision of waste services. The City has not levied service charges for the years ended 30 June 2018 and 30 June 2019.

##### **Interest Earnings**

Interest and other items of a similar nature received from bank and investment accounts, interest on Rate instalments, interest on Rate arrears and interest on debtors.

##### **Other Revenue**

Other revenue, which cannot be classified under the above headings. This includes dividends, discounts and rebates (if any).

#### **EXPENDITURE**

##### **Employee Costs**

All costs associated with the employment of persons such as salaries, wages, allowances, benefits, superannuation, employment expenses, relocation expenses, worker's compensation insurance, training costs, conferences, safety expenses, medical examinations, various leave costs, and fringe benefits tax.

##### **Material and Contracts**

All expenditure on materials, supplies and contracts not classified under other headings. These include supply of goods and materials, legal expenses, consultancy, maintenance agreements, communication expenses, advertising expenses, memberships, periodicals, publications, hire expenses, rental, leases, postage and freight.

##### **Utilities (Gas, Electricity, Water and Telephones)**

Expenditures made to respective agencies for the provision of power, gas, water or telephones. This excludes expenditure incurred for the re-instatement of services after road works on behalf of these agencies.

## City of Wanneroo

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 2. Operating Revenues and Expenses (continued)

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##### (c) Nature or Type Classifications (continued)

##### **Depreciation and Amortisation on Non-Current Assets**

Depreciation and amortisation expense raised on all classes of assets except land, artwork and artifacts.

##### **Loss on Asset Disposal**

Loss on the disposal of non-current assets. Losses are disclosed under the expenditure classifications.

##### **Interest Expenses**

Interest and other costs of finance paid, including costs of finance for loans, overdraft accommodation and re-financing expenses.

##### **Insurance**

All insurance other than workers' compensation and health benefit insurance. These are included as a cost of employment.

##### **Other Expenditure**

Statutory fees, taxes and provision of bad debts. Donations and subsidies made to community groups and expenditure not otherwise classified.

## City of Wanneroo

Notes to the Financial Statements  
for the year ended 30 June 2019

## Note 2. Operating Revenues and Expenses (continued)

	Opening Balance <sup>1</sup> 01-Jul-17	Received <sup>3</sup> 2018	Expended <sup>3</sup> 2018	Closing Balance <sup>1</sup> 30-Jun-18	Received <sup>3</sup> 2019	Expended <sup>3</sup> 2019	Closing Balance 30-Jun-19
	\$	\$	\$	\$	\$	\$	\$
<b>(d) Conditions Over Grants, Subsidies &amp; Contributions</b>							
<b>Grant/Subsidy/Contribution</b>							
<b><u>Economic Development</u></b>							
Economic Development Initiatives for Two Rocks	92,000	-	-	<b>92,000</b>	-	-	<b>92,000</b>
Economic Development Initiatives for Lot 12 Marmion Ave Jindalee	76,800	-	-	<b>76,800</b>	-	-	<b>76,800</b>
Economic Development Contributions for Somerly	42,200	-	-	<b>42,200</b>	-	-	<b>42,200</b>
<b><u>Emergency Services &amp; Environmental Protection</u></b>							
Emergency Services Levy Grant	81,050	323,131	(319,915)	<b>84,266</b>	327,285	(318,765)	<b>92,786</b>
State Emergency Service	-	-	-	-	27,268	(27,268)	-
Emergency Services - Two Rocks Bushfire Brigade	-	204,360	(204,360) *	-	-	-	-
Girrawheen Greening Project	1,000	-	-	<b>1,000</b>	-	-	<b>1,000</b>
<b><u>Health &amp; Fitness</u></b>							
Age Friendly Grant 2017	2,304	-	(2,304)	-	-	-	-
Kidsport 2017/2018	-	581,270	(581,270) *	-	-	-	-
Belhaven Sports Amenities Building	-	-	-	-	560,000	(93,542)	<b>466,458</b>
Abbeville Park Fitness Equipment	10,000	-	(3,713)	<b>6,287</b>	-	(6,287)	-
Tauranga Park Fitness Equipment	17,000	-	(17,000)	-	-	-	-
Floodlighting Leatherback Park	140,000	-	(140,000)	-	-	-	-
Eco Floodlighting John Moloney Park	-	20,000	(16,196)	<b>3,804</b>	-	-	<b>3,804</b>
Gumblossom Park conversion of cricket nets to softball batting cages	-	13,500	(3,955)	<b>9,545</b>	-	(9,545)	-

(continued on next page)

## City of Wanneroo

Notes to the Financial Statements  
for the year ended 30 June 2019

## Note 2. Operating Revenues and Expenses (continued)

	Opening Balance <sup>1</sup> 01-Jul-17	Received <sup>3</sup> 2018	Expended <sup>3</sup> 2018	Closing Balance <sup>1</sup> 30-Jun-18	Received <sup>3</sup> 2019	Expended <sup>3</sup> 2019	Closing Balance 30-Jun-19
	\$	\$	\$	\$	\$	\$	\$
(d) Conditions Over Grants, Subsidies & Contributions (continued)							
<b>Grant/Subsidy/Contribution (continued)</b>							
<b>Youth Services</b>							
North Zone Youth Services -	3,094	149,131	(152,225)	-	146,730	(146,730)	-
Clarkson Youth Centre Updates	-	10,000	(846)	<b>9,154</b>	-	(9,154)	-
<b>Buildings</b>							
Changerooms & Floodlighting at Banksia Grove Sports Ground	-	666,250	-	<b>666,250</b>	222,105	(888,355)	-
Sport Amenities Building & Carpark Riverlinks Park	-	300,000	(159,503)	<b>140,497</b>	-	(140,497)	-
Quinns Beach Patrol Tower	-	70,000	(5,023)	<b>64,977</b>	-	(64,977)	-
Warradale Park Universal Access Toilet	-	20,000	-	<b>20,000</b>	-	(20,000)	-
Alexander Heights Day Club Construction	550,000	-	-	<b>550,000</b>	-	(550,000)	-
Girrawheen Seniors Community Hall	-	278,000	(73,307)	<b>204,693</b>	-	(202,318)	<b>2,375</b>
<b>Recreation &amp; Culture</b>							
Community Garden Roseworth	-	50,000	-	<b>50,000</b>	-	-	<b>50,000</b>
Girrawheen Multicultural Community Office & Senior Hall	-	100,000	(21,539)	<b>78,461</b>	-	(39,116)	<b>39,345</b>
Story Telling at Alkimos	-	5,000	(3,283)	<b>1,717</b>	-	(1,717)	-
Banksia Grove Dog Exercise Area	-	200,000	(9,094)	<b>190,906</b>	-	(193)	<b>190,713</b>
Be Connected Next Stage	-	-	-	-	15,029	(29)	<b>15,000</b>
Abbeville Park Upgrade	-	-	-	-	400,000	(312,817)	<b>87,183</b>
Halesworth Park Butler North DOS Master Plan	-	-	-	-	1,480,000	(250,924)	<b>1,229,076</b>
Scenic Park Construction of Petanque Pitch	-	13,500	(2,140)	<b>11,360</b>	-	(11,360)	-
HACC Bus Funds diverted to My Life My Words Project 2014	5,209	-	-	<b>5,209</b>	-	-	<b>5,209</b>

(continued on next page)

## City of Wanneroo

Notes to the Financial Statements  
for the year ended 30 June 2019

## Note 2. Operating Revenues and Expenses (continued)

	Opening Balance <sup>1</sup> 01-Jul-17	Received <sup>3</sup> 2018	Expended <sup>3</sup> 2018	Closing Balance <sup>1</sup> 30-Jun-18	Received <sup>3</sup> 2019	Expended <sup>3</sup> 2019	Closing Balance 30-Jun-19
	\$	\$	\$	\$	\$	\$	\$
<b>Roads</b>							
Prindiville Road Intersection Upgrade Contribution - Clifford Rocke Scott Langdon & John Buback as Managers & Receivers of Watson Property	112,645	-	-	<b>112,645</b>	-	(28,800)	<b>83,845</b>
Prindiville Road Intersection Upgrade Contribution - Endeavor Properties Pty	87,229	-	-	<b>87,229</b>	-	(22,302)	<b>64,927</b>
Prindiville Road Intersection Upgrade Contribution - Watson Property	77,325	-	-	<b>77,325</b>	-	(19,770)	<b>57,555</b>
Prindiville Road Intersection Upgrade Contribution - ABN Group	215,267	-	-	<b>215,267</b>	-	(55,038)	<b>160,229</b>
Design Consultancy & Construction Marmion Avenue Duplication - Lukin Drive to Butler Boulevard	64,099	-	(64,099)	-	-	-	-
Mirrabooka Avenue Road Improvement Grant Funding	1,253,050	513,600	(1,717,930)	<b>48,720</b>	953,067	(1,001,787)	-
Bravado Nominees P/L Lot 75 Cooper Street Madeley	10,000	-	-	<b>10,000</b>	-	-	<b>10,000</b>
Lancaster Industrial Park P/L	76,747	-	-	<b>76,747</b>	-	-	<b>76,747</b>
Watson Property Group Woodvale Ltd Contribution to Madeley Rise Stage 5 Madeley	42,216	-	-	<b>42,216</b>	-	-	<b>42,216</b>
Roundabout at Rosso Meander Woodvale Contribution	-	-	-	-	32,850	-	<b>32,850</b>
Woodvale LSP Contribution WAPC 155158	-	-	-	-	579,082	(148,056)	<b>431,026</b>
Re Ledger Pty Ltd - Curtin Road Marangaroo	2,730	-	(2,730)	-	-	-	-
Peet & Co - Yanchep Ocean Lagoon Contributions	450	-	(450)	-	-	-	-
Peet & Co - Contributions East Road/Wanneroo Road	12,701	-	(12,701)	-	-	-	-
Civil Technology - East Wanneroo Road Intersection	3,050	-	(3,050)	-	-	-	-
AHG - Wanneroo Road & Lancaster Road	77,234	-	(77,234)	-	-	-	-
Geary Ray - Drainage Upgrade- High Road	11,135	-	-	<b>11,135</b>	-	-	<b>11,135</b>
Silverton Limited - Lots 1000 & 1001 Quinns North	6,000	-	(6,000)	-	-	-	-
Australand - Contribution for East Road/Wanneroo Road Upgrade	14,757	-	(14,757)	-	-	-	-
Stockland WA - Roundabout - Driver Road & Waterford Parade Stage 7 Ashdale Gardens	18,000	-	-	<b>18,000</b>	-	-	<b>18,000</b>
Zebra Properties Pty Ltd - Wanneroo Cell No 6	16,200	-	(16,200)	-	-	-	-
Australand Investments Construction of Roundabout Intersection of Librizzi Parade & Basico Avenue (Olive Ridge Stage 1 & 2)	20,265	-	-	<b>20,265</b>	-	-	<b>20,265</b>

(continued on next page)



## City of Wanneroo

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 2. Operating Revenues and Expenses (continued)

	Opening Balance <sup>1</sup> 01-Jul-17	Received <sup>3</sup> 2018	Expended <sup>3</sup> 2018	Closing Balance <sup>1</sup> 30-Jun-18	Received <sup>3</sup> 2019	Expended <sup>3</sup> 2019	Closing Balance 30-Jun-19
	\$	\$	\$	\$	\$	\$	\$
(d) Conditions Over Grants, Subsidies & Contributions (continued)							
Grant/Subsidy/Contribution (continued)							
Roads (continued)							
Re-Lot 84 Nicholas Road, Subdivision 06/047 discharge of stormwater into the City's Ranworth Road Drainage Swale - Marauba P/L	24,000	-	(24,000)	-	-	-	-
Re-Lot 84 Nicholas Road, Subdivision 06/047 discharge of stormwater into the City's Ranworth rd Drainage Swale - Mammoth Nominees P/L	176,000	-	(176,000)	-	-	-	-
Peet Ashton Heights Contribution for future resurfacing of roundabouts in Ashton Heights	25,000	-	-	25,000	-	-	25,000
Compensation for road widening at Lot 600 Wattle Avenue Neerabup	1,028,120	-	-	1,028,120	-	(242,626)	785,494
Contribution for roundabout at Shiraz & Cabernet Loop Pearsall <sup>2</sup>	55,571	-	-	55,571	(55,571)	-	-
Construction of Neerabup Road duplication (Connolly Drive to Bunnings access)	582,047	-	(582,047)	-	-	-	-
Mendelawitz Morton Quality Settlements - Landsdale Cell 9 Road Construction	252,178	-	(252,178)	-	-	-	-
Contribution for Subdivision of Lot 507 Pederick Road, Neerabup (Road Deed No 2)	2,022,077	-	-	2,022,077	-	-	2,022,077

(continued on next page)

## City of Wanneroo

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 2. Operating Revenues and Expenses (continued)

	Opening Balance <sup>1</sup> 01-Jul-17	Received <sup>3</sup> 2018	Expended <sup>3</sup> 2018	Closing Balance <sup>1</sup> 30-Jun-18	Received <sup>3</sup> 2019	Expended <sup>3</sup> 2019	Closing Balance 30-Jun-19
	\$	\$	\$	\$	\$	\$	\$
<b>(d) Conditions Over Grants, Subsidies &amp; Contributions (continued)</b>							
<b>Grant/Subsidy/Contribution (continued)</b>							
Contribution for Subdivision of Lot 507 Pederick Road, Neerabup (Road Deed No 1)	1,503,803	-	-	<b>1,503,803</b>	-	-	<b>1,503,803</b>
Intersection upgrade at Caporn Street Sinagra	272,251	-	(272,251)	-	-	-	-
Design Consultancy & Construction Marmion Avenue Duplication - Butler Boulevard to Yanchep Beach Road	23,000,000	-	(540,050)	<b>22,459,950</b>	-	(7,807,045)	<b>14,652,905</b>
Blackmore Avenue Traffic calming	30,000	60,000	(8,955)	<b>81,045</b>	-	(53,797)	<b>27,248</b>
Installation of Anti-skid treatment on North and South intersection of Mirrabooka Drive/Marangaroo Drive Girrawheen	10,520	44,000	(54,520)	-	-	-	-
Road resurfacing 2016-2017 Carramar Road Carramar	9,234	-	(9,234)	-	-	-	-
Public Transport Authority Bus Shelter Maintenance Subsidy	-	26,561	(26,561) *	-	-	-	-
Wanneroo Road/Prindiville Drive Intersection WAPC 152199	-	42,223	-	<b>42,223</b>	-	(10,796)	<b>31,427</b>
Install Skid resistant treatment Gngangara Road& Alexander Drive-City of Swan	-	-	-	-	30,000	(17,401)	<b>12,599</b>
Signalised intersection Banksia Grove (Ghost Gum & Joondalup Dr)	-	-	-	-	40,000	(4,183)	<b>35,817</b>
Dual Carriageway Blackberry Drive to Joondalup Drive	-	-	-	<b>1,015,270</b>	253,335	(599,585)	<b>669,020</b>
Connolly Dr to Benenden Avenue Road Improvement	-	-	-	-	713,600	(110,125)	<b>603,475</b>
Road resurfacing 2018-2019 Wonambi Way Wanneroo	-	257,500	-	<b>257,500</b>	-	(257,500)	-
Road resurfacing 2018-2019 Mudalla Way Wanneroo	-	82,500	-	<b>82,500</b>	(2,500)	(80,000)	-
Road resurfacing 2018-2019 Waldup Way Wanneroo	-	55,000	-	<b>55,000</b>	-	(55,000)	-
Road resurfacing 2018-2019 Woonan St Wanneroo	-	40,000	-	<b>40,000</b>	-	(40,000)	-
Road resurfacing 2018-2019 Neaves Rd & Timely Mariginiup	-	42,500	-	<b>42,500</b>	-	(42,500)	-
Road resurfacing 2018-2019 Gngangara Road/Hartman & RAB	-	48,959	-	<b>48,959</b>	-	(48,959)	-
Road resurfacing 2018-2019 Hartman Dr outer lane	-	17,665	-	<b>17,665</b>	-	(17,665)	-
Road resurfacing 2018-2019 Hartman Dr North bound shoulder	-	43,500	-	<b>43,500</b>	(28,500)	(15,000)	-
Road resurfacing 2018-2019 Paramount Dr/Achievement Bvd RAB	-	30,000	-	<b>30,000</b>	(7,500)	(22,500)	-
Road resurfacing 2018-2019 Motivation Bvd/Challenge Way/Excellence Bvd	-	30,000	-	<b>30,000</b>	-	(30,000)	-
Road resurfacing 2018-2019 Arrigo St Wangara	-	72,500	-	<b>72,500</b>	-	(72,500)	-
Road resurfacing 2018-2019 Dobbins St Wangara	-	60,000	-	<b>60,000</b>	-	(60,000)	-
Road resurfacing 2018-2019 Mega St Wanneroo	-	70,000	-	<b>70,000</b>	-	(70,000)	-
Stockland WA - East Landsdale	-	85,101	-	<b>85,101</b>	-	-	<b>85,101</b>
Wanneroo Road Service Road / Flynn Drive to Hall Road	-	36,066	-	<b>36,066</b>	-	(36,066)	-

(continued on next page)

## City of Wanneroo

Notes to the Financial Statements  
for the year ended 30 June 2019

## Note 2. Operating Revenues and Expenses (continued)

	Opening Balance <sup>1</sup> 01-Jul-17	Received <sup>3</sup> 2018	Expended <sup>3</sup> 2018	Closing Balance <sup>1</sup> 30-Jun-18	Received <sup>3</sup> 2019	Expended <sup>3</sup> 2019	Closing Balance 30-Jun-19
	\$	\$	\$	\$	\$	\$	\$
(d) Conditions Over Grants, Subsidies & Contributions (continued)							
Grant/Subsidy/Contribution (continued)							
Safer WA							
Aware Grant Funding 2017-2018	-	8,000	(8,000) *	-	-	-	-
CCTV Hub Kingsway Sporting Complex	150,000	30,000	(180,000)	-	30,306	(30,306)	-
<b>Total Unspent Grants, Subsidies &amp; Contributions</b>	<u>32,282,558</u>	<u>4,699,817</u>	<u>(5,764,620)</u>	<u>32,233,025</u>	<u>5,716,586</u>	<u>(14,092,901)</u>	<u>23,856,709</u>

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

**Notes:**

- (1) - Grants/contributions recognised as revenue in a previous reporting period that were not expended at the close of the previous period.  
 (2) - Unspent funds returned to grantor.  
 (3) - Grants/contributions received throughout the financial year and were fully expended are not disclosed in the above note, except for grants marked with \*

## City of Wanneroo

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Cash and Cash Equivalents

		2019	2018
	Note	Actual	Restated Actual
		\$	\$
<b>Unrestricted</b>			
Cash Municipal		21,417,403	12,643,874
Cash on Hand		12,846	15,016
		<u>21,430,249</u>	<u>12,658,890</u>
<b>Restricted</b>			
Reserves - Cash Backed		229,713,207	212,383,004
Town Planning Schemes		96,909,331	107,944,981
Unspent Grants		23,856,709	31,217,755
Unspent Loans		7,805,842	10,253,972
		<u>358,285,089</u>	<u>361,799,712</u>
<b>Total Cash and Cash Equivalents</b>	14(a)	<u>379,715,338</u>	<u>374,458,602</u>
<b>The following items have been restricted:</b>			
Alkimos/Eglinton Coastal Corridor Community Facilities Reserve	12	13,770,740	12,545,298
Asset Renewal Reserve	12	11,304,366	12,333,455
Asset Replacement Reserve	12	5,814,062	5,995,469
Butler Collaborative Planning Agreement Reserve	12	-	3,040,272
Carried Forward Capital Projects Reserve	12	3,741,959	4,667,264
Coastal Infrastructure Management Reserve	12	13,872,726	10,692,264
Domestic Refuse Reserve	12	11,786,825	8,706,177
Fleming Park Lake Reserve	12	-	225,964
Golf Course Reserve	12	655,283	1,632,824
Land Acquisition Reserve	12	3,314,767	2,740,167
Leave Liability Reserve	12	1,857,505	1,545,239
Loan Repayment Reserve	12	23,439,125	22,168,923
Neerabup Development Reserve	12	5,056,832	5,215,877
Plant Replacement Reserve	12	12,662,183	9,019,502
Regional Open Space Reserve	12	11,513,696	8,292,852
Section 152 Reserve (formerly Section 20A Land Reserve)	12	1,361,636	1,583,665
Strategic Projects/Initiatives Reserve	12	102,306,917	94,599,663
TPS 20 - District Distributor Road Headworks Reserve	12	7,144,381	6,955,091
Yanchep Bus Reserve	12	110,204	103,337
Yanchep/Two Rocks Coastal Corridor Community Facilities Reserve	12	-	319,701
<b>Total Reserves</b>		<u>229,713,207</u>	<u>212,383,004</u>
Unspent Grants and Contributions	2(d)	23,856,709	31,217,755
Unspent Loan Funds	23(b)	7,805,842	10,253,972
<b>Total Unspent Grants and Loans</b>		<u>31,662,551</u>	<u>41,471,727</u>
Town Planning Schemes		96,909,331	107,944,981
<b>Total Town Planning Schemes</b>		<u>96,909,331</u>	<u>107,944,981</u>
<b>Total Restricted Cash</b>		<u>358,285,089</u>	<u>361,799,712</u>

## City of Wanneroo

Notes to the Financial Statements  
for the year ended 30 June 2019

## Note 4. Investments

	Note	2019 Actual	2018 Actual
		\$	\$
<b>Non Current</b>			
<b>Equity Accounted Investments</b>			
Tamala Park Regional Council	17(a)(ii)	7,618,683	7,622,058
Mindarie Regional Council	17(b)(ii)	11,963,228	11,317,751
Local Government House Trust	17(c)(ii)	87,586	77,334
		<u>19,669,497</u>	<u>19,017,143</u>
<b>Total Investments</b>		<u><u>19,669,497</u></u>	<u><u>19,017,143</u></u>
<b>Classified as:</b>			
Unrestricted (Municipal Fund)		19,669,497	19,017,143
<b>Total Investments</b>		<u><u>19,669,497</u></u>	<u><u>19,017,143</u></u>

## Note 5. Trade &amp; Other Receivables

	Note	2019 Actual	2018 Actual
		\$	\$
<b>Current</b>			
Rates Outstanding (Inclusive of Refuse and Swimming Pool Inspection Fees)	32(b)	13,816,982	14,478,509
Prepayments		2,280,255	484,893
GST Receivable		1,806,477	887,653
Accrued Income		5,208,556	5,319,733
Sundry Debtors	32(b)	1,218,037	1,230,465
Expected Credit Loss (2019)/Provision for Doubtful Debts (2018)		(738,205)	(776,730)
<b>Total Current Trade &amp; Other Receivables</b>		<u><u>23,592,102</u></u>	<u><u>21,624,523</u></u>
<b>Non-Current</b>			
Rates Outstanding - Pensioners		3,407,870	3,060,808
<b>Total Non-Current Trade &amp; Other Receivables</b>		<u><u>3,407,870</u></u>	<u><u>3,060,808</u></u>
<b>Total Current and Non-Current Trade &amp; Other Receivables</b>		<u><u>26,999,972</u></u>	<u><u>24,685,331</u></u>

## City of Wanneroo

Notes to the Financial Statements  
for the year ended 30 June 2019

## Note 6. Inventories

	2019 Actual	2018 Actual
	\$	\$
<b>Current</b>		
Stores and Materials (Held at Cost)	314,347	316,384
<b>Total Current Inventories</b>	<u>314,347</u>	<u>316,384</u>
<b>Non-Current</b>		
Land Held for Resale - Development Costs*	22,117,151	21,396,956
<b>Total Non-Current Inventories</b>	<u>22,117,151</u>	<u>21,396,956</u>

\* Land held for resale includes a commercial land on Flynn Drive in Neerabup, a commercial land on Opportunity Street in Wangara and one sixth ownership of residential land on Lot 118 Mindarie which is being developed by Tamala Park Regional Council.

## City of Wanneroo

Notes to the Financial Statements  
for the year ended 30 June 2019

## Note 7. Property, Plant and Equipment

	Notes	2019 Actual \$	2018 Actual \$
<b>(a) Carrying Amounts</b>			
Land - Fair Value		133,603,333	137,603,333
Land - Cost		-	-
		<u>133,603,333</u>	<u>137,603,333</u>
Buildings - Fair Value		171,147,700	171,147,700
Buildings - Cost		9,473,588	-
less: Accumulated Depreciation		<u>(5,479,130)</u>	<u>-</u>
		175,142,158	171,147,700
Furniture and Equipment - Fair Value		6,775,597	8,237,638
Furniture and Equipment - Cost		2,623,669	-
less: Accumulated Depreciation		<u>(1,557,069)</u>	<u>-</u>
		7,842,197	8,237,638
Plant and Equipment - Fair Value		18,032,749	17,083,308
Plant and Equipment - Additions after Revaluation - Cost		-	5,769,702
less: Accumulated Depreciation		<u>-</u>	<u>(7,140,637)</u>
		18,032,749	15,712,373
Works in Progress - Cost		<u>6,788,148</u>	<u>4,906,063</u>
		6,788,148	4,906,063
<b>Total Property, Plant &amp; Equipment</b>	7(b)	<u><u>341,408,585</u></u>	<u><u>337,607,107</u></u>

The fair value of property, plant and equipment is determined at least every three years in accordance with legislative requirements. Additions since the date of valuation are shown at cost. Given that additions were acquired at arms length, and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening period valuations are reviewed and, where appropriate, fair value is updated to reflect current market conditions. This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)*, which requires property, plant and equipment to be shown at fair value.

## City of Wanneroo

Notes to the Financial Statements  
for the year ended 30 June 2019

## Note 7 Property, Plant and Equipment (continued)

## (b) Movements in Carrying Amounts

		Land	Buildings	Furniture and Equipment	Plant and Equipment	Works in Progress	Total
	Note						
		\$	\$	\$	\$	\$	\$
<b>Balance as at 1 July 2017</b>		<b>332,031,605</b>	<b>177,538,572</b>	<b>6,559,780</b>	<b>17,857,364</b>	<b>20,644,821</b>	<b>554,632,142</b>
Additions	20	10,433	15,224,141	4,158,741	3,031,854	4,185,796	<b>26,610,965</b>
Transfers from Works in Progress		9,228	19,859,993	55,271	62	(19,924,554)	-
Disposals - Excluding Revaluations		(109,848)	(111,227)	-	(1,830,046)	-	<b>(2,051,121)</b>
Revaluation - Increments/( Decrements)	13	(194,338,085)	(37,957,309)	(611,067)	-	-	<b>(232,906,461)</b>
Depreciation	2(a)	-	(3,406,470)	(1,925,087)	(3,346,861)	-	<b>(8,678,418)</b>
<b>Property, Plant &amp; Equipment at 30 June 2018</b>		<b>137,603,333</b>	<b>171,147,700</b>	<b>8,237,638</b>	<b>15,712,373</b>	<b>4,906,063</b>	<b>337,607,107</b>
<b>Balance as at 1 July 2018</b>		<b>137,603,333</b>	<b>171,147,700</b>	<b>8,237,638</b>	<b>15,712,373</b>	<b>4,906,063</b>	<b>337,607,107</b>
Additions	20	-	6,126,208	2,562,572	2,662,766	5,293,773	<b>16,645,319</b>
Transfers from Works in Progress		-	3,347,380	61,098	3,210	(3,411,688)	-
Disposals - Excluding Revaluations	21	(72,500)	-	(46,569)	(1,079,720)	-	<b>(1,198,789)</b>
Revaluation - Increments / (Decrements)	13	(3,927,500)	-	-	3,640,213	-	<b>(287,287)</b>
Asset under \$5,000 Expensed *		-	-	(1,415,473)	(140,250)	-	<b>(1,555,723)</b>
Depreciation	2(a)	-	(5,479,130)	(1,557,069)	(2,765,843)	-	<b>(9,802,042)</b>
<b>Property, Plant &amp; Equipment at 30 June 2019</b>	7(a)	<b>133,603,333</b>	<b>175,142,158</b>	<b>7,842,197</b>	<b>18,032,749</b>	<b>6,788,148</b>	<b>341,408,585</b>

\*In 2019, the City reviewed it's Property, Plant and Equipment and any items below \$5,000 have been expensed in line with the City's accounting policy.



## City of Wanneroo

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 8 Infrastructure Assets

	Note	2019 Actual \$	2018 Actual \$
<b>(a) Carrying Amounts</b>			
Roads - Fair Value		1,121,814,763	1,121,814,763
Roads - Additions after Valuation - Cost		48,096,742	27,851,556
less: Accumulated Depreciation		(29,008,228)	(14,246,183)
		<u>1,140,903,277</u>	<u>1,135,420,136</u>
Drainage - Fair Value		372,823,358	372,823,358
Drainage - Additions after Valuation - Cost		6,212,208	3,154,166
less: Accumulated Depreciation		(6,854,064)	(3,396,061)
		<u>372,181,502</u>	<u>372,581,463</u>
Other Infrastructure - Fair Value		59,965,094	59,965,094
Other Infrastructure - Additions after Valuation - Cost		4,687,132	2,870,236
less: Accumulated Depreciation		(7,181,054)	(3,554,599)
		<u>57,471,172</u>	<u>59,280,731</u>
Pathways - Fair Value		135,514,683	135,514,683
Pathways - Additions after Valuation - Cost		4,368,474	2,015,648
less: Accumulated Depreciation		(5,103,550)	(2,530,332)
		<u>134,779,607</u>	<u>134,999,999</u>
Car Parks - Fair Value		42,021,070	42,021,070
Car Parks - Additions after Valuation - Cost		1,608,715	937,731
less: Accumulated Depreciation		(668,132)	(325,687)
		<u>42,961,653</u>	<u>42,633,114</u>
Reserves - Fair Value		194,698,376	194,698,376
Reserves - Additions after Valuation - Cost		19,662,264	11,011,560
less: Accumulated Depreciation		(12,827,102)	(6,224,593)
		<u>201,533,538</u>	<u>199,485,343</u>
Works in Progress		29,462,070	9,943,148
		<u>29,462,070</u>	<u>9,943,148</u>
<b>Total Infrastructure</b>	8(b)	<u><u>1,979,292,819</u></u>	<u><u>1,954,343,934</u></u>

The fair value of infrastructure is determined at least every three to five years in accordance with legislative requirements. Additions since the date of valuation are shown at cost. Given that additions were acquired at arms length, and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening period valuations are reviewed and, where appropriate, fair value is updated to reflect current market conditions. This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)*, which requires property, plant and equipment to be shown at fair value.

## City of Wanneroo

Notes to the Financial Statements  
for the year ended 30 June 2019

## Note 8 Infrastructure Assets (continued)

## (b) Movements in Carrying Amounts

	Note	Roads	Drainage	Other Infrastructure	Pathways	Car Parks	Reserves	Works in Progress	Total
		\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance as at 1 July 2017</b>		<b>1,121,814,763</b>	<b>372,823,358</b>	<b>59,965,094</b>	<b>135,514,683</b>	<b>42,021,070</b>	<b>194,698,376</b>	<b>10,980,122</b>	<b>1,937,817,466</b>
Additions	20	21,976,569	3,032,737	2,311,232	2,005,548	640,436	10,813,283	6,024,118	<b>46,803,923</b>
Transfers from Works in Progress		5,874,987	121,429	559,004	10,100	297,295	198,277	(7,061,092)	-
Depreciation	2(a)	(14,246,183)	(3,396,061)	(3,554,599)	(2,530,332)	(325,687)	(6,224,593)	-	<b>(30,277,455)</b>
<b>Infrastructure at 30 June 2018</b>		<b>1,135,420,136</b>	<b>372,581,463</b>	<b>59,280,731</b>	<b>134,999,999</b>	<b>42,633,114</b>	<b>199,485,343</b>	<b>9,943,148</b>	<b>1,954,343,934</b>
<b>Restated Balance as at 1 July 2018</b>		<b>1,135,420,136</b>	<b>372,581,463</b>	<b>59,280,731</b>	<b>134,999,999</b>	<b>42,633,114</b>	<b>199,485,343</b>	<b>9,943,148</b>	<b>1,954,343,934</b>
Additions	20	19,375,886	3,057,642	1,700,793	2,225,939	283,927	6,678,659	22,990,714	<b>56,313,560</b>
Transfers from Works in Progress		869,300	400	116,103	126,887	387,057	1,972,045	(3,471,792)	-
Depreciation	2(a)	(14,762,045)	(3,458,003)	(3,626,455)	(2,573,218)	(342,445)	(6,602,509)	-	<b>(31,364,675)</b>
<b>Infrastructure at 30 June 2019</b>	8(a)	<b>1,140,903,277</b>	<b>372,181,502</b>	<b>57,471,172</b>	<b>134,779,607</b>	<b>42,961,653</b>	<b>201,533,538</b>	<b>29,462,070</b>	<b>1,979,292,819</b>

## City of Wanneroo

Notes to the Financial Statements  
for the year ended 30 June 2019

## Note 9. Trade and Other Payables

	2019 Actual	2018 Actual
	\$	\$
Current Trade and Other Payables		
Trade Payables	31,430,118	17,316,915
Bonds and Security Deposits	7,649,633	6,129,236
Total Current Trade and Other Payables	<u>39,079,751</u>	<u>23,446,151</u>

## Note 10. Long Term Borrowings

	Notes	2019 Actual	2018 Actual
		\$	\$
Non-Current Borrowings			
Loans	14 (c), 23(a)	69,078,188	69,078,188
Total Non-Current Borrowings		<u>69,078,188</u>	<u>69,078,188</u>

Additional detail on borrowings is provided in Note 23.

## City of Wanneroo

Notes to the Financial Statements  
for the year ended 30 June 2019

## Note 11. Provisions

	2019 Actual	2018 Actual
	\$	\$
<b>Current Provisions</b>		
Provision for Annual Leave	6,100,498	5,719,280
Provision for Long Service Leave	5,540,499	5,765,709
Provision for Time in Lieu	117,235	99,677
Provision for Sick Leave	323,812	335,410
Provision for Purchased Leave	80,014	102,558
Provision for Workers Compensation	5,180,183	3,442,495
<b>Total Current Provisions</b>	<b>17,342,241</b>	<b>15,465,129</b>

Based on current trends it is expected that approximately \$7,786,378 will be paid with respect to Current Provisions in the next Financial Year.

## Non-Current Provisions

Provision for Long Service Leave	1,727,145	1,647,152
Provision for Headworks Levy Refund - Town Planning Schemes	9,967,920	-
<b>Total Non-Current Provisions</b>	<b>11,695,065</b>	<b>1,647,152</b>

## Movements in Provisions

Class of Provision	2018 Opening Balance as at 1/7/18 \$	Additional Provisions \$	2019 Decrease due to Payments \$	Closing Balance as at 30/6/19 \$
Provision for Annual Leave	5,719,280	5,502,519	(5,121,301)	6,100,498
Provision for Long Service Leave	7,412,861	1,096,618	(1,241,835)	7,267,644
Provision for Time in Lieu	99,677	172,066	(154,508)	117,235
Provision for Sick Leave	335,410	11,807	(23,405)	323,812
Provision for Purchased Leave	102,558	245,745	(268,289)	80,014
Provision for Workers Compensation	3,442,495	2,483,348	(745,660)	5,180,183
Provision for Headworks Levy Refund - Town Planning Schemes	-	9,967,920	-	9,967,920
<b>TOTAL</b>	<b>17,112,281</b>	<b>19,480,023</b>	<b>(7,554,998)</b>	<b>29,037,306</b>

## City of Wanneroo

Notes to the Financial Statements  
for the year ended 30 June 2019

## Note 12. Reserves - Cash/Investment Backed

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
<b>(a) Alkimos/Eglinton Coastal Corridor Community Facilities Reserve</b>			
Opening Balance	12,545,298	12,118,588	11,341,202
Amount Set Aside/Transfer to Reserve	1,263,839	1,300,857	1,257,829
Amount Used/Transfer from Reserve	(38,397)	(98,554)	(53,733)
	<u>13,770,740</u>	<u>13,320,891</u>	<u>12,545,298</u>
<b>(b) Asset Renewal Reserve</b>			
Opening Balance	12,333,455	12,297,707	11,250,050
Amount Set Aside/Transfer to Reserve	2,309,927	2,307,443	2,301,643
Amount Used/Transfer from Reserve	(3,339,016)	(3,520,047)	(1,218,238)
	<u>11,304,366</u>	<u>11,085,103</u>	<u>12,333,455</u>
<b>(c) Asset Replacement Reserve</b>			
Opening Balance	5,995,469	6,022,311	4,786,149
Amount Set Aside/Transfer to Reserve	2,217,241	2,150,558	2,135,245
Amount Used/Transfer from Reserve	(2,398,648)	(4,424,849)	(925,925)
	<u>5,814,062</u>	<u>3,748,020</u>	<u>5,995,469</u>
<b>(d) Butler Collaborative Planning Agreement Reserve</b>			
Opening Balance	3,040,272	3,027,094	2,960,483
Amount Set Aside/Transfer to Reserve	20,381	-	79,789
Amount Used/Transfer from Reserve	(3,060,653)	(3,027,094)	-
	<u>-</u>	<u>-</u>	<u>3,040,272</u>
<b>(e) Carried Forward Capital Projects Reserve</b>			
Opening Balance	4,667,264	4,667,264	5,524,685
Amount Set Aside/Transfer to Reserve	3,741,959	-	4,667,264
Amount Used/Transfer from Reserve	(4,667,264)	(4,667,264)	(5,524,685)
	<u>3,741,959</u>	<u>-</u>	<u>4,667,264</u>

## City of Wanneroo

Notes to the Financial Statements  
for the year ended 30 June 2019

## Note 12. Reserves - Cash/Investment Backed (continued)

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
<b>(f) Coastal Infrastructure Management Reserve</b>			
Opening Balance	10,692,264	10,658,922	7,490,388
Amount Set Aside/Transfer to Reserve	3,270,228	3,266,473	3,201,876
Amount Used/Transfer from Reserve	(89,766)	(300,000)	-
	<u>13,872,726</u>	<u>13,625,395</u>	<u>10,692,264</u>
<b>(g) Domestic Refuse Reserve</b>			
Opening Balance	8,706,177	8,602,582	8,571,718
Amount Set Aside/Transfer to Reserve	3,080,648	215,065	230,312
Amount Used/Transfer from Reserve	-	(50,000)	(95,853)
	<u>11,786,825</u>	<u>8,767,647</u>	<u>8,706,177</u>
<b>(h) Fleming Park Lake Reserve</b>			
Opening Balance	225,964	224,985	220,034
Amount Set Aside/Transfer to Reserve	1,515	-	5,930
Amount Used/Transfer from Reserve	(227,479)	(224,985)	-
	<u>-</u>	<u>-</u>	<u>225,964</u>
<b>(i) Golf Course Reserve</b>			
Opening Balance	1,632,824	1,303,676	1,593,554
Amount Set Aside/Transfer to Reserve	329,305	382,592	387,508
Amount Used/Transfer from Reserve	(1,306,846)	(1,066,093)	(348,238)
	<u>655,283</u>	<u>620,175</u>	<u>1,632,824</u>
<b>(j) Home and Community Care Asset Replacement Reserve</b>			
Opening Balance	-	663,056	619,126
Amount Set Aside/Transfer to Reserve	-	-	38,154
Amount Used/Transfer from Reserve	-	(663,056)	(657,280)
	<u>-</u>	<u>-</u>	<u>-</u>
<b>(k) Land Acquisition Reserve</b>			
Opening Balance	2,740,167	2,727,184	2,178,175
Amount Set Aside/Transfer to Reserve	574,600	568,180	561,992
	<u>3,314,767</u>	<u>3,295,364</u>	<u>2,740,167</u>

## City of Wanneroo

Notes to the Financial Statements  
for the year ended 30 June 2019

## Note 12. Reserves - Cash/Investment Backed (continued)

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
<b>(l) Leave Liability Reserve</b>			
Opening Balance	1,545,239	1,796,954	1,708,512
Amount Set Aside/Transfer to Reserve	312,266	94,924	46,047
Amount Used/Transfer from Reserve	-	-	(209,320)
	<u>1,857,505</u>	<u>1,891,878</u>	<u>1,545,239</u>
<b>(m) Loan Repayment Reserve</b>			
Opening Balance	22,168,923	21,909,054	20,937,950
Amount Set Aside/Transfer to Reserve	1,270,202	1,714,393	1,230,973
	<u>23,439,125</u>	<u>23,623,447</u>	<u>22,168,923</u>
<b>(n) Neerabup Development Reserve</b>			
Opening Balance	5,215,877	5,027,309	4,524,110
Amount Set Aside/Transfer to Reserve	137,748	125,683	1,122,039
Amount Used/Transfer from Reserve	(296,793)	(1,049,994)	(430,272)
	<u>5,056,832</u>	<u>4,102,998</u>	<u>5,215,877</u>
<b>(o) Plant Replacement Reserve</b>			
Opening Balance	9,019,502	12,176,313	10,090,454
Amount Set Aside/Transfer to Reserve	5,804,571	6,469,575	849,904
Amount Used/Transfer from Reserve	(2,161,890)	(4,886,772)	(1,920,856)
	<u>12,662,183</u>	<u>13,759,116</u>	<u>9,019,502</u>
<b>(p) Regional Open Space Reserve</b>			
Opening Balance	8,292,852	8,271,483	5,155,485
Amount Set Aside/Transfer to Reserve	3,220,844	3,206,787	3,137,367
	<u>11,513,696</u>	<u>11,478,270</u>	<u>8,292,852</u>



## City of Wanneroo

Notes to the Financial Statements  
for the year ended 30 June 2019

## Note 12. Reserves - Cash/Investment Backed (continued)

	2019	2019	2018
	Actual	Budget	Restated
	\$	\$	Actual
	\$	\$	\$
<b>(q) Section 152 Reserve (formerly Section 20A Land Reserve)</b>			
Opening Balance	1,583,665	1,553,070	1,589,909
Amount Set Aside/Transfer to Reserve	43,503	38,827	42,850
Amount Used/Transfer from Reserve	(265,532)	(278,513)	(49,094)
	<u>1,361,636</u>	<u>1,313,384</u>	<u>1,583,665</u>
<b>(r) Sustainability Investment Reserve</b>			
Opening Balance	-	-	127,540
Amount Set Aside/Transfer to Reserve	-	-	3,437
Amount Used/Transfer from Reserve	-	-	(130,977)
	<u>-</u>	<u>-</u>	<u>-</u>
<b>(s) Strategic Projects/Initiatives Reserve</b>			
Opening Balance	94,599,663	59,654,116	83,317,364
Amount Set Aside/Transfer to Reserve	13,524,998	5,304,445	31,519,715
Amount Used/Transfer from Reserve	(5,817,744)	(9,364,897)	(20,237,416)
	<u>102,306,917</u>	<u>55,593,664</u>	<u>94,599,663</u>
<b>(t) TPS 20 - District Distributor Road Headworks Reserve</b>			
Opening Balance	6,955,091	6,924,959	6,772,576
Amount Set Aside/Transfer to Reserve	189,290	173,124	182,515
	<u>7,144,381</u>	<u>7,098,083</u>	<u>6,955,091</u>
<b>(u) Yanchep Bus Reserve</b>			
Opening Balance	103,337	105,611	98,397
Amount Set Aside/Transfer to Reserve	6,867	7,640	4,940
	<u>110,204</u>	<u>113,251</u>	<u>103,337</u>
<b>(v) Yanchep/Two Rocks Coastal Corridor Community Facilities Reserve</b>			
Opening Balance	319,701	812,083	292,483
Amount Set Aside/Transfer to Reserve	839,126	1,055,775	478,789
Amount Used/Transfer from Reserve	(1,158,827)	(349,447)	(451,571)
	<u>-</u>	<u>1,518,411</u>	<u>319,701</u>
<b>Total Reserves</b>	<u><u>229,713,207</u></u>	<u><u>174,955,097</u></u>	<u><u>212,383,004</u></u>
<b>Summary of Reserves</b>			
Opening Balance	212,383,004	180,544,321	191,150,344
Amount Set Aside/Transfer to Reserve	42,159,058	28,382,341	53,486,118
Amount Used/Transfer from Reserve	(24,828,855)	(33,971,565)	(32,253,458)
<b>Total Reserves</b>	<u><u>229,713,207</u></u>	<u><u>174,955,097</u></u>	<u><u>212,383,004</u></u>

## City of Wanneroo

Notes to the Financial Statements  
for the year ended 30 June 2019

## Note 12. Reserves - Cash/Investment Backed (continued)

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
<b>Summary of Reserve Transfers</b>			
<b>Transfers to Reserves (Restricted Cash)</b>			
Alkimos/Eglinton Coastal Corridor Community Facilities Reserve	1,263,839	1,300,857	1,257,829
Asset Renewal Reserve	2,309,927	2,307,443	2,301,643
Asset Replacement Reserve	2,217,241	2,150,558	2,135,245
Butler Collaborative Planning Agreement Reserve	20,381	-	79,789
Carried Forward Capital Projects Reserve	3,741,959	-	4,667,264
Coastal Infrastructure Management Reserve	3,270,228	3,266,473	3,201,876
Domestic Refuse Reserve	3,080,648	215,065	230,312
Fleming Park Lake Reserve	1,515	-	5,930
Golf Course Reserve	329,305	382,592	387,508
Home and Community Care Asset Replacement Reserve	-	-	38,154
Land Acquisition Reserve	574,600	568,180	561,992
Leave Liability Reserve	312,266	94,924	46,047
Loan Repayment Reserve	1,270,202	1,714,393	1,230,973
Neerabup Development Reserve	137,748	125,683	1,122,039
Plant Replacement Reserve	5,804,571	6,469,575	849,904
Regional Open Space Reserve	3,220,844	3,206,787	3,137,367
Sustainability Investment Reserve	-	-	3,437
Section 152 Reserve (formerly Section 20A Land Reserve)	43,503	38,827	42,850
Strategic Projects/Initiatives Reserve	13,524,998	5,304,445	31,519,715
Town Planning Scheme 20 - District Distributor Road Headworks Reserve	189,290	173,124	182,515
Yanchep Bus Reserve	6,867	7,640	4,940
Yanchep/Two Rocks Coastal Corridor Community Facilities Reserve	839,126	1,055,775	478,789
<b>Total Transfers to Reserves</b>	<b>42,159,058</b>	<b>28,382,341</b>	<b>53,486,118</b>

## City of Wanneroo

Notes to the Financial Statements  
for the year ended 30 June 2019

## Note 12. Reserves - Cash/Investment Backed (continued)

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
<b>Transfers from Reserves (Restricted Cash)</b>			
Alkimos/Eglinton Coastal Corridor Community Facilities Reserve	(38,397)	(98,554)	(53,733)
Asset Renewal Reserve	(3,339,016)	(3,520,047)	(1,218,238)
Asset Replacement Reserve	(2,398,648)	(4,424,849)	(925,925)
Butler Collaborative Planning Agreement Reserve	(3,060,653)	(3,027,094)	-
Carried Forward Capital Projects Reserve	(4,667,264)	(4,667,264)	(5,524,685)
Coastal Infrastructure Management Reserve	(89,766)	(300,000)	-
Domestic Refuse Reserve	-	(50,000)	(95,853)
Fleming Park Lake Reserve	(227,479)	(224,985)	-
Golf Course Reserve	(1,306,846)	(1,066,093)	(348,238)
Home and Community Care Asset Replacement Reserve	-	(663,056)	(657,280)
Leave Liability Reserve	-	-	(209,320)
Neerabup Development Reserve	(296,793)	(1,049,994)	(430,272)
Plant Replacement Reserve	(2,161,890)	(4,886,772)	(1,920,856)
Sustainability Investment Reserve	-	-	(130,977)
Section 152 Reserve (formerly Section 20A Land Reserve)	(265,532)	(278,513)	(49,094)
Strategic Projects/Initiatives Reserve	(5,817,744)	(9,364,897)	(20,237,416)
Yanchep/Two Rocks Coastal Corridor Community Facilities Reserve	(1,158,827)	(349,447)	(451,571)
<b>Total Transfers from Reserves</b>	<b>(24,828,855)</b>	<b>(33,971,565)</b>	<b>(32,253,458)</b>
<b>Total Net Transfer to/(from) Reserves</b>	<b>17,330,203</b>	<b>(5,589,224)</b>	<b>21,232,660</b>

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

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

**Alkimos/Eglinton Coastal Corridor Community Facilities Reserve**

To be used for accumulating Developer Contributions for the capital funding of community facilities and associated costs related to the administration and implementation of the Developer Contribution Plan in the Alkimos/Eglinton Development Contribution Area.

**Asset Renewal Reserve**

To be used for funding of asset renewal and upgrade works.

**Asset Replacement Reserve**

To be used for receiving the proceeds of the sale of significant property assets. Funds held are to be used in acquiring new or replacement assets for the City.

**Butler Collaborative Planning Agreement Reserve**

To be used for meeting future maintenance costs of infrastructure in Stage 1, Brighton Estate, Butler as established in the Butler Collaborative Planning Agreement and any such other related expenditure provided such expenditure shall be within the Brighton Estate.

**Carried Forward Capital Projects Reserve**

To be used for accumulating funds to support the municipally funded carried forward capital works.

## City of Wanneroo

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 12. Reserves - Cash/Investment Backed (continued)

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##### **Coastal Infrastructure Management Reserve**

To be used for accumulating funds to support Coastal Infrastructure capital works.

##### **Domestic Refuse Reserve**

To be used for additional requirements specifically needed for the provision of the domestic collection service.

##### **Fleming Park Lake Reserve**

To be used for holding funds provided by the developer for the upkeep and maintenance of the Fleming Park Lake.

##### **Golf Course Reserve**

To be used for the capital improvement of the Carramar and Marangaroo Golf Courses.

##### **Home and Community Care Asset Replacement Reserve**

Used for replacing Council's assets where the funding of the original asset was from HACC. This is a requirement of the operating funding agreement with HACC [now closed].

##### **Land Acquisition Reserve**

To be used for purchasing municipal land for road and drainage purposes.

##### **Leave Liability Reserve**

To be used for cashing back the liability of the City for long service leave and annual leave.

##### **Loan Repayment Reserve**

To be used for setting aside adequate funds over time to repay loan commitments per the City's Long Term Financial Plans Debt Management Policy.

##### **Neerabup Development Reserve**

To be used for meeting the associated cost of developing the City's investment land in Neerabup.

##### **Plant Replacement Reserve**

To be used for replacing Council's plant and equipment.

##### **Regional Open Space Reserve**

To be used for accumulating funds to support regional open space capital works.

##### **Section 152 Reserve (formerly Section 20A Land Reserve)**

To be used for capital improvements on recreation reserves in the general locality from which funds were sourced.

##### **Sustainability Investment Reserve (formerly Environmental Initiatives Reserve)**

Used for the provision of funding future costs associated with environmental needs and initiatives [now closed].

##### **Strategic Projects/Initiatives Reserve**

To be used for accumulating funds to be used for the introduction of new or upgrade of existing services, maintenance, renewal, upgrade of existing assets and purchase of new assets or project works of the City over an expected period of 20 years. The annual funds transfer is derived from the rate setting surplus less municipal funding of capital works carried forward.

##### **TPS 20 - District Distributor Road Headworks Reserve**

To be used for the construction of District Distribution Roads associated with Town Planning Scheme 20.

##### **Yanchep Bus Reserve**

To be used for accumulating funds from the Yanchep Community for the costs associated with the replacement of the community bus.

##### **Yanchep/Two Rocks Coastal Corridor Community Facilities Reserve**

To be used for the purpose of accumulating Developer Contributions for the capital funding of community facilities and associated costs related to the administration and implementation of the Developer Contribution Plan in the Yanchep/Two Rocks Development Contribution Area.

The majority of these reserves are not expected to be used within a set period. Further transfers to the reserve accounts are expected to occur as funds are utilised.

## City of Wanneroo

Notes to the Financial Statements  
for the year ended 30 June 2019

## Note 13. Reserves - Asset Revaluation

	Note	2019 Actual \$	2018 Actual \$
Asset revaluation reserves have arisen on revaluation of the following classes of assets:			
(a) Land			
Opening Balance		127,090,088	321,428,173
Realisation on Asset Disposals	7(b)	(3,927,500)	(1,266,000)
Revaluation Decrement	7(b)	-	(193,072,085)
		<u>123,162,588</u>	<u>127,090,088</u>
(b) Buildings			
Opening Balance		44,729,231	82,686,540
Revaluation Decrement	7(b)	-	(37,957,309)
		<u>44,729,231</u>	<u>44,729,231</u>
(c) Plant and Equipment			
Opening Balance		-	-
Revaluation Increment	7(b)	3,640,213	-
		<u>3,640,213</u>	<u>-</u>
(d) Furniture and Equipment			
Opening Balance		-	246,092
Revaluation Decrement	7(b)	-	(246,092)
		<u>-</u>	<u>-</u>
(e) Equity Accounted Investments			
Opening Balance		5,130,772	4,962,476
Revaluation Increment	17(b)(ii)	268,192	168,296
		<u>5,398,964</u>	<u>5,130,772</u>
(f) Infrastructure Assets			
Opening Balance		887,317,267	887,317,267
		<u>887,317,267</u>	<u>887,317,267</u>
Total Asset Revaluation Reserves		<u>1,064,248,263</u>	<u>1,064,267,358</u>
Summary of Asset Revaluation			
Opening Balance		1,064,267,358	1,296,640,548
Realisation on Asset Disposals		(3,927,500)	(1,266,000)
Revaluation Increment		3,908,405	168,296
Revaluation Decrement		-	(231,275,486)
		<u>1,064,248,263</u>	<u>1,064,267,358</u>
Total recognised in Other Comprehensive Income		<u>(19,095)</u>	<u>(232,373,190)</u>
		<u>(19,095)</u>	<u>(232,373,190)</u>

## City of Wanneroo

Notes to the Financial Statements  
for the year ended 30 June 2019

## Note 14. Notes to the Statement of Cash flows

	Note	2019 Actual	2019 Budget	2018 Actual
		\$	\$	\$
<b>(a) Reconciliation of Cash</b>				
For the purposes of the Statement of Cash Flows, cash includes cash on hand 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:				
Cash and Cash Equivalents	3	<u>379,715,338</u>	<u>349,072,643</u>	<u>374,458,602</u>
<b>(b) Reconciliation of Net Cash Provided By Operating Activities to Net Result</b>				
Net Result		10,152,722	62,749,187	55,673,596
Depreciation		41,166,717	40,430,000	38,955,873
(Profit)/Loss on Sale of Assets		131,177	(1,166,667)	(2,092,591)
Share of Net (Profits) of Associates		(388,792)	-	(306,412)
Loss on revaluation of plant and equipment		-	-	364,975
Asset under \$5,000 written off		1,555,723	-	-
Town Planning Scheme Income (Inc. Interest)		(10,923,882)	(11,619,251)	(20,114,035)
Town Planning Scheme Expenses		36,839,060	8,015,217	13,337,392
Decrease/(Increase) in Receivables		(2,353,166)	320,241	(2,841,215)
Decrease/(Increase) in Provision for Doubtful Debts		38,525	-	24,182
Decrease/(Increase) in Inventories		2,037	(5,407)	38,739
Increase/(Decrease) in Payables & Accruals		15,633,600	679,528	(4,566,198)
Increase/(Decrease) in Employee Leave Entitlements		236,001	94,924	(770,964)
Increase/(Decrease) in Other Provisions		1,721,104	-	(356,043)
Grants/Contributions for the Development of Assets		(26,186,692)	(53,112,216)	(33,541,640)
<b>Net Cash from Operating Activities</b>		<u>67,624,134</u>	<u>46,385,556</u>	<u>43,805,659</u>
<b>(c) Undrawn Borrowing Facilities</b>				
Credit Standby Arrangements				
Bank Overdraft Limit*		-	1,000,000	1,000,000
Credit Card Limit**		550,000	321,500	550,000
Credit Card Balance at Balance Date		(75,428)	(20,000)	(51,130)
<b>Total Amount of Credit Unused</b>		<u>474,572</u>	<u>1,301,500</u>	<u>1,498,870</u>
* The bank overdraft facility was discontinued in 2018				
* * The City of Wanneroo currently has the facility credit limit of \$550,000 (2018: \$550,000) with total amount of credit cards currently in use is \$340,000 (2018: \$308,500).				
<b>Loan Facilities</b>				
Loan Facilities - Non-Current	10	69,078,188	69,882,364	69,078,188
<b>Total Facilities in Use at Balance Date</b>		<u>69,078,188</u>	<u>69,882,364</u>	<u>69,078,188</u>

## City of Wanneroo

Notes to the Financial Statements  
for the year ended 30 June 2019

## Note 15. Contingent Liabilities and Contingent Assets

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but disclosure of existence is considered relevant to the users of these Financial Statements.

## Liabilities not recognised:

## (a) Guarantees

- (i) The City has accepted the contingent liability resulting from the provision of an irrevocable financial guarantee on behalf of MRC for its contractual liability to the Contractor undertaking the operation of the Resource Recovery Facility. The extent of the City's liability is contingent on the type of default and whilst proportional and several (not joint and several) and is either limited to:

- (1) in case of termination, one sixth of any subsequent payment to the Contractor and the maximum amount that may be payable by the City under the Guarantee is one sixth of \$87.5M amounting to \$14.6M; and
- (2) in case of the MRC failing to pay its normal operating obligations under the Resource Recovery Facility Agreement, the maximum amount that may be payable by the City under the Guarantee is \$1.28M per month.

The term of the guarantee is 20 years unless the MRC liability under the agreement with the contractor is fully extinguished earlier. This guarantee expires on 15 July 2029.

## (b) Bank Guarantees

The City of Wanneroo currently holds bank guarantees of \$139,534,634 (2018: \$136,170,089) with respect to commercial customers and property developers.

## (c) Other

The City compulsorily acquired a portion of land at Lot 3 (185) Mary Street Wanneroo under the Land Administration Act 1997 (WA). The City's valuation (expert and legal advice) is in the vicinity of \$1,239,000. However, the claimants' compensation claim is \$2,824,496. The City paid \$1,156,850 on 24 August 2012 and the claimant is pursuing their claim. The matter has been mediated without resolution and will be scheduled for hearing in the Supreme Court. Subject to the decision of the Supreme Court, the City could be liable to pay the claimant the difference between what the City has already paid and the amount the claimant has claimed. Further the City could also be liable to pay legal fees and charges if the Supreme Court decides in the claimants favour.

## Note 16. Capital and Leasing Commitments

	2019 Actual	2018 Actual
	\$	\$
<b>Capital Expenditure Commitments</b>		
<b>Contracted for:</b>		
- Land and Building Works	3,322,904	2,509,180
- Engineering Works	17,897,908	3,686,215
- Parks Works	280,590	1,397,794
- Plant & Equipment Purchases	4,039,506	3,031,521
<b>Total Capital Expenditure Commitments</b>	<b>25,540,908</b>	<b>10,624,710</b>
<b>Payable:</b>		
- Not later than one year	25,540,908	10,624,710
<b>Total Capital Expenditure Commitments</b>	<b>25,540,908</b>	<b>10,624,710</b>



## City of Wanneroo

Notes to the Financial Statements  
for the year ended 30 June 2019

## Note 17 Equity Accounted Investments

## (a) Tamala Park Regional Council

The City of Wanneroo, along with the City of Perth, City of Joondalup, City of Stirling, City of Vincent, Town of Cambridge and Town of Victoria Park is a member of the Tamala Park Regional Council. The establishment of the Tamala Park Regional Council was pursuant to Section 3.61 of the *Local Government Act 1995*. The Tamala Park Regional Council formally came into existence on the 3 February 2006. The Tamala Park Regional Council's activities centre around the development of Mindarie lot 9504 on Deposit Plan 52070. Lot 9504 (subdivided from Lot 118) was initially purchased in 1981 to provide a refuse landfill site for member councils of the Mindarie Regional Council. This lot is now being developed with a purpose of creating a new urban land development and a new urban community. The City of Wanneroo will contribute one sixth of any funding required for capital or operating costs and also receive one sixth of net proceeds.

	2019 Actual	2018 Actual
	\$	\$
<b>(i) Retained Surplus Attributable to Equity Accounted Investments</b>		
Balance at beginning of the financial year	300,540	272,790
Share of Profit from activity after tax	1,255	27,750
<b>Balance at end of the Financial Year</b>	<b>301,795</b>	<b>300,540</b>
<b>(ii) Carrying Amount of Equity Accounted Investments</b>		
Balance at beginning of the financial year	7,622,058	6,865,580
Share of profit/(loss) from activity after tax	1,255	27,750
Distribution to participants	(666,666)	(666,666)
Movement in Capital Contributions	662,036	1,395,394
<b>Balance at end of the Financial Year</b>	<b>7,618,683</b>	<b>7,622,058</b>

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

<b>Interest in Tamala Park Regional Council</b>	<b>7,618,683</b>	<b>7,622,058</b>
Current Assets	7,386,803	7,349,644
Non-Current Assets	287,214	321,622
<b>Total Assets</b>	<b>7,674,017</b>	<b>7,671,266</b>
Current Liabilities	(54,381)	(48,350)
Non-Current Liabilities	(953)	(858)
<b>Total Liabilities</b>	<b>(55,334)</b>	<b>(49,208)</b>
<b>Net Assets</b>	<b>7,618,683</b>	<b>7,622,058</b>

## The development and subdivision of part Lot 118 Mindarie. (Tamala Park)

The activities on Tamala Park Regional Council centers around the development of part Lot 118 Mindarie. This lot has been developed during the current and previous financial years with the purposes of creating new urban land lots and a new urban community.

The City of Wanneroo will contribute one sixth of any funding required for capital or operating costs and will also be entitled to one sixth of the net revenue from the sale of lots of land. The City's one sixth share of income and expenditure are as follows:

	2019 Actual	2018 Actual
	\$	\$
Income from Sales	1,425,167	3,711,667
Development Expenses	(669,241)	(3,670,315)
<b>Surplus/(Deficit)</b>	<b>755,926</b>	<b>41,352</b>

## City of Wanneroo

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 17. Equity Accounted Investments (continued)

## (b) Mindarie Regional Council

The City of Wanneroo, along with the City of Perth, City of Joondalup, City of Stirling, City of Vincent, Town of Cambridge and Town of Victoria Park is a member of the Mindarie Regional Council. The Mindarie Regional Council's objective is to establish and operate a long term refuse disposal site on Mindarie Lot 9504 on Deposit Plan 52070. The City of Wanneroo has contributed one sixth of the land and establishment costs of the refuse disposal facility. The City uses the refuse disposal facility at Mindarie to deposit all non recyclable waste collected by the City's domestic waste services. Capital contributions paid during establishment are represented in the accounts of the City of Wanneroo as a Non- Current Asset.

	2019 Actual	2018 Actual
	\$	\$
<b>(i) Retained Surplus Attributable to Equity Accounted Investments</b>		
Balance at beginning of the financial year	5,507,081	5,305,753
Share of (Loss)/Profit from activity after tax	377,285	201,328
<b>Balance at end of the Financial Year</b>	<b>5,884,366</b>	<b>5,507,081</b>
<b>(ii) Carrying Amount of Equity Accounted Investments</b>		
Balance at beginning of the financial year	11,317,751	10,935,823
Share of profit/(loss) from activity after tax	377,285	201,328
Share of Revaluation of assets	268,192	168,296
Movement in Capital Contributions	-	12,304
<b>Balance at end of the Financial Year</b>	<b>11,963,228</b>	<b>11,317,751</b>
The City's interest in Mindarie Regional Council as at 30 June 2019 and 30 June 2018 is as follows:		
<b>Interest in Mindarie Regional Council</b>	<b>11,963,228</b>	<b>11,317,751</b>
Current Assets	6,207,868	5,673,999
Non-Current Assets	9,861,892	9,686,624
<b>Total Assets</b>	<b>16,069,760</b>	<b>15,360,623</b>
Current Liabilities	(1,247,897)	(1,218,966)
Non-Current Liabilities	(2,858,635)	(2,823,906)
<b>Total Liabilities</b>	<b>(4,106,532)</b>	<b>(4,042,872)</b>
<b>Net Assets</b>	<b>11,963,228</b>	<b>11,317,751</b>

## City of Wanneroo

Notes to the Financial Statements  
for the year ended 30 June 2019

## Note 17. Equity Accounted Investments (continued)

## (c) Local Government House Trust

The Local Government House Trust is an agreement between the Western Australian Local Government Association and the vast majority of Councils in the State for the provision of an office for the Western Australian Government Association.

No movement for the year ended 30 June 2019 has been included as financial information is not readily available at the date of this report. The movement is not expected to have a material impact on the financial statements as a whole.

	2019 Actual \$	2018 Actual \$
<b>(i) Retained Surplus Attributable to Equity Accounted Investments</b>		
Balance at beginning of the financial year	77,334	-
Share of (Loss)/Profit from activity after tax	10,252	77,334
<b>Balance at end of the Financial Year</b>	<b>87,586</b>	<b>77,334</b>
<b>(ii) Carrying Amount of Equity Accounted Investments</b>		
Balance at beginning of the financial year	77,334	-
Share of profit/(loss) from activity after tax	10,252	77,334
<b>Balance at end of the Financial Year</b>	<b>87,586</b>	<b>77,334</b>
The City's interest in Local Government House Trust as at 30 June 2018 and 30 June 2019 is as follows:		
<b>Interest in Local Government House Trust</b>	<b>87,586</b>	<b>77,334</b>
Current Assets	16,489	10,919
Non-Current Assets	205,792	206,232
<b>Total Assets</b>	<b>222,281</b>	<b>217,151</b>
Current Liabilities	(134,695)	(139,817)
<b>Total Liabilities</b>	<b>(134,695)</b>	<b>(139,817)</b>
<b>Net Assets</b>	<b>87,586</b>	<b>77,334</b>
<b>Total Carry Amount - Equity Accounted Investments</b>	<b>19,669,497</b>	<b>19,017,143</b>
<b>Net Share of Interests in controlled Entities, Associates and Joint Ventures</b>		
Tamala Park Regional Council	1,255	27,750
Mindarie Regional Council	377,285	201,328
Local Government House Trust	10,252	77,334
	<b>388,792</b>	<b>306,412</b>

## City of Wanneroo

Notes to the Financial Statements  
for the year ended 30 June 2019

## Note 18. Trust Funds

	Balance 01-Jul-18	Amounts Received	Balance 30-Jun-19
	\$	\$	\$
Funds held at balance date over which the Municipality has no control and which are not included in the financial statements are as follows:			
Miscellaneous/Appeals	26,705	23,276	49,981
Public Open Space	3,622,455	77,409	3,699,864
	<u>3,649,160</u>	<u>100,685</u>	<u>3,749,845</u>

## Note 19. Total Assets Classified by Function and Activity

	2019 Actual	2018 Actual
	\$	\$
Governance	61,177,772	57,590,442
Law, Order, Public Safety	2,004,423	1,867,142
Health	1,885,021	1,917,627
Education & Welfare	1,978,618	1,929,929
Community Amenities	51,430,354	47,546,459
Recreation & Culture	459,144,308	441,427,696
Transport	1,707,883,311	1,684,639,262
Economic Services	3,636,438	3,588,274
Other Property & Services	70,573,490	73,321,945
Unallocated (Assets other than Fixed Assets)	409,803,974	597,689,480
	<u>2,769,517,709</u>	<u>2,911,518,256</u>

## Note 20. Acquisition of Assets

	2019 Actual	2018 Actual
	\$	\$
<b>(a) By Class</b>		
<i>Property, Plant &amp; Equipment</i>	7(b)	
- Land	-	10,433
- Buildings	6,126,208	15,224,141
- Furniture and Equipment	2,562,572	4,158,741
- Plant and Equipment	2,662,766	3,031,854
- Works in Progress	5,293,773	4,185,796
<i>Infrastructure</i>	8(b)	
- Roads	19,375,886	21,976,569
- Drainage	3,057,642	3,032,737
- Other Infrastructure	1,700,793	2,311,232
- Pathways	2,225,939	2,005,548
- Car Parks	283,927	640,436
- Reserves including Parks & Gardens	6,678,659	10,813,283
- Works in Progress	22,990,714	6,024,118
	<u>72,958,879</u>	<u>73,414,888</u>

## City of Wanneroo

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Acquisition of Assets (continued)

	2019 Actual	2018 Actual
\$	\$	\$
The City received assets to the value of \$16,699,071 from developers. The value of these assets is included in total value of Acquisition of Assets \$72,958,879 in Note 20(a). The value of the assets by Class are as follows:		
<b>(b) Infrastructure</b>		
- Roads	10,301,844	12,028,042
- Drainage	3,100,019	3,041,842
- Parks & Gardens	1,756,121	4,388,064
- Other Infrastructure	186,400	590,000
- Pathways	1,354,687	1,396,024
	<b>16,699,071</b>	<b>21,443,972</b>

## Note 21. Disposal of Assets

The following assets were disposed of during the year. Amounts disclosed are net by Program and by Class.

2019	Notes	Net Book Value		Sale Price		Profit/(Loss)	
		Actual	Budget	Actual	Budget	Actual	Budget
		\$	\$	\$	\$	\$	\$
<b>By Program</b>							
Governance		31,569	-	-	-	(31,569)	-
Recreation and Culture		15,000	-	73,000	-	58,000	-
Other Property and Services		1,152,220	924,090	994,612	2,090,757	(157,608)	1,166,667
		<b>1,198,789</b>	<b>924,090</b>	<b>1,067,612</b>	<b>2,090,757</b>	<b>(131,177)</b>	<b>1,166,667</b>
<b>By Class</b>							
<i>Property, Plant &amp; Equipment</i>	7(b)						
Land		72,500	-	-	1,166,667	(72,500)	1,166,667
Furniture and Equipment		46,569	-	73,000	-	26,431	-
Plant and Equipment		1,079,720	924,090	994,612	924,090	(85,108)	-
<b>Total</b>		<b>1,198,789</b>	<b>924,090</b>	<b>1,067,612</b>	<b>2,090,757</b>	<b>(131,177)</b>	<b>1,166,667</b>

2018	Notes	Net Book Value		Sale Price		Profit/(Loss)	
		Actual	Budget	Actual	Budget	Actual	Budget
		\$	\$	\$	\$	\$	\$
<b>By Program</b>							
Governance			953,365	-	500,000	-	(453,365)
Recreation and Culture		108,929	-	-	-	(108,929)	-
Health		2,240	-	-	-	(2,240)	-
Other Property and Services		2,960,877	-	5,164,637	953,365	2,203,760	953,365
		<b>3,072,046</b>	<b>953,365</b>	<b>5,164,637</b>	<b>1,453,365</b>	<b>2,092,591</b>	<b>500,000</b>
<b>By Class</b>							
<i>Land Held for Resale</i>		1,020,925	-	3,711,667	500,000	2,690,742	500,000
<i>Property, Plant &amp; Equipment</i>	7(b)						
Land		109,848	-	-	-	(109,848)	-
Buildings		111,227	-	-	-	(111,227)	-
Plant and Equipment		1,830,046	953,365	1,452,970	953,365	(377,076)	-
<b>Total</b>		<b>3,072,046</b>	<b>953,365</b>	<b>5,164,637</b>	<b>1,453,365</b>	<b>2,092,591</b>	<b>500,000</b>

The net book value disclosed above is net of any asset revaluation reserve amount applicable to particular assets disposed.

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
<b>Summary</b>			
Profit on Asset Disposals	26,431	1,666,667	2,823,890
Loss on Asset Disposals	(157,608)	(500,000)	(731,299)
<b>Net Profit/(Loss) on Disposal of Assets</b>	<b>(131,177)</b>	<b>1,166,667</b>	<b>2,092,591</b>

## City of Wanneroo

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 22. Financial Ratios

The City has made prior-period adjustments to recognise financial misstatements (refer note 39). As a result of recognising these financial misstatements, prior period ratios has been restated. The published ratios in previous year's Financial Statements were as follows:

	2018 Published Amount	2017 Published Amount
Current Ratio	0.85:1	0.86:1
Debt Ratio	14.92:1	14.86:1

	Benchmark <sup>(1)</sup>	2019	2018 Restated	2017 Restated
<i>Liquidity Ratio</i>				
<b>1. Current Ratio</b> <sup>(2)</sup>				
Current Assets less Restricted Current Assets	1.00 : 1	<b>0.80 : 1</b>	0.89 : 1	0.89 : 1
Current Liabilities less Liabilities Associated with Restricted Assets				
<i>Debt Ratio</i>				
<b>2. Debt Service Cover Ratio</b> <sup>(3)</sup>				
Operating Surplus before Interest and Depreciation Expense	2.00 : 1	<b>6.71:1</b>	14.92:1	14.88:1
Principal and Interest Repayments				
<i>Coverage Ratio</i>				
<b>3. Own Source Revenue Coverage Ratio</b> <sup>(4)</sup>				
Own Source Operating Revenue	0.40 : 1	<b>1.03:1</b>	1.05:1	1.00:1
Operating Expense				
<i>Financial Performance Ratio</i>				
<b>4. Operating Surplus Ratio</b> <sup>(5)</sup>				
Operating Revenue less Operating Expense	0.01 : 1	<b>0.08:1</b>	0.11:1	0.09:1
Own Source Operating Revenue				
<i>Asset Management Ratios</i>				
<b>5. Asset Consumption Ratio</b> <sup>(6)</sup>				
Depreciated Replacement Cost of Depreciable Assets	0.50 : 1	<b>0.69:1</b>	0.72 : 1	0.72 : 1
Current Replacement Cost of Depreciable Assets				
<b>6. Asset Sustainability Ratio</b> <sup>(7)</sup>				
Capital Renewal and Replacement Expenditure	0.90 : 1	<b>0.44:1</b>	0.34 : 1	0.32 : 1
Depreciation Expense				
<b>7. Asset Renewal Funding Ratio</b> <sup>(8)</sup>				
NPV of Planned Capital Renewals over 10 years	0.75 : 1	<b>0.96:1</b>	0.91 : 1	1.10 : 1
NPV of Required Capital Expenditure over 10 years				

## Notes

<sup>(1)</sup> The Benchmark was derived from the Local Government Operational Guidelines Number 18 published by the Department of Local Government, Sport and Cultural Industries.

<sup>(2)</sup> This ratio is designed to focus on the liquidity position of the City that has arisen from past year's transactions. The City's current ratio is below the benchmark as all unallocated surplus from the Rate Setting Statement are transferred to Strategic Projects/ Initiatives Reserve in line with the City's Financial (Cash- Backed) Reserves Policy.

<sup>(3)</sup> This ratio is the measurement of the City's ability to repay its debt including lease payments.

<sup>(4)</sup> This ratio is the measurement of the City's ability to cover its costs through its own revenue efforts.

<sup>(5)</sup> This ratio is a measure of the City's ability to cover its operational costs and have revenues available for capital funding or other purposes.

<sup>(6)</sup> This ratio measures the extent to which depreciable assets have been consumed by comparing their written down value to their replacement cost.

<sup>(7)</sup> This ratio indicates whether the City is replacing or renewing existing non-financial assets at the same rate that its overall asset stock is wearing out. The City's Asset Sustainability Ratio is below the benchmark as the City has relatively new asset base which does not require to incur large asset renewal and asset replacement expenditure at this point in time.

<sup>(8)</sup> This ratio is a measure of the ability of the City to fund its projected asset renewal/replacements in the future.

## City of Wanneroo

Notes to the Financial Statements  
for the year ended 30 June 2019

## Note 23. Information on Borrowings

	Principal 01-Jul-18	Interest Repayments		Principal 30-Jun-19	
	Actual	Actual	Budget	Actual	Budget
	\$	\$	\$	\$	\$
<b>(a) Loan Repayments</b>					
<b>Loan 1</b>					
<b>Recreation &amp; Culture</b>					
- Wanneroo Regional Museum and Library	10,416,178	705,175	705,175	10,416,178	10,416,178
- Construct Community Centre - Butler	278,000	18,821	18,821	278,000	278,000
- Develop Accessible and Inclusive Playground	222,000	15,029	15,029	222,000	222,000
- Kingsway Regional Sporting Complex	23,169,050	1,568,544	1,568,545	23,169,050	23,169,050
- Upgrade Aquamotion	7,926,000	536,590	536,590	7,926,000	7,926,000
- Yanchep Active Open Space	56,460	3,822	3,822	56,460	56,460
- Kingsway Regional Playground	650,000	44,005	44,005	650,000	650,000
- Yanchep Lagoon - Brazier Road Realignment	3,859,181	261,266	261,266	3,859,181	3,859,181
- Yanchep Surf Life Saving Club	1,157,500	78,363	78,363	1,157,500	1,157,500
- Southern Suburbs Library	5,800,000	392,660	392,660	5,800,000	5,800,000
<b>Transport</b>					
- Pinjar Road - Wanneroo and Carosa Road	728,849	49,343	49,343	728,849	728,849
- Upgrade Rocca Way Dundobar Road	54,715	3,704	3,704	54,715	54,715
- Flynn Drive Neerabup - Construct Road	1,639,072	110,965	110,965	1,639,072	1,639,072
<b>Other Property &amp; Services</b>					
- Develop Industrial Estate - Neerabup	317,887	21,521	21,521	317,887	317,887
- Redevelop Wanneroo Townsite	1,214,615	82,229	82,229	1,214,615	1,214,615
- Redevelop Koondoola Precinct	1,293,000	87,536	87,536	1,293,000	1,293,000
- Develop Wangara Industrial Area (Lot 257)	43,857	2,969	2,969	43,857	43,857
- Develop Wangara Industrial Area (Lot 15)	1,950,024	132,017	132,017	1,950,024	1,950,024
- Lot 12 Fowey Loop	1,800	122	122	1,800	1,800

(continued on next page)



## City of Wanneroo

Notes to the Financial Statements  
for the year ended 30 June 2019

## Note 23. Information on Borrowings (continued)

	Principal 01-Jul-18 Actual	Interest Repayments Actual	Budget	Principal 30-Jun-19 Actual	Budget
	\$	\$	\$	\$	\$
(a) Loan Repayments (continued)					
Loan 2					
Recreation & Culture	-	-	300,893	-	9,104,176
- Yanchep Active Open Space Oval Ground Works	1,107,781	39,093	-	1,107,781	
- Yanchep District Playing Fields	2,167,396	76,070	-	2,167,396	
- Yanchep District Sports Amenities Building Stage 1	1,171,312	41,751	-	1,171,312	
- Yanchep Surf Life Saving Club	3,853,511	135,988	-	3,853,511	
	<b>69,078,188</b>	<b>4,407,583</b>	<b>4,415,575</b>	<b>69,078,188</b>	<b>69,882,364</b>

## City of Wanneroo

Notes to the Financial Statements  
for the year ended 30 June 2019

## Note 23. Information on Borrowings (continued)

	Date Borrowed	Balance 01-Jul-18	Expended During Year	Balance 30-Jun-19
	\$	\$	\$	\$
(b) Unspent Loans				
Loan 1				
Recreation & Culture				
Kingsway Regional Sporting Complex	1 Dec 2006	3,805,367	(2,121,415)	1,683,952
Southern Suburbs Library	1 Dec 2006	5,800,000	-	5,800,000
Transport				
Flynn Drive Neerabup - Construct Road	1 Dec 2006	15,774	-	15,774
Other Property & Services				
Develop Wangara Industrial Area (Lot 15)	1 Dec 2006	632,831	(326,715)	306,116
		<b>10,253,972</b>	<b>(2,448,130)</b>	<b>7,805,842</b>

Under Section 6.20(4)(a) of the *Local Government Act 1995*, a change in purpose of the use of borrowings can be disclosed in the Annual Budget. This was done so as part of the 2018/19 Budget. Accordingly, column "Balance 01-Jul-18" indicates revised unspent loan balances, after the change of purpose of borrowings, aligned with the Budget 2018/19.

## (c) Overdraft

The City established an overdraft facility of \$1,000,000 in 2002 to assist with short term liquidity requirements. This facility was cancelled during the 2018/19 financial year.

## City of Wanneroo

Notes to the Financial Statements  
for the year ended 30 June 2019

## Note 24. Rating Information

	Rate in \$ in Cents	Number of Properties	Rateable Value	Rate Revenue	Interim Rates	Total Revenue	Budget Rate Revenue 2019	Budget Interim Rate 2019	Budget Total Revenue 2019	Total Revenue 2018
	2019	2019	2019	2019	2019	2019	2019	2019	2019	2018
			\$	\$	\$	\$	\$	\$	\$	\$
<b>Rate Type</b>										
<b>Differential General Rate</b>										
GRV - Residential Improved	6.4963	64,248	1,286,127,032	83,740,686	1,479,071	85,219,757	79,815,505	1,850,000	81,665,505	96,565,237
GRV - Residential Vacant	12.9900	2,276	49,163,850	6,386,389	(564,451)	5,821,938	6,388,478	-	6,388,478	6,083,230
GRV - Commercial/Industrial Improved	6.7442	2,832	331,428,270	22,352,185	1,162,962	23,515,147	22,260,679	350,000	22,610,679	22,071,086
GRV - Commercial/Industrial Vacant	6.7050	167	13,274,981	890,087	84,794	974,881	879,192	-	879,192	756,521
UV - Residential Improved	0.3774	187	151,045,000	570,044	(9,426)	560,618	562,118	70,000	632,118	597,419
UV - Residential Vacant	0.5545	98	689,755,000	3,824,691	(74,411)	3,750,280	3,868,497	-	3,868,497	3,455,467
UV - Commercial/Industrial Improved	0.2773	35	73,920,000	204,980	(16,534)	188,446	188,288	30,000	218,288	200,670
UV - Commercial/Industrial Vacant	0.3280	11	24,260,000	79,573	(48,041)	31,532	90,725	-	90,725	93,100
UV - Rural and Mining Improved	0.3745	395	543,867,000	2,036,782	(3,112)	2,033,670	2,090,111	50,000	2,140,111	2,230,233
UV - Rural and Mining Vacant	0.4898	88	87,347,048	427,826	4,881	432,707	400,201	-	400,201	345,605
<b>Sub-Total</b>		70,337	3,250,188,181	120,513,243	2,015,733	122,528,976	116,543,794	2,350,000	118,893,794	132,398,568

GRV = Gross Rental Value  
UV = Unimproved Value

## City of Wanneroo

Notes to the Financial Statements  
for the year ended 30 June 2019

## Note 24. Rating Information (continued)

		Number of Properties	Rateable Value	Rate Revenue	Total Revenue	Budget Rate Revenue	Budget Total Revenue	Total Revenue
		2019	2019	2019	2019	2019	2019	2018
			\$	\$	\$	\$	\$	\$
<b>Minimum Rates</b>	Minimum							
GRV - Residential Improved	971	5,765	79,339,868	5,597,815	5,597,815	9,248,775	9,248,775	16,616,236
GRV - Residential Vacant	975	2,012	12,008,590	1,961,700	1,961,700	1,962,675	1,962,675	1,764,875
GRV - Commercial/Industrial Improved	1,344	553	8,602,734	743,232	743,232	733,824	733,824	698,540
GRV - Commercial/Industrial Vacant	1,344	32	450,040	43,008	43,008	43,008	43,008	61,946
GRV - Commercial/Industrial Improved - Lesser Minimum Strata	672	84	512,898	56,448	56,448	56,448	56,448	44,812
UV - Residential Improved	971	1	189,652	971	971	971	971	4,011
UV - Residential Vacant	975	3	217,500	2,925	2,925	2,925	2,925	4,375
UV - Commercial/Industrial Improved	1,344	9	2,550,348	12,096	12,096	8,064	8,064	9,226
UV - Rural and Mining Improved	-	-	-	-	-	-	-	2,660
UV - Rural and Mining Vacant	912	38	224,020	34,656	34,656	34,656	34,656	32,184
<b>Sub-Total</b>		8,497	104,095,650	8,452,851	8,452,851	12,091,346	12,091,346	19,238,865
Ex Gratia Rates					30,521	20,000		25,425
<b>Totals</b>					131,012,348	131,005,140		151,662,858

GRV = Gross Rental Value

UV = Unimproved Value

As approved by Council, waste service fees are separated from the City's Rates charge from 2018/19 onwards. In 2017/18, waste service fees were included as part of the City's Rates charge.

## City of Wanneroo

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 25. Discounts, Incentives, Concessions & Write-offs

	Type	Actual Cost / Value 2019 \$	Budget Cost / Value 2019 \$	Actual Cost / Value 2018 \$
<b>Details</b>				
Debts Written Off	Write Off	27,039	-	87,063
Rates Write Off	Write Off	13,897	-	-
Community Groups Rates Waiver	Waiver	96,279	97,591	87,051
		<b>137,215</b>	<b>97,591</b>	<b>174,114</b>

No Rates discounts have been budgeted for the 2018/19 Financial Year.

Council has agreed, in accordance with Section 6.47 of the *Local Government Act 1995*, to waive the 2018/19 Council Rates (excluding Emergency Services Levy) for land leased by the City to the following community groups.

- AJS Motorcycle Club of WA Inc.
- Kingsway Football & Sporting Club Inc.
- Olympic Kingsway Sports Club
- Pinjar Motorcycle Park Inc.
- Quinns Mindarie Surf Lifesaving Club Inc.
- Quinns Rocks Sports Club Inc
- The Badminton Association of WA Inc
- Tiger Kart Club Inc.
- Vikings Softball Club Inc & The Wanneroo Giants Baseball Club Inc.
- Wanneroo Agricultural Society Inc
- Wanneroo Amateur Football Club Inc, Wanneroo Cricket Club, Wanneroo Junior Cricket Club Inc & Wanneroo Junior Football Club
- Wanneroo BMX Club
- Wanneroo City Soccer Club Inc.
- Wanneroo Districts Cricket Club Inc.
- Wanneroo Districts Netball Association
- Wanneroo Districts Rugby Union Football Club Inc.
- Wanneroo Horse & Pony Club
- Wanneroo Racing Pigeon Club
- Wanneroo Shooting Complex Inc.
- Wanneroo Sports & Social Club
- Wanneroo Tennis Club
- Wanneroo Trotting & Training Club Inc.
- West Australian Rifle Association Inc.
- Yanchep Golf Club
- Yanchep Sports & Social Club Inc.
- Yanchep Surf Lifesaving Club Inc.
- Youth Futures WA (inc).

The circumstances in which the waiver is granted to sporting clubs is when Council believes financial support is warranted. The objective is improving these clubs financial viability in order to assist with the fostering of good health in the community.

## City of Wanneroo

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 26. Interest Charges and Instalments

	Interest Rate %	2019 Actual	2019 Budgeted	2018 Actual
		\$	\$	\$
Interest Income on Overdue Rates	8.45%	1,653,093	1,267,500	1,619,033
Interest Income on Instalments Plan	5.50%	635,347	718,000	716,965
		<b>2,288,440</b>	<b>1,985,500</b>	<b>2,335,998</b>
Administration Charges on Instalment Plan		393,533	402,000	379,592
		<b>2,681,973</b>	<b>2,387,500</b>	<b>2,715,590</b>

An interest rate of 8.45% (2018: 8.45%) was charged on all Rates, both current and arrears, that remain unpaid after 35 days from the issue date of the Rate notice (3 August 2018). Three option plans were available to ratepayers for payment of their Rates by instalments.

##### Option 1 (Full Payment)

Full amount of Rates and Service charges, including arrears, to be paid on or before 35 days (7 September 2018) from the issue date (3 August 2018) appearing on the Rate notice.

##### Option 2 (Two instalments)

First instalment to be received on or before 35 days after the issue date appearing on the Rate notice, including all arrears and half of the current Rates and Service charges (7 September 2018). The second and final instalment becomes due and payable 63 days after the due date of the first instalment (9 November 2018).

##### Option 3 (Four instalments)

First instalment to be received on or before 35 days after the issue date appearing on the Rate notice, including all arrears and a quarter of the current Rates and Service charges (7 September 2018). The second, third and fourth instalments are to be made at 63 day intervals, thereafter (9 November 2018, 11 January 2019 and 15 March 2019).

##### Cost of the instalment Options

The cost of the instalment options will comprise of simple interest of 5.5% (2018: 5.5%) per annum, calculated from the date the first instalment is due and payable, together with an administration fee of \$5.00 (2018: \$5.00) for each instalment, excluding the first.

##### Special Arrangements and Late Payment Penalty

In addition to the late payment interest of 8.45% per annum, an administration fee of \$30.00 (2018: \$25.00) per assessment is charged to any ratepayers wishing to enter into special payment agreements with the City.

## City of Wanneroo

Notes to the Financial Statements  
for the year ended 30 June 2019

## Note 29. Employee Costs

	2019	2018
\$	Actual	Actual
	\$	\$
Wages and Salaries	63,361,584	62,922,536
Superannuation	7,176,675	7,058,481
Fringe Benefits Tax	216,243	315,453
Conference and Training	595,225	600,941
Workers' Compensation Insurance <sup>1</sup>	2,366,206	(364,026)
External Labour Hire	2,004,642	1,158,513
Protective Clothing & Uniforms	312,995	259,798
Staff Amenities (Milk/Tea/Coffee)	39,563	48,896
Vehicle Usage Reimbursements	-	3,278
<b>Total Employee Costs</b>	<b>76,073,133</b>	<b>72,003,870</b>
less: Capitalised Costs	(4,080,006)	(3,505,955)
	<b>71,993,127</b>	<b>68,497,915</b>

<sup>1</sup> In 2018 the City reduced its Workers Compensation Insurance Provision due to improved claims history.



## City of Wanneroo

### Notes to the Financial Statements

for the year ended 30 June 2019

## Note 30. Related Party Transactions

### Related Parties

The City's main related parties are as follows:

#### **(a) 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.

#### **(b) 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.

#### **(c) Joint Venture Agreement accounted for under the equity method**

The City has one sixth interest in two regional councils. This interest is accounted for in these financial statements using the equity method of accounting. Refer to Note 17 for details of these interests.

### Councillor Remuneration and Allowances

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
The following fees, expenses and allowances were paid to elected members and/or the Mayor.			
Meeting Fees	463,542	523,980	473,328
Mayor's Allowance	88,864	88,864	88,864
Deputy Mayor's Allowance	22,216	22,742	22,742
Travelling & Other Expenses	29,563	162,000	23,028
Telecommunications Allowance	49,000	49,000	52,500
	<b>653,185</b>	<b>846,586</b>	<b>660,462</b>

### Key Management Personnel (KMP) Compensation Disclosures

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

	2019 Actual	2018 Actual
	\$	\$
Short-term employee benefits	1,520,358	1,604,648
Post-employment benefits	165,733	171,137
Other long-term benefits	34,662	33,748
	<b>1,720,753</b>	<b>1,809,533</b>

#### **Short-term employee benefits**

These amounts include salary, paid leave, fringe benefits and cash bonuses.

#### **Post-employee benefits**

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

#### **Other long-term benefits**

These amounts represent long service and annual leave benefits accruing during the year.

City of Wanneroo

Notes to the Financial Statements  
for the year ended 30 June 2019

Note 30. Related Party Transactions (continued)

Transactions with related parties

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

The following transactions occurred with related parties:

	2019 Actual	2018 Actual
	\$	\$
Associated companies/individuals:		
Sale of goods and services	29,254	175,000
Commercial Lease Agreements	-	43,427

## City of Wanneroo

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 31. Town Planning Schemes

##### Town Planning Schemes

In addition to the City's involvement with the Cities of Perth, Stirling, Joondalup and Vincent and the Towns of Cambridge and Victoria Park with Lot 17 Mindarie, the City has Town Planning Schemes and Development Areas in

Development Area	Locality
- Town Planning Scheme No 5 - Landsdale	- Landsdale
- East Wanneroo Development Area Cells 1-9	- East Wanneroo
- Berkley Road Local Structure Plan	- Marangaroo/Alexander Heights
- Neerabup Development	- Neerabup

These Town Planning Schemes are mainly related to the development of standard infrastructures. The Development Contribution Plans which are related to the development of district facilities are disclosed in Note 34.

In March 2016, the City commenced an internal review of the accuracy of the financial data for the period of 1999/2000 to 2017/2018 for all East Wanneroo Development Area Cells (1-9). The result of this review identified a number of financial misstatements that require adjustments.

##### (i) Town Planning Scheme No 5 - Landsdale

An industrial zone guided development which was gazetted in June 1973. The total area of the scheme is approximately 100 hectares (ha). The Western sectors comprising 47 ha is identified as Stage 1 and was fully subdivided and developed in accordance with the scheme map several years ago.

The Eastern sector of 53 ha known as Stage 2 is either low lying land comprising 2 ha parcels along Gngara Road or an operating sand pit on two larger lots. Subdivision and development of this sector is entirely at the discretion of the individual land owners. It appears unlikely that there will be any subdivision or development undertaken in this sector in the short term.

##### Statement of Comprehensive Income - Town Planning Scheme No 5 - Landsdale

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
<b>Operating Income</b>			
Interest on Investments	19,482	18,771	18,782
	19,482	18,771	18,782
<b>Net Result</b>	<b>19,482</b>	<b>18,771</b>	<b>18,782</b>

## City of Wanneroo

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 31. Town Planning Schemes (continued)

## Statement of Financial Position - Town Planning Scheme No 5 - Landsdale

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalent Assets	735,396	730,705	715,914
Total Current Assets	735,396	730,705	715,914
<b>TOTAL ASSETS</b>	<b>735,396</b>	<b>730,705</b>	<b>715,914</b>
<b>LIABILITIES</b>			
Nil			
<b>Net Assets</b>	<b>735,396</b>	<b>730,705</b>	<b>715,914</b>
<b>EQUITY</b>			
Accumulated Surplus	735,396	730,705	715,914
<b>Total Equity</b>	<b>735,396</b>	<b>730,705</b>	<b>715,914</b>

## East Wanneroo Development Area - Cells 1 - 9

The East Wanneroo Cells 1-9 provide for the development of the area generally east of Wanneroo Road between Hepburn Avenue to the south and Clarkson Avenue to the north. The various structures plans (Cells 1-9) have guided residential, industrial and commercial development since the late 1990's and many cells are approaching full development. The Development Contribution Schemes include predominately standard 'development' infrastructure, including 10% public open space and regional roads (exception being Cell 9, which includes a local community centre and POS development costs). The format, structure and funding aspects of these cells is subject to ongoing review and aims to coordinate contributions by landowners within structure planning areas with fragmented landownership. The contributions are charged at the time of subdivision or development to satisfy the landowners development obligations under state planning policy and the City's District Planning Scheme number 2.

## City of Wanneroo

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 31. Town Planning Schemes (continued)

##### (ii) East Wanneroo Development Area - Cell 1

Cell 1 includes the suburbs of Ashby and Tapping and is generally bounded by Pinjar Road, Wanneroo Road and Clarkson Avenue. Over \$30 million worth of infrastructure works has been completed in this cell. The Cell is predominately developed (96% of developable land) and remaining costs primarily relate to the finalisation of the Pinjar Road duplication and POS acquisitions.

As at 30 June 2019, the City has made prior-period adjustments to recognise financial misstatements identified for the period of 1999/2000 to 2017/2018 for East Wanneroo Development Area Cell 1. As a result of recognising these financial misstatements, \$3,180,936 has been transferred out of the East Wanneroo Development Area Cell 1 and recouped to the City's Strategic Projects Reserve.

##### Statement of Comprehensive Income - Cell 1

	2019	2019	2018
	Actual	Budget	Restated Actual
	\$	\$	\$
<b>Operating Income</b>			
Headworks Levy	-	878,408	1,085,093
Interest on Investments	720,601	780,280	698,039
	<u>720,601</u>	<u>1,658,688</u>	<u>1,783,132</u>
<b>Operating Expense</b>			
Advertising	(1,157)	(100)	-
Compensation Payments - Public Open Space	-	-	(757,875)
Consulting Fees	-	(2,000)	-
Construction Costs	(258,238)	(91,897)	3,244
Administration Allocation	(72,841)	(42,569)	(49,476)
Audit Fees	(7,600)	(2,142)	-
Valuation Fees	(1,307)	-	(1,333)
Environmental Remediation or Improvement Costs	(7,100)	-	(6,329)
	<u>(348,243)</u>	<u>(138,708)</u>	<u>(811,769)</u>
<b>Non Operating Expense</b>			
Headworks Levy Refund*	(23,562,040)	-	-
<b>Net Result</b>	<u><b>(23,189,682)</b></u>	<u><b>1,519,980</b></u>	<u><b>971,363</b></u>

\*At Council meeting on 4 June 2019, Council approved a partial return of estimated excess funds of \$22,679,632 pending development of remaining land within the Cell and finalisation of the return of excess requirements in accordance with Clause 9.13.3 of DPS2. As part of the 2018/19 Annual Review of cell costs as per the requirement of DPS2, the City's internal experts have also estimated further \$882,408 as the future excess funds for Cell 1 at full development.

## City of Wanneroo

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 31. Town Planning Schemes (continued)

## (ii) East Wanneroo Development Area - Cell 1 (continued)

## Statement of Financial Position - Cell 1

	2019	2019	2018	1 July 2017
	Actual	Budget	Restated Actual	Restated Actual
	\$	\$	\$	\$
<b>ASSETS</b>				
Current Assets				
Cash and Cash Equivalent Assets	11,280,694	31,258,774	26,594,069	25,622,706
Total Current Assets	11,280,694	31,258,774	26,594,069	25,622,706
<b>TOTAL ASSETS</b>	11,280,694	31,258,774	26,594,069	25,622,706
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Trade and Other Payables	(6,993,899)	-	-	-
<b>Total Current Liabilities</b>	(6,993,899)	-	-	-
<b>Non-Current Liabilities</b>				
Provision for Headworks Levy Refund	(882,408)	-	-	-
<b>Total Non-Current Liabilities</b>	(882,408)	-	-	-
<b>TOTAL LIABILITIES</b>	(7,876,307)	-	-	-
<b>Net Assets</b>	<b>3,404,387</b>	<b>31,258,774</b>	<b>26,594,069</b>	<b>25,622,706</b>
<b>EQUITY</b>				
Accumulated Surplus	3,404,387	31,258,774	26,594,069	25,622,706
<b>Total Equity</b>	<b>3,404,387</b>	<b>31,258,774</b>	<b>26,594,069</b>	<b>25,622,706</b>

## City of Wanneroo

Notes to the Financial Statements  
for the year ended 30 June 2019

## Note 31. Town Planning Schemes (continued)

## (iii) East Wanneroo Development Area - Cell 2

Cell 2 Includes the suburb of Sinagra and is generally bounded by Pinjar Road, Wanneroo Road and Dundebur Road. Over \$12 million worth of infrastructure works has been completed in this cell. The Cell is only partially developed (56% of developable land) and remaining costs primarily relate to the finalisation of the Dundebur Road upgrade and several large POS acquisitions. Cell development has been partly sterilised due to the Ingham Poultry Farm buffer.

As at 30 June 2019, the City has made prior-period adjustments to recognise financial misstatements identified for the period of 1999/2000 to 2017/2018 for East Wanneroo Development Area Cell 2. As a result of recognising these financial misstatements, \$722,926 has been transferred out of the East Wanneroo Development Area Cell 2 and recouped to the City's Strategic Projects Reserve.

## Statement of Comprehensive Income - Cell 2

	2019	2019	2018
	Actual	Budget	Restated Actual
	\$	\$	\$
<b>Operating Income</b>			
Headworks Levy	-	194,888	-
Interest on Investments	219,483	230,239	212,094
	<u>219,483</u>	<u>425,127</u>	<u>212,094</u>
<b>Operating Expense</b>			
Advertising	(246)	(100)	-
Construction Costs	(6,550)	(33,603)	(77)
Consulting Fees	(9,355)	(2,000)	-
Legal Fees	-	-	(1,850)
Valuation Fees	(1,289)	-	(1,333)
Administration Allocation	(35,910)	(34,055)	(34,245)
Audit Fees	(10,900)	(2,142)	(1,850)
Environmental Remediation or Improvement Costs	(10,196)	-	(9,089)
	<u>(74,446)</u>	<u>(71,900)</u>	<u>(48,444)</u>
<b>Net Result</b>	<u><b>145,037</b></u>	<u><b>353,227</b></u>	<u><b>163,650</b></u>

## Statement of Financial Position - Cell 2

	2019	2019	2018	1 July 2017
	Actual	Budget	Restated Actual	Restated Actual
	\$	\$	\$	\$
<b>ASSETS</b>				
Current Assets				
Cash and Cash Equivalent Assets	8,174,649	9,118,432	8,019,416	7,855,766
Total Current Assets	<u>8,174,649</u>	<u>9,118,432</u>	<u>8,019,416</u>	<u>7,855,766</u>
<b>TOTAL ASSETS</b>	<u>8,174,649</u>	<u>9,118,432</u>	<u>8,019,416</u>	<u>7,855,766</u>
<b>LIABILITIES</b>				
Trade and Other Payables	(10,196)	-	-	-
<b>Net Assets</b>	<u><b>8,164,453</b></u>	<u><b>9,118,432</b></u>	<u><b>8,019,416</b></u>	<u><b>7,855,766</b></u>
<b>EQUITY</b>				
Accumulated Surplus	8,164,453	9,118,432	8,019,416	7,855,766
<b>Total Equity</b>	<u><b>8,164,453</b></u>	<u><b>9,118,432</b></u>	<u><b>8,019,416</b></u>	<u><b>7,855,766</b></u>



## City of Wanneroo

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 31. Town Planning Schemes (continued)

##### (iv) East Wanneroo Development Area - Cell 3

Cell 3 includes the suburb of Wanneroo and is generally bounded by Dundobar Road, High Road, Scott Road and Steven street. Approximately \$1 million worth of infrastructure works have been completed in this cell. The Cell is predominately developed (91% of developable land) and remaining costs primarily relate to the finalisation of the Dundobar Road widening/upgrade and historic Public Open Space credits.

As at 30 June 2019, the City has made prior-period adjustments to recognise financial misstatements identified for the period of 1999/2000 to 2017/2018 for East Wanneroo Development Area Cell 3. As a result of recognising these financial misstatements, \$756,953 has been transferred out of the East Wanneroo Development Area Cell 3 and recouped to the City's Strategic Projects Reserve.

##### Statement of Comprehensive Income - Cell 3

	2019	2019	2018
	Actual	Budget	Restated Actual
	\$	\$	\$
<b>Operating Income</b>			
Interest on Investments	19,711	39,170	19,215
	<u>19,711</u>	<u>39,170</u>	<u>19,215</u>
<b>Operating Expense</b>			
Advertising	-	(100)	-
Audit Fee	(6,300)	(2,142)	-
Consulting Fees	-	(2,000)	(1,750)
Administration Allocation	(31,014)	(17,028)	(18,810)
Valuation Fees	(1,289)	-	(1,333)
	<u>(38,603)</u>	<u>(21,270)</u>	<u>(21,893)</u>
<b>Net Result</b>	<u><b>(18,892)</b></u>	<u><b>17,900</b></u>	<u><b>(2,678)</b></u>

##### Statement of Financial Position - Cell 3

	2019	2019	2018	1 July 2017
	Actual	Budget	Restated Actual	Restated Actual
	\$	\$	\$	\$
<b>ASSETS</b>				
Current Assets				
Cash and Cash Equivalent Assets	697,910	1,490,187	716,802	719,480
Total Current Assets	<u>697,910</u>	<u>1,490,187</u>	<u>716,802</u>	<u>719,480</u>
<b>TOTAL ASSETS</b>	<u>697,910</u>	<u>1,490,187</u>	<u>716,802</u>	<u>719,480</u>
<b>LIABILITIES</b>				
Nil				
<b>Net Assets</b>	<u><b>697,910</b></u>	<u><b>1,490,187</b></u>	<u><b>716,802</b></u>	<u><b>719,480</b></u>
<b>EQUITY</b>				
Accumulated Surplus	697,910	1,490,187	716,802	719,480
<b>Total Equity</b>	<u><b>697,910</b></u>	<u><b>1,490,187</b></u>	<u><b>716,802</b></u>	<u><b>719,480</b></u>

## City of Wanneroo

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 31. Town Planning Schemes (continued)

##### (v) East Wanneroo Development Area - Cell 4

Cell 4 includes the suburbs of Hocking and Pearsall and is generally bounded by Wanneroo Road, Lenore Road, Elliot Road and Ocean Reef Road. Over \$55 million worth of infrastructure works has been completed in this cell. The Cell is predominately developed (96% of developable land) and remaining costs primarily relate to completing an intersection upgrade at Paltara Way/Elliot Road, a controlled access place (CAP) system along Elliot Road, Lenore Road duplication works and POS acquisition.

As at 30 June 2019, the City has made prior-period adjustments to recognise financial misstatements identified for the period of 1999/2000 to 2017/2018 for East Wanneroo Development Area Cell 4. As a result of recognising these financial misstatements, \$985,568 has been transferred out of the East Wanneroo Development Area Cell 4 and recouped to the City's Strategic Projects Reserve.

##### Statement of Comprehensive Income - Cell 4

	2019	2019	2018
	Actual	Budget	Restated Actual
	\$	\$	\$
<b>Operating Income</b>			
Development Headworks Levy	233,276	209,943	5,406,846
Interest on Investments	329,367	328,146	321,961
	<u>562,643</u>	<u>538,089</u>	<u>5,728,807</u>
<b>Operating Expense</b>			
Advertising	(246)	(100)	-
Audit Fees	(12,000)	(5,142)	-
Compensation Payments - Public Open Space	-	-	(7,112,177)
Consulting Fees	-	(2,000)	-
Legal Fees	(141,552)	(100,000)	(171,825)
Administration Allocation	(79,194)	(89,860)	(23,509)
Valuation Fees	(1,448)	-	(1,333)
Environmental Remediation or Improvement Costs	(24,450)	-	-
	<u>(258,890)</u>	<u>(197,102)</u>	<u>(7,308,844)</u>
<b>Non Operating Expense</b>			
Headworks Levy Refund*	(4,776,335)	-	-
<b>Net Result</b>	<u><u>(4,472,582)</u></u>	<u><u>340,987</u></u>	<u><u>(1,580,037)</u></u>

\* As part of the 2018/19 Annual Review of cell costs as per the requirement of DPS2, the City's internal experts have also estimated \$4,776,335 as the future excess funds for Cell 4 at full development.

## City of Wanneroo

Notes to the Financial Statements  
for the year ended 30 June 2019

## Note 31. Town Planning Schemes (continued)

## (v) East Wanneroo Development Area - Cell 4 (continued)

## Statement of Financial Position - Cell 4

	2019	2019	2018	1 July 2017
	Actual	Budget	Restated Actual	Restated Actual
	\$	\$	\$	\$
<b>ASSETS</b>				
Current Assets				
Cash and Cash Equivalent Assets	12,427,655	13,344,557	12,099,453	13,679,490
Total Current Assets	12,427,655	13,344,557	12,099,453	13,679,490
<b>TOTAL ASSETS</b>	12,427,655	13,344,557	12,099,453	13,679,490
<b>LIABILITIES</b>				
Trade and Other Payables	(24,450)	-	-	-
Total Current Liabilities	(24,450)	-	-	-
<b>Non-Current Liabilities</b>				
Provision for Headworks Levy Refund	(4,776,335)	-	-	-
<b>Total Non-Current Liabilities</b>	(4,776,335)	-	-	-
<b>TOTAL LIABILITIES</b>	(4,800,785)	-	-	-
<b>Net Assets</b>	<b>7,626,870</b>	<b>13,344,557</b>	<b>12,099,453</b>	<b>13,679,490</b>
<b>EQUITY</b>				
Accumulated Surplus	7,626,870	13,344,557	12,099,453	13,679,490
<b>Total Equity</b>	<b>7,626,870</b>	<b>13,344,557</b>	<b>12,099,453</b>	<b>13,679,490</b>

## City of Wanneroo

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 31. Town Planning Schemes (continued)

##### (vi) East Wanneroo Development Area - Cell 5

Cell 5 Includes the suburb of Landsdale and is generally bounded by Ocean Reef Road, Mirrabooka Avenue and Hepburn Avenue. Over \$33 million worth of infrastructure works has been completed in this cell. The Cell is predominately developed (95% of developable land) and remaining costs primarily relate to the finalisation of the Mirrabooka Avenue duplication costs and POS acquisition.

As at 30 June 2019, the City has made prior-period adjustments to recognise financial misstatements identified for the period of 1999/2000 to 2017/2018 for East Wanneroo Development Area Cell 5. As a result of recognising these financial misstatements, \$4,668,268 has been transferred out of the East Wanneroo Development Area Cell 5 and recouped to the City's Strategic Projects Reserve.

##### Statement of Comprehensive Income - Cell 5

	2019	2019	2018
	Actual	Budget	Restated Actual
	\$	\$	\$
<b>Operating Income</b>			
Development Headworks Levy	2,596,364	247,272	216,364
Interest on Investments	239,276	244,180	128,400
	<u>2,835,640</u>	<u>491,452</u>	<u>344,764</u>
<b>Operating Expense</b>			
Advertising	(246)	(100)	-
Compensation Payments - Public Open Space	(750,960)	-	(299,199)
Legal Fees	(84,151)	(50,000)	(57,288)
Contract Expenses	-	(861,740)	-
Consulting Fees	-	(2,000)	-
Administration Allocation	(51,400)	(112,326)	(23,508)
Audit Fees	(8,930)	(5,142)	(9,968)
Valuation Fees	(1,289)	-	(1,333)
Construction Costs	-	-	(907,839)
Environmental Remediation or Improvement Costs	(49,341)	-	(101,036)
	<u>(946,317)</u>	<u>(1,031,308)</u>	<u>(1,400,171)</u>
<b>Non Operating Expense</b>			
Headworks Levy Refund*	(2,422,358)	-	-
<b>Net Result</b>	<u><b>(533,035)</b></u>	<u><b>(539,856)</b></u>	<u><b>(1,055,407)</b></u>

\* As part of the 2018/19 Annual Review of cell costs as per the requirement of DPS2, the City's internal experts have also estimated \$2,422,358 as the future excess funds for Cell 5 at full development.

## City of Wanneroo

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 31. Town Planning Schemes (continued)

## (vi) East Wanneroo Development Area - Cell 5

## Statement of Financial Position - Cell 5

	2019	2019	2018	1 July 2017
	Actual	Budget	Restated Actual	Restated Actual
	\$	\$	\$	\$
<b>ASSETS</b>				
Current Assets				
Cash and Cash Equivalent Assets	5,732,334	10,497,986	3,793,670	4,849,077
Total Current Assets	5,732,334	10,497,986	3,793,670	4,849,077
<b>TOTAL ASSETS</b>	<b>5,732,334</b>	<b>10,497,986</b>	<b>3,793,670</b>	<b>4,849,077</b>
<b>LIABILITIES</b>				
Trade and Other Payables	(49,341)	-	-	-
Total Current Liabilities	(49,341)	-	-	-
Non-Current Liabilities				
Provision for Headworks Levy Refund	(2,422,358)	-	-	-
Total Non-Current Liabilities	(2,422,358)	-	-	-
<b>TOTAL LIABILITIES</b>	<b>(2,471,699)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Assets</b>	<b>3,260,635</b>	<b>10,497,986</b>	<b>3,793,670</b>	<b>4,849,077</b>
<b>EQUITY</b>				
Accumulated Surplus	3,260,635	10,497,986	3,793,670	4,849,077
<b>Total Equity</b>	<b>3,260,635</b>	<b>10,497,986</b>	<b>3,793,670</b>	<b>4,849,077</b>

## City of Wanneroo

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 31. Town Planning Schemes (continued)

##### (vii) East Wanneroo Development Area - Cell 6

Cell 6 includes the suburbs of Madeley and Darch and is generally bounded by Gngara Road, Wanneroo Road, Mirrabooka Avenue and Hepburn Avenue. Over \$50 million worth of infrastructure works has been completed in this cell. The Cell is predominately developed (89% of developable land) and remaining costs primarily relate to the finalisation of the Gngara Road upgrade/realignment, Skeit Road duplication and POS acquisitions.

As at 30 June 2019, the City has made prior-period adjustments to recognise financial misstatements identified for the period of 1999/2000 to 2017/2018 for East Wanneroo Development Area Cell 6. As a result of recognising these financial misstatements, \$4,171,854 has been transferred out of the East Wanneroo Development Area Cell 6 and recouped to the City's Strategic Projects Reserve.

##### Statement of Comprehensive Income - Cell 6

	2019	2019	2018
	Actual	Budget	Restated Actual
	\$	\$	\$
<b>Operating Income</b>			
Development Headworks Levy	419,537	394,864	1,431,362
Reimbursements	265	-	-
Interest on Investments	650,135	750,208	644,679
	<u>1,069,937</u>	<u>1,145,072</u>	<u>2,076,041</u>
<b>Operating Expense</b>			
Advertising	(246)	(100)	-
Legal Fees	(145)	-	(182)
Contract Expenses	-	(1,833,741)	-
Construction Costs	(8,564)	(36,600)	(371,128)
Consulting Fees	-	(2,000)	-
Compensation Payments - Road Reserves	(170,086)	-	(430,544)
Administration Allocation	(67,277)	(65,035)	(47,220)
Compensation Payments - Public Open Space	(915,243)	-	-
Audit Fees	(13,950)	(2,142)	(9,966)
Survey Fees	(525)	-	(5,184)
Valuation Fees	(2,539)	-	(1,346)
Environmental Remediation or Improvement Costs	(29,600)	-	(22,003)
	<u>(1,208,175)</u>	<u>(1,939,618)</u>	<u>(887,573)</u>
<b>Non Operating Expense</b>			
Headworks Levy Refund*	(1,886,819)	-	-
<b>Net Result</b>	<u><b>(2,025,057)</b></u>	<u><b>(794,546)</b></u>	<u><b>1,188,468</b></u>

\* As part of the 2018/19 Annual Review of cell costs as per the requirement of DPS2, the City's internal experts have also estimated \$1,886,819 as the future excess funds for Cell 6 at full development.

## City of Wanneroo

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 31. Town Planning Schemes (continued)

## (vii) East Wanneroo Development Area - Cell 6 (continued)

## Statement of Financial Position - Cell 6

	2019	2019	2018	1 July 2017
	Actual	Budget	Restated Actual	Restated Actual
	\$	\$	\$	\$
<b>ASSETS</b>				
Current Assets				
Cash and Cash Equivalent Assets	24,234,123	28,382,148	24,342,761	23,154,293
Total Current Assets	24,234,123	28,382,148	24,342,761	23,154,293
<b>TOTAL ASSETS</b>	<b>24,234,123</b>	<b>28,382,148</b>	<b>24,342,761</b>	<b>23,154,293</b>
<b>LIABILITIES</b>				
Trade and Other Payables	(29,600)	-	-	-
Total Current Liabilities	(29,600)	-	-	-
Non-Current Liabilities				
Provision for Headworks Levy Refund	(1,886,819)	-	-	-
Total Non-Current Liabilities	(1,886,819)	-	-	-
<b>TOTAL LIABILITIES</b>	<b>(1,916,419)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Assets</b>	<b>22,317,704</b>	<b>28,382,148</b>	<b>24,342,761</b>	<b>23,154,293</b>
<b>EQUITY</b>				
Accumulated Surplus	22,317,704	28,382,148	24,342,761	23,154,293
<b>Total Equity</b>	<b>22,317,704</b>	<b>28,382,148</b>	<b>24,342,761</b>	<b>23,154,293</b>



## City of Wanneroo

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 31. Town Planning Schemes (continued)

## (viii) East Wanneroo Development Area - Cell 7

Cell 7 includes the industrial suburb of Wangara (west) and is generally bounded by Wanneroo Road, Hartman Drive and Gngara Road. Over \$4 million worth of infrastructure works has been completed in this cell. The Cell is partially developed (68% of developable land) and remaining costs primarily relate to the finalisation of the Gngara Road realignment/upgrade.

As at 30 June 2019, the City has made prior-period adjustments to recognise financial misstatements identified for the period of 1999/2000 to 2017/2018 for East Wanneroo Development Area Cell 7. As a result of recognising these financial misstatements, \$128,621 has been transferred out of the East Wanneroo Development Area Cell 7 and recouped to the City's Strategic Projects Reserve.

## Statement of Comprehensive Income - Cell 7

	2019	2019	2018
	Actual	Budget	Restated Actual
	\$	\$	\$
<b>Operating Income</b>			
Development Headworks Levy	-	176,210	130,422
Reimbursements	265	-	-
Interest on Investments	73,170	86,378	80,285
	<u>73,435</u>	<u>262,588</u>	<u>210,707</u>
<b>Operating Expense</b>			
Advertising	(246)	(100)	-
Audit Fees	(6,000)	(2,142)	-
Compensation Payments - Road Reserves	(170,086)	-	(430,544)
Legal Fees	(737)	-	(3,240)
Construction Costs	(8,564)	(7,000)	(3,574)
Consulting Fees	-	(5,000)	(1,500)
Administration Allocation	(56,655)	(42,569)	(59,461)
Survey Fees	(737)	-	(7,397)
Valuation Fees	(2,539)	-	(1,346)
	<u>(245,564)</u>	<u>(56,811)</u>	<u>(507,062)</u>
<b>Net Result</b>	<u><b>(172,129)</b></u>	<u><b>205,777</b></u>	<u><b>(296,355)</b></u>

## Statement of Financial Position - Cell 7

	2019	2019	2018	1 July 2017
	Actual	Budget	Restated Actual	Restated Actual
	\$	\$	\$	\$
<b>ASSETS</b>				
Current Assets				
Cash and Cash Equivalent Assets	2,626,420	3,305,862	2,798,549	3,094,904
Total Current Assets	<u>2,626,420</u>	<u>3,305,862</u>	<u>2,798,549</u>	<u>3,094,904</u>
<b>TOTAL ASSETS</b>	<u>2,626,420</u>	<u>3,305,862</u>	<u>2,798,549</u>	<u>3,094,904</u>
<b>LIABILITIES</b>				
Nil				
<b>Net Assets</b>	<u><b>2,626,420</b></u>	<u><b>3,305,862</b></u>	<u><b>2,798,549</b></u>	<u><b>3,094,904</b></u>
<b>EQUITY</b>				
Accumulated Surplus	2,626,420	3,305,862	2,798,549	3,094,904
<b>Total Equity</b>	<u><b>2,626,420</b></u>	<u><b>3,305,862</b></u>	<u><b>2,798,549</b></u>	<u><b>3,094,904</b></u>

## City of Wanneroo

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 31. Town Planning Schemes (continued)

## (ix) East Wanneroo Development Area - Cell 8

Cell 8 includes the industrial suburb of Wangara (east) and is generally bounded by Hartman Drive, Ocean Reef Road, Gngangara Road and Mirrabooka Avenue. Over \$23 million worth of infrastructure works has been completed in this cell. The Cell is partially developed (79% of developable land) and remaining costs primarily relate to the finalisation of the Gngangara Road upgrade.

As at 30 June 2019, the City has made prior-period adjustments to recognise financial misstatements identified for the period of 1999/2000 to 2017/2018 for East Wanneroo Development Area Cell 8. As a result of recognising these financial misstatements, \$551,516 has been transferred to the East Wanneroo Development Area Cell 8 from the City's Strategic Projects Reserve.

## Statement of Comprehensive Income - Cell 8

	2019	2019	2018
	Actual	Budget	Restated Actual
	\$	\$	\$
<b>Operating Income</b>			
Development Headworks Levy	536,996	300,000	2,217,539
Interest on Investments	151,404	107,129	142,640
	<u>688,400</u>	<u>407,129</u>	<u>2,360,179</u>
<b>Operating Expense</b>			
Construction Costs	-	(50,000)	-
Advertising	(246)	(100)	-
Compensation Payments - Road Reserves	-	-	(913,436)
Legal Fees	(174,776)	-	(93,914)
Contract Expenses	-	(5,000)	-
Consulting Fees	-	-	(9,967)
Administration Allocation	(49,034)	(42,569)	(43,866)
Audit Fees	(10,500)	(2,142)	(2,240)
Valuation Fees	(1,289)	-	(1,333)
Demolition Fees	-	-	(24,700)
Environmental Remediation or Improvement Costs	(48,650)	-	(90,125)
	<u>(284,495)</u>	<u>(99,811)</u>	<u>(1,179,581)</u>
<b>Net Result</b>	<b><u>403,905</u></b>	<b><u>307,318</u></b>	<b><u>1,180,598</u></b>

## Statement of Financial Position - Cell 8

	2019	2019	2018	1 July 2017
	Actual	Budget	Restated Actual	Restated Actual
	\$	\$	\$	\$
<b>ASSETS</b>				
Current Assets				
Cash and Cash Equivalent Assets	5,877,703	5,235,253	5,425,147	4,244,549
Total Current Assets	<u>5,877,703</u>	<u>5,235,253</u>	<u>5,425,147</u>	<u>4,244,549</u>
<b>TOTAL ASSETS</b>	<u>5,877,703</u>	<u>5,235,253</u>	<u>5,425,147</u>	<u>4,244,549</u>
<b>LIABILITIES</b>				
Trade and Other Payables	(48,650)			
<b>Net Assets</b>	<b><u>5,829,053</u></b>	<b><u>5,235,253</u></b>	<b><u>5,425,147</u></b>	<b><u>4,244,549</u></b>
<b>EQUITY</b>				
Accumulated Surplus	5,829,053	5,235,253	5,425,147	4,244,549
<b>Total Equity</b>	<b><u>5,829,053</u></b>	<b><u>5,235,253</u></b>	<b><u>5,425,147</u></b>	<b><u>4,244,549</u></b>

## City of Wanneroo

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 31. Town Planning Schemes (continued)

## (x) East Wanneroo Development Area - Cell 9

Cell 9 includes the suburb of Landsdale and is generally bounded by Ocean Reef Road, Hepburn Avenue and Alexander Drive. Over \$45 million worth of infrastructure works has been completed in this cell. The Cell is partially developed (75% of developable land) and remaining costs primarily relate to the finalisation of various road works, POS acquisition/development and the acquisition and construction of a local community facility.

As at 30 June 2019, the City has made prior-period adjustments to recognise financial misstatements identified for the period of 1999/2000 to 2017/2018 for East Wanneroo Development Area Cell 9. As a result of recognising these financial misstatements, \$527,728 has been transferred out of the East Wanneroo Development Area Cell 9 and recouped to the City's Strategic Projects Reserve.

## Statement of Comprehensive Income - Cell 9

	2019	2019	2018
	Actual	Budget	Restated Actual
	\$	\$	\$
<b>Operating Income</b>			
Development Headworks Levy	2,286,555	3,703,575	5,032,150
Interest on Investments	577,407	495,735	514,261
	<u>2,863,962</u>	<u>4,199,310</u>	<u>5,546,411</u>
<b>Operating Expense</b>			
Advertising	(246)	(100)	-
Audit Fee	(12,850)	(2,142)	-
Consulting Fees	(575)	-	(990)
Construction Costs	-	(100,000)	(176,888)
Compensation Payments - Public Open Space	(791,603)	(3,688,004)	(1,972,174)
Compensation Payments - Road Reserves	-	-	(245,183)
Administration Allocation	(63,697)	(83,104)	(59,297)
Valuation Fees	(1,289)	-	(1,333)
Environmental Remediation or Improvement Costs	(8,064)	-	(37,908)
	<u>(878,324)</u>	<u>(3,873,350)</u>	<u>(2,493,773)</u>
<b>Net Result</b>	<u><b>1,985,638</b></u>	<u><b>325,960</b></u>	<u><b>3,052,638</b></u>

## Statement of Financial Position - Cell 9

	2019	2019	2018	1 July 2017
	Actual	Budget	Restated Actual	Restated Actual
	\$	\$	\$	\$
<b>ASSETS</b>				
Current Assets				
Cash and Cash Equivalent Assets	22,097,086	18,728,558	20,494,010	17,875,172
Total Current Assets	<u>22,097,086</u>	<u>18,728,558</u>	<u>20,494,010</u>	<u>17,875,172</u>
<b>TOTAL ASSETS</b>	<u>22,097,086</u>	<u>18,728,558</u>	<u>20,494,010</u>	<u>17,875,172</u>
<b>LIABILITIES</b>				
Current Liabilities				
Trade and Other Payables	(480,215)	-	(862,776)	(1,296,576)
Total Current Liabilities	<u>(480,215)</u>	<u>-</u>	<u>(862,776)</u>	<u>(1,296,576)</u>
<b>TOTAL LIABILITIES</b>	<u>(480,215)</u>	<u>-</u>	<u>(862,776)</u>	<u>(1,296,576)</u>
<b>Net Assets</b>	<u><b>21,616,871</b></u>	<u><b>18,728,558</b></u>	<u><b>19,631,234</b></u>	<u><b>16,578,596</b></u>
<b>EQUITY</b>				
Accumulated Surplus	21,616,872	18,728,558	19,631,234	16,578,596
<b>Total Equity</b>	<u><b>21,616,872</b></u>	<u><b>18,728,558</b></u>	<u><b>19,631,234</b></u>	<u><b>16,578,596</b></u>

## City of Wanneroo

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 31. Town Planning Schemes (continued)

##### (xi) Berkley Road Local Structure Plan

The Berkley Road Local Structure Plan rationalises the drainage sumps, road system and open space requirements for the residential development of the area. All subdividing landowners in the area pay a development headworks levy to the City and those funds are used to compensate those owners who actually provide the drainage, regional road and open space sites.

##### Statement of Comprehensive Income - Berkley Road Local Structure Plan

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Operating Income			
Interest on Investments	80,173	77,223	77,286
	80,173	77,223	77,286
Operating Expense			
Audit Fee	-	(2,154)	-
	-	(2,154)	-
<b>Net Result</b>	<b>80,173</b>	<b>75,069</b>	<b>77,286</b>

##### Statement of Financial Position - Berkley Road Local Structure Plan

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalent Assets	3,025,362	3,012,680	2,945,189
Total Current Assets	3,025,362	3,012,680	2,945,189
<b>TOTAL ASSETS</b>	<b>3,025,362</b>	<b>3,012,680</b>	<b>2,945,189</b>
<b>LIABILITIES</b>			
Nil			
<b>Net Assets</b>	<b>3,025,362</b>	<b>3,012,680</b>	<b>2,945,189</b>
<b>EQUITY</b>			
Accumulated Surplus	3,025,362	3,012,680	2,945,189
<b>Total Equity</b>	<b>3,025,362</b>	<b>3,012,680</b>	<b>2,945,189</b>

##### (xii) Neerabup Industrial Area Structure Plan

The Neerabup Industrial Area Structure Plan No 17 is designed to provide for the industrial development contained within an area bounded by Wanneroo Road, Flynn Drive, Old Yanchep Road and Wattle Avenue. This industrial area will be a major employment centre for the North West residential corridor.

The format, structure and environmental aspects are being finalised for the ongoing development of the area. All landowners in the area will pay an infrastructure development contribution to the City for the provision of the shared infrastructure to service the industrial area.

The Neerabup Industrial Area Structure Plan has no operating transactions either in financial year 2017/2018 or 2018/2019.

## City of Wanneroo

Notes to the Financial Statements  
for the year ended 30 June 2019

## Note 31. Town Planning Schemes (continued)

## (xii) Neerabup Industrial Area Structure Plan (continued)

## Statement of Financial Position - Neerabup Industrial Area Structure Plan

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
<b>ASSETS</b>			
Nil	-	-	-
<b>LIABILITIES</b>			
Trade and Other Payables	(3,448,943)	(3,451,085)	(3,448,943)
Total Current Liabilities	(3,448,943)	(3,451,085)	(3,448,943)
<b>TOTAL LIABILITIES</b>	(3,448,943)	(3,451,085)	(3,448,943)
<b>Net Assets</b>	<b>(3,448,943)</b>	<b>(3,451,085)</b>	<b>(3,448,943)</b>
<b>EQUITY</b>			
Accumulated Surplus /(Deficit)	(3,448,943)	(3,451,085)	(3,448,943)
<b>Total Equity/(Deficiency)</b>	<b>(3,448,943)</b>	<b>(3,451,085)</b>	<b>(3,448,943)</b>
<b>Total Equity of Planning/Land Development</b>	<b>75,856,119</b>	<b>121,654,057</b>	<b>103,633,261</b>

## City of Wanneroo

### Notes to the Financial Statements

for the year ended 30 June 2019

### Note 32. Financial Risk Management

The City's activities expose it to a variety of financial risks including price risk, credit risk, liquidity risk and interest rate risk.

The City's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the City.

The City does not engage in transactions expressed in foreign currencies in the normal course of business and is therefore not subject to foreign currency risk.

Financial risk management is carried out by the City's Finance Service Unit under policies approved by Council.

The City held the following financial instruments at balance date:

	Note	Carrying Value		Fair Value	
		2019	2018	2019	2018
		\$	\$	\$	\$
<b>Financial Assets</b>					
Cash and Cash Equivalents	3	379,715,338	374,458,602	379,715,338	374,458,602
Receivables (Current & Non-Current)	5	26,999,972	24,685,331	26,999,972	24,685,331
		<u>406,715,310</u>	<u>399,143,933</u>	<u>406,715,310</u>	<u>399,143,933</u>
<b>Financial Liabilities</b>					
Payables (Current & Non-Current)	9	39,079,751	23,446,151	39,079,751	23,446,151
Borrowings (Current & Non-Current)	10	69,078,188	69,078,188	69,078,188	69,078,188
		<u>108,157,939</u>	<u>92,524,339</u>	<u>108,157,939</u>	<u>92,524,339</u>

The fair value of financial instruments traded in active markets is determined using various valuation techniques. The City uses valuation methods and makes assumptions that are based on market conditions existing at the reporting date. Quoted market prices or dealer quotes for similar instruments are used for long term debt instruments. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate fair values. The fair value of financial liabilities are estimated by discounting future contractual cash flows at the current market interest rate that is available to the City for similar financial instruments.

## City of Wanneroo

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 32. Financial Risk Management (continued)

##### (a) Cash & Cash Equivalents, Financial Assets "at Fair Value through Profit & Loss" and "Fair Value through Other Comprehensive Income"

The City's objective is to maximise its return on cash and investments, whilst maintaining an adequate level of liquidity and preserving capital.

The City has an Investment Policy which complies with the relevant legislations. The Policy is regularly reviewed by Council and an Investment Report is tabled before Council on a monthly basis setting out the make-up and performance of the portfolio.

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

A further risk associated with cash and investments is credit risk - the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to the City.

The City manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees in accordance with investment restrictions prescribed in the Local Government (Financial Management) Regulations 1996.

	30-Jun-19	30-Jun-18
	\$	\$
<b>Impact of a 1% <sup>(1)</sup> movement in interest rates on cash and investments</b>		
Equity	3,797,153	3,744,586
Statement of Comprehensive Income	3,797,153	3,744,586

#### Notes:

(1) Sensitivity percentages based on management's expectations of future possible market movements. (Price movements calculated on investments subject to fair value adjustments. Interest rate movements calculated on cash, cash equivalents and managed funds.)



## City of Wanneroo

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 32. Financial Risk Management (continued)

##### (b) Receivables

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

The major risk associated with these receivables is credit risk - the risk that debts due and payable to the City may not be paid.

The City manages this risk by monitoring outstanding debt and referring outstanding debts to an external debt collector. The City also encourages ratepayers to pay their Rates by the due date through various incentives.

Credit risk on Rates and annual charges is minimised by the ability of the City to secure a charge over the land relating to the debts - that is, the land can be sold to recover the debt. The City is also able to charge interest on overdue Rates and annual charges, which further encourages the payment of debt.

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

The City makes suitable provision for expected credit losses, as required, and carries out counter party credit checks where relevant.

There are no material receivables that have been subjected to a renegotiation of repayment terms.

A profile of the City's current debtors credit risk at balance date is as follows:

	30-Jun-19	30-Jun-18
	\$	\$
<b>Rates and Annual Charges Outstanding</b>		
0 - 30 Days	247,639	84,943
30 - 60 Days	80,738	110,704
60 - 90 Days	1,755,986	171,287
Over 90 Days	11,732,619	14,111,575
	<b>13,816,982</b>	<b>14,478,509</b>
<b>Sundry Debtors Outstanding</b>		
0 - 30 Days	512,552	115,064
30 - 60 Days	26,990	320,915
60 - 90 Days	32,057	25,382
Over 90 Days	646,438	769,104
	<b>1,218,037</b>	<b>1,230,465</b>

## City of Wanneroo

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 32. Financial Risk Management (continued)

## (c) Payables &amp; Borrowings

Payables and Borrowings are subject to liquidity risk - the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due.

The City manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

The contractual undiscounted cash outflows (i.e. principal and interest) of the City's payables and borrowings are set out in the Liquidity Table below:

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
<b>2019</b>					
Payables	39,079,751	-	-	39,079,751	39,079,751
Borrowings	4,403,030	30,129,319	66,950,213	101,482,562	69,078,188
	<b>43,482,781</b>	<b>30,129,319</b>	<b>66,950,213</b>	<b>140,562,313</b>	<b>108,157,939</b>
<b>2018</b>					
Payables	23,446,151	-	-	23,446,151	23,446,151
Borrowings	-	17,538,510	92,613,208	110,151,718	69,078,188
	<b>23,446,151</b>	<b>17,538,510</b>	<b>92,613,208</b>	<b>133,597,869</b>	<b>92,524,339</b>

Borrowings are also subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. The City manages this risk by borrowing long term and fixing the interest rate on a basis that is most suitable for the circumstance. The City Officers regularly review interest rate movements to determine if it would be advantageous to refinance or renegotiate part, or all, of the loan portfolio.

The following interest rates were applicable to the the City's Borrowings at balance date:

	30-Jun-19		
	Weighted average interest rate %	Balance	Balance
		\$	\$
Loans - Fixed	6.77%	60,778,188	60,778,188
Loans - Variable	3.48%	8,300,000	8,300,000
		<b>69,078,188</b>	<b>69,078,188</b>

## Notes:

1. The interest rate risk applicable to variable rate bank loan is not considered significant.
2. Inclusive of 0.7% (Government Guarantee Fee) in the fixed interest rate of 6.77%.

## City of Wanneroo

### Notes to the Financial Statements

for the year ended 30 June 2019

### Note 33. Fair Value Measurements

The City measures the following asset and liability classes at fair value on a recurring basis:

- Infrastructure, Property, Plant and Equipment
- Financial Assets and Liabilities

The fair value of assets and liabilities must be estimated in accordance with various Accounting Standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a "level" in the fair value hierarchy as follows:

**Level 1:** Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

**Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

**Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**(1) The following table presents all assets and liabilities that have been measured and recognised at fair values:**

Fair Value Measurement using:			
Level 1	Level 2	Level 3	Total
Quoted	Significant	Significant	
prices in	observable	unobservable	
active mkts	inputs	inputs	

## City of Wanneroo

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 33. Fair Value Measurements (continued)

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values (continued):

Fair values (continued):		Fair Value Measurement using:			
2018	Date of latest Valuation	Level 1 Quoted prices in active mkts \$	Level 2 Significant observable inputs \$	Level 3 Significant unobservable inputs \$	Total \$
Property, Plant & Equipment					
- Land	30/06/18	-	56,798,333	80,805,000	137,603,333
- Buildings	30/06/18	-	-	171,147,700	171,147,700
- Furniture and Equipment	30/06/18	-	7,102,134	1,135,504	8,237,638
- Plant and Equipment	30/06/16	-	15,712,373	-	15,712,373
Total Property, Plant & Equipment		-	79,612,840	253,088,204	332,701,044
Infrastructure					
- Reserves	30/06/17	-	-	199,485,343	199,485,343
- Roads	30/06/17	-	-	1,135,420,136	1,135,420,136
- Pathways	30/06/17	-	-	134,999,999	134,999,999
- Car Parking	30/06/17	-	-	42,633,114	42,633,114
- Drainage	30/06/17	-	-	372,581,463	372,581,463
- Other Infrastructure	30/06/17	-	-	59,280,731	59,280,731
Total Infrastructure		-	-	1,944,400,786	1,944,400,786

## (2) Transfers between Level 1 and Level 2 Fair Value Hierarchies

During the year, there were no transfers between Level 1 and Level 2 fair value hierarchies for recurring fair value measurements.

## City of Wanneroo

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 33. Fair Value Measurements (continued)

##### (3) Valuation Techniques used to derive Level 2 and Level 3 Fair Values

Where the City is unable to derive fair valuations using quoted market prices of identical assets (i.e. Level 1 inputs), the City utilises a spread of both observable inputs (Level 2 inputs) and unobservable inputs (Level 3 inputs).

The fair valuation techniques the City has employed while utilising Level 2 and Level 3 inputs are as follows:

##### Property, Plant & Equipment

###### Land

The City's land was valued by independent valuers. Except in the circumstance of any assets being held for sale (valued in accordance with *AASB 5 Assets Held for Sale*) or in accordance with specific accounting standards (such as Investment Properties) the balance of the portfolio is valued in accordance with *AASB 116 Property Plant and Equipment* at fair value.

Depending upon the unique circumstances of each lot, land has been valued using a range of approaches. Where there is an active market the 'market approach' has been adopted. If its value is primarily dependent on its income generating capability the income approach was used. For other types of land the 'cost approach' was adopted. Details of each approach are detailed below.

###### Level 2 Valuation Inputs

**Market (Direct Comparison)** – This has been applied to land held in freehold title and has been assessed on the basis of the estimated amount which the interest in each property being valued might reasonably be expected to realise on the date of valuation in an exchange between market participants, given highest and best use or highest and best alternative use. This was determined by comparison to recent sales of land with similar characteristics. This was then adjusted to reflect comparability. As this was based on observable evidence they have been classified as Level 2.

###### Level 3 Valuation Inputs

##### **Income Approach with Public Sector Restrictions (Crown Land subject to Management Order in City's Favour) -**

The valuation of some restricted or otherwise non-saleable land has been valued using this approach. The approach in valuing this land is firstly to recognise that the City does not own the land in fee simple (freehold) and to acknowledge that under the definition of Fair Value, it is the value of the leasehold interest of the asset. As a lessee of the head lease, the City only has the right to manage the asset and the capabilities to sub lease it for the purpose for which it is vested.

## City of Wanneroo

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 33. Fair Value Measurements (continued)

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##### (3) Valuation Techniques used to derive Level 2 and Level 3 Fair Values (continued)

**Cost (Hypothetical Analysis)** – Determination of the replacement cost involves detailed analysis of a hypothetical highest alternative land use. Typically this includes estimating the number of potential residential or commercial lots that could be developed on a site. These are observable based on existing Town Planning rules and have been classified as Level 2. The third input is the developer's interest which effectively is the rate of return the developer requires based on existing market conditions. This requires the valuers to exercise professional judgement and accordingly has been classified as level 3.

**Cost (Complex Analysis)** – These relate to land which is unique and requires consideration of a range of alternative uses that could be used to maximise the value. Typically these include sites which would enable sub-division into lots with different zonings and uses. They require the extensive exercise of professional judgement and require determination of a range of assumptions.

#### Buildings

The City's buildings were valued by independent valuers. The valuation of buildings, structural improvements and site services includes those items that form part of the building services installation (e.g. heating, cooling and climate control equipment, lifts, escalators, fire alarms, sprinklers and fire fighting equipment, and general lighting etc).

Excluded from this report are all items of plant, machinery, equipment, cranes, tools, furniture or chattels.

##### Level 3 Valuation Inputs

**Cost (Depreciated)** – These buildings were valued using the cost approach using professionally qualified Registered Valuers.

Under this approach, the cost to replace the asset is calculated and then adjusted to take account of an accumulated depreciation. The Valuer disaggregated the building into different components and for each component determined a value based on the inter-relationship between a range of factors. These include asset condition, legal and commercial obsolescence and the determination of key depreciation related assumptions such as residual value and the pattern of consumption of the future economic benefit.

## City of Wanneroo

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 33. Fair Value Measurements (continued)

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##### (3) Valuation Techniques used to derive Level 2 and Level 3 Fair Values (continued)

###### Plant and Equipment

The City's Plant and Equipment have been valued by independent professional valuers in accordance with applicable Australian Standards

Level 2 and Level 3 valuation inputs have been applied to all plant and equipment asset classes. Level 2 inputs being comparable type assets on the market place (like for like) and level 3 inputs being no direct comparable or assets that do not have an active market in place.

###### Furniture and Equipment

The City's Furniture and Fittings have been valued by independent valuers in accordance with applicable Australian Standards.

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###### Infrastructure

The City's infrastructure has been valued at fair value utilising in-house qualified and experienced Asset Management staff. These valuation were reviewed by an independent valuer.

The City's infrastructure assets were valued using a depreciated cost valuation technique. In this method assets current replacement cost less accumulated depreciation calculated on the basis of such cost to reflect potential of the asset that was established. Then adjusted to take into account the expired service potential of the asset.

The current replacement cost was measured by referencing the lowest cost at which the asset could be obtained in the normal course of business.

The total cost values have been calculated using unit cost rate based on current tender and general market rates.

Level 2 and Level 3 valuation inputs have been applied to all infrastructure asset classes. Level 2 inputs being construction cost and current condition and Level 3 inputs being residual values and remaining useful life assessments.

The above techniques and inputs were utilised for all of the following classes:

- Roads
- Drainage
- Pathways
- Car Parks
- Reserves
- Other Infrastructure



## City of Wanneroo

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 33. Fair Value Measurements (continued)

## (4). Fair Value Measurements using Significant Unobservable Inputs (Level 3)

The following tables present the changes in Level 3 fair value asset classes.

	Buildings	Reserves	Roads	Pathways	Total
	\$	\$	\$	\$	\$
<b>Closing Balance - 30 June 2018</b>	171,147,700	199,485,343	1,135,420,136	134,999,999	1,641,053,178
Purchases (GBV)*	-	8,650,704	20,245,186	2,352,826	31,248,716
Depreciation & Impairment	(5,479,130)	(6,602,509)	(14,762,045)	(2,573,218)	(29,416,902)
<b>Closing Balance - 30 June 2019</b>	165,668,570	201,533,538	1,140,903,277	134,779,607	1,642,884,992

	Furniture & Equipment	Drainage	Car Parking	Other Infrastructure	Total
	\$	\$	\$	\$	\$
<b>Closing Balance - 30 June 2018</b>	1,135,504	372,581,463	42,633,114	59,280,731	475,630,812
Purchases (GBV)*	-	3,058,042	670,984	1,816,896	5,545,922
Depreciation & Impairment	-	(3,458,003)	(342,445)	(3,626,455)	(7,426,903)
<b>Closing Balance - 30 June 2019</b>	1,135,504	372,181,502	42,961,653	57,471,172	473,749,831

	Land	Plant & Equipment			Total
	\$	\$			\$
<b>Closing Balance - 30 June 2018</b>	80,805,000	-	-	-	80,805,000
Revaluation Increment	-	7,154,000	-	-	7,154,000
<b>Closing Balance - 30 June 2019</b>	80,805,000	7,154,000	-	-	87,959,000

\* GBV = Gross Book Value

## (5) Highest and Best Use

All assets are considered to be utilised for their highest and best use.

## City of Wanneroo

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 34. Development Contribution Plans

##### Development Contribution Plans

Development Contribution Plans are related to the development of district facilities. Town Planning Schemes which are mainly related to the development of standard infrastructures are disclosed in Note 31.

##### (a) Yanchep/Two Rocks Community Facilities

The Yanchep/Two Rocks Development Contribution Plan (YTRDCP) collects contributions from landowners in Yanchep and Two Rocks and are used towards the cost of providing district level community facilities. The YTRDCP will ultimately provide for the delivery of three district level facilities over a period of 16 years, including the Yanchep Surf Life Saving Club, Yanchep District Open Space and the Capricorn Coastal node facilities.

##### Statement of Comprehensive Income - Yanchep/ Two Rocks Community Facilities

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
<b>Operating Income</b>			
Development Contributions	491,748	1,028,600	442,020
Interest on Investments	14,827	27,175	36,769
	<u>506,575</u>	<u>1,055,775</u>	<u>478,789</u>
<b>Operating Expense</b>			
Audit Fees	-	(4,142)	-
Advertising Expenses	-	(100)	-
Interest Expenses	(288,324)	(300,893)	(275,773)
Construction Costs	83,546	-	(3,007,581)
Valuation Fees	(1,900)	-	-
Consulting Fees	(6,725)	(6,000)	-
Administration Allocation	(32,418)	(38,312)	(71,582)
	<u>(245,821)</u>	<u>(349,447)</u>	<u>(3,354,936)</u>
<b>Total</b>	<u><b>260,754</b></u>	<u><b>706,328</b></u>	<u><b>(2,876,147)</b></u>

##### Statement of Financial Position - Yanchep/ Two Rocks Community Facilities

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalent Assets	840,661	1,518,411	319,701
Total Current Assets	<u>840,661</u>	<u>1,518,411</u>	<u>319,701</u>
<b>TOTAL ASSETS</b>	<u>840,661</u>	<u>1,518,411</u>	<u>319,701</u>
<b>LIABILITIES</b>			
Loan	(8,300,000)	(9,104,176)	(8,300,000)
Accrued Interest	(37,910)	-	(42,489)
Trade and other payables	(264,785)		
Total Current Liabilities	<u>(8,602,695)</u>	<u>(9,104,176)</u>	<u>(8,342,489)</u>
<b>Net Assets</b>	<u><b>(7,762,034)</b></u>	<u><b>(7,585,765)</b></u>	<u><b>(8,022,788)</b></u>
<b>EQUITY</b>			
Accumulated (Deficit)/Surplus	(7,762,034)	(7,585,765)	(8,022,788)
<b>Total Equity</b>	<u><b>(7,762,034)</b></u>	<u><b>(7,585,765)</b></u>	<u><b>(8,022,788)</b></u>

## City of Wanneroo

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 34. Development Contribution Plans (continued)

## (b) Alkimos/Eglinton Community Facilities

The Alkimos/Eglinton Development Contribution Plan (AEDCP) collects contributions from landowners in Alkimos and Eglinton that are used towards the cost of providing district level community facilities. The AEDCP will ultimately provide for the delivery of 11 district level facilities over a period of 25 years, including libraries, community centres, indoor recreation facilities, sporting precincts and a surf life saving club.

## Statement of Comprehensive Income - Alkimos/Eglinton Community Facilities

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Operating Income			
Development Contributions	917,411	997,000	944,842
Interest on Investments	346,428	303,857	312,986
	<u>1,263,839</u>	<u>1,300,857</u>	<u>1,257,828</u>
Operating Expense			
Audit Fees	-	(4,142)	-
Advertising Expenses	-	(100)	-
Feasibility Approval Studies	(3,500)	-	-
Valuation Fees	(1,000)	-	-
Consulting Fees	(6,725)	(56,000)	-
Administration Allocation	(27,170)	(38,312)	(53,683)
	<u>(38,395)</u>	<u>(98,554)</u>	<u>(53,683)</u>
<b>Total</b>	<b><u>1,225,444</u></b>	<b><u>1,202,303</u></b>	<b><u>1,204,145</u></b>

## Statement of Financial Position - Alkimos/Eglinton Community Facilities

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Cash and Cash Equivalent Assets	13,770,741	13,320,891	12,545,297
Total Current Assets	<u>13,770,741</u>	<u>13,320,891</u>	<u>12,545,297</u>
<b>TOTAL ASSETS</b>	<b><u>13,770,741</u></b>	<b><u>13,320,891</u></b>	<b><u>12,545,297</u></b>
LIABILITIES			
Nil	-	-	-
<b>Net Assets</b>	<b><u>13,770,741</u></b>	<b><u>13,320,891</u></b>	<b><u>12,545,297</u></b>
<b>EQUITY</b>			
Accumulated Surplus	13,770,741	13,320,891	12,545,297
<b>Total Equity</b>	<b><u>13,770,741</u></b>	<b><u>13,320,891</u></b>	<b><u>12,545,297</u></b>

## City of Wanneroo

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 35. Net Current Assets - Rate Setting Statement Information

	2019 Actual	2018 Actual	1 July 2017 Actual
	\$	\$	\$
<b>Current Assets</b>			
Cash - Unrestricted	21,430,249	12,658,890	20,313,941
Cash - Restricted Reserve	229,713,207	212,383,004	177,431,966
Cash - Restricted Town Planning Schemes	96,909,331	107,944,981	118,378,852
Cash - Restricted Unspent Grants	23,856,709	31,217,755	32,282,558
Cash - Restricted Unspent Loans	7,805,842	10,253,972	11,023,990
Trade and Other Receivables	23,592,102	21,624,523	19,218,020
Inventories	314,347	316,384	355,123
<b>Total Current Assets</b>	<b>403,621,787</b>	<b>396,399,509</b>	<b>379,004,450</b>
<b>Current Liabilities</b>			
Trade Payables	(31,430,118)	(17,316,915)	(22,466,183)
Bonds and Security Deposits	(7,649,633)	(6,129,236)	(5,546,166)
Current Employee Benefit Provisions	(17,342,241)	(15,465,129)	(16,620,016)
<b>Total Current Liabilities</b>	<b>(56,421,992)</b>	<b>(38,911,280)</b>	<b>(44,632,365)</b>
<b>Net Current Assets Position as per the Balance Sheet</b>	<b>347,199,795</b>	<b>357,488,229</b>	<b>334,372,085</b>
<b>Add back</b>			
Provisions for Town Planning Schemes included in Trade Payables	11,085,294	4,311,483	4,745,281
<b>Less</b>			
Cash - Restricted	(358,285,089)	(361,799,712)	(339,117,366)
<b>Surplus/ (Deficit) / Net Current Assets as per Rate Setting Statement</b>	<b>-</b>	<b>-</b>	<b>-</b>

## City of Wanneroo

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 36. Events occurring after the Reporting Period

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Events that occur between the end of the reporting period (30 June 2019) and the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

The date of receipt of the Auditors' Report is the applicable "authorised for issue" date relating to these General Purpose Financial Statements.

Events that occur after the Reporting Period represent one of two types:

##### **(i) Events that provide evidence of conditions that existed at the Reporting Period**

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2019.

##### **(ii) Events that provide evidence of conditions that arose after the Reporting Period**

These financial statements (and figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2019 and which are only indicative of conditions that arose after 30 June 2019.

**There has not been any material or significant "non-adjusting events" that should be disclosed.**

## City of Wanneroo

### Notes to the Financial Statements

for the year ended 30 June 2019

## Note 37. Initial Application of Australian Accounting Standards

### AASB 9 Financial Instruments

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

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

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

	<b>Adjustments 01 July 2018 \$</b>
<b>Assets:</b>	
Trade and other Receivables	15,926
<b>Equity:</b>	
Accumulated Surplus	15,926

Under AASB 9, financial assets are subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. The classification is based on two criteria: the City's business model for managing the assets; and whether the assets contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

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

The classification and measurement requirements of AASB 9 did not have a significant impact on the City.

## City of Wanneroo

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 37. Initial Application of Australian Accounting Standards (continued)

The following table shows the original measurement categories under AASB 139 and the new measurement categories under AASB 9 for each class of the City's financial assets and financial liabilities as at 01 July 2018.

	Note	Original classification under AASB 139	New classification under AASB 9	Original carrying amount under AASB 139	New carrying amount under AASB 9
				\$	\$
<b>Financial Assets</b>					
Cash and Cash Equivalents	3	Cash and Cash Equivalents	Amortised cost	374,458,602	374,458,602
Trade and other Receivables - Current	5	Loans and Receivables	Amortised Cost	21,624,523	21,608,597
<b>Financial Liabilities</b>					
Trade and Other Payables - Current	9	Other Financial Liability	Other Financial Liability	23,446,151	23,446,151

#### Impairment

The adoption of AASB 9 has fundamentally changed the City's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward looking expected credit loss approach. AASB 9 requires the City to recognise an allowance for expected credit losses for all financial assets not held at fair value through Profit and Loss. Upon adoption of AASB 9, the City recognised an additional impairment on the City's Trade receivables of \$15,926 as at 1 July 2018.

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

	Impairment under AASB 139 as at 30 June 2018	Remeasurement	Expected Credit Loss under AASB 9 as at 01 July 2018
Loans and receivables under AASB 139/ Financial Assets at amortised cost under AASB 9	\$ 776,730	\$ 15,926	\$ 792,656



## City of Wanneroo

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 38. New Accounting Standards and interpretations for Application in Future Years

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

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

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

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

	Carrying amount under AASB 118 30-Jun-19	Reclassification	Carrying amount under AASB 15 01-Jul-19
	\$	\$	\$
<b>Contract Assets</b>	-	350,989	350,989
<b>Contract Liabilities - Current</b>			
Unspent Grants Contributions and reimbursements	-	(18,177,801)	(18,177,801)
Development Contributions	-	(829,010)	(829,010)
<b>Contract Liabilities - Non Current</b>			
Unspent Grants Contributions and reimbursements	-	(3,814,344)	(3,814,344)
Development Contributions	-	(1,029,344)	(1,029,344)
Adjustment to retained surplus from adoption of AASB 15	-	(23,499,510)	(23,499,510)

##### (b) Leases

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

On adoption of AASB 16, the City will recognise lease liabilities in relation to leases which had previously been classified as an 'operating lease' under AASB 117. These lease liabilities will be measured at the present value of the remaining lease payments, discounted using the City's incremental borrowing rate applied to the lease liabilities on 1 July 2019. The weighted average lessees incremental borrowing rate applied to the lease liabilities on 1 July 2019 is 3.50%.

## City of Wanneroo

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 38. New Accounting Standards and interpretations for Application in Future Years (continued)

	2019
	\$
Operating lease commitments disclosed at 30th June 2019	288,626
Lease liability recognised as at 1 July 2019 discounted using the City's incremental borrowing rate of 3.50%	270,657

On adoption of AASB 16, the City will recognise a right-of-use asset in relation to a lease which had previously been classified as an 'operating lease' under AASB 117. The right-of-use asset is to be measured as if AASB 16 had been applied since its commencement date by the carrying amount but discounted using the lessee's incremental borrowing rate as on 1 July 2019. Applying the new standard will result in the property, plant and equipment increasing by \$270,657 on 1 July 2019, with the net impact on retained earnings on 1 July 2019 being nil.

On adoption of AASB 16, the City is not required to make any adjustments on transition for leases for which the underlying asset is of low value. Assets for which the fair value as at the date of acquisition is under \$5,000 are not recognised as an asset in accordance with Financial Management Regulation 17A (5)

In applying AASB 16 for the first time, the City will exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application.

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

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

In applying AASB 1058 retrospectively with the cumulative effect of initially applying the Standard on 1 July 2019 changes will occur to the following Financial Statement line items by application of AASB 1058 as compared to AASB 1004.

	AASB 1004 carrying amount 30-Jun-19	Reclassification	AASB 1058 carrying amount 01-Jul-19
	\$	\$	\$
Trade and other payables	-	(3,521,995)	(3,521,995)
Adjustment to retained surplus from adoption of AASB 1058	-	(3,521,995)	(3,521,995)

Prepaid rates are, until the rating period for the rates has occurred, refundable at the request of the ratepayer. Therefore the rates received in advance give rise to a financial liability that is within the scope of AASB 9. On 1 July 2019 the prepaid rates will be recognised as a financial asset and a related amount recognised as a financial liability and no income recognised by the City. When the rating period occurs the financial liability will be extinguished and the City will recognise income for the prepaid rates that have not been refunded.

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

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

## City of Wanneroo

### Notes to the Financial Statements

for the year ended 30 June 2019

### Note 38. New Accounting Standards and interpretations for Application in Future Years (continued)

#### (d) Impact of changes to Retained Surplus

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

	Note	2019
		\$
Retained surplus - 30 June 2019		1,262,504,874
Adjustment to retained surplus from adoption of AASB 15	38(a)	(23,499,510)
Adjustment to retained surplus from adoption of AASB 1058	38(c)	(3,521,995)
Retained surplus - 01 July 2019		<u>1,235,483,369</u>

## City of Wanneroo

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 39. Prior Period Corrections

Balances relating to the 2018 comparative year have been amended due to the correction of prior period adjustments. These amendments have been adjusted as shown below and, in accordance with the requirements of AASB101, a statement of financial position as at the beginning of the earliest comparative period has been included (refer statement of financial position column labelled as at 1 July 2017).

#### Town Planning Schemes

In March 2016, the City commenced an internal review of the accuracy of the financial data for the financial years from 1999/2000 to 2017/2018 for all East Wanneroo Development Area Cells (1-9). The result of this review identified a number of financial misstatements that require adjustments.

As at 30 June 2019, the City has made prior-period adjustments to recognise these financial misstatements. As a result of recognising these financial misstatements, a net amount \$14,591,337 has been transferred out of the East Wanneroo Development Area Cells and recouped to the City's Strategic Projects /Initiatives Reserve.

#### Rate Setting Statement

During 2018/19, a misstatement was identified relating to the Rate Setting Statement. As a result of this 2017/18 Rate Setting Statement was adjusted by \$163,273. Further 2017/18 Strategic Projects/ Initiatives Reserve was adjusted by \$1,545,239.

	30 June 2018 original Balance	Amount of Adjustment	30 June 2018 Adjusted Balance
<b>Effect of the corrections</b>	\$	\$	\$
<b>(a) Changes to the Financial Statements for the year ended 30 June 2019</b>			
<b>Statement of Comprehensive Income</b>			
<b>- by Nature or Type</b>			
<b>Revenue</b>			
Interest Earnings	9,127,900	373,487	9,501,387
<b>Expenses</b>			
Materials & Contracts	(54,332,071)	811,106	(53,520,965)
Town Planning Scheme & Development Contribution Plan Income	20,487,522	(373,487)	20,114,035
Town Planning Scheme & Development Contribution Plan Expenses	(12,526,286)	(811,106)	(13,337,392)
<b>Statement of Financial Position</b>			
<b>Equity</b>			
Retained Surplus	1,240,359,977	1,545,236	1,241,905,213
Reserves- Cash/ Investment Backed	199,336,903	13,046,101	212,383,004
Town Planning Schemes	118,224,599	(14,591,337)	103,633,262
<b>Statement of Cash Flows</b>			
<b>Cash Flows from Operating Activities</b>			
<b>Receipts</b>			
Interest Earnings	9,702,688	373,487	10,076,175
<b>Payments</b>			
Materials & Contracts	(58,604,512)	811,106	(57,793,406)
<b>Cash Flows from Investing Activities</b>			
Town Planning Scheme & Development Contribution Plan Income	20,487,522	(373,487)	20,114,035
Town Planning Scheme & Development Contribution Plan Expenses	(12,526,286)	(811,106)	(13,337,392)
<b>Rate Setting Statement</b>			
<b>Financing Activities</b>			
Transfers to Reserves (Restricted Assets)	(52,449,883)	(1,036,235)	(53,486,118)
Transfers to Town Planning Schemes ( excluding DCPs)	(18,750,905)	373,487	(18,377,418)
Transfers from Town Planning Schemes (excluding DCPs)	14,159,638	499,472	14,659,110
Leave Provision Transferred (to)/ from Reserve	(163,273)	163,273	-

Notes to the Financial Statements  
for the year ended 30 June 2019

Note 39. Prior Period Corrections (Continued)

	30 June 2018 original Balance	Amount of Adjustment	30 June 2018 Adjusted Balance
<b>Effect of the corrections</b>	\$	\$	\$
<b>Changes to the Notes</b>			
<b>Note 2. Operating Revenues and Expenses</b>			
<b>Interest Earnings</b>			
Investments - Municipal Funds	2,592,167	373,487	2,965,654
Town Planning Schemes & Development Contribution Plans	3,580,884	(373,487)	3,207,397
<b>Note 3. Cash and Cash Equivalents</b>			
<b>Restricted</b>			
Reserves - Cash Backed	199,336,903	13,046,101	212,383,004
Town Planning Schemes & Development Contribution Plans	122,536,318	(14,591,337)	107,944,981
<b>Note 12. Reserves - Cash/ Investment Backed</b>			
<b>(s) Strategic Projects/ Initiatives Reserve</b>			
Opening Balance	71,307,498	12,009,866	83,317,364
Amount Set Aside/Transfer to Reserve	30,483,480	1,036,235	31,519,715
<b>Note 31. Town Planning Schemes</b>			
<b>Cell 1</b>			
<b>Operating Income</b>			
Interest on Investments	782,010	(83,971)	698,039
<b>Operating Expense</b>			
Construction Cost	-	3,244	3,244
Environmental Remediation or Improvement Costs	-	(6,329)	(6,329)
<b>Assets</b>			
Cash and Cash Equivalent Assets	29,775,005	(3,180,936)	26,594,069
<b>Equity</b>			
Accumulated Surplus	29,775,005	(3,180,936)	26,594,069
<b>Cell 2</b>			
<b>Operating Income</b>			
Interest on Investments	230,972	(18,878)	212,094
<b>Operating Expense</b>			
Construction Cost	-	(77)	(77)
Environmental Remediation or Improvement Costs	-	(9,089)	(9,089)
<b>Assets</b>			
Cash and Cash Equivalent Assets	8,742,342	(722,926)	8,019,416
<b>Equity</b>			
Accumulated Surplus	8,742,342	(722,926)	8,019,416

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 39. Prior Period Corrections (Continued)

	30 June 2018 original Balance	Amount of Adjustment	30 June 2018 Adjusted Balance
<b>Effect of the corrections</b>	\$	\$	\$
<b>Cell 3</b>			
<b>Operating Income</b>			
Interest on Investments	39,215	(20,000)	19,215
<b>Assets</b>			
Cash and Cash Equivalent Assets	1,473,755	(756,953)	716,802
<b>Equity</b>			
Accumulated Surplus	1,473,755	(756,953)	716,802
<b>Cell 4</b>			
<b>Operating Income</b>			
Interest on Investments	348,001	(26,040)	321,961
<b>Assets</b>			
Cash and Cash Equivalent Assets	13,085,021	(985,568)	12,099,453
<b>Equity</b>			
Accumulated Surplus	13,085,021	(985,568)	12,099,453
<b>Cell 5</b>			
<b>Operating Income</b>			
Interest on Investments	245,860	(117,460)	128,400
<b>Operating Expense</b>			
Construction Cost	(762,694)	(145,145)	(907,839)
Environmental Remediation or Improvement Costs	-	(101,036)	(101,036)
<b>Assets</b>			
Cash and Cash Equivalent Assets	8,461,938	(4,668,268)	3,793,670
<b>Equity</b>			
Accumulated Surplus	8,461,938	(4,668,268)	3,793,670
<b>Cell 6</b>			
<b>Operating Income</b>			
Interest on Investments	752,159	(107,480)	644,679
<b>Operating Expense</b>			
Construction Cost	(280,124)	(91,004)	(371,128)
Environmental Remediation or Improvement Costs	-	(22,003)	(22,003)
<b>Assets</b>			
Cash and Cash Equivalent Assets	28,514,615	(4,171,854)	24,342,761
<b>Equity</b>			
Accumulated Surplus	28,514,615	(4,171,854)	24,342,761

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 39. Prior Period Corrections (Continued)

	30 June 2018 original Balance	Amount of Adjustment	30 June 2018 Adjusted Balance
<b>Effect of the corrections</b>	\$	\$	\$
<b>Cell 7</b>			
<b>Operating Income</b>			
Interest on Investments	83,683	(3,398)	80,285
<b>Assets</b>			
Cash and Cash Equivalent Assets	2,927,170	(128,621)	2,798,549
<b>Equity</b>			
Accumulated Surplus	2,927,170	(128,621)	2,798,549
<b>Cell 8</b>			
<b>Operating Income</b>			
Interest on Investments	125,877	16,763	142,640
<b>Operating Expense</b>			
Environmental Remediation or Improvement Costs	-	(90,125)	(90,125)
<b>Assets</b>			
Cash and Cash Equivalent Assets	4,873,631	551,516	5,425,147
<b>Equity</b>			
Accumulated Surplus	4,873,631	551,516	5,425,147
<b>Cell 9</b>			
<b>Operating Income</b>			
Interest on Investments	527,283	(13,022)	514,261
<b>Operating Expense</b>			
Construction Cost	(176,888)	-	(176,888)
Environmental Remediation or Improvement Costs	-	(37,908)	(37,908)
<b>Assets</b>			
Cash and Cash Equivalent Assets	21,021,738	(527,728)	20,494,010
<b>Equity</b>			
Accumulated Surplus	20,158,962	(527,728)	19,631,234

## (b) Changes to the Statement of Financial Position as at 01 July 2017

	01 July 2017 original Balance	Amount of Adjustment	01 July 2017 Adjusted Balance
	\$	\$	\$
<b>Equity</b>			
Retained Surplus	1,209,474,073	1,708,512	1,211,182,585
Reserves- Cash/ Investment Backed	179,140,478	12,009,866	191,150,344
Town Planning Schemes	113,633,332	(13,718,378)	99,914,954





## Auditor General

### INDEPENDENT AUDITOR'S REPORT

#### To the Councillors of the City of Wanneroo

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

##### **Opinion**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



**Report on Other Legal and Regulatory Requirements**

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

- (i) In my opinion, the following material matters indicate significant adverse trends in the financial position of the City:
  - a. The Current Ratio has been below the Department of Local Government, Sport and Cultural Industries (DLGSCI) standard for the past 3 years.
  - b. The Asset Sustainability Ratio has been below the DLGSCI standard for the past 3 years.

The financial ratios are reported in Note 22 of the annual financial report.

- (ii) All required information and explanations were obtained by me.
- (iii) All audit procedures were satisfactorily completed.
- (iv) In my opinion, the asset consumption ratio and the asset renewal funding ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

**Other Matter**

The financial ratios for 2017 in Note 22 of the annual financial report were audited by another auditor when performing their audit of the City for the year ending 30 June 2017. The auditor expressed an unmodified opinion on the annual financial report for that year.

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

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



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

## SCS03-12/19 Report on Matters of Significance highlighted in the 2018-19 Audit Report

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File Ref: 38026 – 19/459713  
 Responsible Officer: Director Corporate Strategy & Performance  
 Disclosure of Interest: Nil  
 Attachments: 1

### Issue

To consider the matters identified as significant in the Independent Auditor's Report for the year ended 30 June 2019 by the Office of the Auditor General (**OAG**). Specifically, adverse trends of some of the reportable Ratios which were calculated in-line with reporting requirements as specified in the guidelines issued by the Department of Local Government, Sports and Cultural Industries (**DLGSCI**).

The matters require specific action and disclosure as per section 7.12A(4) and (5) of the *Local Government Act 1995* (the **Act**).

### Background

As part of the Statutory Audit process of the Annual Financial Statements, the OAG is required to report of any matters relating to Legal and Regulatory Requirements that come to their attention. For the City's Annual Financial Statement for the year ended 30 June 2019, the OAG identified the City was not compliant with the Current Ratio and the Asset Sustainability Ratio standard set by the DLGSCI for the past three years, which was highlighted in their Independent Auditor's Report dated 22 November 2019 (**Attachment 1**).

Under the *Local Government Act 1995* section 7.12A(4) and (5), Duties of local government with respect to the Act audits:

- (4) *A local government must —*
  - (a) *prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and*
  - (b) *give a copy of that report to the Minister within 3 months after the audit report is received by the local government.*
- (5) *Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government's official website.*

### Detail

As indicated above, the OAG has highlighted under the heading, 'Report on Other Legal and Regulatory Requirements' in the Independent Auditor's Report dated 22 November 2019 that the Current Ratio and the Asset Sustainability Ratio have been below the DLGSCI set standard for the past three years.

The adverse position has been presented to the Audit and Risk Committee on the 19 November as part of the 2018/19 Annual Financial Statements. Explanation of this position is detailed below.

Description	2018/19	2017/18	2016/17	Benchmark
Current Ratio	0.80:1	0.89:1	0.89:1	1.00:1

*Extract from the DLGSCI Guidelines on Ratio's:*

$$\text{Current Ratio} = \frac{(\text{Current Assets MINUS Restricted Assets})}{(\text{Current Liabilities MINUS Liabilities Associated with Restricted Assets})}$$

*Purpose: This is a modified commercial ratio designed to focus on the liquidity position of a local government that has arisen from past year's transactions.*

*Standards: The standard is not met if the ratio is lower than 1:1 (less than 100%) The standard is met if the ratio is greater than 1:1 (100% or greater). A ratio less than 1:1 means that a local government does not have sufficient assets that can be quickly converted into cash to meet its immediate cash commitments. This may arise from a budget deficit from the past year, a Council decision to operate an overdraft or a decision to fund leave entitlements from next year's revenues.*

*This ratio is used to determine if a Local Government (LG) has sufficient assets to meet its short term commitments. A ratio of less than 1 would mean that the LG may struggle to meet its short term commitments."*

The City does not believe the above generalised view is correct as it deems "restricted" cash as un-accessible. While it is acknowledged that the City's Special Purpose Cash Backed Reserves are set aside for a specific purpose, the City has a detailed cash flow forecasting model in place which tracks all operating and capital inflows and outflows including the realisation of investments and transfers from/ to restricted reserves. It has managed its payment commitments without any recorded delays in its payment cycles for creditor and staff commitments.

The City's cash holdings (restricted and un-restricted) have been progressively improving as noted below:

	2014/15	2015/16	2016/17	2017/18	2018/19
Restricted	\$293.6m	\$305.2m	\$340.8m	\$361.8m	\$358.3m
Unrestricted	\$8.9m	\$14.4m	\$18.6m	\$12.7m	\$21.4m
<b>Total</b>	<b>\$302.5m</b>	<b>\$319.6m</b>	<b>\$359.4m</b>	<b>\$374.5m</b>	<b>\$379.7m</b>

The City has a deliberate strategy to improve its Cash Backed Reserves Balances to enable financially sustainable and responsible management of the deliverability of large multiyear projects and long term liabilities. This strategy enables the City to ensure that it has the capacity to manage future General Rate rises/ declines.

It should be noted that Council has the ability to transfer funds from a number of restricted reserves (e.g. Strategic Project/ Initiatives Reserve) to unrestricted cash holdings should the need arise.

Nevertheless as it stands the City does not meet the DLGSCI guidelines. However, as noted above, it is by choice to ensure the City has appropriate reserves which will help smoothen General Rate rises/ declines in the future.

Description	2018/19	2017/18	2016/17	Benchmark
Asset Sustainability Ratio	0.44:1	0.34:1	0.32:1	0.90:1

The DLGSCI Asset Management Framework and Guidelines publication provides the following explanation in respect to the Asset Sustainability Ratio (**ASR**):

$$\text{Asset Sustainability Ratio} = \frac{\text{Capital Renewal and Replacement Expenditure}}{\text{Depreciation}}$$

*"If capital expenditure on renewing or replacing assets is at least equal to depreciation on average over time, then the local government is ensuring the value of its existing stock of physical assets is maintained. If capital expenditure on existing assets is less than depreciation then, unless a local government's overall asset stock is relatively new, it is likely that it is underspending on renewal or replacement."*

A large percentage of the City's assets are in new to very good condition with approximately 85% of the total asset base at or below condition 2 (a rating of '0' represents a new asset and a '10' represents an asset that has failed). Less than 1% of the asset base is at or above condition 8, which represents assets that require intervention.

With the City's current mix of old and new assets and continued high growth, a lower than average ASR is expected, and the current condition of assets and level of renewal expenditure confirms this position. As the stock ages and renewal expenditure incrementally increases the ratio should increase, however continued growth may keep it relatively lower than the industry standard.

Taking a long-term outlook, the level of asset stock and renewal demand necessitates the development of strategies to address the future impact and ensure that the City can continue to grow and maintain its assets in a financially sustainable manner. Given that renewal expenditure is lower than the depreciation being charged and that certain years' experience significant spikes in demand, a specific Asset Renewal Reserve has been established.

## Consultation

Nil

## Comment

On receipt of this report, the Chief Executive Officer (**CEO**) must notify the Minister of the action taken and ensure the same is published on the City's website within 14 days of issuance of the letter.

## Statutory Compliance

*Local Government Act 1995*

*Local Government (Audit) Regulations 1996*

## Strategic Implications

The proposal aligns with the following objective within the Strategic Community Plan 2017 – 2027:

“4 Civic Leadership

4.2 Good Governance

4.2.1 Provide transparent and accountable governance and leadership”

## Risk Management Considerations

<b>Risk Title</b>	<b>Risk Rating</b>
Financial Management	Moderate
<b>Accountability</b>	<b>Action Planning Option</b>
Executive Management Team	Manage

The above risk relating to the issue contained within this report has been identified and considered within the City's Corporate Risk Register. Action plans have been developed to manage this risk to improve the existing management systems.

## Policy Implications

Nil

## Financial Implications

Nil

## Voting Requirements

Simple Majority

## Recommendation

That Council:-

1. **APPROVES** this report identifying reasons for matters identified as significant by the Office of the Auditor General in their Independent Auditors Report dated 22 November 2019; and
2. **REQUESTS** the Chief Executive Officer to submit a report to the Minister for Local Government, Sports and Cultural Industries commenting on the reasons for the deficiencies noted by the Office of the Auditor General and actions to be taken, and publish this report on the City of Wanneroo's website within 14 days of submitting the report to the Minister.

Attachments:

1. [OAG Independent Auditor's Report \(Audit opinion\) 30 June 2019](#) 19/464670





## Auditor General

### INDEPENDENT AUDITOR'S REPORT

#### To the Councillors of the City of Wanneroo

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

##### **Opinion**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



**Report on Other Legal and Regulatory Requirements**

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

- (i) In my opinion, the following material matters indicate significant adverse trends in the financial position of the City:
  - a. The Current Ratio has been below the Department of Local Government, Sport and Cultural Industries (DLGSCI) standard for the past 3 years.
  - b. The Asset Sustainability Ratio has been below the DLGSCI standard for the past 3 years.

The financial ratios are reported in Note 22 of the annual financial report.

- (ii) All required information and explanations were obtained by me.
- (iii) All audit procedures were satisfactorily completed.
- (iv) In my opinion, the asset consumption ratio and the asset renewal funding ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

**Other Matter**

The financial ratios for 2017 in Note 22 of the annual financial report were audited by another auditor when performing their audit of the City for the year ending 30 June 2017. The auditor expressed an unmodified opinion on the annual financial report for that year.

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

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



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

**Item 5 Confidential**

Nil

**Item 6 To Be Tabled**

Nil

**Item 7 Date of Next Meeting**

The next Ordinary Council meeting has been scheduled for 6:00pm on Tuesday 10 December 2019, to be held in Council Chambers, Civic Centre (Level 1), 23 Dundobar Road, Wanneroo.

**Item 8 Closure**



## COUNCIL CHAMBERS SEATING DIAGRAM

SCREEN

Mayor  
Tracey Roberts  
JP

Daniel Simms  
CEO

Mustafa Yildiz  
Executive Manager  
Governance & Legal

Harminder Singh  
Director  
Assets

Noelene Jennings  
Director  
Corporate Strategy  
& Performance

Debbie Terelinck  
Director  
Community & Place

Mark Dickson  
Director  
Planning &  
Sustainability

Cr Hugh Nguyen

Cr Glynis Parker

Cr Dot Newton JP

Cr Jacqueline Huntley

Cr Sonet Coetzee

Cr Natalie Sangalli

Cr Linda Aitken JP

Cr Domenic Zappa

Cr Vinh Nguyen

Cr Brett Treby

Cr Paul Miles

Cr Frank Cvitan JP

Cr Chris Baker

Cr Lewis Flood

EXIT

MICROPHONE

PUBLIC GALLERY