



Minutes of Audit and Risk Committee Meeting

Held on

Tuesday 1 December 2020 at 5.30pm

Held at Council Chamber, 83 Mandurah Terrace Mandurah

PRESENT:

COUNCILLOR	P JACKSON [CHAIRMAN]	NORTH WARD
MAYOR	R WILLIAMS	
COUNCILLOR	J GREEN	COASTAL WARD
COUNCILLOR	A ZILANI [5.38pm]	NORTH WARD
COUNCILLOR	P ROGERS	TOWN WARD
MR	W TICEHURST	INDEPENDENT MEMBER

ELECTED MEMBERS OBSERVING:

COUNCILLOR	C KNIGHT
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GUESTS:

MR	T SANYA	DELOITTE AUSTRALIA
MS	N MENEZES	DELOITTE AUSTRALIA
MR	D ORIAIFO	DELOITTE AUSTRALIA

MR	M NEWMAN	CHIEF EXECUTIVE OFFICER
MR	A CLAYDON	DIRECTOR NATURAL AND BUILT ENVIRONMENT
MS	J THOMAS	DIRECTOR PLACE AND COMMUNITY
MR	J CAMPBELL-SLOAN	DIRECTOR STRATEGY AND ECONOMIC DEVELOPMENT
MS	C MIHOVILOVICH	DIRECTOR BUSINESS SERVICES
MS	T JONES	MANAGER GOVERNANCE, PROCUREMENT AND LAND
MRS	L SLAYFORD	MINUTE OFFICER

1. OPENING OF MEETING

The Chairman declared the meeting open at 5.32pm.

2. APOLOGIES

Nil

3. IMPORTANT NOTE

The purpose of this Committee Meeting is to discuss and make recommendations to Council about items appearing on the agenda and other matters for which the Committee is responsible. The Committee has no power to make any decisions which are binding on the Council or the City of Mandurah unless specific delegation of authority has been granted by Council.

No person should rely on or act on the basis of any advice or information provided by a Member or Officer, or on the content of any discussion occurring, during the course of the meeting. The City of Mandurah expressly disclaims liability for any loss or damage suffered by any person as a result of relying on or acting on the basis of any advice or information provided by a Member or Officer, or the content of any discussion occurring, during the course of the Committee meeting.

4. RESPONSE TO PREVIOUS QUESTIONS TAKEN ON NOTICE

Nil.

5. PUBLIC QUESTION TIME

Nil.

6. ANNOUNCEMENTS

STANDING ORDERS LOCAL LAW 2016

Not required due to in-person attendance by Committee Members.

AR.1/12/20 CHANGE OF AGENDA ORDER

Given the attendance of Deloitte Australia personnel, Councillor Rogers moved that the order of the agenda be changed permitting presentation two, relating to the 2020 Audit, to be considered next with presentation one to be considered as the final item of business. Mayor Williams seconded the motion.

MOTION

Moved: Councillor P Rogers

Seconded: Mayor Williams

That presentation two be considered next with presentation one to be considered as the final item of business.

CARRIED: 5/0

7. PRESENTATIONS

7.2 Deloitte Australia: 2020 Audit

Mr Sanya and Ms Menezes delivered an overview of the Audit process undertaken.

Councillor Zilani entered the Chamber at 5.38pm.

8. DEPUTATIONS

Nil.

9. CONFIRMATION OF MINUTES

AR.2/12/20 CONFIRMATION OF MINUTES TUESDAY 8 SEPTEMBER 2020

MOTION

Moved: Councillor P Rogers

Seconded: Mayor R Williams

That the Minutes of the Audit and Risk Committee meeting of Tuesday 8 September 2020 be confirmed.

CARRIED: 6/0

10. DECLARATIONS OF INTERESTS

Nil.

11. QUESTIONS FROM COMMITTEE MEMBERS

Questions of Which Due Notice Has Been Given

11.1 COUNCILLOR P ROGERS: COMPLIANCE UPDATE

Could City Officers provide comment on the benefit of the Audit and Risk Committee considering a biannual Compliance Update as a part of its Work Plan that may consist of the following:

- Breach reporting;
- Reports to regulators;
- Legislative compliance - monitoring of compliance with current legislation;

- Legislative watch lists - progress of amendments to Commonwealth and State legislation that impacts LG and proposed new legislation that impacts LG;
- Staff compliance training trends;
- Policy review plan;
- Local Law review plan; and
- Enforcement, fines and prosecution trends.

Response

City officers will be circulating the proposed 2021 Work Plan for the Audit and Risk Committee in December for comment. Majority of the reports for Audit and Risk consideration are a result of a legislative compliance requirement, however now Council has endorsed the Strategic Internal Audit Plan and Risk Management Framework, an update and a report for both of these functions will be included at each Audit and Risk Committee meeting held in 2021. In order for the Committee Members to keep track of the 2021 Work Plan, we can arrange for this to be circulated when the agenda for each of the meetings scheduled for 2021 is released.

Questions of Which Notice Has Not Been Given

Nil.

12. BUSINESS LEFT OVER FROM PREVIOUS MEETING

Nil.

AR.3/12/20 CHANGE OF AGENDA ORDER

Given the attendance of Deloitte Australia personnel, Mayor Williams moved that the order of the agenda be changed permitting report two, relating to the Financial Statements 2019/2020, to be considered next, Councillor P Rogers seconded the motion.

MOTION

Moved: Mayor Williams

Seconded: Councillor P Rogers

That Report two, Financial Statements 2019/2020, be considered next.

CARRIED: 6/0

13. REPORTS

AR.4/12/20 FINANCIAL STATEMENTS 2019 / 2020 (REPORT 2)

Summary

In accordance with the *Local Government Act 1995* and the *Local Government (Audit) Regulations 1996*, an Audit Committee is to examine the Annual Financial Statements, review any significant matters raised by the auditor and ensure that appropriate action is taken in respect to those matters raised.

The audit of the Annual Financial Statements for 2019/20 has now been completed. A copy of the final unsigned audit report is attached and also included in the Annual Financial Statements. The indication is that the audit report will be unmodified and the City's Annual Financial Statements are fairly and appropriately presented in accordance with the Australian Accounting Standards Board and the *Local Government Act 1995*.

Officer Recommendation

That the Audit and Risk Committee:

- 1 Receive the Annual Financial Statements 2019/20 as detailed in Attachment 2.1.
- 2 Note the Status Report to Audit and Risk Committee as detailed in the Confidential Attachment 2.2.
- 3 Accept the Management Report that addresses the matter identified as significant by the Auditor in the Auditor's Report as detailed in Attachment 2.3.

Committee Recommendation

MOTION

Moved: Councillor P Rogers

Seconded: Mr W Ticehurst

That the Audit and Risk Committee:

- 1 **Receive the Annual Financial Statements 2019/20 as detailed in Attachment 2.1.**
- 2 **Note the Status Report to Audit and Risk Committee as detailed in Confidential Attachment 2.2.**
- 3 **Accept the Management Report that addresses the matter identified as significant by the Auditor in the Auditor's Report as detailed in Attachment 2.3.**
4. **Note that Council will consider the final versions of the Annual Financial Statement 2019/2020 and the Status Report to the Audit and Risk Committee.**

CARRIED: 6/0

Reason: Due to amendments required to be included in the Financial Statements and Status Report, the Committee accepted the original attachments as contained within the agenda noting that amended documents would be presented for Council to consider.

Note: In the conclusion section of the Agenda Council report, a correction to the comment regarding "cash holdings have decreased" has been corrected in the agenda to change to cash holdings have increased.

The Chief Executive Officer thanked Deloitte Australia and its staff for the relationship and service provided to the City over many years. Future audits would be conducted via the Office of the Auditor General.

**AR.5/12/20 OFFICE OF THE AUDITOR GENERAL REPORT: WASTE MANAGEMENT
(REPORT 1)**Summary

The Office of the Auditor General (OAG) tabled its report titled Waste Management - Service Delivery (Paper No. 4136) in Parliament on 20 August 2020. The Paper presented the outcomes of an audit by the OAG to assess whether local governments plan and deliver effective waste services to their communities. It also assessed whether the State Government provided adequate support to local governments for local waste planning and service delivery. The OAG selected three Perth and Peel and three regional local governments together with three State Government entities to conduct the audit.

The Paper presented nine recommendations with four actions for local governments. These are each addressed within this report. Council is requested to note City officers' comments in relation to these recommendations and in particular, that City officers will address the Food and Organic Waste (FOGO) service as part of the draft Waste Management Plan that will be presented to Council in March 2021.

Officer Recommendation

That the Audit and Risk Committee notes:

- 1 The City officer's comments on the recommendations contained within the Office of the Auditor General's Report on Waste Management Service Delivery.
- 2 That City officers will further address the issue of the provision of a third bin associated with Food and Organic Waste service as part of the draft Waste Management Plan that will be presented to Council before 31 March 2021.

Committee Recommendation**MOTION**

Moved: **Mayor R Williams**
Seconded: **Councillor P Rogers**

That the Audit and Risk Committee notes:

- 1 **The City officer's comments on the recommendations contained within the Office of the Auditor General's Report on Waste Management Service Delivery.**
- 2 **That City officers will further address the issue of the provision of a third bin associated with Food and Organic Waste service as part of the draft Waste Management Plan that will be presented to Council before 31 March 2021.**
3. **Comments contained within this report be used to form part of an Advocacy Paper.**

CARRIED: 6/0

Reason: Given the significance of the proposed Office of Auditor General recommendations within the report, it is requested that the City provides further commentary on the impact within the Advocacy Paper to be presented to the State Government.

14. CONFIDENTIAL ITEMS

MOTION

Moved: Mayor R Williams
Seconded: Councillor P Rogers

That the meeting proceeds with closed doors at 6.29pm in accordance with Section 5.23(2) of the *Local Government Act 1995*, to allow for the confidential discussion of items.

CARRIED: 6/0

THE MEETING PROCEEDED WITH CLOSED DOORS AT 6.29PM

AR.6/12/20 AUDIT UPDATES (REPORT 1)

Confidential discussion ensued regarding this issue.

Officer Recommendation

That the Audit and Risk Committee note the progress update on the implementation of the improvements from the review of risk management, internal controls and legislative compliance as per Confidential Attachment 1.1.

Committee Recommendation

MOTION

Moved: Councillor P Rogers
Seconded: Councillor J Green

That the Audit and Risk Committee note the progress update on the implementation of the improvements from the review of risk management, internal controls and legislative compliance as per Confidential Attachment 1.1.

CARRIED: 6/0

AR.7/12/20 RISK MANAGEMENT (REPORT 2)

Confidential discussion ensued regarding this issue.

Officer Recommendation

That Council:

- 1 Note the removal of the existing 14 Strategic Risks from the Strategic Risk Register;
- 2 Note the addition of 8 new Strategic Risks to the Strategic Risk Register as per Confidential Attachment 2.1; and
- 3 Adopt the Risk Appetite Statements for each new Strategic Risk as per Confidential Attachment 2.1.

Committee Recommendation

MOTION

Moved: Mayor R Williams

Seconded: Councillor P Roger That Council:

- 1 Note the removal of the existing 14 Strategic Risks from the Strategic Risk Register;
- 2 Note the addition of eight new Strategic Risks to the Strategic Risk Register as per Confidential Attachment 2.1; and
- 3 Adopt the Risk Appetite Statements for each new Strategic Risk as per Confidential Attachment 2.1, with amendments to the following:
 - 3.1 Financial Risk: Inclusion to the preventative controls - One Council ERP System and Monthly Financial and Variance reporting;
 - 3.2 Data, Records, Assets and Systems Risk: Inclusion to the preventative controls - CCTV Strategy

CARRIED: 6/0

Reason: Resolution point 3 has been added to include additional mitigating controls as set out in 3.1 and 3.2.

G.8/12/20 PROCEED WITH OPEN DOORS

MOTION

Moved: Councilor P Rogers

Seconded: Councillor J Green

That the meeting proceeds with open doors.

CARRIED: 6/0

THE MEETING PROCEEDED WITH OPEN DOORS AT 7.07PM

G.9/12/20 ENDORSE RESOLUTIONS

MOTION

Moved: Councillor P Rogers

Seconded: Councillor J Green

That Council endorses the resolutions taken with closed doors.

CARRIED: 6/0

15. LATE AND URGENT BUSINESS ITEMS

Nil.

7. PRESENTATIONS CONTINUED

7.1 Chief Executive Officer: City of Mandurah Cultural Framework

The CEO provided a history of the City's involvement in measuring and managing culture, outlining the introduction of Qualtrics Surveys to measure engagement and other aspects of the employee experience. Initiatives to develop a safe and constructive culture were referenced along with a roles and responsibilities framework for Council.

16. CLOSE OF MEETING

There being no further business, the Chairman declared the meeting closed at 7.31pm.

CONFIRMED:[CHAIRMAN]

Attachments to Committee Minutes: 1 December 2020 Audit and Risk Agenda

1	SUBJECT:	Officer of Auditor General Report: Waste Management
	DIRECTOR:	Built and Natural Environment
	MEETING:	Audit and Risk Committee
	MEETING DATE:	1 December 2020

Summary

The Office of the Auditor General (OAG) tabled its report titled Waste Management - Service Delivery (Paper No. 4136) in Parliament on 20 August 2020. The Paper presented the outcomes of an audit by the OAG to assess whether local governments plan and deliver effective waste services to their communities. It also assessed whether the State Government provided adequate support to local governments for local waste planning and service delivery. The OAG selected three Perth and Peel and three regional local governments together with three State Government entities to conduct the audit.

The Paper presented nine recommendations with four actions for local governments. These are each addressed within this report. Council is requested to note City officers' comments in relation to these recommendations and in particular, that City officers will address the Food and Organic Waste (FOGO) service as part of the draft Waste Management Plan that will be presented to Council in March 2021.

Disclosure of Interest

Nil

Previous Relevant Documentation

Nil

Background

The OAG audit on waste management service delivery was a performance audit conducted under Section 18 of the *Auditors General Act 2006*. Performance audits focus primarily on the effective management and operations of entity programs and activities.

The OAG audit was to determine whether local governments plan and deliver effective waste management services to their communities.

The OAG audit was based on the following criteria:

- Are waste services planned to minimise waste and meet community expectations?
- Do Local Government entities deliver effective waste services?
- Does the State Government provide adequate support for local waste planning and service delivery?

The audit focused on waste services delivered by local governments to progress towards achieving targets and objectives set in the first *Western Australian Waste Strategy: Rethinking Waste* (Waste Strategy 2012) and subsequent *Waste Avoidance and Resource Recovery Strategy 2030* (Waste Strategy 2030).

The OAG audited three Perth and Peel and three regional local governments of varying sizes as follows:

- City of Belmont
- City of Bunbury
- City of Kalgoorlie-Boulder
- City of Kwinana
- City of Melville
- Shire of Broome.

The audit also assessed the following State Government entities:

- Waste Authority
- Department of Water and Environment Regulation (DWER)
- Department of Local Government, Sport and Cultural Industries (DLGSC).

Comment

It is noted that no local governments within the Peel Region, or members of the Rivers Regional Council (RRC) were selected for audit by the OAG.

The City delivers its waste management services through a Waste Alliance style contract, which is unique to local government and the waste industry in general. The City is also a member of the Rivers Regional Council and members of the RRC have entered a long-term contract with Avertas Energy to take the City's waste to the waste to energy plant in Kwinana, which is presently under construction and should be operational by early 2022. These factors have not been considered by the OAG audit and the Paper.

The key findings in the Paper were:

- Local Government entities deliver essential waste collection and drop-off services, but few are likely to meet State Government and community expectations to avoid and recover waste
- State and local waste planning and data capture is inadequate
- Wider uptake of existing better practice waste management methods could be the key to improving waste recovery
- The State Government has made good progress since 2016, but local government entities need more support to address local challenges.

The recommendations of the OAG Paper are included in Confidential attachment with officer comment provided with respect to each recommendation.

Consultation

Nil

Statutory Environment

The *Waste Avoidance and Resource Recovery Act 2007* (WARR Act) is the principal legislation for waste management in the State. The WARR Act establishes the role of local governments to provide waste services in line with the waste hierarchy. It also requires the Waste Authority to prepare a waste strategy and provides the Chief Executive Officer of DWER with the power to require local governments to prepare waste plans.

These plans aim to align local governments waste planning processes with the State's Waste Strategy, and to protect human health and the environment. All local governments in Perth and Peel are required to submit their waste plan to DWER by 31 March 2021.

Policy Implications

Nil

Economic Implications

The recommendations of the OAG Paper do not have any immediate financial implications on the City.

Risk Analysis

The Waste Strategy 2030 contains a headline action that requires all local governments in the Perth and Peel region to provide consistent three bin kerbside collection systems that include separation of food and organics from other waste categories by 2025.

The City currently implements a two-bin system (rubbish and recycling) and has committed the supply of its general waste (minimum annual tonnage) to the Avertas Energy waste to energy plant currently under construction in Kwinana.

Audits of the City's kerbside rubbish bins has determined that the organic content within the rubbish bin is around 60%. Whilst a third bin would recover a significant portion of this organic waste, it would also mean that the City would not meet its minimum tonnage that it has committed to supply under the Waste to Energy contract with Avertas Energy. Under the current terms of the contract, the City is obligated to pay for the minimum tonnage stipulated within the contract, regardless whether it deliver the waste to the plant.

The City together with other RRC members are therefore in the difficult position where there is a conflict with the Waste Strategy 2030, with regard to the implementation of a third bin FOGO service, yet it is unable to implement the three-bin system without incurring significant financial penalties under the Avertas Energy contract. In addition, the added costs of providing a three bin FOGO service are estimated to be approximately \$80 per household. Whether excess supply of material from FOGO production will go to landfill or not is problematical so there is no guarantee FOGO will be diverted from landfill.

Avertas Energy would first need to release the City from its waste commitments under the contract before it could proceed with implementing the mandated three bin FOGO service. Without such a release, the City would have to pay for the promised quantity of waste material regardless.

City officers are currently preparing the City's draft Waste Management Plan (which is a legal requirement under the Waste Avoidance and Resource Recovery Act) and it is proposed to present this plan to Council in early 2021. The plan will include a strategy and actions with regard to the three bin FOGO service.

Strategic Implications

The following strategy from the City of Mandurah Strategic Community Plan 2020 – 2040 is relevant to this report:

Organisational Excellence:

- Ensure the City has the capacity and capability to deliver quality services and facilities through accountable and transparent business practices, governance, risk and financial management.

Conclusion

City officers have reviewed the OAG Paper on Waste Management Service Delivery and provided comments as outlined within this report.

NOTE:

The OAG Report can be viewed on their website: <https://audit.wa.gov.au/reports-and-publications/reports/waste-management-service-delivery/>

- Refer **Confidential Attachment 1.1** **Comparison of City's delivery of effective waste services with Auditor General's report on local government**

RECOMMENDATION

That the Audit and Risk Committee notes:

- 1 The City officer's comments on the recommendations contained within the Office of the Auditor General's Report on Waste Management Service Delivery.**
- 2 That City officers will further address the issue of the provision of a third bin associated with Food and Organic Waste service as part of the draft Waste Management Plan that will be presented to Council before 31 March 2021.**

CONFIDENTIAL

2	SUBJECT:	2019/20 Financial Statements
	DIRECTOR:	Business Services
	MEETING:	Audit and Risk Committee
	MEETING DATE:	1 December 2020

Summary

In accordance with the *Local Government Act 1995* and the *Local Government (Audit) Regulations 1996*, an Audit Committee is to examine the Annual Financial Statements, review any significant matters raised by the auditor and ensure that appropriate action is taken in respect to those matters raised.

The audit of the Annual Financial Statements for 2019/20 has now been completed. A copy of the final unsigned audit report is attached and also included in the Annual Financial Statements. The indication is that the audit report will be unmodified and the City's Annual Financial Statements are fairly and appropriately presented in accordance with the Australian Accounting Standards Board and the *Local Government Act 1995*.

Disclosure of Interest

Nil

Previous Relevant Documentation

Nil

Background

The City is in the final year of its audit contract with Deloitte as its auditor. From the 2020/21 year, the City will fall under the Officer of the Auditor General for its annual financial statements audit. It is a requirement under the *Local Government Act 1995* that an approved auditor must audit the accounts and annual financial report of a local government at least once in respect of each financial year.

Comment

The key points to note from the Statement of Comprehensive Income by Program and Statement of Comprehensive Income by Nature and Type are:

- **Revenue**
Operating revenue is approximately \$1.2 million above adopted budget due to additional grants and contributions being received including the prepayment of the first quarter financial assistance grants. The COVID pandemic has had an effect on the City with Fees and Charges \$2.3 million under the adopted budget.
- **Expenses**
Total expenses are approximately \$1.8 million above adopted budget, however the following points are noted:
 - Key Expenses such as Employee costs and Materials and Contracts were under budget due to the decrease in expenditure over the COVID period.
 - Depreciation which is a non-cash expense was higher than what was budgeted by \$4.5 million.
 - Profit and Loss on sale of assets was \$27.6 million higher than expensed due to the review of the asset database in preparation for OneCouncil. Profit and loss on sale of assets is

also a non-cash expense. It has a nil impact to the closing surplus as the total amount is taken out for the closing surplus calculation.

- The City has to recognise the balance of the interest rate swap which was not included in the current budget, resulting in an increase of \$303,000 in expenses. It has a nil impact to the closing surplus, however it must be accounted for in accordance with the Australian Accounting Standards.

It is also noted that the operating position for 2019/20 has increased from the budgeted deficit of \$344,000 to a surplus of \$1.19 million. The surplus will be considered as part of the annual budget review process.

Statement of Financial Position

Key points to note are:

- *Cash and cash equivalents*
Cash holdings have increased by approximately \$4.5 million over the year. This is compared to a budgeted decrease of \$12.3 million. The difference is primarily due to 2019/2020 capital projects being carried over to the new financial year.
- *Reserves – Cash backed*
The City has a total amount of \$39.2 million in reserves at 30 June 2020. This is an increase of \$7.6 million from the previous year (2018/19) primarily due to increase holdings in the unspent grants reserve to be spent in the 2020/21 year and that the City transferred the unspent portion of capital projects to reserve instead of carrying these forward in the surplus.

Rates Setting Statement

- The City shows a surplus for the year ended 30 June 2020 of \$1.19 million. This surplus will be required to fund the current 2020/2021 deficit (currently \$735,915).

Legislation changes

The *Local Government (Financial Management) Regulations 1996* were amended on 6 November 2020 with a retrospective application date to 1 July 2019. The changes to Regulation 17A means that the City no longer needs to obtain a fair value for Plant and Equipment type assets and Right-to-use asset. These assets will now be taken up at cost. All other assets have increased from a revaluation every 3 years to a revaluation every 5 years.

Prior year adjustments

The City conducted a review of its asset database in the 2019/2020 year and found a number of duplicated assets with a net value of \$17.2 million. Due to the total amount of these assets, the City have determined that a prior year adjustment in the 2019/2020 financial statements is appropriate.

Consultation

Nil.

Statutory Environment

The Annual Financial Statements are prepared in accordance with the Australian Accounting Standards.

The *Local Government Act 1995* states:

7.9. Audit to be conducted

- (1) *An auditor is required to examine the accounts and annual financial report submitted for audit and, by the 31 December next following the financial year to which the accounts and report*

relate or such later date as may be prescribed, to prepare a report thereon and forward a copy of that report to —

- (a) the mayor or president; and*
- (b) the CEO of the local government; and*
- (c) the Minister.*

7.12AB. Conducting a financial audit

The auditor must audit the accounts and annual financial report of a local government at least once in respect of each financial year.

7.12AD. Reporting on a financial audit

- (1) The auditor must prepare and sign a report on a financial audit.*
- (2) The auditor must give the report to —*
 - (a) the mayor, president or chairperson of the local government; and*
 - (b) the CEO of the local government; and*
 - (c) the Minister.*

7.12A. Duties of local government with respect to audits

...

- (2) Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.*
- (3) A local government must —*
 - (aa) examine an audit report received by the local government; and*
 - (a) determine if any matters raised by the audit report, require action to be taken by the local government; and*
 - (b) ensure that appropriate action is taken in respect of those matters.*
- (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.*

The Local Government (Audit) Regulations 1996 states:

9. Performance of audit

...

- (2) An auditor must carry out an audit in accordance with the Australian Auditing Standards made or formulated and amended from time to time by the Auditing and Assurance Standards Board established by the Australian Securities and Investments Commission Act 2001 (Commonwealth) section 227A.*
- (3) An auditor must carry out the work necessary to form an opinion whether the annual financial report —*
 - (a) is based on proper accounts and records; and*
 - (b) fairly represents the results of the operations of the local government for the financial year and the financial position of the local government at 30 June in accordance with —*
 - (i) the Act; and*
 - (ii) the Australian Accounting Standards (to the extent that they are not inconsistent with the Act).*

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.*

Policy Implications

Nil.

Economic Implications

Appropriate financial management is essential to the effective operation of the local government.

Risk Analysis

Nil.

Strategic Implications

The following strategy from the City of Mandurah Strategic Community Plan 2020-2040 is relevant to this report:

Organisational Excellence:

- Deliver excellent governance and financial management.

Conclusion

The Annual Financial Statements 2019/20 shows that the City continues to maintain a strong financial position. Cash holdings have decreased although they remain at levels sufficient to provide funds for future projects. The City also reports an unallocated surplus of \$1.19 million in the Rate Setting Statement and the allocation of these funds will be presented to Council as part of the annual Budget Review.

Refer

Attachment 2.1

Confidential Attachment 2.2

Attachment 2.3

Annual Financial Statements 2019/20

Status Report to the Audit and Risk Committee

Management Report to Addressing the Matter Identified as Significant by the Auditor in the Audit Report.

RECOMMENDATION

That the Audit and Risk Committee:

- 1 Receive the Annual Financial Statements 2019/20 as detailed in Attachment 2.1.**

- 2 Note the Status Report to Audit and Risk Committee as detailed in the Confidential Attachment 2.2.**
- 3 Accept the Management Report that addresses the matter identified as significant by the Auditor in the Auditor's Report as detailed in Attachment 2.3.**

CONFIRMED

CITY OF MANDURAH
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

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COMMUNITY VISION

We are built in nature - a meeting place surrounded by unique waterways, where the wellbeing of our people and our environment are nurtured; where business in the community can thrive and entrepreneurship is celebrated. We will be the place where a thriving regional city and the heart of a village meet. This is our Mandjoogoordap.

Principal place of business:
 3 Peel Street
 Mandurah
 WA 6210

**CITY OF MANDURAH
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the City of Mandurah for the financial year ended 30 June 2020 is based on proper accounts and records to present fairly the financial position of the City of Mandurah at 30 June 2020 and the results of the operations for the financial year then ended in accordance with the Local Government Act 1995 and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the [redacted] day of [redacted] 2020

Chief Executive Officer

[redacted]
Name of Chief Executive Officer

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

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
Revenue				
Rates	28(a)	80,579,499	81,015,588	78,487,059
Operating grants, subsidies and contributions	2(a)	6,661,449	3,605,314	5,747,458
Fees and charges	2(a)	24,421,926	26,746,571	25,847,385
Interest earnings	2(a)	1,425,731	2,245,000	2,197,578
Other revenue	2(a)	1,904,584	141,500	566,349
		<u>114,993,189</u>	<u>113,753,973</u>	<u>112,845,829</u>
Expenses				
Employee costs		(45,401,757)	(47,241,000)	(44,617,513)
Materials and contracts		(44,589,416)	(46,501,114)	(44,950,991)
Utility charges		(3,993,463)	(3,888,000)	(4,009,246)
Depreciation on non-current assets	11(b)	(34,595,833)	(30,062,886)	(32,893,953)
Interest expenses	2(b)	(634,869)	(1,049,632)	(1,710,490)
Insurance expenses		(811,401)	(1,013,000)	(856,902)
Other expenditure		(1,819,112)	(200,000)	(905,608)
		<u>(131,845,851)</u>	<u>(129,955,632)</u>	<u>(129,944,703)</u>
		<u>(16,852,662)</u>	<u>(16,201,659)</u>	<u>(17,098,874)</u>
Non-operating grants, subsidies and contributions	2(a)	14,255,399	10,757,000	6,803,001
Profit on asset disposals	11(a)	24,594	3,000	285,055
(Loss) on asset disposals	11(a)	(27,963,473)	(330,000)	(2,741,845)
		<u>(13,683,480)</u>	<u>10,430,000</u>	<u>4,346,211</u>
Net result for the period		(30,536,142)	(5,771,659)	(12,752,663)
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	13	941,064	0	2,533,263
Total other comprehensive income for the period		941,064	0	2,533,263
Total comprehensive income for the period		(29,595,078)	(5,771,659)	(10,219,400)

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

CITY OF MANDURAH
STATEMENT OF COMPREHENSIVE INCOME BY PROGRAM
FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
Revenue				
	2(a)			
Governance		8,405	2,000	26,380
General purpose funding		86,978,740	85,175,658	84,118,991
Law, order, public safety		1,118,150	788,940	987,499
Health		302,956	324,000	316,864
Education and welfare		481,788	476,300	511,241
Community amenities		14,901,085	14,519,313	14,507,961
Recreation and culture		5,617,621	7,461,792	7,263,324
Transport		2,752,738	2,888,350	2,903,538
Economic services		1,615,104	1,779,000	1,797,629
Other property and services		1,216,602	338,620	412,403
		<u>114,993,189</u>	<u>113,753,973</u>	<u>112,845,830</u>
Expenses				
	2(b)			
Governance		(5,938,602)	(6,418,000)	(6,388,613)
General purpose funding		(3,550,456)	(2,208,000)	(3,454,699)
Law, order, public safety		(4,740,514)	(4,247,000)	(3,817,481)
Health		(2,034,008)	(2,137,000)	(1,950,994)
Education and welfare		(4,224,889)	(4,775,000)	(4,253,160)
Community amenities		(18,128,247)	(18,692,000)	(17,115,211)
Recreation and culture		(43,697,089)	(52,940,000)	(45,672,083)
Transport		(30,784,699)	(19,805,000)	(28,369,994)
Economic services		(5,726,628)	(7,074,000)	(6,541,379)
Other property and services		(12,385,850)	(10,610,000)	(10,670,599)
		<u>(131,210,982)</u>	<u>(128,906,000)</u>	<u>(128,234,213)</u>
Finance Costs				
	2(b)			
General purpose funding		0	0	(121,739)
Law, order, public safety		0	(257)	0
Community amenities		(20,338)	(22,724)	(43,819)
Recreation and culture		(263,556)	(556,166)	(791,798)
Transport		(187,180)	(375,437)	(552,130)
Other property and services		(163,795)	(95,048)	(201,004)
		<u>(634,869)</u>	<u>(1,049,632)</u>	<u>(1,710,490)</u>
		<u>(16,852,662)</u>	<u>(16,201,659)</u>	<u>(17,098,873)</u>
Non-operating grants, subsidies and contributions	2(a)	14,255,399	10,757,000	6,803,001
Profit on disposal of assets	11(a)	24,594	3,000	285,055
(Loss) on disposal of assets	11(a)	(27,963,473)	(330,000)	(2,741,846)
		<u>(13,683,480)</u>	<u>10,430,000</u>	<u>4,346,210</u>
Net result for the period		(30,536,142)	(5,771,659)	(12,752,663)
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	13	941,064	0	2,533,263
Total other comprehensive income for the period		941,064	0	2,533,263
Total comprehensive income for the period		(29,595,078)	(5,771,659)	(10,219,400)

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

CITY OF MANDURAH
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	NOTE	2020 \$	2019 \$	2018 \$
CURRENT ASSETS				
Cash and cash equivalents	3	50,053,366	45,552,854	49,080,125
Trade and other receivables	6	6,086,065	6,279,970	6,236,275
Other financial assets	5(a)	96,670	95,088	0
Inventories	7	306,530	326,258	307,885
Other assets	8	1,084,274	1,023,693	0
TOTAL CURRENT ASSETS		57,626,905	53,277,863	55,624,285
NON-CURRENT ASSETS				
Trade and other receivables	6	1,266,147	1,374,482	2,590,784
Other financial assets	5(b)	441,659	417,989	0
Property, plant and equipment	9	263,960,600	262,536,151	260,583,201
Infrastructure	10	715,447,798	754,637,785	762,113,925
Right of use assets	12(a)	4,293,141	0	0
TOTAL NON-CURRENT ASSETS		985,409,345	1,018,966,407	1,025,287,910
TOTAL ASSETS		1,043,036,250	1,072,244,270	1,080,912,195
CURRENT LIABILITIES				
Trade and other payables	15	11,454,706	9,026,138	9,367,383
Contract and other financial liabilities	17	85,840	0	0
Lease liabilities	18(a)	1,015,507	0	0
Borrowings	19(a)	4,759,831	4,960,705	4,841,082
Employee related provisions	20	9,143,678	8,575,491	8,129,561
Other provisions	21	139,982	139,982	0
TOTAL CURRENT LIABILITIES		26,599,544	22,702,316	22,338,026
NON-CURRENT LIABILITIES				
Contract and other financial liabilities	17	792,863	489,634	0
Lease liabilities	18(a)	3,163,118	0	0
Borrowings	19(a)	21,469,922	24,903,979	24,363,949
Employee related provisions	20	925,693	1,067,888	910,985
TOTAL NON-CURRENT LIABILITIES		26,351,596	26,461,501	25,274,934
TOTAL LIABILITIES		52,951,140	49,163,817	47,612,960
NET ASSETS		990,085,110	1,023,080,453	1,033,299,235
EQUITY				
Retained surplus		236,088,901	277,632,346	291,721,376
Reserves - cash backed	4	39,199,174	31,592,136	30,255,468
Revaluation surplus	13	714,797,035	713,855,971	711,322,391
TOTAL EQUITY		990,085,110	1,023,080,453	1,033,299,235

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

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

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2018		291,721,009	30,256,136	711,322,708	1,033,299,853
Comprehensive income					
Net result for the period (restated)		(12,752,663)	0		(12,752,663)
Other comprehensive income	13	0	0	2,533,263	2,533,263
Total comprehensive income		(12,752,663)	0	2,533,263	(10,219,400)
Transfers from reserves	4	14,904,000	(14,904,000)	0	0
Transfers to reserves	4	(16,240,000)	16,240,000	0	0
Balance as at 30 June 2019		277,632,346	31,592,136	713,855,971	1,023,080,453
Change in accounting policy	31(d)	(3,400,265)	0		(3,400,265)
Restated total equity at 1 July 2019		274,232,081	31,592,136	713,855,971	1,019,680,188
Comprehensive income					
Net result for the period		(30,536,142)	0	0	(30,536,142)
Other comprehensive income	13	0	0	941,064	941,064
Total comprehensive income		(30,536,142)	0	941,064	(29,595,078)
Transfers from reserves	4	14,204,768	(14,204,768)	0	0
Transfers to reserves	4	(21,811,806)	21,811,806	0	0
Balance as at 30 June 2020		236,088,901	39,199,174	714,797,035	990,085,110

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

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

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		80,212,575	81,015,588	77,681,059
Operating grants, subsidies and contributions		7,026,545	3,605,314	5,777,458
Fees and charges		24,421,926	26,746,571	25,816,385
Interest received		1,425,731	2,245,000	2,927,578
Goods and services tax received		0	5,912,130	6,979,169
Other revenue		1,904,584	141,500	300,349
		114,991,361	119,666,103	119,481,998
Payments				
Employee costs		(44,518,078)	(47,241,000)	(43,945,513)
Materials and contracts		(44,868,482)	(46,501,114)	(43,667,991)
Utility charges		(3,993,463)	(3,888,000)	(4,142,246)
Interest expenses		(634,869)	(1,049,632)	(1,889,490)
Insurance paid		(811,401)	(1,013,000)	(851,902)
Goods and services tax paid		59,698	(6,000,000)	(7,181,108)
Other expenditure		(1,819,112)	(200,000)	(675,668)
		(96,585,707)	(105,892,746)	(102,353,918)
Net cash provided by (used in) operating activities	22	18,405,654	13,773,357	17,128,080
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment	9(a)	(9,317,970)	(10,364,655)	(10,813,513)
Payments for construction of infrastructure	10(a)	(14,832,857)	(29,351,997)	(18,874,954)
Non-operating grants, subsidies and contributions	2(a)	14,255,399	10,757,000	6,064,195
Proceeds from financial assets at fair values through profit and loss		(124,637)		
Proceeds from sale of property, plant & equipment	11(a)	1,022,411	1,609,000	2,235,000
Net cash provided by (used in) investment activities		(8,997,654)	(27,350,652)	(21,389,272)
CASH FLOWS FROM FINANCING ACTIVITIES				
Movement in other financial liabilities		303,229	0	0
Repayment of borrowings	19(b)	(6,384,932)	(4,960,705)	(4,737,225)
Payments for principal portion of lease liabilities	18(b)	(1,675,171)	0	0
Proceeds from new borrowings	19(b)	2,750,001	5,950,000	5,376,880
Proceeds on other loans and receivables	5(a)	99,385	270,000	94,000
Net cash provided by (used in) financing activities		(4,907,488)	1,259,295	733,655
Net increase (decrease) in cash held		4,500,512	(12,318,000)	(3,527,537)
Cash at beginning of year		45,552,854	43,722,000	49,080,391
Cash and cash equivalents at the end of the year	22	50,053,366	31,404,000	45,552,854

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

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

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	29 (b)	7,744,587	2,927,000	6,816,748
		7,744,587	2,927,000	6,816,748
Revenue from operating activities (excluding rates)				
Governance		8,405	2,000	26,380
General purpose funding		6,790,760	4,613,000	6,210,596
Law, order, public safety		1,118,150	788,940	987,499
Health		302,956	324,000	316,864
Education and welfare		481,788	476,300	511,241
Community amenities		14,901,085	14,519,313	14,507,961
Recreation and culture		5,617,621	7,461,792	7,263,324
Transport		2,752,738	2,888,350	2,903,538
Economic services		1,615,104	1,779,000	1,797,629
Other property and services		1,241,197	341,620	697,459
		34,829,804	33,194,315	35,222,491
Expenditure from operating activities				
Governance		(5,938,602)	(6,418,000)	(6,388,613)
General purpose funding		(3,550,456)	(2,208,000)	(3,576,438)
Law, order, public safety		(4,740,514)	(4,247,257)	(3,817,481)
Health		(2,034,008)	(2,137,000)	(1,950,994)
Education and welfare		(4,224,889)	(4,775,000)	(4,253,910)
Community amenities		(18,148,585)	(18,714,724)	(17,161,030)
Recreation and culture		(62,711,539)	(53,496,166)	(47,743,921)
Transport		(39,901,817)	(20,180,437)	(29,933,854)
Economic services		(5,726,628)	(7,074,000)	(6,541,379)
Other property and services		(12,832,286)	(11,035,048)	(11,318,928)
		(159,809,324)	(130,285,632)	(132,686,548)
Non-cash amounts excluded from operating activities	29(a)	59,475,328	30,389,886	36,036,192
Amount attributable to operating activities		(57,759,605)	(63,774,431)	(54,611,117)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	2(a)	14,255,399	10,757,000	6,803,001
Proceeds from disposal of assets	11(a)	1,022,411	1,609,000	2,235,000
Purchase of property, plant and equipment	9(a)	(9,317,970)	(10,364,655)	(9,200,513)
Purchase and construction of infrastructure	10(a)	(14,832,857)	(29,351,997)	(18,874,954)
Amount attributable to investing activities		(8,873,017)	(27,350,652)	(19,037,466)
FINANCING ACTIVITIES				
Repayment of borrowings	19(b)	(6,384,932)	(4,960,705)	(4,737,225)
Proceeds from borrowings	19(c)	2,750,001	5,950,000	4,651,548
Payments for principal portion of lease liabilities	18(b)	(1,675,171)	0	0
Loans to Community and sporting bodies		0	0	(19,000)
Proceeds from community loans	5(a)	99,385	100,000	94,000
Transfers to reserves (restricted assets)	4	(21,811,806)	(1,623,264)	(16,240,000)
Transfers from reserves (restricted assets)	4	14,204,768	8,607,722	14,904,000
Loans Utilised		534,073	2,144,397	4,831,452
Amount attributable to financing activities		(12,283,682)	10,218,150	3,484,775
Surplus/(deficit) before imposition of general rates		(78,916,304)	(80,906,933)	(70,163,808)
Total amount raised from general rates	28(a)	80,111,084	80,562,658	77,908,395
Surplus/(deficit) after imposition of general rates	29(b)	1,194,780	(344,275)	7,744,587

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

CITY OF MANDURAH
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FOR THE YEAR ENDED 30 JUNE 2020

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

1. BASIS OF PREPARATION

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

AMENDMENTS TO LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996

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

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

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

NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS

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

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

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 13 to these financial statements.

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

2. REVENUE AND EXPENSES

REVENUE RECOGNITION POLICY

Recognition of revenue is dependant on the source of revenue and the associated terms and conditions associated with each source of revenue and recognised as follows:

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Determination of transaction price	Allocating transaction price	Measuring obligations for returns	Timing of revenue recognition
Rates	General Rates	Over time	Payment dates adopted by Council during the year	None	Adopted by Council annually	When taxable event occurs	Not applicable	When rates notice is issued
Specified area rates	Rates charge for specific defined purpose	Over time	Payment dates adopted by Council during the year	Refund in event monies are unspent	Adopted by Council annually	When taxable event occurs	Not applicable	When rates notice is issued
Service charges	Charge for specific service	Over time	Payment dates adopted by Council during the year	Refund in event monies are unspent	Adopted by Council annually	When taxable event occurs	Not applicable	When rates notice is issued
Grant contracts with customers	Community events, minor facilities, research, design, planning evaluation and services	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the customer	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms breached	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared
Grants, subsidies or contributions for the construction of non-financial assets	Construction or acquisition of recognisable non-financial assets to be controlled by the local government	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the customer	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms breached	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared
Grants with no contract commitments	General appropriations and contributions with no reciprocal commitment	No obligations	Not applicable	Not applicable	Cash received	On receipt of funds	Not applicable	When assets are controlled
Licences/ Registrations/ Approvals	Building, planning, development and animal management, having the same nature as a licence regardless of naming	Single point in time	Full payment prior to issue	None	Set by State legislation or limited by legislation to the cost of provision	Based on timing of issue of the associated rights	No refunds	On payment and issue of the licence, registration or approval
Pool inspections	Compliance safety check	Single point in time	Equal proportion based on an equal annually fee	None	Set by State legislation	Apportioned equally across the inspection cycle	No refunds	After inspection complete based on a 4 year cycle
Other inspections	Regulatory Food, Health and Safety	Single point in time	Full payment prior to inspection	None	Set by State legislation or limited by legislation to the cost of provision	Applied fully on timing of inspection	Not applicable	Revenue recognised after inspection event occurs
Waste management collections	Kerbside collection service	Over time	Payment on an annual basis in advance	None	Adopted by Council annually	Apportioned equally across the collection period	Not applicable	Output method based on regular weekly and fortnightly period as proportionate to collection service
Waste management entry fees	Waste treatment, recycling and disposal service at disposal sites	Single point in time	Payment in advance at gate or on normal trading terms if credit provided	None	Adopted by Council annually	Based on timing of entry to facility	Not applicable	On entry to facility
Airport landing charges	Permission to use facilities and runway	Single point in time	Monthly in arrears	None	Adopted by Council annually	Applied fully on timing of landing/take-off	Not applicable	On landing/departure event
Property hire and entry	Use of halls and facilities	Single point in time	In full in advance	Refund if event cancelled within 7 days	Adopted by Council annually	Based on timing of entry to facility	Returns limited to repayment of transaction price	On entry or at conclusion of hire
Memberships	Gym and pool membership	Over time	Payment in full in advance	Refund for unused portion on application	Adopted by Council annually	Apportioned equally across the access period	Returns limited to repayment of transaction price	Output method over 12 months matched to access right
Fees and charges for other goods and services	Cemetery services, library fees, reinstatements and private works	Single point in time	Payment in full in advance	None	Adopted by Council annually	Applied fully based on timing of provision	Not applicable	Output method based on provision of service or completion of works
Sale of stock	Aviation fuel, kiosk and visitor centre stock	Single point in time	In full in advance, on 15 day credit	Refund for faulty goods	Adopted by Council annually, set by mutual agreement	Applied fully based on timing of provision	Returns limited to repayment of transaction price	Output method based on goods
Commissions	Commissions on licencing and ticket sales	Over time	Payment in full on sale	None	Set by mutual agreement with the customer	On receipt of funds	Not applicable	When assets are controlled
Reimbursements	Insurance claims	Single point in time	Payment in arrears for claimable event	None	Set by mutual agreement with the customer	When claim is agreed	Not applicable	When claim is agreed

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

2. REVENUE AND EXPENSES

(a) Grant revenue

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

	2020 Actual \$	2020 Budget \$	2019 Actual \$
Operating grants, subsidies and contributions			
Governance	8,405	2,000	26,380
General purpose funding	3,481,232	1,679,000	3,284,404
Law, order, public safety	468,762	193,440	382,404
Health	109,777	134,000	133,857
Education and welfare	157,259	42,400	136,539
Community amenities	174,405	2,000	123,191
Recreation and culture	1,628,818	1,679,000	1,055,644
Transport	380,588	193,440	434,005
Economic services	8,028	134,000	4,248
Other property and services	244,175	42,400	166,786
	6,661,449	4,101,680	5,747,458
Non-operating grants, subsidies and contributions			
General purpose funding	124,637	0	0
Law, order, public safety	485,275	200,000	0
Education and welfare	0	0	149,000
Recreation and culture	1,499,372	6,786,000	4,164,692
Transport	4,090,206	3,390,000	2,489,309
Economic services	5,000,000	0	0
Other property and services	3,055,909	381,000	0
	14,255,399	10,757,000	6,803,001
Total grants, subsidies and contributions	20,916,848	14,858,680	12,550,459
Fees and charges			
General purpose funding	683,901	764,000	669,361
Law, order, public safety	649,349	595,000	604,810
Health	193,180	190,000	183,007
Education and welfare	323,803	433,900	374,702
Community amenities	14,253,178	14,316,713	13,930,036
Recreation and culture	4,737,851	6,433,338	6,214,602
Transport	1,820,983	2,064,000	1,947,883
Economic services	1,595,696	1,776,000	1,785,196
Other property and services	163,985	173,620	137,788
	24,421,926	26,746,571	25,847,385

SIGNIFICANT ACCOUNTING POLICIES

Grants, subsidies and contributions

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

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

Fees and Charges

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

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Contracts with customers and transfers for recognisable non-financial assets

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

	2020 Actual \$	2020 Budget \$	2019 Actual \$
Operating grants, subsidies and contributions	6,661,449	3,605,314	5,747,458
Fees and charges	24,421,926	26,746,571	25,847,385
Other revenue	3,330,315	2,386,500	2,763,927
Non-operating grants, subsidies and contributions	14,255,399	10,757,000	6,803,001
	<u>48,669,089</u>	<u>43,495,385</u>	<u>41,161,771</u>

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

Contracts with customers included as a contract liability at the start of the period	169,374	0	0
Other revenue from contracts with customers recognised during the year	34,413,690	32,738,385	34,358,770
Other revenue from performance obligations satisfied during the year	14,086,025	10,757,000	6,803,001
	<u>48,669,089</u>	<u>43,495,385</u>	<u>41,161,771</u>

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

Trade and other receivables from contracts with customers	726,832	0
Contract liabilities from contracts with customers	(85,840)	0
Financial assets held from transfers for recognisable financial assets	792,863	(489,634)
Contract liabilities from transfers for recognisable non financial assets	(792,863)	489,634

Impairment of assets associated with contracts with customers are detailed at note 2 (b) under 'Other expenditure'.

Contract liabilities for contracts with customers primarily relate to grants with performance obligations received in advance, for which revenue is recognised over time as the performance obligations are met.

Information is not provided about remaining performance obligations for contracts with customers that had an original expected duration of one year or less.

Consideration from contracts with customers is included in the transaction price.

Performance obligations in relation to contract liabilities from transfers for recognisable non financial assets are satisfied as project milestones are met or completion of construction or acquisition of the asset. All associated performance obligations are expected to be met over the next 12 months.

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Revenue from statutory requirements

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

	2020 Actual \$	2020 Budget \$	2019 Actual \$
General rates	80,111,084	80,562,658	77,908,395
Specified area rates	545,311	532,930	518,294
	<u>80,656,395</u>	<u>81,095,588</u>	<u>78,426,689</u>

Assets and services acquired below fair value

Contributed assets (Gifted Assets)	2,990,545	0	0
	<u>2,990,545</u>	<u>0</u>	<u>0</u>

Other revenue

Other	1,904,585	0	566,349
	<u>1,904,585</u>	<u>0</u>	<u>566,349</u>

Interest earnings

Financial assets at amortised cost - self supporting loans	0	100,000	0
Interest on reserve funds	392,604	750,000	510,537
Rates instalment and penalty interest (refer Note 28(d))	704,180	640,000	719,463
Other interest earnings	328,947	755,000	967,578
	<u>1,425,731</u>	<u>2,245,000</u>	<u>2,197,578</u>

SIGNIFICANT ACCOUNTING POLICIES

Interest earnings

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

Interest earnings (continued)

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

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

2. REVENUE AND EXPENSES (Continued)

(b) Expenses

Auditors remuneration

- Audit of the Annual Financial Report

Interest expenses (finance costs)

Borrowings

Interest expense

Lease liabilities

Other expenditure

Impairment loss on trade and other receivables from contracts with customers

Sundry expenses

Note	2020 Actual \$	2020 Budget \$	2019 Actual \$
	90,997	150,000	109,210
	90,997	150,000	109,210
19(b)	505,408	1,049,632	1,588,750
	0	0	121,740
18(b)	129,461	0	
	634,869	1,049,632	1,710,490
	139,014	0	83,403
	1,680,098	200,000	822,205
	1,819,112	200,000	905,608

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

3. CASH AND CASH EQUIVALENTS

NOTE	2020 \$	2019 \$
Cash at bank and on hand	3,904,077	10,505,615
Term deposits	46,149,289	35,047,239
Total cash and cash equivalents	50,053,366	45,552,854

Restrictions

The following classes of assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used:

- Cash and cash equivalents	42,764,794	37,484,975
	<u>42,764,794</u>	<u>37,484,975</u>

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

Reserves - cash backed	4	39,199,174	31,592,136
Contract liabilities from contracts with customers	17	85,840	0
Unspent grants, subsidies and contributions		0	183,000
Bonds & Deposits		1,948,015	3,644,000
Unspent loans	19(d)	1,531,765	2,065,839
Total restricted assets		42,764,794	37,484,975

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are reported as short term borrowings in current liabilities in the statement of financial position.

Restricted assets

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

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

4. RESERVES - CASH BACKED

	2020 Actual Opening Balance	2020 Actual Transfer to	2020 Actual Transfer (from)	2020 Actual Closing Balance	2020 Budget Opening Balance	2020 Budget Transfer to	2020 Budget Transfer (from)	2020 Budget Closing Balance	2019 Actual Opening Balance	2019 Actual Transfer to	2019 Actual Transfer (from)	2019 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Building Reserve	1,473,343	673,710	(396,246)	1,750,807	1,283,818	200,000	(719,448)	764,370	2,288,343	678,000	(1,493,000)	1,473,343
(b) Cash in Lieu of Parking Reserve	465,611	10,621	0	476,232	466,000	0	0	466,000	465,611			465,611
(c) Asset Management Reserve	991,225	2,662,746	(239,551)	3,414,420	931,288	200,000	(550,000)	581,288	2,300,225		(1,309,000)	991,225
(d) Cultural Centre Reserve	227,480	0	(77,699)	149,781	227,529	0	0	227,529	8,480	250,000	(31,000)	227,480
(e) Museum Reserve	160,150	0	0	160,150	160,000	0	0	160,000	160,150			160,150
(f) Property Acquisition Reserve	4,091,243	210,307	(387,664)	3,913,886	3,753,000	200,000	0	3,953,000	6,502,243	827,000	(3,238,000)	4,091,243
(g) Sustainability Reserve	804,088	14,577	(158,225)	660,440	804,088	0	(241,000)	563,088	1,010,088		(206,000)	804,088
(h) Aquatic and Recreation Centre Reserve	0	0	0	0	(79)	0	0	(79)	0			0
(i) Waste Facilities Reserve Fund	1,519,653	967,894	(105,003)	2,382,544	672,000	225,000	(618,451)	278,549	1,238,653	1,098,000	(817,000)	1,519,653
(j) Community Improvements Reserve	96,932	0	(63,699)	33,233	82,000	0	(53,751)	28,249	227,932	5,000	(136,000)	96,932
(k) Traffic Bridge Reserve	495,106	0	(95,220)	399,886	495,214	0	(495,220)	(6)	318,106	177,000		495,106
(l) Tims Thicket Septage Reserve	74,010	1,687	0	75,697	74,000	0	0	74,000	74,010			74,010
(m) Tims Thicket Inert Reserve	102,716	2,325	0	105,041	102,000	0	0	102,000	102,716			102,716
(n) Inert Landfill Reserve	39,728	0	0	39,728	40,000	0	0	40,000	39,728			39,728
(p) Arts and Craft Centre Reserve	229,699	0	0	229,699	230,000	0	0	230,000	229,699			229,699
(q) Sand Pit Restoration Reserve	66,970	0	0	66,970	67,000	0	0	67,000	66,970			66,970
(r) Interest Free Loans Reserve	159,894	41,090	0	200,984	145,364	0	0	145,364	144,894	35,000	(20,000)	159,894
(s) CLAG Reserve	26,797	35,607	0	62,404	22,524	0	0	22,524	22,797	4,000		26,797
(t) Emergency Relief Fund Reserve	3,295	0	0	3,295	3,000	0	0	3,000	3,295			3,295
(u) Mandurah Ocean Marina Reserve	235,146	43,339	(102,412)	176,073	230,604	0	(92,128)	138,476	230,146	5,000		235,146
(v) Waterways Reserve - Stingray Wharf	0	277,341	0	277,341	0	0	0	0	0			0
(w) Interest on Investments Reserve	12,771	0	0	12,771	13,000	0	0	13,000	12,771			12,771
(x) Port Mandurah Canals Stage 2 Maintenance Res	82,473	9,633	0	92,106	79,772	0	0	79,772	80,473	2,000		82,473
(y) Mariners Cove Canals Reserve	0	10,292	0	10,292	72,233	0	0	72,233	(2,000)	2,000		0
(z) Port Bouvard Canal Maintenance Contributions F	231,199	32,944	0	264,143	226,000	0	0	226,000	226,199	5,000		231,199
(aa) Soccer Club Rooms Refurbishment Reserve	29,292	0	0	29,292	29,338	0	0	29,338	29,292			29,292
(ab) Cash in Lieu POS Contributions Reserve	1,535,671	0	(1,535,671)	0	1,524,665	0	0	1,524,665	1,573,671	12,000	(50,000)	1,535,671
(ac) Unspent Grants Reserve	5,368,948	13,300,130	(10,694,580)	7,974,498	5,340,414	298,264	(5,501,829)	136,849	3,370,948	8,992,000	(6,994,000)	5,368,948
(ad) Leave Reserve	4,886,154	217,513	0	5,103,667	4,451,504	0	0	4,451,504	4,452,154	434,000		4,886,154
(ae) Carbon Offset Reserve	130,117	0	0	130,117	130,117	0	(40,000)	90,117	130,117			130,117
(af) Bushland Acquisition Reserve	2,714,531	285,469	0	3,000,000	2,656,710	344,000	0	3,000,710	2,497,531	557,000	(340,000)	2,714,531
(ag) Port Bouvard Surf Life Saving Clubrooms Reserv	18,000	0	0	18,000	18,000	0	0	18,000	18,000			18,000
(ah) Coastal Storm Contingency Reserve	250,000	5,699	0	255,699	250,000	0	0	250,000	250,000			250,000
(ai) Refurbishment Bortolo Pavillion Reserve	6,000	0	0	6,000	6,000	0	0	6,000	6,000			6,000
(aj) Refurbishment Rushton Park Reserve	13,500	0	0	13,500	13,000	0	0	13,000	13,500			13,500
(ak) Refurbishment Meadow Springs Pavillion Reserv	8,712	0	0	8,712	8,000	0	0	8,000	8,712			8,712
(al) Digital Futures Reserve	92,070	959	(10,000)	83,029	92,070	0	(50,000)	42,070	116,070		(24,000)	92,070
(am) Decked Carparking Reserve	975,480	22,236	0	997,716	975,480	0	0	975,480	975,480			975,480
(an) Specified Area Rates - Waterside Canals	103,070	2,349	(3,659)	101,760	103,944	0	0	103,944	104,070	2,000	(3,000)	103,070
(ao) Specified Area Rates - Port Mandurah Canals	365,436	83,526	(102,970)	345,992	288,690	0	(245,895)	42,795	447,436	77,000	(159,000)	365,436
(ap) Specified Area Rates - Mandurah Quay Canals	187,692	19,618	(7,760)	199,550	178,149	0	0	178,149	178,692	9,000		187,692
(aq) Specified Area Rates - Mandurah Ocean Marina	0	385,406	(165,137)	220,269	68,641	0	0	68,641	67,000	2,000	(69,000)	0
(ar) Specified Area Rate - Port Bouvard Canals	97,694	44,683	(24,078)	118,299	73,763	0	0	73,763	73,694	24,000		97,694

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

4. RESERVES - CASH BACKED

	2020 Actual Opening Balance	2020 Actual Transfer to	2020 Actual Transfer (from)	2020 Actual Closing Balance	2020 Budget Opening Balance	2020 Budget Transfer to	2020 Budget Transfer (from)	2020 Budget Closing Balance	2019 Actual Opening Balance	2019 Actual Transfer to	2019 Actual Transfer (from)	2019 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(as) Specified Area Rate - Mariners Cove	92,129	11,187	(6,969)	96,347	14,855	0	0	14,855	88,129	4,000		92,129
(at) Specified Area Rate - Eastport	22,885	13,251	(8,126)	28,010	12,244	0	0	12,244	11,885	11,000		22,885
(au) Sports Club Maintenance Levy Reserve	105,226	56,275	(20,099)	141,402	78,000	0	0	78,000	92,226	28,000	(15,000)	105,226
(aw) City Centre Land Acquisition Reserve	3,000,000	0	0	3,000,000	3,000,000	0	0	3,000,000	3,000,000			3,000,000
(ax) City Facility Relocation Reserve	0	214,531	0	214,531	0	156,000	0	156,000	(3,000,000)	3,000,000		0
(ay) Lakelands Community Infrastructure Reserve	0	1,090,206	0	1,090,206	0	0	0	0	0			0
(az) Plant Reserve	0	952,687	0	952,687	0	0	0	0	0			0
(ba) Workers Compensation Reserve	0	111,968	0	111,968	0	0	0	0	0			0
	31,592,136	21,811,806	(14,204,768)	39,199,174	29,493,939	1,623,264	(8,607,722)	22,509,481	30,256,136	16,240,000	(14,904,000)	31,592,136

All reserves are supported by cash and cash equivalents and are restricted within equity as Reserves - cash backed.

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

Name of Reserve	Purpose of the reserve
(a) Building Reserve	Building - Future new building capital requirements
(b) Cash in Lieu of Parking Reserve	Parking - Provide additional parking areas
(c) Asset Management Reserve	Asset Management - Renewal and upgrade of current infrastructure
(d) Cultural Centre Reserve	Cultural Centre - Equipment/plant replacement for Mandurah Performing Arts Centre and the provision of standby financing
(e) Museum Reserve	Museum - Operation of museum
(f) Property Acquisition Reserve	Property Acquisition - Future property purchases in areas other than the City Centre
(g) Sustainability Reserve	Sustainability - Development of Mandurah as a sustainable city
(h) Aquatic and Recreation Centre Reserve	Aquatic and Recreation Centre - Future reconstruction of Mandurah Aquatic & Recreation Centre & additional swimming space
(i) Waste Facilities Reserve Fund	Waste Facilities Reserve Fund - Future waste treatment initiatives
(j) Community Improvements Reserve	Community Improvements - Provision of community facilities
(k) Traffic Bridge Reserve	Traffic Bridge - Replacement of Mandurah Traffic Bridge
(l) Tims Thicket Septage Reserve	Tims Thicket Septage - Future site restoration
(m) Tims Thicket Inert Reserve	Tims Thicket Inert - Future site restoration and development
(n) Inert Landfill Reserve	Inert Landfill - Future site restoration and development
(p) Arts and Craft Centre Reserve	Arts and Craft Centre - Provision of new arts and craft facility
(q) Sand Pit Restoration Reserve	Sand Pit Restoration - Costs associated with closure of Red Road site
(r) Interest Free Loans Reserve	Interest Free Loans - Interest-free loans to sporting & community groups for minor capital projects
(s) CLAG Reserve	CLAG - Contiguous Local Authority Group for control of mosquitoes
(t) Emergency Relief Fund Reserve	Emergency Relief Fund - Capital grants to local emergency service groups. Availability of funds for emergencies/disaster in Mandurah
(u) Mandurah Ocean Marina Reserve	Mandurah Ocean Marina - Future maintenance/asset replacement at Mandurah Ocean Marina
(v) Waterways Reserve - Stingray Wharf	Waterways - Future maintenance/asset replacement of specific waterways infrastructure
(w) Interest on Investments Reserve	Interest on Investments - Allocation for once-off purchases
(x) Port Mandurah Canals Stage 2 Maintenance Reserve	Port Mandurah Canals Stage 2 Maintenance - Stage 2 Future maintenance of canals
(y) Mariners Cove Canals Reserve	Mariners Cove Canals - Future maintenance of canals
(z) Port Bouvard Canal Maintenance Contributions Reserve	Port Bouvard Canal Maintenance Contributions - Contribution Future maintenance of canals
(aa) Soccer Club Rooms Refurbishment Reserve	Soccer Club Rooms Refurbishment - To maintain presentation and functionality of the Club House
(ab) Cash in Lieu POS Contributions Reserve	Cash in Lieu POS Contributions - Contributions received in accordance with Planning & Development Act
(ac) Unspent Grants Reserve	Unspent Grants & Contributions - Operating and non-operating grants and contributions tied to future expenditure.
(ad) Leave Reserve	Long Service Leave - To fund the long service and sick leave liability of Council's staff.
(ae) Carbon Offset Reserve	Carbon Offset - Fund initiatives which provide an offset to the environmental impact of the City's waste management activities.

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

4. RESERVES - CASH BACKED

Name of Reserve	Purpose of the reserve
(af) Bushland Acquisition Reserve	Bushland Acquisition - For the purchase & protection of bushland and environmentally sensitive sites within the City
(ag) Port Bouvard Surf Life Saving Clubrooms Reserve	Port Bouvard Surf Life Saving Clubrooms - To maintain presentation and functionality of the Club House
(ah) Coastal Storm Contingency Reserve	Coastal Storm Contingency - Provide for coastal emergency works due to storm damage
(ai) Refurbishment Bortolo Pavillion Reserve	Refurbishment Bortolo Pavilion - To maintain presentation and functionality of the Club House.
(aj) Refurbishment Rushton Park Reserve	Refurbishment Rushton Park - To maintain presentation and functionality of the Club House.
(ak) Refurbishment Meadow Springs Pavillion Reserve	Refurbishment Meadow Springs Pavilion - To maintain presentation and functionality of the Club House
(al) Digital Futures Reserve	Digital Futures - Fund development, investigation or commissioning of digital technology initiatives.
(am) Decked Carparking Reserve	Decked Carparking - Amount received from Landcorp in June 2006, set aside for Decked Carparking
(an) Specified Area Rates - Waterside Canals	Specified Area Rates - Waterside Canals - Future maintenance of canals.
(ao) Specified Area Rates - Port Mandurah Canals	Specified Area Rates - Port Mandurah Canals - Future maintenance of canals.
(ap) Specified Area Rates - Mandurah Quay Canals	Specified Area Rates - Mandurah Quay Canals - Future maintenance of canals.
(aq) Specified Area Rates - Mandurah Ocean Marina	Specified Area Rates - Mandurah Ocean Marina - Future maintenance/asset replacement at Mandurah Ocean Marina.
(ar) Specified Area Rate - Port Bouvard Canals	Specified Area Rate - Port Bouvard Canals - Future maintenance of canals.
(as) Specified Area Rate - Mariners Cove	Specified Area Rate - Mariners Cove - Future maintenance of canals.
(at) Specified Area Rate - Eastport	Specified Area Rate - Eastport - Future maintenance of canals.
(au) Sports Club Maintenance Levy Reserve	Sports Clubs Maintenance Levy - To maintain various city buildings leased to clubs
(aw) City Centre Land Acquisition Reserve	City Centre Land Acquisition Reserve - For future property purchases within the City Centre area
(ax) City Facility Relocation Reserve	City Facility Relocation Reserve - To fund long term strategic relocation of city facilities
(ay) Lakelands Community Infrastructure Reserve	Lakelands Community Infrastructure Reserve - Contribute to the construction of the community infrastructure on Lot 2300 Seppings Parade Lakelands
(az) Plant Reserve	Plant reserve - Replacement of heavy plant and equipment
(ba) Workers Compensation Reserve	Workers Compensation - For the purposes of funding previous year workers compensation claims that are open and still have costs required to be paid by the City of Mandurah.

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

5. OTHER FINANCIAL ASSETS

	2020 \$	2019 \$
(a) Current assets		
Community loans	96,670	95,088
	<u>96,670</u>	<u>95,088</u>
Other financial assets at amortised cost		
Community loans	96,670	95,088
	<u>96,670</u>	<u>95,088</u>
(b) Non-current assets		
Financial assets at amortised cost	317,022	417,989
Financial assets at fair value through profit and loss	124,637	0
	<u>441,659</u>	<u>417,989</u>
Financial assets at amortised cost		
Self supporting loans	96,670	95,088
Financial assets at amortised cost	344,989	322,901
	<u>441,659</u>	<u>417,989</u>
Financial assets at fair value through profit and loss		
Units in Local Government House Trust	124,637	0
	<u>124,637</u>	<u>0</u>

Loans receivable from clubs/institutions have the same terms and conditions as the related borrowing disclosed in Note 19(b) as self supporting loans.

SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

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

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

Financial assets at fair value through profit and loss

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

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

Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 30.

CITY OF MANDURAH
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6. TRADE AND OTHER RECEIVABLES

Current

	2020	2019
	\$	\$
Rates receivable	3,740,154	3,295,078
Trade and other receivables	726,833	1,153,640
GST receivable	725,874	916,226
Allowance for impairment of receivables from contracts with customers	(139,014)	(83,403)
Other receivables - Infringements	1,019,930	910,547
ESL	12,288	87,882
	<u>6,086,065</u>	<u>6,279,970</u>

Non-current

Pensioner's rates and ESL deferred	1,266,147	1,374,482
	<u>1,266,147</u>	<u>1,374,482</u>

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

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

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

Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 30.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification and subsequent measurement

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

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

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

CITY OF MANDURAH
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7. INVENTORIES

Current

Fuel and materials

	2020	2019
	\$	\$
	306,530	326,258
	306,530	326,258

The following movements in inventories occurred during the year:

Carrying amount at beginning of period

Inventories expensed during the year

Additions to inventory

Carrying amount at end of period

	326,258	326,258
	(65,233)	0
	45,505	0
	306,530	326,258

SIGNIFICANT ACCOUNTING POLICIES

General

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

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

CITY OF MANDURAH
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8. OTHER ASSETS

	2020	2019
	\$	\$
Other assets - current		
Prepayments	622,865	553,446
Accrued income	461,410	470,247
	<u>1,084,275</u>	<u>1,023,693</u>

SIGNIFICANT ACCOUNTING POLICIES

Other current assets

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

CITY OF MANDURAH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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9. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Carrying Amounts

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

	Land - freehold land	Buildings - non- specialised	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$
Balance at 1 July 2018	93,465,205	154,428,587	1,845,429	10,843,057	260,582,278
Additions	340,752	4,977,143	353,618	3,529,000	9,200,513
(Disposals)	(1,400,004)	(139,691)	(11,664)	(994,177)	(2,545,536)
Revaluation increments / (decrements) transferred to revaluation surplus	289,247	(710,145)	489,329	78,868	147,299
Impairment (losses) / reversals	0	0	37,385	0	37,385
Depreciation (expense)	0	(4,745,357)	(445,833)	(1,392,836)	(6,584,026)
Transfers	0	1,183,908	0	514,329	1,698,237
Carrying amount at 30 June 2019	92,695,200	154,994,445	2,268,264	12,578,241	262,536,150
Comprises:					
Gross carrying amount at 30 June 2019	92,695,200	154,994,446	2,268,264	12,578,241	262,536,151
Carrying amount at 30 June 2019	92,695,200	154,994,446	2,268,264	12,578,241	262,536,151
Additions	1,950,000	4,457,250	96,917	2,813,803	9,317,970
(Disposals)	(400,000)	(40,722)	(15,354)	(876,970)	(1,333,046)
Depreciation (expense)	0	(4,678,124)	(293,030)	(1,589,321)	(6,560,475)
Carrying amount at 30 June 2020	94,245,200	154,732,850	2,056,797	12,925,753	263,960,600
Comprises:					
Gross carrying amount at 30 June 2020	94,245,200	159,410,615	2,349,181	14,437,751	270,442,747
Accumulated depreciation at 30 June 2020	0	(4,677,765)	(292,384)	(1,511,998)	(6,482,147)
Carrying amount at 30 June 2020	94,245,200	154,732,850	2,056,797	12,925,753	263,960,600

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

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Land and buildings					
Land - freehold land		Market Approach	Griffin Valuation Advisory	June 2019	Selection of Land similar approximate utility
Buildings - non-specialised		Depreciated Replacement Cost	Griffin Valuation Advisory	June 2019	Historical cost per square floor area. Consumed benefit/absolence of asset.
Furniture and equipment		Depreciated Replacement Cost	Griffin Valuation Advisory	June 2019	Historical cost per unit. Consumed economic benefit/absolence of asset.
Plant and equipment					
Independent valuation 2019 - taken as cost under Regulation 17A		At Cost	Regulation 17A (2)	June 2019	Actual Cost

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

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

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

CITY OF MANDURAH
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FOR THE YEAR ENDED 30 JUNE 2020

10. INFRASTRUCTURE

(a) Movements in Carrying Amounts

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

	Infrastructure - roads	Other infrastructure - Drainage	Other infrastructure - Parks	Other infrastructure - Coastal and Estuary	Other infrastructure - Bridges	Other infrastructure	Total Infrastructure
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2018	334,116,212	128,295,159	182,877,876	44,429,470	64,815,726	6,232,679	760,767,122
Additions	9,349,432	1,126,701	6,912,227	1,136,165	231,407	119,022	18,874,954
(Disposals)	(629,456)	(72,487)	(1,134,434)	(309,786)	0	0	(2,146,163)
Revaluation increments / (decrements) transferred to revaluation surplus	(2,676,857)	0	0		0	0	(2,676,857)
Revaluation (loss) / reversals transferred to profit or loss	0	(245,805)	(25,690,905)	(1,316,434)	0	0	(27,253,144)
Depreciation (expense)	(9,420,351)	(2,304,369)	(11,339,239)	(2,280,716)	(734,568)	(230,684)	(26,309,927)
Transfers	9,279,893	8,287,283	7,412,229	8,944,142	(196,939)	(344,808)	33,381,800
Carrying amount at 30 June 2019	340,018,873	135,086,482	159,037,754	50,602,841	64,115,626	5,776,209	754,637,785
Comprises:							
Gross carrying amount at 30 June 2019	519,849,232	184,884,003	203,676,056	96,572,056	71,901,967	6,184,021	1,083,067,335
Accumulated depreciation at 30 June 2019	(179,830,359)	(49,797,521)	(44,638,302)	(45,969,215)	(7,786,341)	(407,812)	(328,429,550)
Carrying amount at 30 June 2019	340,018,873	135,086,482	159,037,754	50,602,841	64,115,626	5,776,209	754,637,785
Additions	8,814,407	1,150,473	4,356,299	0	344,744	166,934	14,832,857
(Disposals)	(8,800,553)	(6,757)	(18,698,306)	(122,628)	0	0	(27,628,244)
Revaluation increments / (decrements) transferred to revaluation surplus	(21,852)	80,806	759,051	119,191	3,868	0	941,064
Depreciation (expense)	(10,211,657)	(2,366,028)	(10,582,640)	(2,331,466)	(734,568)	(248,344)	(26,474,703)
Transfers	150,351	(304,270)	(690,171)	(1)	31	(16,901)	(860,961)
Carrying amount at 30 June 2020	329,949,569	133,640,706	134,181,987	48,267,937	63,729,701	5,677,898	715,447,798
Comprises:							
Gross carrying amount at 30 June 2020	517,435,398	185,600,383	177,042,830	96,059,625	72,246,742	6,334,054	1,054,719,032
Accumulated depreciation at 30 June 2020	(187,485,829)	(51,959,677)	(42,860,843)	(47,791,688)	(8,517,041)	(656,156)	(339,271,234)
Carrying amount at 30 June 2020	329,949,569	133,640,706	134,181,987	48,267,937	63,729,701	5,677,898	715,447,798

CITY OF MANDURAH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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10. INFRASTRUCTURE (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - roads		Depreciated Replacement Cost	Aqunta Consulting valuation	June 2018	Aqunta Consulting cost per unit (i). Consumed economic benefit/obsolescence of asset.
Other infrastructure - Drainage		Depreciated Replacement Cost	Aqunta Consulting valuation	June 2018	Aqunta Consulting cost per unit (i). Consumed economic benefit/obsolescence of asset.
Other infrastructure - Parks		Depreciated Replacement Cost	Aqunta Consulting valuation	June 2018	Aqunta Consulting cost per unit (i). Consumed economic benefit/obsolescence of asset.
Other infrastructure - Coastal and Estuary		Depreciated Replacement Cost	Aqunta Consulting valuation	June 2018	Aqunta Consulting cost per unit (i). Consumed economic benefit/obsolescence of asset.
Other infrastructure - Bridges		Depreciated Replacement Cost	Aqunta Consulting valuation	June 2018	Aqunta Consulting cost per unit (i). Consumed economic benefit/obsolescence of asset.
Other infrastructure - Land Improvements		At Cost	At Cost basis	June 2019	Selection of Land similar approximate utility

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

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

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

11. FIXED ASSETS

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

Assets for which the fair value as at the date of acquisition is under \$5,000 are not recognised as an asset in accordance with *Financial Management Regulation 17A (5)*. These assets are expensed immediately

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

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at 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 that are land, buildings, infrastructure and investment properties acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework, are recognised at cost and disclosed as being at fair value as management believes cost approximates fair value. They are subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework.

Revaluation

The fair value of land, buildings, infrastructure and investment properties is determined at least every five years in accordance with the regulatory framework. This includes buildings and infrastructure items which were pre-existing improvements (i.e. vested improvements) on vested land acquired by the City.

At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with Local Government (Financial Management) Regulation 17A (2) which requires land, buildings, infrastructure, investment properties and vested improvements to be shown at fair value.

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

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

Land under control prior to 1 July 2019

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

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

Land under roads prior to 1 July 2019

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

Effective as at 1 July 2008, Council elected not to recognise any value for land under roads.

This accords with the treatment available in Australian Accounting Standard AASB 1051 Land Under Roads and the then Local Government (Financial Management) Regulation 16(a)(i) which arbitrarily prohibited local governments from recognising such land as an asset. This regulation has now been deleted.

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

Whilst such treatment is inconsistent with the requirements of AASB 1051, Local Government (Financial Management) Regulation 4(2) provides, in the event of such an inconsistency, the Local Government (Financial Management) Regulations prevail. Consequently, any land under roads acquired on or after 1 July 2008 was not included as an asset of the City.

Land under roads from 1 July 2019

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

Vested improvements from 1 July 2019

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

Refer to Note 5 that details the significant accounting policies applying to leases (including right of use assets).

CITY OF MANDURAH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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11. FIXED ASSETS

(a) Disposals of Assets

	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss	2020 Budget Net Book Value	2020 Budget Sale Proceeds	2020 Budget Profit	2020 Budget Loss	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land - freehold land	400,000	363,954	0	(36,046)	600,000	600,000	0	0	1,400,004	1,403,000	0	2,996
Buildings - non-specialised	40,722	0	0	(40,722)	0	0	0	0	139,691	0	0	(139,691)
Furniture and equipment	15,354	0	0	(15,354)	0	0	0	0	11,664	0	0	(11,664)
Plant and equipment	876,970	658,457	0	(218,513)	1,336,000	1,009,000	3,000	(330,000)	994,177	832,000	0	(162,177)
Infrastructure - roads	8,800,553	0	0	(8,800,553)	0	0	0	0	629,456	0	0	(629,456)
Other infrastructure - Drainage	6,757	0	0	(6,757)	0	0	0	0	72,487	0	0	(72,487)
Other infrastructure - Parks	18,698,306	0	0	(18,698,306)	0	0	0	0	1,134,434	0	0	(1,134,434)
Other infrastructure - Coastal and Estuary	122,628	0	0	(122,628)	0	0	0	0	309,786	0	0	(309,786)
	28,961,290	1,022,411	0	(27,938,879)	1,936,000	1,609,000	3,000	(330,000)	4,691,699	2,235,000	0	(2,456,699)

The following assets were disposed of during the year.

	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss
	\$	\$	\$	\$
Plant and Equipment				
Governance				
2015 Hyundai Santa fe Elite Auto DSL Wagon MH1175A	29,820	24,600	0	(5,220)
Health				
2015 Ford Mondeo Ambience Wagon MH0896A C071	13,328	12,100	0	(1,228)
2016 Ford Ranger PU Dual Cab 4WD DSL Utility MH3953A U02117	24,345	23,236	0	(1,109)
Education and welfare				
2015 Mitsubishi ZK Outlander LS 2WD Wagon MH821Z C	13,252	12,782	0	(470)
Recreation and culture				
2014 Kubota F3690 60inch Outfront Mower DSL - MH853W M014	14,909	5,981	0	(8,927)
2016 Single Axle 3.0m x 1.8m Tipping Mower Trailer MH78829 V01916	3,777	1,723	0	(2,054)
Kubota RTV 900 XTW 4WD DSL Utility MH071T	9,146	10,913	1,767	0
2014 Kubota F3690 72inch Outfront Mower DSL - MH029X M004	16,891	9,350	0	(7,541)
2015 Mitsubishi Outlander LS 2WD Auto ULP Wagon MH	13,316	13,327	11	0
4WD FORD RANGER DUAL CAB AUTO 2.2 Td MH5478A	28,796	22,555	0	(6,242)
2015 Mitsubishi Triton Single Cab 2WD DSL MH803Z U	13,491	18,691	5,200	0
Toyota Hilux Dual Cab Auto DSL MH975Z U029	18,951	23,236	4,286	0
2013 Kubota RTV 900 XTW 4WD DSL Utility MH067T U10	9,754	7,226	0	(2,528)
Iseki SF370 72 inch Outfront Mower MH1339A M00316	20,278	5,774	0	(14,504)
2014 Toro 7210 Rotary Zero Turn DSL Mower MH210U M032	16,354	8,018	0	(8,336)
Kubota F3690 72 inch Deck Outfront Mower MH1872A M00216	19,229	6,582	0	(12,647)
2019 2WD MAZDA 6 WGN MH0888B C00419	34,494	26,873	0	(7,621)
2015 Ford Ranger XL Dual Cab Tray 4WD Auto DSL Ute MH0886A U0581	23,539	17,555	0	(5,985)
Custom Built Tandem Axle Flat Deck 3 Tonne Mowing Trailer 5m x 2.5m	4,329	5,285	956	0
Iseki SF370 60 inch Outfront Mower MH1340A M01616	15,373	4,977	0	(10,396)
MEY 26in 8 Blade Reel Mower	997	0	0	(997)
Transport				
2015 Toyota RAV4 CVT 2WD Auto Wagon ULP - MH129Y C075	16,979	17,041	62	0
Trailer Heavy Duty Plant	4,490	12,593	8,103	0
Isuzu NPR300 Single Cab Tray Truck & Crane MH988G	36,000	21,492	0	(14,508)
Hino 700 Truck - 3 rigid axle tipper truck MH866E	94,926	52,505	0	(42,420)
Kat Screen Komplete (Serial # 5897482) P013	21,000	9,744	0	(11,256)
Mitsubishi Outlander ZK LS 2WD ULP Wagon MH80	13,374	14,145	771	0
Hino 700 Truck - 3 rigid axle tipper truck MH868E	73,247	51,679	0	(21,568)
2011 Mitsubishi Canter Dual Cab Three Way Tipper T	45,256	20,646	0	(24,610)
Topcon TP-4LGV Pipe Laser Level Battery Powered P094	109	959	850	0
2015 Isuzu D Max SX Dual Cab 2WD DSL Utility MH896	17,761	15,964	0	(1,798)
2016 Ford Ranger Crew Cab 4WD Auto DSL Pickup Ute	26,094	23,236	0	(2,858)
Trailer Flat Top T/Axle Mowing 3 Tonne MH78725 P140	2,005	2,212	208	0
2016 Mitsubishi ZK Outlander 2WD Wagon ULP MH2786A C061116	14,142	12,691	0	(1,451)
2014 Hino 500 1024 Medium Single Cab Flocon Truck DSL Auto Kevrek 1	2,153	1,553	0	(600)
2012 Isuzu NQR 450 Crew Cab Tray Truck MH634M T004	43,000	28,738	0	(14,263)
Forklift IC	7,000	4,747	0	(2,253)
Isuzu 800 PTO Truck - 2 rigid axle water truck, capacity 2,000 litre approx	50,057	48,227	0	(1,830)
Screenstech Trailer Custom Built	3,695	874	0	(2,821)
Economic services				
2015 Mitsubishi Outlander LS 2WD ULP Auto Wagon MH0190A C056	13,032	12,327	0	(705)
2015 Toyota Rav 4 2WD ULP Auto Wagon - MH1608A C00216	14,951	17,327	2,376	0
2016 Holden Colorado LS Crew Cab 2WD DSAL Utility MH4331A U07017	20,325	15,964	0	(4,361)
2016 Mitsubishi Outlander ZK LS 2WD Wagon MH2121A C02616	13,005	13,009	4	0
	876,970	658,457	24,594	(243,107)
Land				
Other Property and Services				
Lot 133 Egret Point (No 9) Halls Head	135,000	123,450	0	(11,550)
Lot 107 Shearwater View (No 14) Halls Head	130,000	107,985	0	(22,015)
Lot 126 Wedgetail Retreat (No 14) Halls Head	135,000	132,519	0	(2,481)
	400,000	363,954	0	(36,046)
Other Asset class				
Program				
Residential House, 60 Peel Street, Mandurah (Other Property & Services)	38,472	0	0	(38,472)
Mandurah Performing Arts Centre (MPAC) - Cinema Façade (Recreation & Culture)	2,250	0	0	(2,250)
4 x Side Hinged Motorised Basketball Backboards (Recreation & Culture)	11,856	0	0	(11,856)
Councillors Desk Suite (Governance)	3,498	0	0	(3,498)
Infrastructure - roads (Transport)	8,800,553	0	0	(8,800,553)
Other infrastructure - Drainage (Community Amenities)	6,757	0	0	(6,757)
Other infrastructure - Parks (Recreation & Culture)	18,698,306	0	0	(18,698,306)
Other infrastructure - Coastal and Estuary (Recreation & Culture)	122,628	0	0	(122,628)
	27,684,320	0	0	(27,684,320)
	28,961,289	1,022,411	24,594	(27,963,473)

CITY OF MANDURAH
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FOR THE YEAR ENDED 30 JUNE 2020

11. FIXED ASSETS

(b) Depreciation

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Buildings - non-specialised	4,678,124	5,987,226	4,745,357
Furniture and equipment	293,030	331,273	445,833
Plant and equipment	1,589,321	221,747	1,392,836
Infrastructure - roads	10,211,657	8,177,328	9,420,351
Other infrastructure - Drainage	2,366,028	2,035,344	2,304,369
Other infrastructure - Parks	10,582,640	10,985,571	11,339,239
Other infrastructure - Coastal and Estuary	2,331,466	2,012,183	2,280,716
Other infrastructure - Bridges	734,568	285,907	734,568
Other infrastructure - Land Improvements	0	26,307	0
Other infrastructure	248,344	0	230,684
Right of use assets - plant and equipment	1,560,655	0	0
	34,595,833	30,062,886	32,893,953

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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

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

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

Depreciation rates

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

Asset Class	Useful life
Buildings	40 to 60 years
Plant and major equipment	5 years
Mobile Plant (according to type)	5 - 15 years
Computer Equipment	3 years
Furniture and equipment	10 years
Tools	5 years
*Footpaths/cycleways	20 - 40 years
*Roads	25-100
*Parks	5 - 100 years
*Bridges	60- 100 years
*Coastal & Estuary groynes, boat ramps	20 - 50 years

*Dependent on material type for individual components.

Depreciation on revaluation

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

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

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

Amortisation

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

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

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

12. LEASES

(a) Right of Use Assets

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

	Right of use assets - plant and equipment \$	Right of use assets Total
Carrying amount at 30 June 2019	0	0
Recognised on initial application of AASB 16	2,002,291	2,002,291
Restated total equity at the beginning of the financial year	2,002,291	2,002,291
Additions	3,851,505	3,851,505
Depreciation (expense)	(1,560,655)	(1,560,655)
Carrying amount at 30 June 2020	4,293,141	4,293,141
(b) Cash outflow from leases		
Interest expense on lease liabilities	129,461	129,461
Lease principal expense	1,804,631	1,804,631
Total cash outflow from leases	1,934,092	1,934,092
(c) Other expenses and income relating to leases		
Low-value asset lease payments recognised as expense	320,236	320,236
	320,236	320,236

CITY OF MANDURAH
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SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

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

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

Right-of-use assets - valuation

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

Refer to Note 4 for details on the significant accounting policies applying to vested improvements.

Right-of-use assets - depreciation

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

CITY OF MANDURAH
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13. REVALUATION SURPLUS

	2020 Opening Balance \$	2020 Revaluation Increment \$	2020 Revaluation (Decrement) \$	Total Movement on Revaluation \$	2020 Closing Balance \$	2019 Opening Balance \$	2019 Revaluation Increment \$	2019 Revaluation (Decrement) \$	Total Movement on Revaluation \$	2019 Closing Balance \$
Revaluation surplus - Land - freehold land	74,535,469	0	0	0	74,535,469	74,246,222	289,247	0	289,247	74,535,469
Revaluation surplus - Buildings - non-specialised	69,012,339	0	0	0	69,012,339	68,848,837	163,502	0	163,502	69,012,339
Revaluation surplus - Furniture and equipment	852,774	0	0	0	852,774	363,445	489,329	0	489,329	852,774
Revaluation surplus - Plant and equipment	188,091	0	0	0	188,091	73,157	114,934	0	114,934	188,091
Revaluation surplus - Infrastructure - roads	212,483,547	0	(21,852)	(21,852)	212,461,695	205,822,730	6,660,817	0	6,660,817	212,483,547
Infrastructure - drainage	95,143,303	80,806	0	80,806	95,224,109	87,101,825	8,041,478	0	8,041,478	95,143,303
Infrastructure - parks	188,805,172	759,051	0	759,051	189,564,223	208,310,997	0	(19,505,825)	(19,505,825)	188,805,172
Infrastructure - coastal and estuary	38,484,299	119,191	0	119,191	38,603,490	32,204,202	6,280,097	0	6,280,097	38,484,299
Infrastructure - bridges	16,659,828	3,868	0	3,868	16,663,696	16,659,828	0	0	0	16,659,828
Infrastructure - cultural	17,691,148	0	0	0	17,691,148	17,691,148	0	0	0	17,691,148
	713,855,970	962,916	(21,852)	941,064	714,797,034	711,322,391	22,039,404	(19,505,825)	2,533,579	713,855,970

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

CITY OF MANDURAH
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14. INVESTMENT PROPERTY

Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

	2020 Actual	2020 Budget	2019 Actual
Within one year	1,783,257	0	1,738,000
Later than one year but not later than 5 years	4,214,696	0	4,121,000
Later than 5 years	7,885,170	0	8,524,000
	13,883,123	0	14,383,000

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CITY OF MANDURAH
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15. TRADE AND OTHER PAYABLES

Current

	2020	2019
	\$	\$
Sundry creditors	4,409,258	4,032,173
Prepaid rates	3,200,708	0
Accrued salaries and wages	1,034,381	576,694
Bonds and deposits held	1,948,015	3,644,086
Receipts in advance	121,809	183,071
Other accrued expenses	249,479	222,273
Retention monies	491,056	367,841
	<u>11,454,706</u>	<u>9,026,138</u>

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

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

The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition

Prepaid rates

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

16. SHORT-TERM BORROWINGS

The following restrictions have been imposed by regulations or other externally imposed requirements:

	2020	2019
	\$	\$
Unspent Grants	7,974,498	5,369,000
Unspent Loans	1,531,765	2,065,839
	<u>9,506,263</u>	<u>7,434,839</u>

17. CONTRACT AND OTHER FINANCIAL LIABILITIES

Contract Liabilities

Current

Contract liabilities from contracts with customers

2020	2019
\$	\$
85,840	169,374
<u>85,840</u>	<u>169,374</u>

Other Financial Liabilities

Non-current

Interest Rate Swap

792,863	489,634
<u>792,863</u>	<u>489,634</u>
<u>878,703</u>	<u>659,008</u>

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

Less than 1 year	85,840
1 to 2 years	0
2 to 3 years	0
3 to 4 years	0
4 to 5 years	0
> 5 years	0
	<u>85,840</u>

SIGNIFICANT ACCOUNTING POLICIES

Contract Liabilities

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

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

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

CITY OF MANDURAH
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18. LEASE LIABILITIES

(a) Lease Liabilities	2020	2019
	\$	\$
Current	1,015,507	0
Non-current	3,163,118	0
	<u>4,178,625</u>	<u>0</u>

(b) Movements in Carrying Amounts

Purpose	Lease Number	Institution	Lease Interest Rate	Lease Term	Actual Lease Principal 1 July 2019	30 June 2020 Actual New Leases	30 June 2020 Actual Lease Principal Repayments	30 June 2020 Actual Lease Principal Outstanding	30 June 2020 Actual Lease Interest Repayments	Budget Lease Principal 1 July 2019	30 June 2020 Budget New Leases	30 June 2020 Budget Lease Principal Repayments	30 June 2020 Budget Lease Principal Outstanding	30 June 2020 Budget Lease Interest Repayments	Actual Lease Principal 1 July 2018	30 June 2019 Actual New Loans	30 June 2019 Actual Lease Principal Repayments	30 June 2019 Actual Lease Principal Outstanding	30 June 2019 Actual Lease Interest Repayments
					\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Recreation and culture																			
Gym Equipment		MAIA	3.51%		307,902	364,360	174,550	497,712	10,091	0	0	0	0	0	0	0	0	0	0
Other property and services																			
Software/Business Systems		MAIA	3.51%		967,087	0	927,474	39,613	16,529	0	0	0	0	0	0	0	0	0	0
IT Equipment		Fuji /HP/MAIA	3.51%		584,938	213,452	257,091	541,299	21,398	0	0	0	0	0	0	0	0	0	0
Survey Equipment		MAIA	3.51%		132,137	0	98,816	33,321	2,438	0	0	0	0	0	0	0	0	0	0
Tech One		MAIA	3.51%		0	3,273,693	213,633	3,060,060	78,712	0	0	0	0	0	0	0	0	0	0
Records - Postage Meter		Pitney Bowes	3.51%		10,227	0	3,607	6,620	293	0	0	0	0	0	0	0	0	0	0
					<u>2,002,291</u>	<u>3,851,505</u>	<u>1,675,171</u>	<u>4,178,625</u>	<u>129,461</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

CITY OF MANDURAH
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19. INFORMATION ON BORROWINGS

(a) Borrowings

	2020	2019
	\$	\$
Current	4,759,831	4,960,705
Non-current	21,469,922	24,903,979
	26,229,753	29,864,684

(b) Repayments - Borrowings

Particulars	Loan Number	Institution	Interest Rate	Actual Principal 1 July 2019	30 June 2020 Actual New Loans	30 June 2020 Actual Principal repayments	30 June 2020 Actual Interest repayments	30 June 2020 Actual Principal outstanding	Budget Principal 1 July 2019	30 June 2020 Budget New Loans	30 June 2020 Budget Principal repayments	30 June 2020 Budget Interest repayments	30 June 2020 Budget Principal outstanding	Actual Principal 1 July 2018	30 June 2019 Actual New Loans	30 June 2019 Actual Principal repayments	30 June 2019 Actual Interest repayments	30 June 2019 Actual Principal outstanding
				\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Law, order, public safety																		
Surf Life Saving Club	316	Westpac	3.91%	15,279	0	15,279	240	0	13,999	0	13,999	257	0	26,184	0	10,905	1,887	15,279
Community amenities																		
Waste Trailers & Dolly	336	Westpac	4.11%	295,119	0	54,304	8,409	240,815	290,019	0	52,571	10,141	237,448	335,205	0	40,086	26,449	295,119
Waste Water Reuse	349	Westpac	4.11%	195,921	0	49,666	5,170	146,255	190,214	0	20,987	6,883	169,227	244,947	0	49,026	7,667	195,921
Halls Head Ablution Block	350	Westpac	4.11%	130,615	0	33,110	3,446	97,505	126,809	0	13,991	4,589	112,818	163,299	0	32,684	5,112	130,615
Halls Head Recycled Water	52	Westpac	3.81%	0	200,000	0	0	200,000	0	200,000	1,372	635	198,628	0	0	0	0	0
Ablutions 19/20		Westpac	3.81%	0	0	0	0	0	0	150,000	1,030	476	148,970	0	0	0	0	0
Recreation and culture																		
Allnutt Reserve Bowling Facility	316(iii)	Westpac	4.11%	71,504	0	71,504	1,018	0	65,515	0	65,515	1,200	0	122,540	0	51,036	8,833	71,504
Town Beach Ablutions	316(vii)	Westpac	4.11%	30,557	0	30,557	419	0	27,999	0	27,999	513	0	52,368	0	21,811	3,775	30,557
Rushton Park Redevelopment	318(ii)	Westpac	4.04%	549,375	0	215,048	4,969	334,327	528,987	0	98,055	18,115	430,932	748,536	0	199,161	56,605	549,375
Meadow Springs Pavilion	318(iii)	Westpac	4.04%	412,032	0	161,539	3,733	250,493	396,741	0	73,542	13,586	323,199	563,202	0	151,170	45,824	412,032
Mandurah Rugby Club	320	Westpac	4.04%	82,842	0	40,374	1,938	42,468	79,345	0	40,025	2,287	39,320	112,341	0	29,499	9,040	82,842
Mandurah Cricket Club	321	Westpac	4.04%	27,611	0	13,466	646	14,145	26,445	0	13,350	762	13,095	37,447	0	9,836	3,013	27,611
Mandurah Football & Sporting	324	Westpac	4.11%	242,296	0	77,167	6,413	165,129	235,430	0	75,925	7,655	159,505	300,159	0	57,863	18,657	242,296
Mandurah Rugby Club	325	Westpac	4.11%	18,637	0	5,939	493	12,698	18,109	0	5,843	589	12,266	23,089	0	4,452	1,435	18,637
Allnutt Reserve Bowling Facility	326	Westpac	4.11%	1,641,210	0	548,328	21,240	1,092,882	1,604,367	0	517,401	52,167	1,086,966	2,045,503	0	404,293	117,446	1,641,210
Ablutions - Netball Centre	329(i)	Westpac	4.11%	130,469	0	41,887	2,487	88,582	126,771	0	40,882	4,122	85,889	161,560	0	31,091	9,909	130,469
Parks Construction	329(v)	Westpac	4.11%	128,976	0	41,887	2,487	87,089	125,321	0	40,415	4,075	84,906	159,765	0	30,789	9,909	128,976
Halls Head Bowling Club Upgrade	331	Westpac	4.11%	344,004	0	33,208	10,256	310,796	340,533	0	31,024	12,440	309,509	366,353	0	22,349	45,022	344,004
Parks - Falcon Bay Reserve	333(i)	Westpac	4.11%	97,095	0	24,705	372	72,390	95,159	0	22,253	3,240	72,906	114,218	0	17,123	8,002	97,095
Aquatic & recreation Centre	338	Westpac	4.11%	922,603	0	158,639	12,661	763,940	913,692	0	138,889	32,411	774,803	1,036,495	0	113,892	38,798	922,603
Aquatic & recreation Centre Stage 1	340	Westpac	4.11%	582,882	0	78,971	11,821	503,911	575,570	0	70,073	20,719	505,497	639,930	0	57,048	23,723	582,882
Aquatic & recreation Centre Stage 2	341	Westpac	4.11%	1,494,077	0	216,261	18,027	1,277,816	1,485,349	0	180,818	53,470	1,304,531	1,651,432	0	157,355	51,083	1,494,077
Eastern Foreshore Wall	344	Westpac	4.11%	973,173	0	137,240	14,464	835,933	961,762	0	117,082	34,622	844,680	1,069,302	0	96,129	38,835	973,173
MARC Stage 2	345	Westpac	4.11%	1,685,125	0	456,231	17,709	1,228,894	1,648,544	0	181,891	59,655	1,466,653	2,122,877	0	437,752	53,572	1,685,125
Falcon Bay Seawall	351	Westpac	4.11%	326,901	0	82,066	8,642	244,835	317,481	0	35,029	11,489	282,452	408,245	0	81,344	12,781	326,901
MARC Solar Plan	353	Westpac	4.11%	191,804	0	18,315	5,721	173,489	189,886	0	17,096	6,940	172,790	205,392	0	13,588	11,860	191,804
Novara Foreshore Stage 2	355	Westpac	4.11%	383,609	0	36,629	11,443	346,980	379,772	0	34,192	13,880	345,580	410,785	0	27,176	23,720	383,609
Falcon Bay Foreshore Development	356	Westpac	4.11%	383,609	0	36,629	11,443	346,980	379,772	0	34,192	13,880	345,580	410,785	0	27,176	23,720	383,609
Mandjar Square Development	358	Westpac	4.11%	479,513	0	45,883	14,201	433,630	474,718	0	42,734	17,350	431,984	513,481	0	33,968	29,650	479,513
Lakelands DOS	360	Westpac	4.11%	2,664,998	0	299,003	37,453	2,365,995	2,658,426	0	239,294	97,162	2,419,132	2,875,491	0	210,493	145,763	2,664,998
Falcon Seawall	41	Westpac	3.09%	500,167	0	41,308	13,532	458,859	496,570	0	42,021	18,195	454,549	0	500,167	0	167	500,167
Manjar Square Stage 3 and 4	40	Westpac	3.09%	1,000,332	0	92,157	17,523	908,175	993,141	0	84,029	36,391	909,112	0	1,000,332	0	332	1,000,332
Novara Foreshore Stage 3	44	Westpac	3.09%	200,067	0	16,485	5,451	183,582	198,628	0	16,806	7,278	181,822	0	200,067	0	67	200,067
Western Foreshore Recreation Precinct		Westpac	3.81%	0	0	0	0	0	0	1,270,000	8,712	4,033	1,261,288	0	0	0	0	0
Smart Street Mall Upgrade	54	Westpac	3.81%	0	500,000	0	0	500,000	0	1,500,000	10,288	4,764	1,489,712	0	0	0	0	0
Westbury Way North side POS Stage	53	Westpac	3.81%	0	200,000	0	0	200,000	0	200,000	1,372	635	198,628	0	0	0	0	0
Falcon Bay Foreshore Stage 3 of 4	49	Westpac	3.81%	0	300,000	0	0	300,000	0	300,000	2,058	953	297,942	0	0	0	0	0
Mandjar Square Final Stage	51	Westpac	3.81%	0	300,000	0	0	300,000	0	300,000	2,058	953	297,942	0	0	0	0	0
Falcon Skate Park Upgrade	48	Westpac	3.81%	0	120,000	0	0	120,000	0	200,000	1,372	635	198,628	0	0	0	0	0

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18. INFORMATION ON BORROWINGS

(b) Repayments - Borrowings

	Loan Number	Institution	Interest Rate	Actual Principal 1 July 2019	30 June 2020 Actual New Loans	30 June 2020 Actual Principal repayments	30 June 2020 Actual Interest repayments	30 June 2020 Actual Principal outstanding	Budget Principal 1 July 2019	30 June 2020 Budget New Loans	30 June 2020 Budget Principal repayments	30 June 2020 Budget Interest repayments	30 June 2020 Budget Principal outstanding	Actual Principal 1 July 2018	30 June 2019 Actual New Loans	30 June 2019 Actual Principal repayments	30 June 2019 Actual Interest repayments	30 June 2019 Actual Principal outstanding
Transport																		
Road Construction	316(ii)	Westpac	3.91%	228,874	0	228,874	3,234	0	209,707	0	209,707	3,843	0	392,234	0	163,360	28,274	228,874
Car Parking	316(iv)	Westpac	3.91%	16,807	0	16,807	240	0	15,400	0	15,400	282	0	28,804	0	11,997	2,076	16,807
Road Construction	318(v)	Westpac	4.04%	1,373,439	0	537,115	12,410	836,324	1,322,469	0	245,139	45,287	1,077,330	1,872,062	0	498,623	142,861	1,373,439
Drainage	318(iv)	Westpac	4.04%	137,345	0	53,510	1,236	83,835	132,248	0	24,514	4,529	107,734	186,776	0	49,431	13,477	137,345
Road Construction	329(ii)	Westpac	4.11%	279,574	0	91,164	5,414	188,410	271,651	0	87,605	8,833	184,046	346,353	0	66,779	21,566	279,574
Drainage Construction	329(iii)	Westpac	4.11%	93,191	0	29,567	1,756	63,624	90,550	0	29,201	2,944	61,349	115,360	0	22,169	6,995	93,191
Peelwood Oval - Parking	329(iv)	Westpac	4.11%	37,277	0	12,320	732	24,957	36,221	0	11,681	1,178	24,540	46,200	0	8,923	2,915	37,277
Path Construction	329(vi)	Westpac	4.11%	21,247	0	7,391	439	13,856	27,165	0	8,760	883	18,405	26,373	0	5,126	1,749	21,247
Street Lighting	329(viii)	Westpac	4.11%	27,958	0	9,855	585	18,103	20,645	0	6,658	671	13,987	34,717	0	6,759	2,332	27,958
Road Construction	333(ii)	Westpac	4.11%	433,530	0	112,546	1,697	320,984	424,886	0	99,358	14,469	325,528	509,984	0	76,454	35,727	433,530
New Pedestrian Bridge Construction	335	Westpac	4.11%	596,197	0	115,002	11,694	481,195	585,895	0	106,210	20,486	479,685	677,181	0	80,984	53,433	596,197
New Road Construction	339	Westpac	4.11%	661,855	0	116,906	5,110	544,949	652,690	0	99,077	23,155	553,613	740,353	0	78,498	30,452	661,855
New Road Construction	342	Westpac	4.11%	752,108	0	100,457	16,687	651,651	742,674	0	90,409	26,735	652,265	825,716	0	73,608	30,611	752,108
VMC Tims Thicket	343	Westpac	4.11%	112,813	0	14,268	3,312	98,545	500,902	0	55,267	18,126	445,635	123,857	0	11,044	4,592	112,813
Road Construction	346	Westpac	4.11%	515,930	0	130,877	13,511	385,053	380,432	0	41,975	13,767	338,457	645,028	0	129,098	20,190	515,930
MARC Carpark	347	Westpac	4.11%	391,846	0	99,325	10,339	292,521	158,514	0	17,490	5,736	141,024	489,895	0	98,049	15,335	391,846
MPAC Forecourt	348	Westpac	4.11%	163,270	0	41,384	4,308	121,886	111,398	0	13,570	4,010	97,828	204,123	0	40,853	6,389	163,270
Mandurah Marina	352	Westpac	4.11%	191,804	0	18,315	5,721	173,489	284,832	0	25,638	10,410	259,194	205,392	0	13,588	11,860	191,804
MARC Carpark	354	Westpac	4.11%	287,709	0	27,466	8,582	260,243	189,886	0	17,096	6,940	172,790	308,089	0	20,380	17,790	287,709
Mandurah Foreshore Boardwalk Res	357	Westpac	4.11%	431,563	0	41,301	12,771	390,262	427,248	0	38,457	15,615	388,791	462,133	0	30,570	26,685	431,563
Smokeshed Retreat	361	Westpac	4.11%	95,900	0	9,164	2,860	86,736	1,343,455	0	120,927	49,101	1,222,528	102,696	0	6,796	5,930	95,900
New Road Construction	359	Westpac	4.11%	1,346,886	0	155,003	15,025	1,191,883	94,941	0	8,554	3,470	86,387	1,453,151	0	106,265	73,771	1,346,886
New Boardwalks 18/19	42	Westpac	3.09%	500,167	0	41,308	13,532	458,859	496,570	0	42,021	18,195	454,549	0	500,167	0	167	500,167
Coodanup Drive - Road Rehabilitation	46	Westpac	3.09%	100,034	0	8,243	2,725	91,791	99,314	0	8,409	3,639	90,905	0	100,034	0	34	100,034
Pinjarra Road Carpark	45	Westpac	3.09%	200,067	0	16,485	5,451	183,582	198,628	0	16,806	7,278	181,822	0	200,067	0	67	200,067
New Road Construction 18/19	39	Westpac	3.09%	1,650,547	0	153,191	27,769	1,497,356	1,638,680	0	138,675	60,044	1,500,005	0	1,650,547	0	547	1,650,547
Shark Mitigation Project		Westpac	3.81%		0	0	0	0	0	400,000	2,744	1,270	397,256	0	0	0	0	0
South Harbour Upgrade	47	Westpac	3.81%		230,000	0	0	230,000	0	230,000	1,578	730	228,422	0	0	0	0	0
New Road Construction 19/20	50	Westpac	3.81%	0	900,000	0	0	900,000	0	1,200,000	8,231	3,811	1,191,769	0	0	0	0	0
Other property and services																		
Office Building	272	Westpac	3.81%	460,823	0	245,807	10,369	215,016	439,635	0	243,983	12,193	195,652	630,638	0	169,815	50,812	460,823
Information Systems	316(i)	Westpac	3.81%	15,278	0	15,278	240	0	13,999	0	13,999	257	0	26,183	0	10,905	1,887	15,278
IT Server Room Upgrade	316(vi)	Westpac	3.81%	41,252	0	41,252	599	0	37,797	0	37,797	693	0	70,696	0	29,444	5,096	41,252
IT Communications Equipment	318(i)	Westpac	3.81%	109,874	0	42,404	980	67,470	105,796	0	19,611	3,623	86,185	149,417	0	39,543	10,782	109,874
IT Equipment	329(vii)	Westpac	3.81%	38,021	0	12,320	732	25,701	36,944	0	11,914	1,201	25,030	47,095	0	9,074	2,895	38,021
Land Purchase	330	Westpac	3.81%	1,848,929	0	624,934	17,990	1,223,995	1,811,002	0	584,038	58,886	1,226,964	2,308,924	0	459,995	128,630	1,848,929
Civic Building - Tuckey Room Extens	43	Westpac	3.81%	500,167	0	41,308	13,531	458,859	496,570	0	42,021	18,195	454,549		500,167		167	500,167
				29,864,684	2,750,000	6,384,932	505,408	26,229,752	29,363,818	5,950,000	4,960,705	1,049,632	30,353,113	29,950,361	4,651,548	4,737,225	1,588,750	29,864,684
				29,864,684	2,750,000	6,384,932	505,408	26,229,752	29,363,818	5,950,000	4,960,705	1,049,632	30,353,113	29,950,361	4,651,548	4,737,225	1,588,750	29,864,684

* WA Treasury Corporation

CITY OF MANDURAH
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19. INFORMATION ON BORROWINGS (Continued)

(c) New Borrowings - 2019/20

Particulars/Purpose	Institution	Loan Type	Term Years	Interest Rate %	Amount Borrowed		Amount (Used)		Total Interest & Charges	Actual Balance Unspent
					2020 Actual	2020 Budget	2020 Actual	2020 Budget		
South Harbour Upgrade	Westpac	Variable	10	3.81%	230,000	230,000	230,000	(230,000)	0	0
Falcon Skate Park Upgrade	Westpac	Variable	10	3.81%	120,000	200,000	120,000	(200,000)	0	0
Falcon Bay Foreshore Stage 3 of 4	Westpac	Variable	10	3.81%	300,000	300,000	300,000	(300,000)	0	0
New Road Construction 19/20	Westpac	Variable	10	3.81%	900,000	1,200,000	783,902	(1,200,000)	0	116,098
Manjar Square Final Stage	Westpac	Variable	10	3.81%	300,000	300,000	300,000	(300,000)	0	0
Halls Head Recyled Water	Westpac	Variable	10	3.81%	200,000	200,000	170,073	(200,000)	0	29,927
Westbury Way Northside POS Stage 3	Westpac	Variable	10	3.81%	200,000	200,000	200,000	(200,000)	0	0
Smart Street Mall	Westpac	Variable	10	3.81%	500,000	1,500,000	148,061	(1,500,000)	0	351,939
Shark Mitigation					0	400,000	0	(400,000)	0	0
Western Foreshore Recreation					0	1,270,000	0	(1,270,000)	0	0
Owen Avenue Ablution					0	150,000	0	(150,000)	0	0
					2,750,000	5,950,000	2,252,036	(5,950,000)	0	497,964

(d) Unspent Borrowings

Particulars	Date Borrowed	Unspent Balance 1 July 2019	Borrowed During Year	Expended During Year	Unspent Balance 30 June 2020
Brighton Lane	Westpac 6/02/2019	43,022	0	0	43,022
Brighton Plaza	Westpac 6/02/2019	14,115	0	0	14,115
WMC Tims Thicket	Westpac 6/02/2019	150,000	0	0	150,000
MARC Solar panel	Westpac 6/02/2019	185,994	0	(151,583)	34,411
New Road Construction - Dower Street	Westpac 6/02/2019	228,528	0	(227,555)	973
Lakelands DOS	Westpac 6/02/2019	800,000	0	(66,321)	733,679
Mandurah Foreshore Boardwalk Stage 3	Westpac 6/02/2019	143,926	0	(92,044)	51,882
Civic Building - Tuckey Room	Westpac 6/02/2019	174,936	0	(174,936)	0
Pinjarra Road Carpark	Westpac 6/02/2019	183,108	0	(183,097)	11
New Road Construction - Dower Street	Westpac 6/02/2019	7,630	0	(7,630)	0
New Road Construction - Gibson Street	Westpac 6/02/2019	100,000	0	(94,292)	5,708
New Road Construction - Pinjarra Road	Westpac 6/02/2019	34,580	0	(34,580)	0
South Harbour Upgrade	Westpac 30/06/2020	0	230,000	(230,000)	0
Falcon Skate Park Upgrade	Westpac 30/06/2020	0	120,000	(120,000)	0
Falcon Bay Foreshore Stage 3 of 4	Westpac 30/06/2020	0	300,000	(300,000)	0
New Road Construction 19/20	Westpac 30/06/2020	0	900,000	(783,902)	116,098
Manjar Square Final Stage	Westpac 30/06/2020	0	300,000	(300,000)	0
Halls Head Recyled Water	Westpac 30/06/2020	0	200,000	(170,073)	29,927
Westbury Way Northside POS Stage 3	Westpac 30/06/2020	0	200,000	(200,000)	0
Smart Street Mall	Westpac 30/06/2020	0	500,000	(148,061)	351,939
		2,065,839	2,750,000	(3,284,074)	1,531,765

(e) Undrawn Borrowing Facilities

Credit Standby Arrangements

	2020 \$	2019 \$
Bank overdraft limit	0	0
Bank overdraft at balance date	0	0
Credit card limit	700,000	760,000
Credit card balance at balance date	11,709	(79,000)
Total amount of credit unused	711,709	681,000

Loan facilities

Loan facilities - current	4,759,831	4,960,705
Loan facilities - non-current	21,469,922	24,903,979
Lease liabilities - current	1,015,507	0
Lease liabilities - non-current	3,163,118	0
Total facilities in use at balance date	30,408,378	29,864,684

Unused loan facilities at balance date

1,531,765	2,065,839
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SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

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

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

Borrowing costs

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

Risk

Information regarding exposure to risk can be found at Note 30.

20. EMPLOYEE RELATED PROVISIONS

(a) Employee Related Provisions

Opening balance at 1 July 2019

Current provisions

Non-current provisions

Additional provision

Balance at 30 June 2020

Comprises

Current

Non-current

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Current provisions	4,757,225	3,818,266	8,575,491
Non-current provisions	0	1,067,888	1,067,888
	4,757,225	4,886,154	9,643,379
Additional provision	208,479	217,513	425,992
Balance at 30 June 2020	4,965,704	5,103,667	10,069,371
Comprises			
Current	4,965,704	4,177,974	9,143,678
Non-current	0	925,693	925,693
	4,965,704	5,103,667	10,069,371

Amounts are expected to be settled on the following basis:

Less than 12 months after the reporting date

More than 12 months from reporting date

Expected reimbursements from other WA local governments

	2020	2019
	\$	\$
Less than 12 months after the reporting date	9,143,678	8,575,000
More than 12 months from reporting date	877,596	1,009,445
Expected reimbursements from other WA local governments	48,097	58,934
	10,069,371	9,643,379

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

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

Other long-term employee benefits (Continued)

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

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

Provisions

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

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

CITY OF MANDURAH
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21. OTHER PROVISIONS

	Provision for Sick Leave	Total
	\$	\$
Opening balance at 1 July 2019		
Current provisions	139,982	139,982
Non-current provisions	0	0
	139,982	139,982
Balance at 30 June 2020	139,982	139,982
Comprises		
Current	139,982	139,982
Non-current	0	0
	139,982	139,982

CITY OF MANDURAH
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22. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

	2020 Actual \$	2020 Budget \$	2019 Actual \$
Cash and cash equivalents	50,053,366	31,404,000	45,552,854

Reconciliation of Net Cash Provided By Operating Activities to Net Result

Net result	(30,536,142)	(5,771,659)	(12,752,663)
Non-cash flows in Net result:			
Depreciation on non-current assets	34,595,833	30,062,886	32,893,953
(Profit)/loss on sale of asset	27,938,879	327,000	2,456,790
Write-off of WIP items	860,950	0	0
Changes in assets and liabilities:			
(Increase)/decrease in receivables	302,241	69,130	(250,760)
(Increase)/decrease in other assets	(60,576)	0	(607,979)
(Increase)/decrease in inventories	19,728	100,000	(18,742)
Increase/(decrease) in payables	(802,318)	(500,000)	(129,139)
Increase/(decrease) in provisions	425,992	243,000	740,621
Increase/(decrease) in contract liabilities	(83,534)	0	0
Non-operating grants, subsidies and contributions	(14,255,399)	(10,757,000)	(5,204,001)
Net cash from operating activities	18,405,654	13,773,357	17,128,080

CITY OF MANDURAH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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23. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2020	2019
	\$	\$
Governance	11,960,490	4,497,348
General purpose funding	9,178,454	11,987,011
Law, order, public safety	2,365,333	2,336,358
Health	160,743	149,429
Education and welfare	4,881,165	4,965,850
Community amenities	6,186,882	9,616,322
Recreation and culture	318,168,674	342,203,618
Transport	537,034,566	548,645,236
Economic services	100,244,987	98,844,440
Other property and services	97,092	111,000
Unallocated	52,757,864	48,887,658
	1,043,036,250	1,072,244,270

24. CONTINGENT LIABILITIES

The City has no identified contingent liabilities at the reporting date.

CONFIRMED

25. CAPITAL AND LEASING COMMITMENTS

(a) Capital Expenditure Commitments

Contracted for:

	2020	2019
	\$	\$
- capital expenditure projects	5,053,147	2,188,302
- plant & equipment purchases	84,265	961,627
	<u>5,137,412</u>	<u>3,149,929</u>

Payable:

- not later than one year	5,137,412	3,149,929
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(b) Operating Lease Commitments

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

Payable:

	2020	2019
	\$	\$
- not later than one year	320,236	1,695,972
- later than one year but not later than five years	336,284	1,769,231
- later than five years	0	454,971
	<u>656,520</u>	<u>3,920,174</u>

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

Leases (Continued)

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

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

26. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

The following fees, expenses and allowances were paid to council members and/or the Mayor.

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Meeting fees allowance	382,326	410,280	402,234
Mayoral allowance	84,121	84,421	84,421
Deputy Mayoral allowance	21,105	21,105	21,105
Information and communications technology allowance	40,948	47,749	45,500
Councillors travel, conference and other expenses	30,447	80,000	52,986
	558,947	643,555	606,246

Key Management Personnel (KMP) Compensation Disclosure

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

	2020 Actual	2019 Actual
	\$	\$
Short-term employee benefits	2,450,337	2,365,260
Post-employment benefits	271,985	193,877
Other long-term benefits	42,790	46,356
Termination benefits	144,531	0
	2,909,643	2,605,493

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Termination benefits

These amounts represent termination benefits paid to KMP (Note: may or may not be applicable in any given year).

26. RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties

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

	2020 Actual	2019 Actual
	\$	\$
The following transactions occurred with related parties:	0	0

Related Parties

The City's main related parties are as follows:

i. Key management personnel

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

ii. Other Related Parties

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

iii. Entities subject to significant influence by the City

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

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27. MAJOR LAND TRANSACTIONS

(a) Details

The City is sub-dividing land at Lots 1197 and 1200 Leisure Way, Halls Head. This development is the subject of a Business Plan approved in March 2007, a copy of which is available on request from the City's Administration Office. Preliminary design works commenced in 2006/07 and \$3.165 million has been spent for development costs to 30 June 2020.

(b) Current year transactions

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Other revenue			
- Sale proceeds	5,312,000	7,725,000	4,931,000
Other expenditure			
- Cost of goods sold	(3,165,000)	(5,132,000)	(3,133,000)
	<u>2,147,000</u>	<u>2,593,000</u>	<u>1,798,000</u>

(c) Expected future cash flows

	2020/21	2021/22	2022/23	2023/24	Total
	\$	\$	\$	\$	\$
Cash outflows					
	(93,000)	(64,000)	(64,000)	0	(221,000)
	<u>(93,000)</u>	<u>(64,000)</u>	<u>(64,000)</u>	<u>0</u>	<u>(221,000)</u>
Cash inflows					
	850,000	1,200,000	450,000	0	2,500,000
	<u>850,000</u>	<u>1,200,000</u>	<u>450,000</u>	<u>0</u>	<u>2,500,000</u>
Net cash flows	<u>757,000</u>	<u>1,136,000</u>	<u>386,000</u>	<u>0</u>	<u>2,279,000</u>

CITY OF MANDURAH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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28. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	2019/20 Actual Rateable Value \$	2019/20 Actual Rate Revenue \$	2019/20 Actual Interim Rates \$	2019/20 Actual Back Rates \$	2019/20 Actual Total Revenue \$	2019/20 Budget Rate Revenue \$	2019/20 Budget Interim Rate \$	2019/20 Budget Back Rate \$	2019/20 Budget Total Revenue \$	2018/19 Actual Total Revenue \$
Differential general rate / general rate												
Gross rental valuations												
Residential Improved	0.0959	32,516	514,501,180	49,438,183	568,719	39,984	50,046,886	49,625,658			49,625,658	49,661,316
Urban Development	0.1306	13	3,691,300	482,047	9,248		491,295	482,000			482,000	336,272
Business Improved	0.0978	991	144,118,083	14,099,072	117,514	28,452	14,245,038	14,114,000			14,114,000	12,997,523
Interim Rates							0	800,000			800,000	1,356,478
Unimproved valuations												
Residential Vacant	0.163	1,953	23,453,160	3,822,865	(110,039)	3,372	3,716,198	3,823,000			3,823,000	3,943,469
Business Vacant	0.1656	126	3,775,994	625,304	(51,378)		573,926	625,000			625,000	642,819
Sub-Total		35,599	689,539,717	68,467,471	534,064	71,808	69,073,343	69,469,658	0	0	69,469,658	68,937,877
Minimum payment	Minimum \$											
Gross rental valuations												
Residential Improved	1,108	8,400	83,783,572	9,307,200	(18,019)	195	9,289,376	9,245,000			9,245,000	6,959,478
Urban Development	1,108						0	0			0	0
Business Improved	1,108	371	2,087,501	411,068	1,108		412,176	411,000			411,000	384,836
Unimproved valuations												
Residential Vacant	917	1,543	6,560,172	1,414,931	(86,436)	(6,444)	1,322,051	1,416,000			1,416,000	1,600,260
Business Vacant	1,108	19	98,650	21,052	(6,914)		14,138	21,000			21,000	25,944
Sub-Total		10,333	92,529,895	11,154,251	(110,261)	(6,249)	11,037,741	11,093,000	0	0	11,093,000	8,970,518
Total amount raised from general rate		45,932	782,069,612	79,621,722	423,803	65,559	80,111,084	80,562,658	0	0	80,562,658	77,908,395
Concessions (Note 28(c))							80,111,084				80,562,658	77,908,395
Specified Area Rate (Note 28(b))							(76,896)				(80,000)	(181,316)
Prepaid rates							545,311				532,930	518,294
Totals							3,230,891				0	242,100
							83,810,390				81,015,588	78,487,473

SIGNIFICANT ACCOUNTING POLICIES

Rates

Control over assets acquired from rates is obtained at the commencement of the rating period.

Prepaid rates are, until the taxable event has occurred (start of the next financial year), refundable at the request of the ratepayer.

Rates received in advance are initially recognised as a financial liability. When the taxable event occurs, the financial liability is extinguished and the City recognises revenue for the prepaid rates that have not been refunded.

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28. RATING INFORMATION (Continued)

(b) Specified Area Rate

Specified Area Rate	Basis of Valuation	Rate in \$	2019/20 Rateable Value	2019/20 Rate Revenue	2019/20 Interim Rate Revenue	2019/20 Back Rate Revenue	2019/20 Total Specified Area Rate Revenue	2019/20 Budget Rate Revenue	2019/20 Budget Back Rate Revenue	2019/20 Budget Interim Rate Revenue	2019/20 Total Budget Revenue	2018/19 Total Actual Revenue
			\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Port Mandurah	Residential improved	0.0039	20,097,280	78,380	218	46	78,644	79,000			79,000	79,484
Waterside	Residential improved	0.0000	5,320,520	0	0	0	0	0			0	0
Mandurah Ocean Marina	Residential improved	0.0183	20,237,716	370,222	14,841	324	385,387	380,930			380,930	364,784
Mandurah Quay	Residential improved	0.0024	6,347,660	15,234	108		15,342	10,000			10,000	10,888
Port Bouvard Eastport	Residential improved	0.0015	8,355,370	12,534	159	24	12,717	12,000			12,000	11,675
Port Bouvard Northport	Residential improved	0.0076	5,586,145	42,455	1		42,456	42,000			42,000	41,181
Mariners Cove	Residential improved	0.0012	8,742,250	10,491	259	15	10,765	9,000			9,000	10,282
			74,686,941	529,316	15,586	409	545,311	532,930	0	0	532,930	518,294

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Specified Area Rate	Purpose of the rate	Area/properties Rate Imposed	2019/20 Actual Rate Applied to Costs	2019/20 Actual Rate Set Aside to Reserve	2019/20 Actual Reserve Applied to Costs	2019/20 Budget Rate Applied to Costs	2019/20 Budget Rate Set Aside to Reserve	2019/20 Budget Reserve Applied to Costs
Port Mandurah	Contribution toward maintaining and managing the canals in accordance with the Artificial Waterways Policy – Canals and Core Management Group.	All canal frontage properties located within the defined area of Port Mandurah Canals.	\$ 78,644	\$ 0	\$ 24,327	\$ 13,746	\$ 64,900	\$ 0
Waterside	Contribution toward maintaining and managing the canals.	All properties within the Waterside Canals.	0	0	3,659	0	0	5,171
Mandurah Ocean Marina	To provide for an enhanced maintenance standard and asset replacement costs.	All properties within the Mandurah Ocean Marina.	165,137	220,250		164,233	137,000	0
Mandurah Quay	Maintenance of the marina (i.e. water body and walls) and is levied to cover the life cycle expenses of the marina.	All properties within the Mandurah Quay sub-division.	7,760	7,582		7,000	8,390	0
Port Bouvard Eastport	Recoup the costs of litter removal from the canal waterbody together with the costs of water quality testing, canal management fee, surveying and minor maintenance.	All canal frontages on the Eastport canals.	8,126	4,591		12,749	0	0
Port Bouvard Northport	Recoup the costs of litter removal from the canal waterbody together with the costs of water quality testing, canal management fee, surveying and minor maintenance/canal cleaning.	All canal frontages on the Northport canals.	24,078	18,378		22,346	0	0
Mariners Cove	Contribution toward maintaining and managing the canals in accordance with the Artificial Waterways Policy – Canals and Core Management Group.	All canal frontages on the Mariners Cove canals.	6,969	3,796		0	0	9,717
			290,714	254,597	27,986	220,074	210,290	14,888

CITY OF MANDURAH
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28. RATING INFORMATION (Continued)

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

Waivers or Concessions

Rate or Fee and
Charge to which
the Waiver or
Concession is Granted

Type

Discount

Discount

2020
Actual

2020
Budget

2019
Actual

		%	\$	\$	\$	\$
General rates	Concession	65%-100%	76,896	76,896	80,000	181,316
				76,896	80,000	181,316
Total discounts/concessions (Note 28(a))				76,896	80,000	181,316

Rate or Fee and
Charge to which
the Waiver or
Concession is Granted

Circumstances in which
the Waiver or Concession is
Granted and to whom it was
available

Objects of the Waiver
or Concession

Reasons for the Waiver
or Concession

General rates	GP Down South	Business improved	Charitable organisation unable to apply a full exemption
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28. RATING INFORMATION (Continued)

(d) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Option One				
Single full payment	25/09/2019	0.00	0.00%	7.00%
Option Two				
First instalment	25/09/2019	3.00	5.50%	7.00%
Second instalment	25/01/2020	0.00	0.00%	7.00%
Option Three				
First instalment	25/09/2019	9.00	5.50%	7.00%
Second instalment	24/11/2019	0.00	0.00%	7.00%
Third instalment	28/01/2020	0.00	0.00%	7.00%
Fourth instalment	30/03/2020	0.00	0.00%	7.00%

	2020 Actual \$	2020 Budget \$	2019 Actual \$
Interest on unpaid rates	338,768	280,000	344,386
Interest on instalment plan	365,412	360,000	375,077
Charges on instalment plan	116,458	109,000	355,979
	820,638	749,000	1,075,442

CITY OF MANDURAH
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29. RATE SETTING STATEMENT INFORMATION

		2019/20 Budget	2019/20 Budget	2019/20 Budget
		2019/20 (30 June 2020)	2019/20 (30 June 2020)	2019/20 (1 July 2019)
		Carried Forward)	Carried Forward)	Brought Forward)
		\$	\$	\$
Note				
(a) Non-cash amounts excluded from operating activities				
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .				
Adjustments to operating activities				
Less: Profit on asset disposals	11(a)	(24,594)	(3,000)	(285,055)
Less: Non-cash grants and contributions for assets		(2,990,525)	0	(1,613,085)
Less: Movement in liabilities associated with restricted cash		(1,504,428)	0	0
Less: Net fair value on other financial asset		(124,637)	0	0
Movement in pensioner deferred rates (non-current)		108,335	0	1,374,482
Movement in employee benefit provisions (non-current)		(142,195)	0	434,418
Add: Net fair value on other financial liability		303,229	0	489,634
Add: Reallocation of Cash in Lieu from Reserve to Trust		1,290,837	0	0
Add: Loss on disposal of assets	11(a)	27,963,473	330,000	2,741,845
Add: Depreciation on non-current assets	11(b)	34,595,833	30,062,886	32,893,953
Non cash amounts excluded from operating activities		59,475,328	30,389,886	36,036,192
(b) Surplus/(deficit) after imposition of general rates				
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.				
Adjustments to net current assets				
Less: Reserves - cash backed	4	(39,199,174)	(22,509,481)	(31,592,136)
Less: Unspent Borrowings		(1,531,765)	(207,000)	(1,751,101)
Less: Current assets not expected to be received at end of year				
- Prepaid Rates		30,183	0	3,230,891
- Capital Commitments		0	0	(2,426,444)
- Other Current Assets		0	0	3,091,862
- Current portion of community loan receivables		(96,670)	0	0
Add: Current liabilities not expected to be cleared at end of year				
- Current portion of borrowings	19(a)	4,759,831	4,960,705	4,960,705
- Current portion of contract liability held in reserve		85,840	0	169,374
- Current portion of lease liabilities		1,015,507	0	746,084
- Employee benefit provisions		5,103,667	4,452,000	4,886,154
Total adjustments to net current assets		(29,832,581)	(13,303,776)	(18,684,611)
Net current assets used in the Rate Setting Statement				
Total current assets		57,626,905	35,524,000	53,277,863
Less: Total current liabilities		(26,599,544)	(22,564,499)	(26,848,665)
Less: Total adjustments to net current assets		(29,832,581)	(13,303,776)	(18,684,611)
Net current assets used in the Rate Setting Statement		1,194,780	(344,275)	7,744,587
(c) Adjustments to current assets and liabilities at 1 July 2019 on application of new accounting standards				
Total current assets at 30 June 2019				
- Contract assets	31(a)			53,277,863
Total current assets at 1 July 2019				53,277,863
Total current liabilities at 30 June 2019				
- Contract liabilities from contracts with customers	31(a)			(22,702,316)
- Rates paid in advance	31(b)			(169,374)
- Lease liabilities	31(c)			(3,230,891)
Total current liabilities at 1 July 2019				(26,848,665)

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

30. FINANCIAL RISK MANAGEMENT

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

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

(a) Interest rate risk

Cash and cash equivalents

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

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
2020					
Cash and cash equivalents	0.00%	50,053,366	46,149,289	3,904,077	0
Financial assets at amortised cost - term deposits	1.03%	0	0	0	0
2019					
Cash and cash equivalents	0.75%	45,552,854	35,047,239	10,505,603	12
Financial assets at amortised cost	2.25%	0	0	259,107	

Sensitivity

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

	2020	2019
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	500,534	455,529

* Holding all other variables constant

Borrowings

Borrowings are subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The City manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation. The City does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 19(b).

CITY OF MANDURAH
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30. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade and Other Receivables

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

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

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 36 months before 1 July 2019 or 1 July 2020 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors.

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
30 June 2020					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	0%
Gross carrying amount	249,332	238,422	253,537	2,998,863	3,740,154
30 June 2019					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	0%
Gross carrying amount	293,146	258,970	248,585	2,494,377	3,295,078

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

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2020					
Trade and other receivables					
Expected credit loss	1.00%	10.00%	25.00%	78.00%	
Gross carrying amount	698,066	266,328	48,954	120,054	1,133,402
Loss allowance	6,981	26,633	12,239	93,162	139,014
30 June 2019					
Trade and other receivables					
Expected credit loss	0.42%	7.04%	11.24%	100.00%	
Gross carrying amount	1,044,891	27,926	3,586	77,237	1,153,640
Loss allowance	4,389	1,966	403	77,237	83,995

30. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables and borrowings

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
2020					
Payables	11,454,706	0	0	11,454,706	11,454,706
Borrowings	4,759,831	14,720,604	6,749,318	26,229,753	26,229,753
Contract liabilities	85,840	792,863	0	878,703	878,703
Lease liabilities	1,283,399	2,483,062	1,417,159	5,183,620	4,178,625
	<u>17,583,776</u>	<u>17,996,529</u>	<u>8,166,477</u>	<u>43,746,782</u>	<u>42,741,787</u>
2019					
Payables	9,026,138	0	0	9,026,138	9,026,138
Borrowings	4,960,705	16,253,210	8,650,769	29,864,684	29,864,684
	<u>13,986,843</u>	<u>16,253,210</u>	<u>8,650,769</u>	<u>38,890,822</u>	<u>38,890,822</u>

CITY OF MANDURAH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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31. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

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

(a) AASB 15: Revenue from Contracts with Customers

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

	Note	AASB 118 carrying amount 30 June 2019 \$	Reclassification \$	AASB 15 carrying amount 01 July 2019 \$
Contract liabilities - current				
Contract liabilities from contracts with customers	17	0	(169,374)	(169,374)
Adjustment to retained surplus from adoption of AASB 15	31(d)		(169,374)	

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

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

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

	Note	AASB 118 and AASB 1004 carrying amount 30 June 2019 \$	Reclassification \$	AASB 1058 carrying amount 01 July 2019 \$
Trade and other payables				
Rates paid in advance	15		(3,230,891)	(3,230,891)
Adjustment to retained surplus from adoption of AASB 1058	31(d)		(3,230,891)	

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

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

CITY OF MANDURAH
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FOR THE YEAR ENDED 30 JUNE 2020

31. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

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

		2020 \$		2020 \$
	Note	As reported under AASB 15 and AASB 1058	Adjustment due to application of AASB 15 and AASB 1058	Compared to AASB 118 and AASB 1004
Statement of Comprehensive Income				
Revenue				
Rates	28(a)	80,579,499	3,200,708	83,780,207
Operating grants, subsidies and contributions	2(a)	6,661,449	878,703	7,540,152
Fees and charges	2(a)	24,421,926	0	24,421,926
Non-operating grants, subsidies and contributions	2(a)	14,255,399	0	14,255,399
Net result		(30,536,142)	4,079,411	(26,456,731)
Statement of Financial Position				
Trade and other payables	15	11,454,706	(3,200,708)	8,253,998
Contract liabilities	17	878,703	(878,703)	0
Net assets		990,085,110	4,079,411	994,164,521
Statement of Changes in Equity				
Net result		(30,536,142)	4,079,411	(26,456,731)
Retained surplus		236,088,901	4,079,411	240,168,312

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

(c) AASB 16: Leases

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

	Note	2020 \$
Discount applied using incremental borrowing rate		2,002,291
Lease liability recognised as 1 July 2019 discounted using the City's incremental borrowing rate of 3.51%	18(b)	2,002,291
Lease liability - current		746,084
Lease liability - non-current		1,256,207
Right-of-use assets recognised at 1 July 2019		2,002,291

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

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

CITY OF MANDURAH
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31. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

(d) Impact of New Accounting Standards on Retained Surplus

The impact on the City's retained surplus due to the adoption of AASB 15, AASB 1058 and AASB 16 as at 1 July 2019 was as follows:

	Note	Adjustments	2019
			\$
Retained surplus - 30 June 2019			277,632,346
Adjustment to retained surplus from adoption of AASB 15	31(a)	(169,374)	0
Adjustment to retained surplus from adoption of AASB 1058	31(b)	(3,230,891)	(3,400,265)
Retained surplus - 1 July 2019			274,232,081

32. CORRECTION OF ERROR

Prior period error:

Following an asset verification exercise undertaken by the City as part of migration of assets into the new ERP system, the City identified the following accounting errors in relation to infrastructure assets:

- (i) duplicated assets relating to certain drainage, roads, parks and coastal assets with a carrying amount of \$18.13 million as at 1 July 2019.
- (ii) Previously unrecorded assets relating to roads, drainage and parks assets with a carrying amount of \$5.4 million as at 1 July 2019.

In accordance with AASB 108, the effect of the adjustments have been recognised in the opening balance for the comparative period being 1 July 2018 (to the extent to which they relate to financial year 30 June 2018 and before). The net impact of these adjustments is shown below:

	30 June 2018 - Comparative year opening balances		
	As previously stated \$	Restatement \$	As restated \$
Statement of financial position (extract)			
<i>Non-current assets</i>			
Infrastructure assets	775,648,688	-13,534,763	762,113,925
Total assets	1,094,446,958	-13,534,763	1,080,912,195
Net assets	1,046,833,998	-13,534,763	1,033,299,235
<i>Equity</i>			
Retained earnings	291,721,376	0	291,721,376
Asset revaluation reserve	724,857,154	-13,534,763	711,322,391
Total equity	1,046,833,998	-13,534,763	1,033,299,235

	30 June 2019 - Comparative year		
	As previously stated \$	Restatement \$	As restated \$
Statement of profit or loss and other comprehensive income (extract):			
Depreciation expense	33,708,332	-814,379	32,893,953
Net result	-13,567,042	814,379	-12,752,663
Total comprehensive income	-11,033,779	814,379	-10,219,400
Statement of financial position (extract):			
<i>Non-current assets</i>			
Infrastructure assets	767,358,170	-12,720,385	754,637,785
Total assets	1,084,964,655	-12,720,385	1,072,244,270
Net assets	1,035,800,838	-12,720,385	1,023,080,453
<i>Equity</i>			
Retained earnings	276,817,967	814,379	277,632,346
Asset revaluation reserve	727,390,734	-13,534,763	713,855,971
Total equity	1,035,800,837	-12,720,384	1,023,080,453

The Entity notes that this change has no impact on the statement of cashflows for the year ended 30 June 2019.

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33. CHANGE IN ACCOUNTING POLICIES

(a) Change in Accounting Policies due to regulation changes

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

In accordance with the changes, the City was required to remove the values attributable to certain crown land assets previously required to be recognised, as well as the associated revaluation surplus at 1 July 2019. The City did not have any of these assets recorded on the books as at 1 July 2019. These assets have been measured as concessionary lease right-of-use assets at zero cost in accordance with AASB 16. For further details relating to refer to Note 11.

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

	Note	Carrying amount 30 June 2019 \$	Reclassification \$	Carrying amount 01 July 2019 \$
Property, plant and equipment	3	263,960,600	0	263,960,600
Revaluation surplus	5	714,797,035	0	714,797,035

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

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

The impact on the City's opening retained surplus due to the adoption of AASB 15 and AASB 1058 as at 1 July 2019 was as follows:

	Note	Adjustments	2019 \$
Retained surplus - 30 June 2019			277,632,346
Adjustment to retained surplus from adoption of AASB 15	12(a)	0	
Adjustment to retained surplus from adoption of AASB 1058	12(b)	0	0
Retained surplus - 1 July 2019			277,632,346

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

	Note	Adjustments	2019 \$
Revaluation surplus - 30 June 2019			713,855,971
Adjustment to revaluation surplus from deletion of FM Reg 16	33(a)	0	
Adjustment to revaluation surplus from deletion of FM Reg 17	33(a)	0	0
Revaluation surplus - 1 July 2019			713,855,971

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34. TRUST FUNDS

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

	1 July 2019	Amounts Received	Amounts Paid	30 June 2020
	\$	\$	\$	\$
Mandurah Visitors Centre	13		(8)	5
POS Contributions	0	1,593,404	0	1,593,404
	13	1,593,404	(8)	1,593,409

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35. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

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

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

i) Impairment of assets

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

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

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

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

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36. ACTIVITIES/PROGRAMS

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

PROGRAM NAME AND OBJECTIVES

ACTIVITIES

GOVERNANCE

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

Includes the activities of members of Council and the administrative support available to the Council for the provision of governance of the district. Other costs relate to the task of assisting elected members and ratepayers on matters which do not concern specific local government services.

GENERAL PURPOSE FUNDING

To collect revenue to allow for the provision of services.

Rates, general purpose government grants and interest revenue.

LAW, ORDER, PUBLIC SAFETY

To provide services to help ensure a safer and environmentally conscious community.

Supervision of various local laws relating to fire prevention, animal control and other aspects of public safety including emergency services.

HEALTH

To provide an operational framework for environmental and community health.

Supervision of local laws, food control, mosquito and disease control.

EDUCATION AND WELFARE

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

Operation of senior citizen's centre, youth centre and assistance to various community and voluntary services associated with families, children, aged and disabled.

COMMUNITY AMENITIES

To provide services required by the community.

Rubbish collection services, recycling services, operation of transfer station, cemetery services, administration of town planning scheme and protection of the environment.

RECREATION AND CULTURE

To establish and effectively manage infrastructure and resources which will help the social well being of the community.

Maintenance of halls, parks, playgrounds, sports grounds, recreation centres, various reserves and beaches; operation of libraries and other arts and cultural facilities.

TRANSPORT

To provide safe, effective and efficient transport services to the community.

Construction and maintenance of roads, drainage, works, footpaths, parking facilities and traffic signs. Maintenance of bus shelters and cleaning of streets.

ECONOMIC SERVICES

To help promote the local government and its economic wellbeing.

Marketing & promotion of tourism, visitor centres, economic development, implementation of building and development controls.

OTHER PROPERTY AND SERVICES

To monitor and control operating accounts.

Private works, administration and public works overheads, works depots and council plant operations.

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37. FINANCIAL RATIOS

	2020 Actual	2019 Actual	2018 Actual
Current ratio	0.72	1.05	1.11
Asset consumption ratio	0.72	0.73	0.73
Asset renewal funding ratio	1.06	1.08	1.42
Asset sustainability ratio	0.45	0.61	0.54
Debt service cover ratio	2.67	2.77	2.25
Operating surplus ratio	(0.15)	(0.17)	(0.09)
Own source revenue coverage ratio	0.85	0.82	0.87

The above ratios are calculated as follows:

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

Independent Auditor's Report to the to the Rate Payers of the City of Mandurah

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of City of Mandurah (the "City") which comprises the statement of financial position as at 30 June 2020, the statement of comprehensive income by nature or type, the statement of comprehensive income by program, the statement of changes in equity, the statement of cash flows and the rate setting statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the statement by the chief executive officer.

In our opinion, the accompanying financial report:

- (i) is based on proper accounts and records; and
- (ii) presents fairly, in all material aspects, the City's financial position as at 30 June 2020 and of its financial performance and its cash flows for the year then ended in accordance with the requirements of the Local Government Act 1995 Part 6 (the "Act") and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the City in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matters – Basis of Accounting

We draw attention to the matters below. Our opinion is not modified in respect of these matters:

- Note 1 to the annual financial report, which describes the basis for accounting. The financial report has been prepared for the purpose of fulfilling the City's financial reporting responsibilities under the Act. Regulation 17A of the *Local Government (Financial Management) Regulations 1996* ("Regulations"), requires a local government to measure

vested improvements at fair value and the associated vested land at zero cost. This is a departure from AASB 16 *Leases* which would have required the entity to measure the vested improvements also at zero cost.

- 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 financial reporting responsibilities under the Act. In respect of the comparatives for the previous year ended 30 June 2019, *Regulation 16 of the Regulations*, did not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report.

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

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

In preparing the financial report, the Chief Executive Officer is responsible for assessing the ability of the City 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 either intends to liquidate the City or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 this financial report.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our 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 Chief Executive Officer.
- Conclude on the appropriateness of the Chief Executive Officer'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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Chief Executive Officer and the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

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

- We did not become aware of any material matters that indicate significant adverse trends in the financial position or the financial management practices of the local government, other than the City's Operating Surplus Ratio which has been below the Department of Local Government, Sport and Cultural Industries (DLGSCI) standard for the past 3 years.
- All required information and explanations were obtained by us.
- All procedures were satisfactorily completed.
- In our opinion, the asset consumption ratio and the Asset Renewal Funding Ratio included in the financial report were supported by verifiable information and reasonable assumptions.

DELOITTE TOUCHE TOHMATSU

Nicole Menezes

Partner

Chartered Accountants

Perth, [Date]

ATTACHMENT 2.3

Management Report to Addressing the Matter Identified as Significant by the Auditor in the Audit Report.

Accuracy of financial ratios and related disclosures

We did not become aware of any material matters that indicate significant adverse trends in the financial position or the financial management practices of the local government, other than the City's Operating Surplus Ratio which has been below the Department of Local Government, Sport and Cultural Industries (DLGSCI) standard for the past 3 years.

Management Response

The ratio includes non-cash expenses which includes depreciation and profit and loss on sale of assets. It is important for local governments to recognise that assets depreciate and there should be sufficient funds available for renewal and replacement of these assets, however the funding of this can be by other means such as transfer from reserves, capital grants and loan funds. The Department of Local Government, Sports and Cultural Industries (DLGSC) states that this ratio indicates how much of a local government's percentage of total own source revenue is available to help fund proposed capital expenditure, transfer to cash reserves, reduce debt or other purposes, however local governments are required to include non-cash items in the calculation. It is important to note that non-cash items are not required to be included in the calculation of a rate setting statement. A rate setting statement, which determines how much rates income is required to be raised to balance a budget, excludes non-cash items such as depreciation and profit and loss on sale of assets. The rate setting statement's purpose is to determine the amount required to be raised to deliver the services, programs, capital expenditure, and transfer to cash reserves and cover the financing and investing activities.

The City is considering the options available to improve this ratio as part of its Long Term Financial Plan.