

## **Minutes of Audit and Risk Committee Meeting**

Held on

**Monday 6 December 2021 at 5.30pm**

**Held at Council Chamber, 83 Mandurah Terrace, Mandurah**

### **PRESENT:**

COUNCILLOR	P ROGERS [Chairperson]	TOWN WARD
COUNCILLOR	R BURNS	TOWN WARD
COUNCILLOR	J GREEN	COASTAL WARD
COUNCILLOR	C KNIGHT [Deputy Mayor]	NORTH WARD
COUNCILLOR	A KEARNS [Deputising]	EAST WARD
MAYOR	R WILLIAMS	
MR	W TICEHURST	INDEPENDENT MEMBER

### **ELECTED MEMBERS OBSERVING:**

COUNCILLOR	D WILKINS	EAST WARD
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### **GUESTS:**

MR	M HOANG	ERNST AND YOUNG
MS	B FEN TAN	ERNST AND YOUNG
MR	J LANGFORD-SMITH	OFFICE OF THE AUDITOR GENERAL

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

## **1. OPENING OF MEETING**

The Chairperson declared the meeting open at 5.30pm.

## **2. APOLOGIES**

### Leave of Absence

Councillor P Jackson (Non-Committee member)

### Apologies

Councillor A Zilani (Committee Member) (*Councillor A Kearns – Deputising*)

## **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. AMENDMENT TO STANDING ORDERS**

Nil.

*Councillor R Burns left the Chamber at 5.35pm and returned at 5.37pm*

**7. PRESENTATIONS**

The Office of the Auditor General provided a verbal overview of the 30 June 2021 annual audit undertaken at the City of Mandurah followed by a visual presentation delivered by Auditors from Ernst and Young.

**8. DEPUTATIONS**

Nil.

**9. CONFIRMATION OF MINUTES**

**AR.1/12/21 CONFIRMATION OF MINUTES MONDAY 8 NOVEMBER 2021**

**MOTION**

**Moved: Mr W Ticehurst**

**Seconded: Councillor J Green**

**That the Minutes of the Audit and Risk Committee meeting of Monday 8 November 2021 be confirmed.**

**CARRIED: 7/0**

**10. DECLARATIONS OF INTERESTS**

Nil.

**11. QUESTIONS FROM COMMITTEE MEMBERS**

Questions of Which Due Notice Has Been Given

Nil.

Questions of Which Notice Has Not Been Given

Nil.

**12. BUSINESS LEFT OVER FROM PREVIOUS MEETING**

Nil.

### 13. REPORTS FROM OFFICERS

#### AR.2/12/21 FINANCIAL STATEMENTS 2020 / 2021 (REPORT 1)

##### 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 2020/21 is nearing completion. After the Audit and Risk Committee has considered the closing report presented by Ernst & Young, they will provide the file and their report to the Office of the Auditor General who will review and provide the audit and management reports.

A copy of the Annual Financial Statements is attached for endorsement. The indication is that 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*.

At the December 2021 Ordinary Council Meeting, there will be additional recommendations that will be included in this report, to request that Council consider the final audit report and management report issued by the Office of the Auditor General. The Office of the Auditor General cannot issue their final audit and management reports until after the Audit and Risk Committee due to Ernst and Young having to meet with the Audit and Risk Committee to present the closing report presentation before the Office of the Auditor General will conduct a final review of the file.

*Mayor R Williams vacated the Chamber at 6.08pm and returned at 6.10pm*

##### Officer Recommendation

That the Audit and Risk Committee recommend that Council:

1. Receive the Annual Financial Statements 2020/21 as detailed in Attachment 2.1.
2. Note the Closing Report to the Audit and Risk Committee as detailed in Confidential Attachment 2.2.
3. Accept the Management Response that addresses the matters identified as significant by the Auditor in the Auditor's Report as detailed in the comment section of the report.

##### Committee Recommendation

##### **MOTION**

**Moved: Mayor R Williams**

**Seconded: Mr W Ticehurst**

**That the Audit and Risk Committee recommend that Council:**

1. **Receive the Annual Financial Statements 2020/21 as detailed in Attachment 2.1.**

2. **Note the Closing Report to the Audit and Risk Committee as detailed in Confidential Attachment 2.2.**
- 3 **Accept the Management Response that addresses the matters identified as significant by the Auditor in the Auditor's Report as detailed in the comment section of the report.**

CARRIED: 7/0

## **AR.3/12/21 CULTURE REVIEW 2021 UPDATE (REPORT 2)**

### Summary

In early 2021 a review of the City of Mandurah's (the City) culture was conducted by the newly appointed Coordinator of Performance and Culture. In July 2021 the City conducted an Employee Engagement Survey. The findings of these two events have been used as inputs to initiatives that are aimed at improving the already constructive culture at the City. This is in line with realising the Chief Executive Officer's goals on improving our culture results by June 2022.

The purpose of this paper is to:

- Inform the Audit and Risk Committee of the review of the City's culture and the priority areas identified in the review.
- Inform the Audit and Risk Committee of the results of the Engagement Survey.
- Update the Audit and Risk Committee on the actions taken to address culture priorities identified in both the Culture Review and the Engagement Survey.
- Provide information on preparation for the 2022 Culture survey.
- Meet our commitment to provide a six monthly Culture update to the Audit and Risk Committee.

### Officer Recommendation

That the Audit and Risk Committee notes the findings of the review.

### Committee Recommendation

#### **MOTION**

**Moved: Mayor R Williams**  
**Seconded: Councillor C Knight**

**That the Audit and Risk Committee notes the findings of the review.**

CARRIED: 7/0

## **AR.4/12/21 OFFICE OF THE AUDITOR GENERAL REPORT: LOCAL GOVERNMENT COVID-19 FINANCIAL HARDSHIP SUPPORT (REPORT 3)**

### Summary

The Office of the Auditor General has tabled their report on the Local Government COVID-19 Financial Hardship Support performance report issued in October 2021. The audit found that most local governments had a financial hardship policy in 2020-21 and local government entities provided support above what was requested by the State Government.

Officer Recommendation

That the Audit and Risk Committee note the officer's responses, outlined in the comment section of the report, to the Office of the Auditor General's (OAG) recommendations in the OAG's performance audit on Local Government COVID-19 Financial Hardship Support.

Committee Recommendation**MOTION**

**Moved:** Councillor C Knight  
**Seconded:** Councillor P Rogers

**That the Audit and Risk Committee note the officer's responses, outlined in the comment section of the report, to the Office of the Auditor General's (OAG) recommendations in the OAG's performance audit on Local Government COVID-19 Financial Hardship Support.**

CARRIED: 7/0

**14. LATE AND URGENT BUSINESS ITEMS**

Nil.

**15. CONFIDENTIAL ITEMS****AR.5/12/21 CLOSE DOORS****MOTION**

**Moved:** Councillor C Knight  
**Seconded:** Councillor J Green

**That the meeting proceeds with closed doors at 6.43pm in accordance with Section 5.23(2)(e) of the *Local Government Act 1995*, to allow for the confidential discussion of an item.**

CARRIED: 7/0

*The Minute Office, Manager Governance, Procurement and Land, Manager Financial Services and Governance, Compliance and Risk officer remained with Senior Officers.*

THE MEETING PROCEEDED WITH CLOSED DOORS AT 6.43PM

**AR.6/12/21 CONFIDENTIAL ITEM: STRATEGIC INTERNAL AUDIT MONITORING REPORT (REPORT 1)**Summary

In accordance with the Strategic Internal Audit Plan 2020/21 – 2022/23 (SIAP), the Audit and Risk Committee is to receive a Monitoring Report on a quarterly basis. The SIAP Monitoring

Report provides an overview of the status of the internal audits and enables the Audit and Risk Committee to monitor the City's progress on the implementation of the improvement areas identified.

As part of the SIAP Monitoring Report, the Audit and Risk Committee continues to receive an update on the implementation of the recommendations relating to regulation 17(1) of the *Local Government (Audit) Regulations 1996*, which was reported to Council on 26 May 2020.

An update is now being presented to the Audit and Risk Committee for review and noting.

#### Officer Recommendation

That the Audit and Risk Committee notes the Strategic Internal Audit Plan Monitoring Report as detailed in Confidential Attachment 1.1.

#### Committee Recommendation

#### **MOTION**

**Moved:** Mayor R Williams  
**Seconded:** Councillor C Knight

**That the Audit and Risk Committee notes the Strategic Internal Audit Plan Monitoring Report as detailed in Confidential Attachment 1.1.**

CARRIED: 7/0

#### **AR.7/12/21 CONFIDENTIAL ITEM: QUARTERLY STRATEGIC RISK UPDATE REPORT: QUARTER 3 (REPORT 2)**

#### Summary

In accordance with the City's Risk Management Framework RKM02 (RM Framework), a quarterly update report on the strategic risks has now been undertaken.

The Audit and Risk Committee is requested to note the Quarterly Strategic Risk Update Report and this Quarter's Updated Strategic Control Library.

#### Officer Recommendation

That the Audit and Risk Committee note Quarter Three - Strategic Risk Update Report and Updated Strategic Control Library as per Confidential Attachments 2.1 and 2.2.

#### Committee Recommendation

#### **MOTION**

**Moved:** Mr W Ticehurst  
**Seconded:** Councillor C Knight

**That the Audit and Risk Committee note Quarter Three - Strategic Risk Update Report and Updated Strategic Control Library as per Amended Confidential Attachment 2.1 and Confidential Attachment 2.2.**

CARRIED: 7/0

Comment: Confidential Attachment 2.1 was amended to correct minor administrative errors including quarter heading updated to reflect the correct periods and the inclusion of a comment regarding the Financial Risk Theme which was omitted due to a formatting issue.

**AR.8/12/21 OPEN DOORS**

**MOTION**

**Moved: Councillor C Knight**

**Seconded: Councillor J Green**

**That the meeting proceeds with open doors.**

CARRIED: 7/0

THE MEETING PROCEEDED WITH OPEN DOORS AT 6.52PM

**AR.9/12/21 ENDORSE RESOLUTIONS**

**MOTION**

**Moved: Mayor R Williams**

**Seconded: Councillor C Knight**

**That Council endorses the resolutions taken with closed doors.**

CARRIED: 7/0

**16. CLOSE OF MEETING**

There being no further business, the Chairperson declared the meeting closed at 6.52pm.

CONFIRMED: .....[CHAIRMAN]

**Attachments to Committee Minutes: Audit and Risk Agenda 6 December 2021**

## **NOTICE OF MEETING**

### **AUDIT AND RISK COMMITTEE**

Members of the Audit and Risk Committee are advised that a meeting of the Committee will be held in the Council Chambers, 83 Mandurah Terrace Mandurah on

**Monday 6 December 2021  
at 5.30pm**

**MARK R NEWMAN**  
Chief Executive Officer  
2 December 2021

Committee Members:

Councillor R Burns  
Councillor C Knight  
Councillor A Zilani  
Mr W Ticehurst

Councillor J Green  
Councillor P Rogers [Chairperson]  
Mayor Williams

Deputies:

Councillor D Pember

Councillor A Kearns

# AGENDA

**1 OPENING OF MEETING**

**2 APOLOGIES**

**3 IMPORTANT NOTE**

Members of the public are advised that the decisions of this Committee are referred to Council Meetings for consideration and cannot be implemented until approval by Council. Therefore, members of the public should not rely on any decisions of this Committee until Council has formally considered the resolutions agreed at this meeting.

**4 RESPONSE TO PREVIOUS QUESTIONS TAKEN ON NOTICE**

**5 PUBLIC QUESTION TIME**

Public Question Time provides an opportunity for members of the public to ask a question of Council. For more information regarding Public Question Time please visit the City's website [mandurah.wa.gov.au](http://mandurah.wa.gov.au) or telephone 9550 3787.

**6 AMENDMENT TO STANDING ORDERS**

Modification to *Standing Orders Local Law 2016* - electronic attendance at meeting.

**7 PRESENTATIONS**

Ernst and Young – Audit report

**8 DEPUTATIONS**

Any person or group wishing to make a Deputation to the Committee meeting regarding a matter listed on this agenda for consideration must complete an application form. For more information regarding making a deputation please visit the City's website [mandurah.wa.gov.au](http://mandurah.wa.gov.au) or telephone 9550 3787.

**9 CONFIRMATION OF MINUTES - 8 NOVEMBER 2021**

Minutes available on the City's website via [mandurah.wa.gov.au/council/council-meetings/agendas-and-minutes](http://mandurah.wa.gov.au/council/council-meetings/agendas-and-minutes)

**10 DECLARATIONS OF INTERESTS**

**11 QUESTIONS FROM COMMITTEE MEMBERS**

11.1 Questions of Which Due Notice Has Been Given

11.2 Questions of Which Notice Has Not Been Given

**12 BUSINESS LEFT OVER FROM PREVIOUS MEETING**

**13 REPORTS**

<i>No.</i>	<i>Item</i>	<i>Page No</i>	<i>Note</i>
1	Financial Statements 2020 / 2021	3 – 72	
2	Culture Review 2021 Update	73 - 77	
3	OAG Report: Local Government COVID-19 Financial Hardship Support	78 - 80	

**14 LATE AND URGENT BUSINESS ITEMS**

**15 CONFIDENTIAL ITEMS**

15.1 Strategic Internal Audit Monitoring Report

15.2 Quarterly Strategic Risk Update Report: Quarter 3

**16 CLOSE OF MEETING**

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<b>1</b>	<b>SUBJECT:</b>	2020/21 Financial Statements
	<b>DIRECTOR:</b>	Business Services
	<b>MEETING:</b>	Audit and Risk Committee
	<b>MEETING DATE:</b>	6 December 2021

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## 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 2020/21 is nearing completion. After the Audit and Risk Committee has considered the closing report presented by Ernst & Young, they will provide the file and their report to the Office of the Auditor General who will review and provide the audit and management reports.

A copy of the Annual Financial Statements is attached for endorsement. The indication is that 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*.

At the December 2021 Ordinary Council Meeting, there will be additional recommendations that will be included in this report, to request that Council consider the final audit report and management report issued by the Office of the Auditor General. The Office of the Auditor General cannot issue their final audit and management reports until after the Audit and Risk Committee due to Ernst and Young having to meet with the Audit and Risk Committee to present the closing report presentation before the Office of the Auditor General will conduct a final review of the file.

## Disclosure of Interest

Nil

## Previous Relevant Documentation

Nil

## Background

From the 2020/21 year, the City's annual financial statements audit falls under the Office of the Auditor General. 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. The OAG have contracted the City's audit to Ernst & Young.

## 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 \$5 million above adopted budget due to additional grants and contributions being received including the prepayment of the first quarter financial assistance grants which was \$1.5 million, additional operating grants received of \$1.5 million and fees and charges performing better than expected, including building applications (\$615,000), commercial waste revenue (\$268,000) and chalet revenue (\$116,000).

- **Expenses**  
Total expenses are approximately \$5.6 million below adopted budget, however the following points are noted:
  - Employee costs were under budget by \$1.8 million.
  - Materials and contracts were over budget by \$295,000 due to changes in the accounting treatment of the City's software lease.
  - Depreciation which is a non-cash expense was lower than what was budgeted by \$4.6 million. Depreciation is 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.

It is also noted that the operating position for 2020/21 has increased from the budgeted deficit of \$358,718 to a surplus of \$4,538,223. The surplus will be carried forward to fund the budget deficit of \$1,574,137 in 2021/22 and \$2 million towards the MARC roof repairs.

### **Statement of Financial Position**

Key points to note are:

- **Cash and cash equivalents**  
Cash holdings have increased by approximately \$12.8 million over the year. This is compared to a budgeted decrease of \$15.8 million. The difference is primarily due to 2020/2021 capital projects being carried over to the new financial year and better than expected revenue and expenditure positions.
- **Reserves – Cash backed**  
The City has a total amount of \$44.7 million in reserves at 30 June 2021. This is an increase of \$5.5 million from the previous year (2019/20) due to increase holdings in the restricted cash reserve to be spent in the 2021/22 year (\$2.3 million), transfer of excess funds of \$1.6 million to the waste reserve and an increase in the unspent grants reserve (\$733,000).

### **Rates Setting Statement**

- The City shows a surplus for the year ended 30 June 2021 of \$4,538,223. This surplus will partly be required to fund the current 2021/2022 deficit of \$1,574,137; \$2 million towards the MARC roof repairs as approved by Council at its Ordinary Council Meeting that was held on 23 November 2021; and the remainder will be included for Council consideration as part of the 2021/2022 Budget Review.

### **Significant Findings**

#### **1. Ratios**

In accordance with section 7.12A(4)(a) of the *Local Government Act 1995*, a local government must 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.

- a) The City's Operating Surplus Ratio which has been below the Department of Local Government, Sport and Cultural Industries (DLGSC) standard for many years and is below 0 (negative).

#### **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 has developed a Long Term Financial Plan and Council are aware of how the services, programs and projects impact the ratio.

- b) The City's Asset Sustainability Ratio has been below the standard set by DLGSC for many years. The ratio is calculated by measuring whether the depreciation of the City's assets is equivalent to the capital expenditure for renewal or replacement of assets. Depreciation represents the amount to which assets have been consumed during the period. The ratio indicates whether the City is replacing or renewing existing assets at the same rate that the assets are wearing out.

**Management Response:**

The Council are aware of the low ratio result and recognise that the Long Term Financial Plan will be instrumental in reducing the gap between the required expenditure needed to invest in renewal and replacement assets and the amount that is currently invested. The City has a large range of services that are integral to the community and this has been the focus of the City's investment, resulting in a higher operating expenditure compared to asset renewal expenditure (capital expenditure).

## 2. Report on Other Legal and Regulatory Requirements

As identified in the Procurement Internal Audit, presented to the Audit and Risk Committee on 13 September 2021, the City procured a contractor for an amount over the tender threshold of \$250,000. The City should have engaged the Contractor through a tender process and therefore breached the *Local Government (Functions and General) Regulations 1996*.

The following actions are recommended by City officers and they include:

1. Additional training and reminders for managers on the Council Procurement Policy and Procedures with a focus on ensuring appropriate planning is undertaken to identify budget and contract spend prior to the commencement of a financial year.
2. Training for all staff to raise awareness of the Policy which will include staff responsibilities when procurement is undertaken by the team and not through a centralised procurement process, Procedures Forms, Conflicts of Interest, Risk assessment, obtaining qualifications and how to locate contracts in OneCouncil.
3. Implementation of quarterly reporting on supplier spend (under existing contracts and outside contracts).

### **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.

### **Financial Implications**

Appropriate financial management is essential to the effective operations 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:

- 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**

The 2020/2021 Annual Financial Statements show that the City continues to maintain a balanced financial position. The Council has committed to a Long Term Financial Plan that shows improvements in the financial ratios over time to ensure the City achieves a strong financial position in the long term. Cash holdings have increased and they remain at levels sufficient to provide funds for future projects. The City also reports a surplus of \$4.5 million in the Rate Setting Statement with this surplus being carried forward to fund the budget deficit of \$1.5 million in 2021/22 and \$2 million towards the MARC roof repairs.

Refer **Attachment 2.1 Annual Financial Statements 2020/21**  
**Confidential Attachment 2.2 Draft Closing Report to the Audit and Risk Committee**

### **RECOMMENDATION**

**That the Audit and Risk Committee recommend that Council:**

- 1. Receive the Annual Financial Statements 2020/21 as detailed in Attachment 2.1.**
- 2. Note the Closing Report to the Audit and Risk Committee as detailed in Confidential Attachment 2.2.**
- 3. Accept the Management Response that addresses the matters identified as significant by the Auditor in the Auditor's Report as detailed in the comment section of the report.**

**CITY OF MANDURAH**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2021**

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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 Mandjoogordap.

Principal place of business: 3 Peel St, Mandurah WA 6210



**CITY OF MANDURAH**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**BY NATURE OR TYPE**  
**FOR THE YEAR ENDED 30 JUNE 2021**

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
<b>Revenue</b>				
Rates	27(a)	80,353,712	80,192,181	80,579,499
Operating grants, subsidies and contributions	2(a)	6,060,170	3,472,058	6,661,449
Fees and charges	2(a)	26,322,211	25,208,275	24,421,926
Interest earnings	2(a)	790,529	1,460,000	1,425,731
Other revenue	2(a)	1,973,167	235,500	1,904,584
		<b>115,499,789</b>	<b>110,568,014</b>	<b>114,993,189</b>
<b>Expenses</b>				
Employee costs		(46,583,884)	(48,372,090)	(45,401,757)
Materials and contracts		(44,089,341)	(43,794,015)	(44,589,416)
Utility charges		(4,005,691)	(4,120,720)	(3,993,463)
Depreciation on non-current assets	11(b)	(31,654,295)	(36,250,152)	(34,595,833)
Interest expenses	2(b)	(769,545)	(1,234,093)	(634,869)
Insurance expenses		(1,594,874)	(870,573)	(811,403)
Other expenditure		(512,458)	(202,500)	(1,819,110)
		<b>(129,210,088)</b>	<b>(134,844,143)</b>	<b>(131,845,851)</b>
		<b>(13,710,299)</b>	<b>(24,276,129)</b>	<b>(16,852,662)</b>
Non-operating grants, subsidies and contributions	2(a)	10,818,117	16,537,764	8,607,134
Profit on asset disposals	11(a)	-	18,399	24,594
(Loss) on asset disposals	11(a)	(7,525,377)	(353,191)	(27,963,473)
Fair value adjustments to financial assets at fair value through profit or loss		4,525	-	-
		<b>3,297,265</b>	<b>16,202,972</b>	<b>(19,331,745)</b>
<b>Net result for the period</b>		<b>(10,413,034)</b>	<b>(8,073,157)</b>	<b>(36,184,407)</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	13	(3,115,607)	-	941,064
<b>Total other comprehensive income for the period</b>		<b>(3,115,607)</b>	<b>-</b>	<b>941,064</b>
<b>Total comprehensive loss for the period</b>		<b>(13,528,641)</b>	<b>(8,073,157)</b>	<b>(35,243,343)</b>

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 2021**

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
<b>Revenue</b>				
Governance	2(a)	399	2,025	8,405
General purpose funding		85,168,507	83,512,729	86,978,740
Law, order, public safety		1,122,145	715,108	1,118,150
Health		401,397	319,825	302,956
Education and welfare		920,324	401,539	481,788
Community amenities		14,844,309	14,585,706	14,901,085
Recreation and culture		6,840,513	6,759,271	5,617,621
Transport		2,594,154	2,404,433	2,752,738
Economic services		2,583,548	1,550,850	1,615,104
Other property and services		1,024,493	316,528	1,216,602
		<b>115,499,789</b>	<b>110,568,014</b>	<b>114,993,189</b>
<b>Expenses</b>				
Governance		(5,784,597)	(6,772,482)	(5,938,602)
General purpose funding		(2,748,539)	(2,116,552)	(3,550,456)
Law, order, public safety		(3,628,639)	(4,057,736)	(4,740,514)
Health		(2,134,974)	(2,092,098)	(2,034,008)
Education and welfare		(4,806,393)	(4,718,248)	(4,224,889)
Community amenities		(20,260,162)	(18,838,819)	(18,128,247)
Recreation and culture		(42,986,269)	(46,856,030)	(43,697,089)
Transport		(23,930,123)	(30,088,759)	(30,784,699)
Economic services		(6,145,433)	(7,245,243)	(5,726,628)
Other property and services		(16,015,414)	(10,824,083)	(12,385,850)
		<b>(128,440,543)</b>	<b>(133,610,050)</b>	<b>(131,210,982)</b>
<b>Finance Costs</b>				
General purpose funding	2(b)	(232,027)	(35,000)	-
Community amenities		(15,071)	(11,585)	(20,338)
Recreation and culture		(177,937)	(708,020)	(263,556)
Transport		(113,027)	(387,656)	(187,180)
Other property and services		(231,483)	(91,832)	(163,795)
		<b>(769,545)</b>	<b>(1,234,093)</b>	<b>(634,869)</b>
		<b>(13,710,299)</b>	<b>(24,276,129)</b>	<b>(16,852,662)</b>
Non-operating grants, subsidies and contributions	2(a)	10,818,117	16,537,764	8,607,134
Profit on disposal of assets	11(a)	-	18,399	24,594
(Loss) on disposal of assets	11(a)	(7,525,377)	(353,191)	(27,963,473)
Fair value adjustments to financial assets at fair value through profit or loss		4,525	-	-
		<b>3,297,265</b>	<b>16,202,972</b>	<b>(19,331,745)</b>
<b>Net result for the period</b>		<b>(10,413,034)</b>	<b>(8,073,157)</b>	<b>(36,184,407)</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	13	(3,115,607)	-	941,064
<b>Total other comprehensive income for the period</b>		<b>(3,115,607)</b>	<b>-</b>	<b>941,064</b>
<b>Total comprehensive income for the period</b>		<b>(13,528,641)</b>	<b>(8,073,157)</b>	<b>(35,243,343)</b>

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

**CITY OF MANDURAH**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2021**

	NOTE	2021	2020
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	53,866,550	50,053,366
Trade and other receivables	6	6,443,291	6,086,065
Other financial assets	5(a)	9,111,103	96,670
Inventories	7	540,691	306,530
Other assets	8	2,407,241	1,084,274
<b>TOTAL CURRENT ASSETS</b>		<b>72,368,876</b>	<b>57,626,905</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	6	1,475,315	1,266,147
Other financial assets	5(b)	448,285	441,659
Property, plant and equipment	9	254,428,252	259,100,600
Infrastructure	10	698,379,689	715,447,798
Investment property	14	4,860,000	4,860,000
Right-of-use assets	12(a)	759,271	4,293,141
<b>TOTAL NON-CURRENT ASSETS</b>		<b>960,350,812</b>	<b>985,409,345</b>
<b>TOTAL ASSETS</b>		<b>1,032,719,688</b>	<b>1,043,036,250</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	16,239,800	11,454,706
Other liabilities	16	5,986,307	5,734,105
Lease liabilities	17(a)	438,797	1,015,507
Borrowings	18(a)	5,677,779	4,759,831
Employee related provisions	19	8,966,506	9,143,678
Other provisions	20	481,416	139,982
<b>TOTAL CURRENT LIABILITIES</b>		<b>37,790,605</b>	<b>32,247,809</b>
<b>NON-CURRENT LIABILITIES</b>			
Other liabilities	16	4,100,675	792,863
Lease liabilities	17(a)	347,168	3,163,118
Borrowings	18(a)	18,883,553	21,469,922
Employee related provisions	19	689,483	925,693
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>24,020,879</b>	<b>26,351,596</b>
<b>TOTAL LIABILITIES</b>		<b>61,811,484</b>	<b>58,599,405</b>
<b>NET ASSETS</b>		<b>970,908,204</b>	<b>984,436,845</b>
<b>EQUITY</b>			
Retained surplus		214,458,861	230,440,636
Reserves - cash/financial asset backed	4	44,767,915	39,199,174
Revaluation surplus	13	711,681,428	714,797,035
<b>TOTAL EQUITY</b>		<b>970,908,204</b>	<b>984,436,845</b>

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 2021**

	NOTE	RESERVES			TOTAL EQUITY
		RETAINED SURPLUS	CASH/FINANCIAL ASSET BACKED	REVALUATION SURPLUS	
		\$	\$	\$	
<b>Balance as at 1 July 2019</b>		<b>274,232,081</b>	<b>31,592,136</b>	<b>713,855,971</b>	<b>1,019,680,188</b>
Comprehensive income					
Net result for the period		(36,184,407)	-	-	(36,184,407)
Other comprehensive income	13	-	-	941,064	941,064
Total comprehensive income		(36,184,407)	-	941,064	(35,243,343)
Transfers from reserves	4	14,204,768	(14,204,768)	-	-
Transfers to reserves	4	(21,811,806)	21,811,806	-	-
<b>Balance as at 30 June 2020</b>		<b>230,440,636</b>	<b>39,199,174</b>	<b>714,797,035</b>	<b>984,436,845</b>
Comprehensive income					
Net result for the period		(10,413,034)	-	-	(10,413,034)
Other comprehensive income	13	-	-	(3,115,607)	(3,115,607)
Total comprehensive income		(10,413,034)	-	(3,115,607)	(13,528,641)
Transfers from reserves	4	8,293,848	(8,293,848)	-	-
Transfers to reserves	4	(13,862,589)	13,862,589	-	-
<b>Balance as at 30 June 2021</b>		<b>214,458,861</b>	<b>44,767,915</b>	<b>711,681,428</b>	<b>970,908,204</b>

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 2021**

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Rates		80,853,593	80,692,181	80,212,575
Operating grants, subsidies and contributions		4,814,887	3,963,832	12,674,810
Fees and charges		26,341,807	25,208,275	24,421,926
Interest received		524,914	1,460,000	1,425,731
Goods and services tax received		309,108	300,000	59,698
Other revenue		1,702,541	235,500	1,904,584
		114,546,850	111,859,788	120,699,324
<b>Payments</b>				
Employee costs		(46,967,112)	(48,372,090)	(44,518,078)
Materials and contracts		(38,634,024)	(43,544,015)	(44,868,482)
Utility charges		(4,005,691)	(4,120,720)	(3,993,463)
Interest expenses		(769,545)	(1,234,093)	(634,869)
Insurance paid		(1,594,874)	(870,573)	(811,401)
Other expenditure		(512,458)	(202,500)	(1,819,112)
		(92,483,704)	(98,343,991)	(96,645,405)
<b>Net cash provided by operating activities</b>	21	22,063,146	13,515,797	24,053,919
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for financial assets at amortised cost		(9,015,866)		
Payments for purchase of property, plant & equipment	9(a)	(4,286,859)	(7,440,965)	(9,317,970)
Payments for construction of infrastructure		(17,298,830)	(35,625,244)	(14,832,857)
Non-operating grants, subsidies and contributions		12,063,441	11,279,174	8,785,726
Proceeds from sale of property, plant & equipment	11(a)	2,232,437	1,020,562	1,022,411
<b>Net cash provided by (used in) investment activities</b>		(16,305,677)	(30,766,472)	(14,342,690)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of borrowings	18(b)	(5,337,258)	(25,410,640)	(6,384,932)
Payments for principal portion of lease liabilities	17(b)	(589,163)	(807,905)	(1,675,171)
Payments for principal portion of interest bearing liabilities		(298,281)		
Proceeds from interest bearing liabilities		612,248		
Payment for community loans		100,000	-	-
Proceeds on other loans and receivables		(100,668)	100,000	99,385
Proceeds from new borrowings	18(b)	3,668,837	27,500,000	2,750,001
<b>Net cash provided by (used in) financing activities</b>		(1,944,285)	1,381,455	(5,210,717)
<b>Net increase (decrease) in cash held</b>		3,813,184	(15,869,220)	4,500,512
Cash at beginning of year		50,053,366	39,312,663	45,552,854
<b>Cash and cash equivalents at the end of the year</b>	21	53,866,550	23,443,443	50,053,366

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

**CITY OF MANDURAH**  
**RATE SETTING STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2021**

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
<b>OPERATING ACTIVITIES</b>				
<b>Net current assets at start of financial year - surplus/(deficit)</b>	28 (c)	1,194,780	2,197,004	7,744,587
		1,194,780	2,197,004	7,744,587
<b>Revenue from operating activities (excluding rates)</b>				
Governance		399	2,025	8,405
General purpose funding		5,253,384	3,750,912	6,790,760
Law, order, public safety		1,122,145	715,108	1,118,150
Health		401,397	319,825	302,956
Education and welfare		920,324	401,539	481,788
Community amenities		14,844,309	14,585,706	14,901,085
Recreation and culture		6,840,513	6,759,271	5,617,621
Transport		2,594,154	2,404,433	2,752,738
Economic services		2,583,548	1,550,850	1,615,104
Other property and services		1,024,493	334,927	1,241,196
		35,584,666	30,824,596	34,829,803
<b>Expenditure from operating activities</b>				
Governance		(5,784,597)	(6,772,482)	(5,938,602)
General purpose funding		(2,980,566)	(2,151,552)	(3,550,456)
Law, order, public safety		(3,628,639)	(4,057,736)	(4,740,514)
Health		(2,134,974)	(2,092,098)	(2,034,008)
Education and welfare		(4,806,393)	(4,718,248)	(4,224,889)
Community amenities		(20,436,231)	(18,850,404)	(18,148,585)
Recreation and culture		(44,387,262)	(47,564,050)	(62,711,540)
Transport		(26,422,412)	(30,476,415)	(39,901,817)
Economic services		(6,437,159)	(7,245,243)	(5,726,628)
Other property and services		(19,717,232)	(11,269,106)	(12,832,285)
		(136,735,465)	(135,197,334)	(159,809,324)
Non-cash amounts excluded from operating activities	28(a)	40,923,432	36,584,944	59,475,328
<b>Amount attributable to operating activities</b>		(59,032,587)	(65,590,790)	(57,759,606)
<b>INVESTING ACTIVITIES</b>				
Non-operating grants, subsidies and contributions	2(a)	10,818,117	16,537,764	8,607,134
Proceeds from disposal of assets	11(a)	2,232,437	1,020,562	1,022,411
Purchase of property, plant and equipment	9(a)	(4,286,859)	(7,440,965)	(9,317,970)
Purchase and construction of infrastructure	10(a)	(17,740,573)	(35,625,244)	(14,832,857)
		(8,976,878)	(25,507,883)	(14,521,282)
Non-cash amounts excluded from investing activities	28(b)	(603,762)	(5,275,266)	5,648,265
<b>Amount attributable to investing activities</b>		(9,580,640)	(30,783,149)	(8,873,017)
<b>FINANCING ACTIVITIES</b>				
Repayment of borrowings	18(b)	(5,337,258)	(25,410,640)	(6,384,932)
Proceeds from borrowings	18(c)	3,668,837	27,500,000	2,750,001
Payments for principal portion of lease liabilities	17(b)	(589,163)	(807,905)	(1,675,171)
Loans Utilised		744,828	431,591	534,073
Payments for principal portion of interest bearing liabilities		(298,281)	-	-
Proceeds from interest bearing liabilities		612,248	-	-
Payment for community loans		100,000	-	-
Proceeds on other loans and receivables		(100,668)	100,000	99,386
Transfers to reserves (restricted assets)	4	(13,862,589)	(3,832,612)	(21,811,806)
Transfers from reserves (restricted assets)	4	8,293,848	18,272,970	14,204,768
<b>Amount attributable to financing activities</b>		(6,768,198)	16,253,404	(12,283,681)
<b>Surplus/(deficit) before imposition of general rates</b>		(75,381,425)	(80,120,535)	(78,916,304)
<b>Total amount raised from general rates</b>	27(a)	79,919,648	79,761,817	80,111,084
<b>Surplus/(deficit) after imposition of general rates</b>	28(c)	<b>4,538,223</b>	<b>(358,718)</b>	<b>1,194,780</b>

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

**CITY OF MANDURAH**  
**INDEX OF NOTES TO THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2021**

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## **1. BASIS OF PREPARATION**

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

The *Local Government Act 1995* and accompanying Regulations take precedence over Australian Accounting Standards where they are inconsistent.

The *Local Government (Financial Management) Regulations 1996* 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 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 financial report has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the at fair value of selected non-current assets, financial assets and liabilities.

### **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 30 to these financial statements.

### **INITIAL APPLICATION OF 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.

These were:

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

The adoption of these standards had no material impact on the financial report.

### **NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS**

The following new accounting standards will have application to local government in future years:

- AASB 2020-1 *Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current*
- AASB 2020-3 *Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments*
- AASB 2021-2 *Amendments to Australian Accounting Standards - Disclosure of Accounting Policies or Definition of Accounting Estimates*

It is not expected these standards will have an impact on the financial report.

### **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 balances, transactions and disclosures impacted by accounting estimates are as follows:

- Employee expenses
- Land held for resale
- Other financial assets
- Property, Plant and Equipment
- Infrastructure
- Right-of-use assets
- Lease liabilities
- Borrowing liabilities
- Provisions
- Interest rate swaps

**CITY OF MANDURAH**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**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:

	2021 Actual \$	2021 Budget \$	2020 Actual \$
<b>Operating grants, subsidies and contributions</b>			
Governance	-	2,025	8,405
General purpose funding	3,177,214	1,615,000	3,481,232
Law, order, public safety	355,106	144,921	468,762
Health	312,971	117,450	109,777
Education and welfare	519,857	57,415	157,259
Community amenities	40,087	122,660	174,405
Recreation and culture	925,241	928,219	1,628,818
Transport	247,706	298,844	380,588
Economic services	331,464	3,038	8,028
Other property and services	150,524	182,488	244,175
	6,060,170	3,472,058	6,661,449
<b>Non-operating grants, subsidies and contributions</b>			
General purpose funding	-	-	124,637
Law, order, public safety	8,657	-	485,275
Community amenities	20,340	-	-
Recreation and culture	409,473	13,133,930	1,499,372
Transport	4,152,616	3,303,834	4,090,206
Economic services	6,140,693	-	417,644
Other property and services	86,338	100,000	1,990,000
	10,818,117	16,537,764	8,607,134
<b>Total grants, subsidies and contributions</b>	<b>16,878,287</b>	<b>20,009,822</b>	<b>15,268,583</b>
<b>Fees and charges</b>			
General purpose funding	826,923	670,913	683,901
Law, order, public safety	630,282	569,688	649,349
Health	61,148	202,375	193,180
Education and welfare	387,725	344,124	323,803
Community amenities	14,378,694	14,273,047	14,253,178
Recreation and culture	5,656,662	5,831,052	4,737,851
Transport	1,838,830	1,675,225	1,820,983
Economic services	2,246,843	1,547,813	1,595,696
Other property and services	295,104	94,040	163,985
	26,322,211	25,208,275	24,421,926

There were no changes to the amounts of fees or charges detailed in the original budget.

**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 2021**

**2. REVENUE AND EXPENSES (Continued)**

(a) Revenue (Continued)	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
<b>Contracts with customers and transfers for recognisable non-financial assets</b>			
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:			
Operating grants, subsidies and contributions	6,060,170	3,472,058	6,661,449
Fees and charges	26,322,211	25,208,275	24,421,926
Other revenue	1,056,992	235,500	-
Non-operating grants, subsidies and contributions	10,818,117	16,537,764	5,616,589
	<u>44,257,490</u>	<u>45,453,597</u>	<u>36,699,964</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:			
Revenue from contracts with customers included as a contract liability at the start of the period	85,840	-	169,374
Revenue from contracts with customers recognised during the year	33,353,533	28,915,833	31,083,375
Revenue from transfers intended for acquiring or constructing recognisable non financial assets held as a liability at the start of the period	5,648,265	-	-
Revenue from transfers intended for acquiring or constructing recognisable non financial assets during the year	5,169,852	16,537,764	5,447,215
	<u>44,257,490</u>	<u>45,453,597</u>	<u>36,699,964</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	1,558,872		726,832
Contract liabilities from contracts with customers	(89,910)		(85,840)
Grant liabilities from transfers for recognisable non financial assets	(6,602,155)		(5,648,265)

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. 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.

**CITY OF MANDURAH**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**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:

General rates	79,919,648	79,761,817	80,034,188
Specified area rates	434,064	430,364	545,311
	<b>80,353,712</b>	<b>80,192,181</b>	<b>80,579,499</b>

**Assets and services acquired below fair value**

Contributed assets	441,743	-	2,990,545
	<b>441,743</b>	<b>-</b>	<b>2,990,545</b>

**Other revenue**

Reimbursements and recoveries	916,175	-	-
Other	1,056,992	235,500	1,904,584
	<b>1,973,167</b>	<b>235,500</b>	<b>1,904,584</b>

**Interest earnings**

Interest on reserve funds	162,864	400,000	392,604
Rates instalment and penalty interest (refer Note 27(d))	559,790	500,000	704,180
Other interest earnings	67,875	560,000	328,947
	<b>790,529</b>	<b>1,460,000</b>	<b>1,425,731</b>

**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 2021**

**2. REVENUE AND EXPENSES (Continued)**

(b) Expenses	Note	2021 Actual \$	2021 Budget \$	2020 Actual \$
<b>Auditors remuneration</b>				
Audit of the Annual Financial Report		81,385	151,875	90,997
		81,385	151,875	90,997
<b>Interest expenses (finance costs)</b>				
Borrowings	18(b)	313,481	1,127,642	505,408
Interest rate swap		232,027	-	-
Interest bearing liabilities		199,266		
Lease liabilities	17(b)	24,771	106,451	129,461
		769,545	1,234,093	634,869
<b>Other expenditure</b>				
Impairment loss on trade and other receivables from contracts with customers		158,610	-	139,014
Sundry expenses		353,848	202,500	1,680,096
		512,458	202,500	1,819,110

**CITY OF MANDURAH**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**2. REVENUE AND EXPENSES (Continued)**

**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

**CITY OF MANDURAH**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**3. CASH AND CASH EQUIVALENTS**

	NOTE	2021 \$	2020 \$
Cash at bank and on hand		18,114,502	3,904,077
Term deposits		35,752,048	46,149,289
<b>Total cash and cash equivalents</b>		<b>53,866,550</b>	<b>50,053,366</b>

**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		49,755,682	48,413,059
- Financial assets at amortised cost	5(a)	9,015,866	-
		<b>58,771,548</b>	<b>48,413,059</b>

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

Reserves - cash/financial asset backed	4	44,767,915	39,199,174
Contract liabilities from contracts with customers	16	89,910	85,840
Grants for transfers for recognisable non financial assets	16	6,602,155	5,648,265
Bonds & Deposits		5,114,097	1,948,015
Unspent loans	18(d)	2,197,471	1,531,765
<b>Total restricted assets</b>		<b>58,771,548</b>	<b>48,413,059</b>

**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 City 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 2021**

**4. RESERVES - CASH/FINANCIAL ASSET BACKED**

	2021 Actual Opening Balance	2021 Actual Transfer to	2021 Actual Transfer (from)	2021 Actual Closing Balance	2021 Budget Opening Balance	2021 Budget Transfer to	2021 Budget Transfer (from)	2021 Budget Closing Balance	2020 Actual Opening Balance	2020 Actual Transfer to	2020 Actual Transfer (from)	2020 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Building Reserve	1,750,807	10,831	(86,783)	1,674,855	1,807,813	939,060	(2,161,990)	584,883	1,473,343	673,710	(396,246)	1,750,807
(b) Cash in Lieu of Parking Reserve	476,232	3,100	-	479,332	471,178	9,242	-	480,420	465,611	10,621	-	476,232
(c) Asset Management Reserve	3,414,420	7,273,811	-	10,688,231	2,496,008	1,940,595	(1,824,778)	2,611,825	991,225	2,662,746	(239,551)	3,414,420
(d) Cultural Centre Reserve	149,781	-	-	149,781	2,480	-	(2,480)	-	227,480	-	(77,699)	149,781
(e) Museum Reserve	160,150	-	(160,150)	-	160,150	-	(160,150)	-	160,150	-	-	160,150
(f) Property Acquisition Reserve	3,913,886	-	(3,913,886)	-	3,920,867	468	(3,897,117)	24,218	4,091,243	210,307	(387,664)	3,913,886
(g) Sustainability Reserve	660,440	4,045	(39,063)	625,422	647,225	100,860	(189,180)	558,905	804,088	14,577	(158,225)	660,440
(h) Waste Reserve	2,382,544	1,626,399	-	4,008,943	1,617,218	10,726	(957,202)	670,742	1,519,653	967,894	(105,003)	2,382,544
(i) Community Improvements Reserve	33,233	-	(33,233)	-	33,234	-	(33,234)	-	96,932	-	(63,699)	33,233
(j) Traffic Bridge Reserve	399,886	-	(350,000)	49,886	399,886	-	(399,886)	-	495,106	-	(95,220)	399,886
(k) Tims Thicket Septage Reserve	75,697	-	(75,697)	-	74,894	1,468	-	76,362	74,010	1,687	-	75,697
(l) Tims Thicket Inert Reserve	105,041	-	(105,041)	-	104,413	42,816	-	147,229	102,716	2,325	-	105,041
(m) Inert Landfill Reserve	39,728	-	(39,728)	-	39,728	-	(39,728)	-	39,728	-	-	39,728
(n) Arts and Craft Centre Reserve	229,699	-	(229,699)	-	229,699	-	(229,699)	-	229,699	-	-	229,699
(o) Sand Pit Restoration Reserve	66,970	-	(66,970)	-	66,970	-	(66,970)	-	66,970	-	-	66,970
(p) Interest Free Loans Reserve	200,984	325	(150,984)	50,325	159,894	-	(159,894)	-	159,894	41,090	-	200,984
(q) CLAG Reserve	62,404	41	(56,039)	6,406	27,116	529	-	27,645	26,797	35,607	-	62,404
(r) Emergency Relief Fund Reserve	3,295	-	(3,295)	-	3,295	-	(3,295)	-	3,295	-	-	3,295
(s) Mandurah Ocean Marina Reserve	176,073	1,146	-	177,219	175,870	3,462	-	179,332	235,146	43,339	(102,412)	176,073
(t) Waterways Reserve - Stingray Wharf	277,341	456,332	-	733,673	274,639	4,579	(40,990)	238,228	-	277,341	-	277,341
(u) Interest on Investments Reserve	12,771	-	(12,771)	-	12,771	-	(12,771)	-	12,771	-	-	12,771
(v) Port Mandurah Canals Stage 2 Maintenance Reserve	92,106	599	-	92,705	92,322	1,792	-	94,114	82,473	9,633	-	92,106
(w) Mariners Cove Canals Reserve	83,920	546	-	84,466	85,053	1,672	-	86,725	73,628	10,292	-	83,920
(x) Port Bouvard Canal Maintenance Contributions Reserve	264,143	1,719	-	265,862	270,424	5,295	-	275,719	231,199	32,944	-	264,143
(y) Soccer Club Rooms Refurbishment Reserve	29,292	-	(29,292)	-	29,292	-	(29,292)	-	29,292	-	-	29,292
(z) Cash in Lieu POS Contributions Reserve	-	-	-	-	-	-	-	-	1,535,671	-	(1,535,671)	-
(aa) Unspent Grants Reserve	7,974,498	732,888	-	8,707,386	5,451,218	8,381	(5,275,197)	184,402	5,368,948	13,300,130	(10,694,580)	7,974,498
(ab) Leave Reserve	5,103,667	-	(527,409)	4,576,258	4,944,527	96,899	-	5,041,426	4,886,154	217,513	-	5,103,667
(ac) Carbon Offset Reserve	130,117	-	(130,117)	-	130,117	-	(130,117)	-	130,117	-	-	130,117
(ad) Bushland Acquisition Reserve	3,000,000	-	-	3,000,000	3,036,239	59,497	-	3,095,736	2,714,531	285,469	-	3,000,000
(ae) Port Bouvard Surf Life Saving Clubrooms Reserve	18,000	-	(18,000)	-	18,000	-	(18,000)	-	18,000	-	-	18,000
(af) Coastal Storm Contingency Reserve	255,699	1,664	-	257,363	252,987	4,958	-	257,945	250,000	5,699	-	255,699
(ag) Refurbishment Bortolo Pavillion Reserve	6,000	-	(6,000)	-	6,000	-	(6,000)	-	6,000	-	-	6,000
(ah) Refurbishment Rushton Park Reserve	13,500	-	(13,500)	-	13,500	-	(13,500)	-	13,500	-	-	13,500
(ai) Refurbishment Meadow Springs Pavillion Reserve	8,712	-	(8,712)	-	8,712	-	(8,712)	-	8,712	-	-	8,712
(aj) Digital Futures Reserve	83,029	447	(14,284)	69,192	42,573	834	-	43,407	92,070	959	(10,000)	83,029
(ak) Decked Carparking Reserve	997,716	6,494	-	1,004,210	987,134	19,346	-	1,006,480	975,480	22,236	-	997,716
(al) Specified Area Rates - Waterside Canals	101,760	17,226	-	118,986	104,301	-	(5,171)	99,130	103,070	2,349	(3,659)	101,760
(am) Specified Area Rates - Port Mandurah Canals	345,992	69,592	-	415,584	353,236	149,365	(79,060)	423,541	365,436	83,526	(102,970)	345,992
(an) Specified Area Rates - Mandurah Quay Canals	199,550	9,811	-	209,361	189,933	11,777	-	201,710	187,692	19,618	(7,760)	199,550
(ao) Specified Area Rates - Mandurah Ocean Marina	220,269	183,633	-	403,902	222,398	304,840	(162,999)	364,239	-	385,406	(165,137)	220,269
(ap) Specified Area Rate - Port Bouvard Canals	118,299	2,124	-	120,423	98,861	1,791	-	100,652	97,694	44,683	(24,078)	118,299

**CITY OF MANDURAH**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2021**

(aq) Specified Area Rate - Mariners Cove	22,719	102	(6,964)	15,857	18,722	-	(9,717)	9,005	18,501	11,187	(6,969)	22,719
(ar) Specified Area Rate - Eastport	28,010	7,909	-	35,919	23,165	602	-	23,767	22,885	13,251	(8,126)	28,010
(as) Sports Club Maintenance Levy Reserve	141,402	48,604	(1,700)	188,306	133,395	58,210	-	191,605	105,226	56,275	(20,099)	141,402
(at) City Centre Land Acquisition Reserve	3,000,000	6,509	(2,000,000)	1,006,509	3,035,842	20,301	(2,000,000)	1,056,143	3,000,000	-	-	3,000,000
(au) City Facility Relocation Reserve	214,531	-	(214,531)	-	156,000	-	(156,000)	-	-	214,531	-	214,531
(av) Lakelands Community Infrastructure Reserve	1,090,206	7,096	-	1,097,302	1,078,644	21,139	-	1,099,783	-	1,090,206	-	1,090,206
(aw) Plant Reserve	952,687	629,812	-	1,582,499	938,504	9,937	(199,841)	748,600	-	952,687	-	952,687
(ax) Workers Compensation Reserve	111,968	369,448	-	481,416	110,781	2,171	-	112,952	-	111,968	-	111,968
(ay) Restricted Cash Reserve	-	2,390,336	-	2,390,336	-	-	-	-	-	-	-	-
	39,199,174	13,862,589	(8,293,848)	44,767,915	34,557,228	3,832,612	(18,272,970)	20,116,870	31,592,136	21,811,806	(14,204,768)	39,199,174

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

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:

<b>Name of Reserve</b>	<b>Purpose of the reserve</b>
(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) Waste Reserve	Waste Facilities Reserve Fund - Future waste treatment initiatives
(i) Community Improvements Reserve	Community Improvements - Provision of community facilities
(j) Traffic Bridge Reserve	Traffic Bridge - Replacement of Mandurah Traffic Bridge
(k) Tims Thicket Septage Reserve	Tims Thicket Septage - Future site restoration
(l) Tims Thicket Inert Reserve	Tims Thicket Inert - Future site restoration and development
(m) Inert Landfill Reserve	Inert Landfill - Future site restoration and development
(n) Arts and Craft Centre Reserve	Arts and Craft Centre - Provision of new arts and craft facility
(o) Sand Pit Restoration Reserve	Sand Pit Restoration - Costs associated with closure of Red Road site
(p) Interest Free Loans Reserve	Interest Free Loans - Interest-free loans to sporting & community groups for minor capital projects
(q) CLAG Reserve	CLAG - Contiguous Local Authority Group for control of mosquitoes
(r) Emergency Relief Fund Reserve	Emergency Relief Fund - Capital grants to local emergency service groups. Availability of funds for emergencies/disaster in Mandurah
(s) Mandurah Ocean Marina Reserve	Mandurah Ocean Marina - Future maintenance/asset replacement at Mandurah Ocean Marina
(t) Waterways Reserve - Stingray Wharf	Waterways - Future maintenance/asset replacement of specific waterways infrastructure
(u) Interest on Investments Reserve	Interest on Investments - Allocation for once-off purchases
(v) Port Mandurah Canals Stage 2 Maintenance Reserve	Port Mandurah Canals Stage 2 Maintenance - Stage 2 Future maintenance of canals
(w) Mariners Cove Canals Reserve	Mariners Cove Canals - Future maintenance of canals
(x) Port Bouvard Canal Maintenance Contributions Reserve	Port Bouvard Canal Maintenance Contributions - Contribution Future maintenance of canals
(y) Soccer Club Rooms Refurbishment Reserve	Soccer Club Rooms Refurbishment - To maintain presentation and functionality of the Club House
(z) Cash in Lieu POS Contributions Reserve	Cash in Lieu POS Contributions - Contributions received in accordance with Planning & Development Act
(aa) Unspent Grants Reserve	Unspent Grants & Contributions - Operating and non-operating grants and contributions tied to future expenditure.
(ab) Leave Reserve	Long Service Leave - To fund the long service and sick leave liability of Council's staff.
(ac) Carbon Offset Reserve	Carbon Offset - Fund initiatives which provide an offset to the environmental impact of the City's waste management activities.
(ad) Bushland Acquisition Reserve	Bushland Acquisition - For the purchase & protection of bushland and environmentally sensitive sites within the City
(ae) Port Bouvard Surf Life Saving Clubrooms Reserve	Port Bouvard Surf Life Saving Clubrooms - To maintain presentation and functionality of the Club House
(af) Coastal Storm Contingency Reserve	Coastal Storm Contingency - Provide for coastal emergency works due to storm damage
(ag) Refurbishment Bortolo Pavillion Reserve	Refurbishment Bortolo Pavilion - To maintain presentation and functionality of the Club House.
(ah) Refurbishment Rushton Park Reserve	Refurbishment Rushton Park - To maintain presentation and functionality of the Club House.
(ai) Refurbishment Meadow Springs Pavillion Reserve	Refurbishment Meadow Springs Pavilion - To maintain presentation and functionality of the Club House
(aj) Digital Futures Reserve	Digital Futures - Fund development, investigation or commissioning of digital technology initiatives.

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(ak) Decked Carparking Reserve	Decked Carparking - Amount received from Landcorp in June 2006, set aside for Decked Carparking
(al) Specified Area Rates - Waterside Canals	Specified Area Rates - Waterside Canals - Future maintenance of canals.
(am) Specified Area Rates - Port Mandurah Canals	Specified Area Rates - Port Mandurah Canals - Future maintenance of canals.
(an) Specified Area Rates - Mandurah Quay Canals	Specified Area Rates - Mandurah Quay Canals - Future maintenance of canals.
(ao) Specified Area Rates - Mandurah Ocean Marina	Specified Area Rates - Mandurah Ocean Marina - Future maintenance/asset replacement at Mandurah Ocean Marina.
(ap) Specified Area Rate - Port Bouvard Canals	Specified Area Rate - Port Bouvard Canals - Future maintenance of canals.
(aq) Specified Area Rate - Mariners Cove	Specified Area Rate - Mariners Cove - Future maintenance of canals.
(ar) Specified Area Rate - Eastport	Specified Area Rate - Eastport - Future maintenance of canals.
(as) Sports Club Maintenance Levy Reserve	Sports Clubs Maintenance Levy - To maintain various city buildings leased to clubs
(at) City Centre Land Acquisition Reserve	City Centre Land Acquisition Reserve - For future property purchases within the City Centre area
(au) City Facility Relocation Reserve	City Facility Relocation Reserve - To fund long term strategic relocation of city facilities
(av) Lakelands Community Infrastructure Reserve	Lakelands Community Infrastructure Reserve - Contribute to the construction of the community infrastructure on Lot 2300 Seppings Parade Lakelands
(aw) Plant Reserve	Plant reserve - Replacement of heavy plant and equipment
(ax) 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
(ay) Restricted Cash Reserve	Restricted cash carried forward for future use.

## 5. OTHER FINANCIAL ASSETS

### (a) Current assets

Financial assets at amortised cost

#### Other financial assets at amortised cost

Term deposits

Community Loans

### (b) Non-current assets

Financial assets at amortised cost

Financial assets at fair value through profit and loss

#### Financial assets at amortised cost

Community Loans

#### Financial assets at fair value through profit and loss

Units in Local Government House Trust

	2021	2020
	\$	\$
	9,111,103	96,670
	9,111,103	96,670
	9,015,866	-
	95,237	96,670
	9,111,103	96,670
	319,123	317,022
	129,162	124,637
	448,285	441,659
	319,123	317,022
	319,123	317,022
	129,162	124,637
	129,162	124,637

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

### SIGNIFICANT ACCOUNTING POLICIES

#### Other financial assets at amortised cost

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

- the asset is held within a business model whose objective is to collect the contractual cashflows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.
- term deposits with original terms greater than three months are classified as other financial assets at amortised cost.

#### Financial assets at fair value through profit and loss

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

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

#### Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 29.

## 6. TRADE AND OTHER RECEIVABLES

### Current

Rates receivable
Trade and other receivables
GST receivable
Allowance for impairment of receivables
Other receivables ESL
Other receivables Infringements

### Non-current

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

2021	2020
\$	\$
3,487,767	3,740,154
1,558,872	726,833
416,766	725,874
(158,610)	(139,014)
92,995	12,288
1,045,501	1,019,930
6,443,291	6,086,065
1,475,315	1,266,147
1,475,315	1,266,147

### 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 29.

### 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.

## 7. INVENTORIES

### Current

Fuel and materials

The following movements in inventories occurred during the year:

### Balance at beginning of year

Movements to inventory

### Balance at end of year

	2021	2020
	\$	\$
	540,691	306,530
	540,691	306,530
	306,530	326,258
	234,161	(19,728)
	540,691	306,530

## SIGNIFICANT ACCOUNTING POLICIES

### General

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

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

## 8. OTHER ASSETS

### Other assets - current

Prepayments  
 Accrued income

	2021	2020
	\$	\$
Prepayments	1,680,216	622,864
Accrued income	727,025	461,410
	2,407,241	1,084,274

### 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.

## 9. PROPERTY, PLANT AND EQUIPMENT

### (a) Movements in Balances

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

	Land	Buildings - non- specialised	Total land and buildings	Furniture and equipment	Plant and equipment	Work in Progress	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2019</b>	92,695,200	152,010,562	244,705,762	2,268,264	12,578,241	2,983,884	262,536,151
Additions	1,950,000	4,332,024	6,282,024	96,917	2,813,803	125,226	9,317,970
(Disposals)	(400,000)	(40,722)	(440,722)	(15,354)	(876,970)	-	(1,333,046)
Depreciation (expense)	-	(4,678,124)	(4,678,124)	(293,030)	(1,589,321)	-	(6,560,475)
Transfers	-	(4,860,000)	(4,860,000)	-	-	-	(4,860,000)
<b>Balance at 30 June 2020</b>	94,245,200	146,763,740	241,008,940	2,056,797	12,925,753	3,109,110	259,100,600
<b>Comprises:</b>							
Gross balance amount at 30 June 2020	94,245,200	151,441,505	245,686,705	2,349,181	14,437,751	3,109,110	265,582,747
Accumulated depreciation at 30 June 2020	-	(4,677,765)	(4,677,765)	(292,384)	(1,511,998)	-	(6,482,147)
<b>Balance at 30 June 2020</b>	94,245,200	146,763,740	241,008,940	2,056,797	12,925,753	3,109,110	259,100,600
Additions	-	1,464,095	1,464,095	309,829	1,756,165	756,770	4,286,859
(Disposals)	(1,380,000)	(291,726)	(1,671,726)	-	(917,727)	-	(2,589,453)
Depreciation (expense)	-	(4,807,607)	(4,807,607)	(229,863)	(1,332,284)	-	(6,369,754)
<b>Balance at 30 June 2021</b>	92,865,200	143,128,502	235,993,702	2,136,763	12,431,907	3,865,880	254,428,252
<b>Comprises:</b>							
Gross balance amount at 30 June 2021	92,865,200	152,593,511	245,458,711	2,656,610	15,097,988	3,865,880	267,079,189
Accumulated depreciation at 30 June 2021	-	(9,465,009)	(9,465,009)	(519,847)	(2,666,081)	-	(12,650,937)
<b>Balance at 30 June 2021</b>	92,865,200	143,128,502	235,993,702	2,136,763	12,431,907	3,865,880	254,428,252

## 9. PROPERTY, PLANT AND EQUIPMENT (Continued)

### (b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
<b>(i) Fair Value</b>					
<b>Land and buildings</b>					
Land		Market Approach	Independent registered valuer	June 2019	Selection of Land similar approximate utility
Buildings - non-specialised		Depreciated Replacement Cost	Independent registered valuer	June 2019	Historical cost per square floor area. Consumed benefit/obsolescence of asset.
<b>(ii) Cost</b>					
<b>Furniture and equipment</b>		Depreciated Replacement Cost	Independent registered valuer	June 2019	Historical cost per unit. Consumed economic benefit/obsolescence of asset.
<b>Plant and equipment</b>		Depreciated Replacement Cost	Independent registered valuer	June 2019	Historical cost per unit. Consumed economic benefit/obsolescence of asset.

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 was effective from 1 July 2019 and represented a change in accounting policy. Revaluations carried out previously were not reversed as it was deemed fair value approximated cost at the date of change.

**CITY OF MANDURAH**  
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**10. INFRASTRUCTURE**

**(a) Movements in Balances**

Movement in the balances 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 - other infrastructure \$	Work in Progress \$	Total Infrastructure \$
<b>Balance at 1 July 2019</b>	333,964,005	135,082,332	154,469,201	50,602,840	63,909,863	5,656,960	10,952,584	754,637,785
Additions	10,667,525	1,154,623	4,938,630	-	(30)	184,236	(2,112,127)	14,832,857
(Disposals)	(8,800,553)	(6,757)	(18,698,306)	(122,628)	-	-	-	(27,628,244)
Revaluation increments / (decrements) transferred to revaluation surplus	(21,852)	80,806	759,051	119,191	3,868	-	-	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)
<b>Balance at 30 June 2020</b>	325,747,819	133,640,706	130,195,765	48,267,936	63,179,164	5,575,951	8,840,457	715,447,798
<b>Comprises:</b>								
Gross balance at 30 June 2020	513,233,648	185,600,383	173,056,608	96,059,624	71,696,205	6,232,107	8,840,457	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)
<b>Balance at 30 June 2020</b>	325,747,819	133,640,706	130,195,765	48,267,936	63,179,164	5,575,951	8,840,457	715,447,798
Additions	3,794,955	690,162	923,197	3,755	434,042	-	11,894,462	17,740,573
(Disposals)	(2,009,665)	(160,998)	(4,625,937)	(370,949)	-	(812)	-	(7,168,361)
Revaluation increments / (decrements) transferred to revaluation surplus	-	-	-	(62,954)	-	-	(3,052,655)	(3,115,609)
Depreciation (expense)	(9,576,417)	(2,658,738)	(9,060,769)	(2,264,631)	(761,074)	(203,083)	-	(24,524,712)
<b>Balance at 30 June 2021</b>	317,956,692	131,511,132	117,432,256	45,573,157	62,852,132	5,372,056	17,682,264	698,379,689
<b>Comprises:</b>								
Gross balance at 30 June 2021	514,525,382	185,840,334	159,793,453	95,218,006	72,130,247	6,231,299	17,682,264	1,051,420,985
Accumulated depreciation at 30 June 2021	(196,568,690)	(54,329,202)	(42,361,197)	(49,644,849)	(9,278,115)	(859,243)	-	(353,041,296)
<b>Balance at 30 June 2021</b>	317,956,692	131,511,132	117,432,256	45,573,157	62,852,132	5,372,056	17,682,264	698,379,689

CITY OF MANDURAH  
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10. INFRASTRUCTURE (Continued)

(b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
<b>(i) Fair Value</b>					
Infrastructure - roads		Depreciated Replacement Cost	Independent registered valuer	June 2018	Construction costs, current condition, remaining useful lives. (i) Consumed economic benefit/obolenscence of asset.
Other infrastructure - drainage		Depreciated Replacement Cost	Independent registered valuer	June 2018	Construction costs, current condition, remaining useful lives. (i) Consumed economic benefit/obolenscence of asset.
Other infrastructure - parks		Depreciated Replacement Cost	Independent registered valuer	June 2018	Construction costs, current condition, remaining useful lives. (i) Consumed economic benefit/obolenscence of asset.
Other infrastructure - coastal and estuary		Depreciated Replacement Cost	Independent registered valuer	June 2018	Construction costs, current condition, remaining useful lives. (i) Consumed economic benefit/obolenscence of asset.
Other infrastructure - bridges		Depreciated Replacement Cost	Independent registered valuer	June 2018	Construction costs, current condition, remaining useful lives. (i) Consumed economic benefit/obolenscence of asset.
Other infrastructure - land improvements		Depreciated Replacement Cost	At Cost basis	June 2019	Selection of Land similar approximate utility
Other infrastructure - other infrastructure		Depreciated Replacement Cost	Independent registered valuer	June 2018	Construction costs, current condition, remaining useful lives. (i) Consumed economic benefit/obolenscence of asset.

## 11. FIXED ASSETS

### SIGNIFICANT ACCOUNTING POLICIES

#### Fixed assets

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

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

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

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

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at zero cost or otherwise significantly less than fair value, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the City includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

Individual assets that are land, buildings, 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.

#### Revaluation (Continued)

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 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, is 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 12 that details the significant accounting policies applying to leases (including right-of-use assets).

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**11. FIXED ASSETS**

(a) Disposals of Assets

	2021 Actual Net Book Value	2021 Actual Sale Proceeds	2021 Actual Profit \$	2021 Actual Loss \$	2021 Budget Net Book Value	2021 Budget Sale Proceeds	2021 Budget Profit \$	2021 Budget Loss \$	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit \$	2020 Actual Loss \$
Land - freehold land	1,380,000	1,221,204	-	(158,796)	-	-	-	-	400,000	363,954	24,594	(60,640)
Buildings - non-specialised	291,726	-	-	(291,726)	-	-	-	-	40,722	-	-	(40,722)
Furniture and equipment	-	-	-	-	-	-	-	-	15,354	-	-	(15,354)
Plant and equipment	917,727	1,011,233	-	93,506	1,355,354	1,020,562	18,399	(353,191)	876,970	658,457	-	(218,513)
Infrastructure - roads	2,009,665	-	-	(2,009,665)	-	-	-	-	8,800,553	-	-	(8,800,553)
Other infrastructure - drainage	160,998	-	-	(160,998)	-	-	-	-	6,757	-	-	(6,757)
Other infrastructure - parks	4,625,937	-	-	(4,625,937)	-	-	-	-	18,698,306	-	-	(18,698,306)
Other infrastructure - coastal and estuary	370,949	-	-	(370,949)	-	-	-	-	122,628	-	-	(122,628)
Other infrastructure - other infrastructure	812	-	-	(812)	-	-	-	-	-	-	-	-
	9,757,814	2,232,437	-	(7,525,377)	1,355,354	1,020,562	18,399	(353,191)	28,961,290	1,022,411	24,594	(27,963,473)

**11. FIXED ASSETS**

**(b) Depreciation**

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Buildings - non-specialised	4,807,607	4,982,626	4,678,124
Furniture and equipment	229,863	468,128	293,030
Plant and equipment	1,332,284	1,509,593	1,589,321
Infrastructure - roads	9,576,417	10,321,479	10,211,657
Other infrastructure - drainage	2,658,738	2,459,397	2,366,028
Other infrastructure - parks	9,060,769	12,163,574	10,582,640
Other infrastructure - coastal and estuary	2,264,631	2,518,495	2,331,466
Other infrastructure - bridges	761,074	775,358	734,568
Other infrastructure - other infrastructure	203,083	242,219	248,344
Right-of-use assets - plant and equipment	759,829	809,283	1,560,655
	31,654,295	36,250,152	34,595,833

**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 - non-specialised	40 to 60 years
Furniture and equipment	3 to 10 years
Plant and equipment	5 years
Infrastructure - roads	25 to 100 years
Infrastructure - drainage	80 years
Infrastructure - parks	5 to 100 years
Infrastructure - coastal and estuary	20 to 50 years
Infrastructure - bridges	60 to 100 years
Infrastructure - other	5 to 100 years
Right of use - plant and equipment	Based on the remaining lease

**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.

The City has adopted the first option above.

**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 balance 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
	\$	
<b>Balance at 1 July 2019</b>	2,002,291	2,002,291
Additions	3,851,505	3,851,505
Depreciation (expense)	(1,560,655)	(1,560,655)
<b>Balance at 30 June 2020</b>	4,293,141	4,293,141
Additions	264,938	264,938
Gains/(losses) from sale and leaseback transactions	(7,933)	(7,933)
Lease adjustments for a previous incorrectly recognised lease	(3,031,046)	(3,031,046)
Depreciation (expense)	(759,829)	(759,829)
<b>Balance at 30 June 2021</b>	759,271	759,271

The following amounts were recognised in the statement of comprehensive income during the period in respect of leases where the entity is the lessee:

	2021 Actual	2020 Actual
	\$	\$
Depreciation expense on lease assets	(759,829)	(1,560,655)
Interest expense on lease liabilities	(24,771)	(129,461)
Low-value asset lease payments recognised as expense	(368,524)	(320,236)
Gains/(losses) from sale and leaseback transactions	143	0
<b>Total amount recognised in the statement of comprehensive income</b>	(1,152,981)	(2,010,352)
Total cash outflow from leases	(613,934)	(1,804,632)

### SIGNIFICANT ACCOUNTING POLICIES

#### Leases

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

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

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

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

#### Right-of-use assets - valuation

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

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

#### Right-of-use assets - depreciation

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

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**13. REVALUATION SURPLUS**

	2021 Opening Balance	2021 Revaluation (Decrement)	Total Movement on Revaluation	2021 Closing Balance	2020 Opening Balance	2020 Revaluation Increment	2020 Revaluation (Decrement)	Total Movement on Revaluation	2020 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	74,535,469	0	0	74,535,469	74,535,469	0	0	0	74,535,469
Revaluation surplus - Buildings - non-specialised	69,012,339	0	0	69,012,339	69,012,339	0	0	0	69,012,339
Revaluation surplus - Furniture and equipment	852,774	0	0	852,774	852,774	0	0	0	852,774
Revaluation surplus - Plant and equipment	188,091	0	0	188,091	188,091	0	0	0	188,091
Revaluation surplus - Infrastructure - roads	212,461,696	1	1	212,461,697	212,483,548	0	(21,852)	(21,852)	212,461,696
Revaluation surplus - Other infrastructure - drainage	95,224,109	0	0	95,224,109	95,143,303	80,806	0	80,806	95,224,109
Revaluation surplus - Other infrastructure - parks	189,564,223	0	0	189,564,223	188,805,172	759,051	0	759,051	189,564,223
Revaluation surplus - Other infrastructure - coastal and estuary	38,603,490	(62,953)	(62,953)	38,540,537	38,484,299	119,191	0	119,191	38,603,490
Revaluation surplus - Other infrastructure - bridges	16,663,696	0	0	16,663,696	16,659,828	3,868	0	3,868	16,663,696
Revaluation surplus - Other infrastructure - cultural	17,691,148	(3,052,655)	(3,052,655)	14,638,493	17,691,148	0	0	0	17,691,148
	714,797,035	(3,115,607)	(3,115,607)	711,681,428	713,855,971	962,916	(21,852)	941,064	714,797,035

Movement in the revaluation reserve during the year is due to a correction of prior year error for work in progress being written back to the revaluation reserve

**14. INVESTMENT PROPERTY**

**Non-current assets - at fair value**

Carrying balance at 1 July  
 Closing balance at 30 June

**Amounts recognised in profit or loss for investment properties**

Rental income  
 Direct operating expenses from property that generated rental income

**Leasing arrangements**

Investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are as follows:

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

Within one year  
 Later than one year but not later than 5 years  
 Later than 5 years

**SIGNIFICANT ACCOUNTING POLICIES**

**Investment properties**

Investment properties are principally freehold buildings, held for long-term rental yields and not occupied by the City. They are carried at fair value. Changes in the fair values are presented in profit or loss as a part of other revenue.

2021 Actual \$	2020 Actual \$
4,860,000	4,860,000
4,860,000	4,860,000
705,851	789,914
23,910	38,656
705,951	705,851
270,235	264,936
-	-
<u>976,186</u>	<u>970,787</u>

**Fair value of investment properties**

A management valuation was performed to determine the fair value of investment properties. The main Level 3 inputs used in the valuation were discount rates, terminal yields, expected vacancy rates and rental growth rates estimated by management based on comparable transactions and industry data.

## 15. TRADE AND OTHER PAYABLES

### Current

Sundry creditors
Prepaid rates
Accrued salaries and wages
ATO liabilities
Bonds and deposits held
Receipts in advance
Other accrued expenses
Retention monies

2021	2020
\$	\$
5,290,226	4,409,258
3,738,077	3,200,708
1,064,535	1,034,381
33	-
5,114,097	1,948,015
140,719	121,809
652,315	249,479
239,798	491,056
16,239,800	11,454,706

### 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. OTHER LIABILITIES

	2021	2020
	\$	\$
<b>Current</b>		
Contract liabilities	89,910	85,840
Liabilities under transfers to acquire or construct non-financial assets to be controlled by the entity	5,536,246	5,648,265
Interest bearing liabilities	360,151	-
	5,986,307	5,734,105
<b>Non-current</b>		
Interest Rate Swap	550,424	792,863
Liabilities under transfers to acquire or construct non-financial assets to be controlled by the entity	1,065,909	-
Interest bearing liabilities	2,484,342	-
	4,100,675	792,863
	10,086,982	6,526,968

Performance obligations for each type of liability are expected to be recognised as revenue in accordance with the following time bands:

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

	Interest bearing liabilities	Contract liabilities	Liabilities under transfers to acquire or construct non-financial assets to be controlled by the entity	Interest rate swap
	\$	\$	\$	\$
	360,151	89,910	5,536,246	-
	387,654	-	-	550,424
	417,275	-	-	-
	449,178	-	-	-
	483,540	-	-	-
	746,695	-	1,065,909	-
	2,844,493	89,910	6,602,155	550,424

### 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.

#### Interest bearing liabilities

Interest-bearing liabilities are recognised initially at fair value and net of directly attributable transaction costs.

After initial recognition, the interest-bearing liabilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

#### Liabilities under transfers to acquire or construct non-financial assets to be controlled by the entity

Grant liabilities represent the the City's performance obligations to construct recognisable non-financial assets to identified specifications which are yet to be satisfied.

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

#### Interest rate swap

The City uses derivative financial instruments, interest rate swaps, to hedge its interest rate risks. Such derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The balance at 30 June 2021 relates to a floating to fix swap with original notional amount of \$12 million. The fair value was determined by the bank using its valuation model (level 2 fair value).

**CITY OF MANDURAH**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**17. LEASE LIABILITIES**

(a) Lease Liabilities	2021	2020
	\$	\$
Current	438,797	1,015,507
Non-current	347,168	3,163,118
	<u>785,965</u>	<u>4,178,625</u>

**(b) Movements in Carrying Amounts**

Purpose	Lease Number	Institution	Lease Interest Rate	Lease Term	Actual	30 June 2021	30 June 2021	30 June 2021	30 June 2021	30 June 2021	Budget	30 June 2021	30 June 2021	30 June 2021	Actual	30 June 2020	30 June 2020	30 June 2020	30 June 2020
					Lease Principal 1 July 2020	Actual New Leases	Actual Lease Adjustments	Actual Lease Principal Repayments	Actual Lease Principal Outstanding	Actual Lease Interest Repayments	Lease Principal 1 July 2020	Budget Lease Principal Repayments	Budget Lease Principal Outstanding	Budget Lease Interest Repayments	Lease Principal 1 July 2019	Actual New Leases	Actual Lease Principal Repayments	Actual Lease Principal Outstanding	Actual Lease Interest Repayments
<b>Recreation and culture</b>					\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Gym Equipment		MAIA	0		497,712	-	-	(204,031)	293,681	(12,748)	161,964	(129,991)	31,973	(16,409)	307,902	364,360	(174,550)	497,712	(10,091)
<b>Other property and services</b>																			
Software/Business Systems		MAIA	0		39,613		164,739	(139,523)	64,829	(8,958)	190,939	(273,177)	(82,238)	(20,447)	967,087	-	(927,474)	39,613	(16,529)
IT Equipment		Fuji /HP/MAIA	0		541,299	195,126	(165,037)	(164,499)	406,889	(1,924)	174,356	(123,221)	51,135	(10,158)	584,938	213,452	(257,091)	541,299	(21,398)
Survey Equipment		MAIA	0		33,321	69,812	(8,077)	(77,376)	17,680	(975)	32,851	(98,741)	(65,890)	(5,042)	132,137	-	(98,816)	33,321	(2,438)
Tech One		MAIA	0		3,060,060	-	(3,060,060)	-	-	-	1,208,142	(179,138)	1,029,004	(54,035)	-	3,273,693	(213,633)	3,060,060	(78,712)
Records - Postage Meter		Pitney Bowes	0		6,620	-	-	(3,734)	2,886	(166)	6,560	(3,637)	2,923	(360)	10,227	-	(3,607)	6,620	(293)
					<u>4,178,625</u>	<u>264,938</u>	<u>(3,068,435)</u>	<u>(589,163)</u>	<u>785,965</u>	<u>(24,771)</u>	<u>1,774,812</u>	<u>(807,905)</u>	<u>966,907</u>	<u>(106,451)</u>	<u>2,002,291</u>	<u>3,851,505</u>	<u>(1,675,171)</u>	<u>4,178,625</u>	<u>(129,461)</u>

**CITY OF MANDURAH**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**18. INFORMATION ON BORROWINGS**

**(a) Borrowings**

	2021	2020
	\$	\$
Current	5,677,779	4,759,831
Non-current	18,883,553	21,469,922
	24,561,332	26,229,753

**(b) Repayments - Borrowings**

Particulars	Loan Number	Institution	Interest Rate	30 June 2021	30 June 2021	30 June 2021	30 June 2021	Budget Principal 1 July 2020	30 June 2021	30 June 2021	30 June 2021	30 June 2021	Actual Principal 1 July 2019	30 June 2020	30 June 2020	30 June 2020	30 June 2020	
				Actual Principal	Actual New Loans	Actual Principal repayments	Actual Interest repayments		Actual Principal outstanding	Budget New Loans	Budget Principal repayments	Budget Interest repayments		Budget Principal outstanding	Actual New Loans	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding
				\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Law, order, public safety</b>																		
Port Bouvard Surf Life Saving Club [WTC 316(v)]	1	Westpac	1.36%	-	-	-	-	110	-	(110)	-	-	15,279	-	(15,279)	(240)	-	
<b>Community amenities</b>																		
Waste Trailers and Dolly [336]	19	Westpac	1.36%	240,815	-	(57,886)	(4,824)	182,929	241,310	-	(54,610)	(8,102)	186,700	295,119	-	(54,304)	(8,409)	240,815
Waste Water Reuse [349]	8	Westpac	1.36%	146,255	-	(22,671)	(2,949)	123,584	146,544	-	(20,376)	(5,244)	126,168	195,921	-	(49,666)	(5,170)	146,255
Halls Head Ablution Block [350]	7	Westpac	1.36%	97,505	-	(15,099)	(1,978)	82,406	97,697	-	(13,580)	(3,496)	84,117	130,615	-	(33,110)	(3,446)	97,505
Halls Head Recycled Water 2019/20	52	Westpac	1.36%	200,000	-	(18,068)	(4,393)	181,932	200,000	-	(17,389)	(5,891)	182,611	-	200,000	-	-	200,000
Ablutions 2020/21				-	-	-	-	-	-	200,000	(17,344)	(5,935)	182,656	-	-	-	-	-
<b>Recreation and culture</b>																		
Allnutt Reserve Community Facility [316(iii)]	1	Westpac	1.36%	-	-	-	-	513	-	(513)	-	-	71,504	-	(71,504)	(1,018)	-	
Town Beach Ablutions [316(vii)]	1	Westpac	1.36%	-	-	-	-	220	-	(220)	-	-	30,557	-	(30,557)	(419)	-	
Rushton Park Redevelopment [318(ii)]	3	Westpac	1.36%	334,327	-	(92,688)	(2,666)	241,639	330,021	-	(83,095)	(10,917)	246,926	549,375	-	(215,048)	(4,969)	334,327
Meadow Springs Recreation Facility [318(iii)]	3	Westpac	1.36%	250,493	-	(69,625)	(2,002)	180,868	251,445	-	(63,310)	(8,317)	188,135	412,032	-	(161,539)	(3,733)	250,493
Mandurah Rugby Club [320]	4	Westpac	1.36%	42,468	-	(41,818)	(493)	650	42,579	-	(39,316)	(763)	3,263	82,842	-	(40,374)	(1,938)	42,468
Mandurah Cricket Club [321]	5	Westpac	1.36%	14,145	-	(13,930)	(182)	215	14,182	-	(13,094)	(254)	1,088	27,611	-	(13,466)	(646)	14,145
Mandurah Football & Sporting Club [324]	13	Westpac	1.36%	165,129	-	(80,737)	(2,843)	84,392	165,500	-	(78,869)	(4,711)	86,631	242,296	-	(77,167)	(6,413)	165,129
Mandurah Rugby Club [325]	14	Westpac	1.36%	12,698	-	(6,187)	(245)	6,511	12,727	-	(6,070)	(362)	6,657	18,637	-	(5,939)	(493)	12,698
Bowling Club Relocation [326]	17	Westpac	1.36%	1,092,882	-	(561,700)	(7,870)	531,182	1,092,424	-	(537,467)	(32,101)	554,957	1,641,210	-	(548,328)	(21,240)	1,092,882
Ablutions - Netball Centre [329(i)]	15	Westpac	1.36%	88,582	-	(42,896)	(1,478)	45,686	88,889	-	(41,873)	(2,501)	45,016	130,469	-	(41,887)	(2,487)	88,582
Parks Construction [329(v)]	15	Westpac	1.36%	87,089	-	(42,896)	(1,478)	44,193	86,889	-	(41,873)	(2,501)	45,016	128,976	-	(41,887)	(2,487)	87,089
Halls Head Bowling Club upgrade [331]	28	Westpac	1.36%	310,796	-	(36,811)	(6,654)	273,985	311,402	-	(32,228)	(11,236)	279,174	344,004	-	(33,208)	(10,256)	310,796
Parks - Falcon Bay Reserve [333(ii)]	18	Westpac	1.36%	72,390	-	(23,740)	(1,338)	48,650	70,839	-	(22,739)	(2,339)	48,100	97,095	-	(24,705)	(372)	72,390
MARC Redevelopment [338]	21	Westpac	1.36%	763,964	-	(164,848)	(6,452)	599,116	764,769	-	(144,275)	(27,025)	620,494	922,603	-	(158,639)	(12,661)	763,964
MARC Redevelopment Stage 1 [340]	26	Westpac	1.36%	503,911	-	(83,733)	(7,059)	420,178	504,555	-	(72,790)	(18,002)	431,765	582,862	-	(78,971)	(11,821)	503,911
MARC Redevelopment Stage 2 [341]	24	Westpac	1.36%	1,277,816	-	(225,884)	(8,404)	1,051,932	1,277,431	-	(187,831)	(46,457)	1,089,600	1,494,077	-	(216,261)	(18,027)	1,277,816
Eastern Foreshore Wall [344]	27	Westpac	1.36%	835,933	-	(146,808)	(4,896)	689,125	836,854	-	(121,623)	(30,081)	715,231	973,173	-	(137,240)	(14,464)	835,933
MARC Stage 2 [345]	12	Westpac	1.36%	1,228,894	-	(209,980)	(8,264)	1,018,914	1,229,904	-	(174,502)	(43,742)	1,055,402	1,685,125	-	(456,231)	(17,709)	1,228,894
Falcon Bay Seawall [351]	6	Westpac	1.36%	244,835	-	(37,904)	(4,923)	206,931	245,321	-	(34,049)	(8,779)	211,272	326,901	-	(82,066)	(8,642)	244,835
MARC Solar Plan [353]	30	Westpac	1.36%	173,489	-	(20,308)	(3,727)	153,181	173,828	-	(17,759)	(6,277)	156,069	191,804	-	(18,315)	(5,721)	173,489
Novara Foreshore Development [355]	32	Westpac	1.36%	346,980	-	(40,638)	(7,434)	306,342	347,657	-	(35,518)	(12,554)	312,139	383,609	-	(36,629)	(11,443)	346,980
Falcon Bay Foreshore Upgrades [356]	40	Westpac	1.36%	346,980	-	(40,638)	(7,434)	306,342	347,657	-	(35,518)	(12,554)	312,139	383,609	-	(36,629)	(11,443)	346,980
Mandjar Square Development [358]	35	Westpac	1.36%	433,630	-	(50,805)	(9,279)	382,825	434,476	-	(44,391)	(15,693)	390,085	479,513	-	(45,883)	(14,201)	433,630
Lakelands DOS [360]	37	Westpac	1.36%	2,365,959	-	(325,665)	(10,790)	2,040,330	2,366,013	-	(248,575)	(87,881)	2,117,438	2,664,998	-	(299,003)	(37,453)	2,365,959
Falcon Seawall	41	Westpac	1.36%	458,889	-	(48,846)	(8,994)	413,013	459,221	-	(41,205)	(13,635)	418,016	500,167	-	(41,308)	(13,532)	458,889
Manjar Square Stage 3 and 4	40	Westpac	1.36%	908,175	-	(104,239)	(5,441)	803,936	908,754	-	(82,410)	(27,270)	826,344	1,000,332	-	(92,157)	(17,523)	908,175
Novara Foreshore Stage 3	44	Westpac	1.36%	183,582	-	(18,327)	(3,609)	165,255	183,727	-	(16,482)	(5,454)	167,245	200,067	-	(16,485)	(5,451)	183,582
Smart Street Mall Upgrade 2019/20	54	Westpac	1.36%	500,000	-	(49,690)	(10,927)	450,310	500,000	-	(43,460)	(14,728)	456,540	-	500,000	-	-	500,000
Westbury Way North side POS Stage 3	53	Westpac	1.36%	200,000	-	(18,063)	(4,398)	181,937	200,000	-	(17,389)	(5,891)	182,611	-	200,000	-	-	200,000
Falcon Bay Foreshore Stage 3 of 4	49	Westpac	1.36%	300,000	-	(27,106)	(6,586)	272,894	300,000	-	(26,083)	(8,837)	273,917	-	300,000	-	-	300,000
Mandjar Square Final Stage	51	Westpac	1.36%	300,000	-	(27,106)	(6,586)	272,894	300,000	-	(26,083)	(8,837)	273,917	-	300,000	-	-	300,000
Falcon Skate Park Upgrade	48	Westpac	1.36%	120,000	-	(11,916)	(2,633)	108,084	120,000	-	(10,433)	(3,535)	109,567	-	120,000	-	-	120,000
Eastern/ Western Foreshore 2020/21	62	Westpac	1.36%	-	1,140,973	-	-	1,140,973	-	2,770,000	(240,145)	(82,211)	2,529,855	-	-	-	-	-
Smart Street Mall 2020/21	55	Westpac	1.36%	-	1,102,206	-	-	1,102,206	-	2,000,000	(173,382)	(59,358)	1,826,618	-	-	-	-	-
Novara Foreshore Stage 4	59	Westpac	1.36%	-	100,004	-	-	100,004	-	400,000	(34,676)	(11,872)	365,324	-	-	-	-	-
Bortolo Reserve - Shared Use Parking and Fire Track Facility	60	Westpac	1.36%	-	300,011	-	-	300,011	-	350,000	(30,352)	(10,387)	319,648	-	-	-	-	-
Falcon Bay Upgrade - Stage 4 of 5	58	Westpac	1.36%	-	280,011	-	-	280,011	-	300,000	(26,016)	(8,904)	273,984	-	-	-	-	-
Enclosed Dog Park	57	Westpac	1.36%	-	20,151	-	-	20,151	-	200,000	(17,344)	(5,936)	182,656	-	-	-	-	-
South Harbour Paving Upgrade Stage 2	61	Westpac	1.36%	-	50,002	-	-	50,002	-	50,000	(4,336)	(1,484)	45,664	-	-	-	-	-
Falcon Skate Park Upgrade 2020/21	63	Westpac	1.36%	-	75,456	-	-	75,456	-	80,000	(7,521)	(1,816)	72,479	-	-	-	-	-
<b>Transport</b>																		
Road Construction [316(ii)]	1	Westpac	1.36%	-	-	-	-	-	1,642	-	(1,642)	-	-	228,874	-	(228,874)	(3,234)	-
Car Parking [316(iv)]	1	Westpac	1.36%	-	-	-	-	-	121	-	(121)	-	-	16,807	-	(16,807)	(240)	-
Drainage [318(iv)]	3	Westpac	1.36%	83,835	-	(23,063)	(663)	60,772	78,576	-	(19,784)	(2,599)	58,792	137,345	-	(53,510)	(1,236)	83,835
Road Construction [318(v)]	3	Westpac	1.36%	836,324	-	(231,504)	(6,658)	604,820	848,624	-	(213,672)	(28,071)	634,952	1,373,439	-	(537,115)	(12,410)	836,324
Road Construction [329(ii)]	15	Westpac	1.36%	188,410	-	(39,361)	(3,218)	95,049	189,111	-	(91,136)	(5,443)	97,975	279,574	-	(91,164)	(5,414)	188,410
Drainage Construction [329(iii)]	15	Westpac	1.36%	63,624	-	(30,279)	(1,044)	33,345	61,333	-	(29,557)	(1,765)	31,776	93,191	-	(29,567)	(1,756)	63,624
Peelwood Oval - Parking [329(iv)]	15	Westpac	1.36%	24,957	-	(12,616)	(435)	12,341	25,556	-	(12,316)	(736)	13,240	37,277	-	(12,320)	(732)	24,957
Path Construction [329(vi)]	15	Westpac	1.36%	13,856	-	(7,570)	(261)	6,286	15,333	-	(7,389)	(441)	7,944	21,247	-	(7,391)	(439)	13,856
Street Lighting [329(viii)]	15	Westpac	1.36%	18,103	-	(10,094)	(348)	8,009	20,444	-	(9,852)							

**CITY OF MANDURAH**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**18. INFORMATION ON BORROWINGS**

**(a) Borrowings**

	2021	2020
Current	\$ 5,677,779	\$ 4,759,831
Non-current	18,883,553	21,469,922
	<u>24,561,332</u>	<u>26,229,753</u>

**(b) Repayments - Borrowings**

	Loan Number	Institution	Interest Rate	30 June 2021	30 June 2021	30 June 2021	30 June 2021	30 June 2021	Budget	30 June 2021	30 June 2021	30 June 2021	30 June 2021	30 June 2021	30 June 2020	30 June 2020	30 June 2020	30 June 2020	30 June 2020
				Actual Principal	Actual New Loans	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding	Principal	Budget New Loans	Budget Principal repayments	Budget Interest repayments	Budget Principal outstanding	Actual Principal	Actual New Loans	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding	
New Pedestrian Bridge Construction [335]	20	Westpac	1.36%	481,195	-	(117,099)	(9,596)	364,096	481,827	-	(110,329)	(16,367)	371,498	596,197	-	(115,002)	(11,694)	481,195	
New Road Construction [339]	22	Westpac	1.36%	544,949	-	(114,636)	(7,379)	430,313	545,339	-	(102,919)	(19,313)	442,420	661,855	-	(116,906)	(5,110)	544,949	
New Road Construction [342]	25	Westpac	1.36%	651,651	-	(112,634)	(4,510)	539,017	652,589	-	(93,915)	(23,229)	558,674	752,108	-	(100,457)	(16,687)	651,651	
WMC Tims Thicket [343]	23	Westpac	1.36%	98,545	-	(15,494)	(2,085)	83,051	98,741	-	(14,096)	(3,484)	84,645	112,813	-	(14,268)	(3,312)	98,545	
Road Construction [346]	11	Westpac	1.36%	385,053	-	(59,730)	(7,722)	325,323	385,817	-	(53,646)	(13,806)	332,171	515,930	-	(130,877)	(13,511)	385,053	
MARC Carpark [347]	10	Westpac	1.36%	292,521	-	(45,367)	(5,873)	247,154	293,101	-	(40,752)	(10,488)	252,349	391,846	-	(99,325)	(10,339)	292,521	
MPAC Forecourt [348]	9	Westpac	1.36%	121,886	-	(18,886)	(2,462)	103,000	122,128	-	(16,978)	(4,370)	105,150	163,270	-	(41,384)	(4,308)	121,886	
Mandurah Marina [352]	29	Westpac	1.36%	173,489	-	(20,309)	(3,727)	153,180	173,828	-	(17,759)	(6,277)	156,069	191,804	-	(18,315)	(5,721)	173,489	
MARC Carpark [354]	31	Westpac	1.36%	260,243	-	(30,471)	(5,577)	229,772	260,751	-	(26,632)	(9,416)	234,119	287,709	-	(27,466)	(8,582)	260,243	
Mandurah Foreshore Boardwalk Renewal [357]	34	Westpac	1.36%	390,262	-	(45,718)	(8,354)	344,544	391,023	-	(39,948)	(14,124)	351,075	431,563	-	(41,301)	(12,771)	390,262	
New Road Construction [359]	36	Westpac	1.36%	1,191,883	-	(163,642)	(6,386)	1,028,241	1,192,616	-	(125,617)	(44,411)	1,066,999	1,346,886	-	(155,003)	(15,025)	1,191,883	
Smoke Bush Retreat Footpath [361]	38	Westpac	1.36%	86,736	-	(10,149)	(1,875)	76,587	86,906	-	(8,886)	(3,138)	78,020	95,900	-	(9,164)	(2,860)	86,736	
New Boardwalks 18/19	42	Westpac	1.36%	458,859	-	(45,846)	(8,994)	413,013	459,221	-	(41,205)	(13,635)	418,016	500,167	-	(41,308)	(13,532)	458,859	
Coodanup Drive - Road Rehabilitation	46	Westpac	1.36%	91,791	-	(9,150)	(1,818)	82,641	91,864	-	(8,241)	(2,727)	83,623	100,034	-	(8,243)	(2,725)	91,791	
Pinjarra Road Carpark	45	Westpac	1.36%	183,582	-	(18,327)	(3,609)	165,255	183,727	-	(16,482)	(5,454)	167,245	200,067	-	(16,485)	(5,451)	183,582	
New Road Construction 2018/19	39	Westpac	1.36%	1,497,356	-	(167,853)	(13,108)	1,329,503	1,497,071	-	(135,963)	(44,997)	1,361,108	1,650,547	-	(153,191)	(27,769)	1,497,356	
South Harbour Upgrade	47	Westpac	1.36%	230,000	-	(20,772)	(5,054)	209,228	230,000	-	(19,997)	(6,774)	210,003	-	230,000	-	-	230,000	
New Road Construction 2019/20	50	Westpac	1.36%	900,000	-	(101,885)	(7,231)	798,115	900,000	-	(78,226)	(26,510)	821,774	-	900,000	-	-	900,000	
New Roads 2020/21	56	Westpac	1.36%	-	600,023	-	-	600,023	-	1,150,000	(99,693)	(34,131)	1,050,307	-	-	-	-	-	
<b>Other property and services</b>																			
Office Building [272]	2	Westpac	1.36%	215,016	-	(215,016)	(1,933)	-	215,612	-	(195,631)	(3,140)	19,981	460,823	-	(245,807)	(10,369)	215,016	
Information Systems [316(i)]	1	Westpac	1.36%	-	-	-	-	-	110	-	(110)	-	-	15,278	-	(15,278)	(240)	-	
IT Server Room Upgrade [316(vi)]	1	Westpac	1.36%	-	-	-	-	-	296	-	(296)	-	-	41,252	-	(41,252)	(599)	-	
IT Communications Equipment [318(i)]	3	Westpac	1.36%	67,470	-	(18,277)	(526)	49,193	62,861	-	(15,828)	(2,079)	47,033	109,874	-	(42,404)	(980)	67,470	
IT Equipment [329(vii)]	15	Westpac	1.36%	25,701	-	(12,616)	(435)	13,085	25,556	-	(12,316)	(736)	13,240	38,021	-	(12,320)	(732)	25,701	
Land Purchase [330]	16	Westpac	1.36%	1,223,995	-	(634,643)	(8,282)	589,352	1,224,952	-	(606,689)	(36,235)	618,263	1,848,929	-	(624,934)	(17,990)	1,223,995	
Civic Building - Tuckey Room Extension	43	Westpac	1.36%	458,860	-	(45,846)	(8,995)	413,014	459,221	-	(41,205)	(13,634)	418,016	500,168	-	(41,308)	(13,531)	458,860	
Short term loan COVID-19				-	-	-	-	-	-	20,000,000	(20,000,000)	(35,000)	-	-	-	-	-	-	
				<u>26,229,753</u>	<u>3,668,837</u>	<u>(5,337,258)</u>	<u>(313,481)</u>	<u>24,561,332</u>	<u>26,250,068</u>	<u>27,500,000</u>	<u>(25,410,640)</u>	<u>(1,127,642)</u>	<u>28,339,428</u>	<u>29,864,685</u>	<u>2,750,000</u>	<u>(6,384,932)</u>	<u>(505,408)</u>	<u>26,229,753</u>	
				<u>26,229,753</u>	<u>3,668,837</u>	<u>(5,337,258)</u>	<u>(313,481)</u>	<u>24,561,332</u>	<u>26,250,068</u>	<u>27,500,000</u>	<u>(25,410,640)</u>	<u>(1,127,642)</u>	<u>28,339,428</u>	<u>29,864,685</u>	<u>2,750,000</u>	<u>(6,384,932)</u>	<u>(505,408)</u>	<u>26,229,753</u>	

Loans have terms up to 10 years and are secured against the general funds and income, entitlement and receipts arising from the general rates of the City of Mandurah. Loans are subject to the Debt Service Cover Ratio financial covenant. The City complied with the financial covenant for both 2021 and 2020.

**CITY OF MANDURAH**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**18. INFORMATION ON BORROWINGS (Continued)**

**(c) New Borrowings - 2020/21**

Particulars/Purpose	Institution	Term Years	Interest Rate	Amount Borrowed		Amount (Used)		Total Interest & Charges	Actual Balance Unspent
				2021 Actual	2021 Budget	2021 Actual	2021 Budget		
Eastern/ Western Foreshore 20/21	WBC	10	1.36%	1,140,973	2,770,000	-	(2,770,000)	-	1,140,973
Smart Street Mall 2020/21	WBC	10	1.36%	1,102,206	2,000,000	(832,645)	(2,000,000)	-	269,561
New Roads 2020/21	WBC	10	1.36%	600,023	1,150,000	(600,023)	(1,150,000)	-	-
Novara Foreshore Stage 4	WBC	10	1.36%	100,004	400,000	(100,004)	(400,000)	-	-
Bortolo Reserve - Shared Use Parking and I	WBC	10	1.36%	300,011	350,000	(300,011)	(350,000)	-	-
Falcon Bay Upgrade - Stage 4 of 5	WBC	10	1.36%	280,011	300,000	(280,011)	(300,000)	-	-
Ablutions 20/21	WBC	10	1.36%	-	200,000	-	(200,000)	-	-
Enclosed Dog Park	WBC	10	1.36%	20,151	200,000	(20,151)	(200,000)	-	-
Falcon Skate Park Upgrade 2020/21	WBC	10	1.36%	75,456	80,000	(75,456)	(50,000)	-	-
South Harbour Paving Upgrade Stage 2	WBC	10	1.36%	50,002	50,000	(50,002)	(50,000)	-	-
Short term loan COVID-19	WATC	1		-	20,000,000	-	(20,000,000)	-	-
				3,668,837	27,500,000	(2,258,303)	(27,470,000)	-	1,410,534

**(d) Unspent Borrowings**

Particulars	Date Borrowed	Unspent Balance 1 July 2020	Borrowed	Expended	Unspent
			During Year	During Year	Balance 30 June 2021
Bighton Lane	Westpac 6/02/2019	43,022	-	-	43,022
Brighton Plaza	Westpac 6/02/2019	14,115	-	-	14,115
WMC Tims Thicket	Westpac 6/02/2019	150,000	-	-	150,000
MARC Solar panel	Westpac 6/02/2019	34,411	-	(34,411)	-
New Road Construction - Dower Street	Westpac 6/02/2019	973	-	(973)	-
Lakelands DOS	Westpac 6/02/2019	733,679	-	(222,521)	511,158
Mandurah Foreshore Boardwalk Stage 3	Westpac 6/02/2019	51,882	-	(13,178)	38,704
Pinjarra Road Carpark	Westpac 6/02/2019	11	-	-	11
New Road Construction - Gibson Street	Westpac 6/02/2019	5,708	-	(5,708)	-
New Road Construction 19/20	Westpac 30/06/2020	116,098	-	(116,098)	-
Halls Head Recycled Water	Westpac 30/06/2020	29,927	-	-	29,927
Smart Street Mall	Westpac 30/06/2020	351,939	-	(351,939)	-
Eastern/ Western Foreshore 20/21	Westpac 30/06/2021	-	1,140,973	-	1,140,973
Smart Street Mall 2020/21	Westpac 30/06/2021	-	269,561	-	269,561
		1,531,765	1,410,534	(744,828)	2,197,471

**(e) Undrawn Borrowing Facilities**

**Credit Standby Arrangements**

	2021	2020
Bank overdraft limit		
Bank overdraft at balance date		
Credit card limit	700,000	700,000
Credit card balance at balance date	(26,292)	(11,709)
<b>Total amount of credit unused</b>	<b>673,708</b>	<b>688,291</b>

**Loan facilities**

	2021	2020
Loan facilities - current	5,677,779	4,759,831
Loan facilities - non-current	18,883,553	21,469,922
Lease liabilities - current	438,797	1,015,507
Lease liabilities - non-current	347,168	3,163,118
<b>Total facilities in use at balance date</b>	<b>25,347,297</b>	<b>30,408,378</b>

**Unused loan facilities at balance date**

	2,197,471	1,531,765
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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 29.

## 19. EMPLOYEE RELATED PROVISIONS

### (a) Employee Related Provisions

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
<b>Opening balance at 1 July 2020</b>			
Current provisions	4,965,704	4,177,974	9,143,678
Non-current provisions	-	925,693	925,693
	4,965,704	5,103,667	10,069,371
<b>Additional provision</b>	(575,456)	162,074	(413,382)
<b>Balance at 30 June 2021</b>	4,390,248	5,265,741	9,655,989
<b>Comprises</b>			
Current	4,390,248	4,576,258	8,966,506
Non-current	-	689,483	689,483
	4,390,248	5,265,741	9,655,989

	2021	2020
	\$	\$
Less than 12 months after the reporting date	4,390,248	4,965,704
More than 12 months from reporting date	5,240,462	5,055,570
Expected reimbursements from other WA local governments	25,279	48,097
	9,655,989	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

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

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

#### 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

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.

## 20. OTHER PROVISIONS

	<b>Provision for Workers Compensation</b>	<b>Total</b>
	\$	\$
<b>Opening balance at 1 July 2020</b>		
Current provisions	139,982	139,982
	<u>139,982</u>	<u>139,982</u>
Additional provision	341,434	341,434
<b>Balance at 30 June 2021</b>	<u>481,416</u>	<u>481,416</u>
<b>Comprises</b>		
Current	481,416	481,416
	<u>481,416</u>	<u>481,416</u>

## 21. 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:

	2021 Actual \$	2021 Budget \$	2020 Actual \$
Cash and cash equivalents	53,866,550	23,443,443	50,053,366
<b>Reconciliation of Net Cash Provided By Operating Activities to Net Result</b>			
Net result	(10,413,034)	(8,073,157)	(36,184,407)
Non-cash flows in Net result:			
Adjustments to fair value of financial assets at fair value through profit and loss	(4,525)	-	-
Depreciation on non-current assets	31,654,295	36,250,152	34,595,833
(Profit)/loss on sale of asset	7,525,377	334,792	27,938,879
Write-off of WIP items	-	-	860,950
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(566,394)	1,300,000	302,241
(Increase)/decrease in other assets	1,178,108	-	(60,576)
(Increase)/decrease in inventories	(234,161)	-	19,728
Increase/(decrease) in payables	4,785,091	250,000	(802,318)
Increase/(decrease) in employee provisions	(413,382)	-	425,992
Increase/(decrease) in other provisions	341,434		
Increase/(decrease) in other liabilities	715,521	(5,266,816)	5,564,731
Non-operating grants, subsidies and contributions	(12,505,184)	(11,279,174)	(8,607,134)
Net cash from operating activities	22,063,146	13,515,797	24,053,919

## 22. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2021	2020
	\$	\$
Governance	11,104,166	11,960,490
General purpose funding	4,831,467	5,274,377
Law, order, public safety	1,197,235	2,365,333
Health	106,445	160,743
Education and welfare	4,531,998	4,881,165
Community amenities	8,688,579	6,186,882
Recreation and culture	302,613,796	318,168,674
Transport	532,596,160	537,034,566
Economic services	98,427,371	100,244,987
Other property and services	845,933	97,092
Unallocated	67,776,538	56,661,941
	<u>1,032,719,688</u>	<u>1,043,036,250</u>

## 23. CAPITAL AND LEASING COMMITMENTS

### (a) Capital Expenditure Commitments

Contracted for:

- capital expenditure projects
- plant & equipment purchases

Payable:

- not later than one year

	2021	2020
	\$	\$
	5,046,438	5,053,147
	82,017	84,265
	<u>5,128,455</u>	<u>5,137,412</u>
	5,128,455	5,137,412

### (b) Operating Lease and Operating Expense Commitments

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

Payable:

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

	2021	2020
	\$	\$
	337,319	320,236
	383,910	336,284
	-	-
	<u>721,229</u>	<u>656,520</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.

## 24. ELECTED MEMBERS REMUNERATION

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
<b>Elected member - Mayor Rhys Williams</b>			
Mayor's annual allowance	89,753	89,753	87,921
Meeting attendance fees	47,516	47,516	45,140
Other expenses	1,000	2,220	247
Annual allowance for ICT expenses	3,500	3,500	3,500
Training, Travel and accommodation expenses	-	8,000	-
	141,769	150,989	136,808
<b>Elected member - Deputy Mayor Caroline Knight</b>			
Deputy Mayor's annual allowance	22,438	22,438	24,605
Meeting attendance fees	31,678	31,678	30,094
Other expenses	500	1,700	247
Annual allowance for ICT expenses	3,500	3,500	3,500
Training, Travel and accommodation expenses	1,928	4,000	1,337
	60,044	63,316	59,783
<b>Elected member - Councillor Darren Lee</b>			
Meeting attendance fees	17,502	31,678	30,094
Other expenses	117	1,700	649
Annual allowance for ICT expenses	1,934	3,500	3,500
Training, Travel and accommodation expenses	-	4,000	93
	19,553	40,878	34,336
<b>Elected member - Councillor Matthew Rogers</b>			
Meeting attendance fees	31,678	31,678	29,945
Other expenses	500	1,700	248
Annual allowance for ICT expenses	3,500	3,500	3,500
Training, Travel and accommodation expenses	-	4,000	-
	35,678	40,878	33,693
<b>Elected member - Councillor Lynn Rodgers</b>			
Meeting attendance fees	31,678	31,678	29,945
Other expenses	-	1,700	248
Annual allowance for ICT expenses	3,500	3,500	3,500
Training, Travel and accommodation expenses	-	6,084	-
	35,178	42,962	33,693
<b>Elected member - Councillor Merv Darcy</b>			
Meeting attendance fees	31,678	31,678	29,945
Other expenses	500	1,700	701
Annual allowance for ICT expenses	3,500	3,500	3,500
Training, Travel and accommodation expenses	-	4,000	-
	35,678	40,878	34,146
<b>Elected member - Councillor Peter Jackson</b>			
Meeting attendance fees	31,678	31,678	29,945
Other expenses	500	1,700	701
Annual allowance for ICT expenses	3,500	3,500	3,500
Training, Travel and accommodation expenses	-	4,000	-
	35,678	40,878	34,146
<b>Elected member - Councillor Dave Schumacher</b>			
Meeting attendance fees	31,678	31,678	15,197
Other expenses	-	1,700	247
Annual allowance for ICT expenses	3,500	3,500	3,500
Training, Travel and accommodation expenses	-	4,000	-

## 24. ELECTED MEMBERS REMUNERATION

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
<b>Elected member - Councillor Peter Rogers</b>	35,178	40,878	18,944
Meeting attendance fees	31,678	31,678	30,094
Other expenses	500	1,700	730
Annual allowance for ICT expenses	3,500	3,500	3,500
Travel and accommodation expenses	-	4,000	-
	35,678	40,878	34,324
<b>Elected member - Councillor Don Pember</b>			
Meeting attendance fees	30,094	31,678	30,094
Other expenses	419	1,700	248
Annual allowance for ICT expenses	3,325	3,500	3,500
Training, Travel and accommodation expenses	-	4,000	-
	33,838	40,878	33,842
<b>Elected member - Councillor Candice Di Prinzio</b>			
Meeting attendance fees	31,678	31,678	21,049
Other expenses	-	1,700	630
Annual allowance for ICT expenses	3,500	3,500	3,500
Training, Travel and accommodation expenses	-	4,000	38
	35,178	40,878	25,217
<b>Elected member - Councillor Ahmed Zilani</b>			
Meeting attendance fees	31,678	31,678	21,049
Other expenses	965	1,993	283
Annual allowance for ICT expenses	3,500	3,500	3,500
Training, Travel and accommodation expenses	1,197	4,000	60
	37,340	41,171	24,892
<b>Elected member - Councillor Jenny Green</b>			
Meeting attendance fees	31,678	31,678	21,049
Other expenses	421	1,700	283
Annual allowance for ICT expenses	3,500	3,500	3,500
Training, Travel and accommodation expenses	1,174	4,000	-
	36,773	40,878	24,832
<b>Elected member - Councillor Fred Riebeling</b>			
Meeting attendance fees	-	-	9,045
Annual allowance for ICT expenses	-	-	1,052
	-	-	10,097
<b>Elected member - Councillor R Wortley</b>			
Meeting attendance fees	-	-	9,045
Annual allowance for ICT expenses	-	-	1,052
	-	-	10,097
<b>Elected member - Councillor S Jones</b>			
Meeting attendance fees	-	-	9,045
Annual allowance for ICT expenses	-	-	1,052
	-	-	10,097
	577,563	666,340	558,947

Fees, expenses and allowances to be paid or reimbursed to elected council members.

## 24. ELECTED MEMBERS REMUNERATION

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Mayor's allowance	89,753	89,753	87,921
Deputy Mayor's allowance	22,438	22,438	24,605
Meeting attendance fees	411,892	427,652	390,775
Other expenses	5,422	22,913	5,462
Annual allowance for ICT expenses	43,759	45,500	48,656
Training, Travel and accommodation expenses	4,299	58,084	1,528
	577,563	666,340	558,947

## 25. RELATED PARTY TRANSACTIONS

### Key Management Personnel (KMP) Compensation Disclosure

	2021 Actual	2020 Actual
The total of remuneration paid to KMP of the City during the year are as follows:	\$	\$
Short-term employee benefits	2,473,435	2,450,337
Post-employment benefits	277,104	271,985
Other long-term benefits	54,763	42,790
Termination benefits	45,694	144,531
	<u>2,850,996</u>	<u>2,909,643</u>

#### *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

**25. RELATED PARTY TRANSACTIONS (Continued)**

**Transactions with related parties**

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

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

The following transactions occurred with related parties:

	2021 Actual	2020 Actual
	\$	\$
Purchase of goods and services*	716,636	795,224
Short term employee benefits -other related parties	630	-

\* relates to funding for the Mandurah Performing Arts Centre

**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*

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

Any entity that is controlled by or over which KMP, or close family members of KMP, have authority and responsibility for planning, directing and controlling the activity of the entity, directly or indirectly, are considered related parties in relation to the City.

*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.

## 26. 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 \$3.222 million has been spent for development costs to 30 June 2021.

(b) Current year transactions	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
<b>Other revenue</b>			
- Sale proceeds	1,278,000	-	381,000
<b>Other expenditure</b>			
- Cost of goods sold	(57,000)	-	(32,000)
	<u>1,221,000</u>	-	<u>349,000</u>

The above operating revenue for the proceeds of land held for resale is reflected in other revenue and operating expenditure for the cost of the disposed land held for resale is reflected in other expenditure.

### (c) Expected future cash flows

	2021/22	2022/23	2023/24	2024/25	Total
	\$	\$	\$	\$	\$
<b>Cash outflows</b>					
- Development costs	(22,660)	-	-	-	(22,660)
	<u>(22,660)</u>	-	-	-	<u>(22,660)</u>
<b>Cash inflows</b>					
- Sale proceeds	511,000	-	-	-	511,000
	<u>511,000</u>	-	-	-	<u>511,000</u>
<b>Net cash flows</b>	<u>488,340</u>	-	-	-	<u>488,340</u>

### (d) Assets and liabilities

#### Land held for resale included within Note 7

	2021	2020
	\$	\$
<b>Current Inventory</b>		
Land held for resale - cost	-	-
	<u>-</u>	<u>-</u>

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**27. RATING INFORMATION**

(a) Rates

<b>RATE TYPE</b>	<b>Rate in \$</b>	<b>Number of Properties</b>	<b>2020/21 Actual Rateable Value \$</b>	<b>2020/21 Actual Rate Revenue \$</b>	<b>2020/21 Actual Interim Rates \$</b>	<b>2020/21 Actual Back Rates \$</b>	<b>2020/21 Actual Total Revenue \$</b>	<b>2020/21 Budget Rate Revenue \$</b>	<b>2020/21 Budget Interim Rate \$</b>	<b>2020/21 Budget Back Rate \$</b>	<b>2020/21 Budget Total Revenue \$</b>	<b>2019/20 Actual Total Revenue \$</b>
<b>Differential general rate / general rate</b>												
<b>Gross rental valuations</b>												
Residential Improved	0.09594	33,008	522,541,795	50,132,682	598,726	45,225	50,776,633	50,132,663	500,000	-	50,632,663	50,046,886
Urban Development	0.13059	13	3,767,300	491,972	(46,059)	(33,153)	412,760	491,972	-	-	491,972	491,295
Business Improved	0.09293	988	145,374,998	13,509,699	125,974	11,779	13,647,452	13,509,699	-	-	13,509,699	14,245,038
							-					
<b>Vacant Land</b>												
Residential Vacant	0.16300	1,872	22,472,800	3,663,066	(164,919)	(25,066)	3,473,081	3,663,066	-	-	3,663,066	3,716,198
Business Vacant	0.16560	118	3,459,694	572,925	(20,395)	(9,582)	542,948	572,925	-	-	572,925	573,926
<b>Sub-Total</b>		35,999	697,616,587	68,370,344	493,327	(10,797)	68,852,874	68,370,325	500,000	-	68,870,325	69,073,343
<b>Minimum payment</b>												
<b>Gross rental valuations</b>												
Residential Improved	1,108	8,373	83,540,166	9,277,284	(50,033)	1,483	9,228,734	9,277,284	-	-	9,277,284	9,289,376
Urban Development	1,108	-	-	-	-	-	-	-	-	-	-	-
Business Improved	1,108	378	2,179,226	418,824	(1,761)	-	417,063	418,824	-	-	418,824	412,176
							-					
<b>Vacant Land</b>												
Residential Vacant	917	1,388	5,834,502	1,272,796	197,941	13,044	1,483,781	1,272,796	-	-	1,272,796	1,322,051
Business Vacant	1,108	11	53,950	12,188	(1,108)	(457)	10,623	12,188	-	-	12,188	14,138
<b>Sub-Total</b>		10,150	91,607,844	10,981,092	145,039	14,070	11,140,201	10,981,092	-	-	10,981,092	11,037,741
		46,149	789,224,431	79,351,436	638,366	3,273	79,993,075	79,351,417	500,000	-	79,851,417	80,111,084
Discounts/concessions (Note 27(c))							(73,427)				(89,600)	(76,896)
<b>Total amount raised from general rate</b>							79,919,648				79,761,817	80,034,188
Specified Area Rate (Note 27(b))							434,064				430,364	545,311
<b>Totals</b>							80,353,712				80,192,181	80,579,499

**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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**27. RATING INFORMATION (Continued)**

**(b) Specified Area Rate**

<b>Specified Area Rate</b>	<b>Basis of Valuation</b>	<b>Rate in \$</b>	<b>2020/21 Rateable Value \$</b>	<b>2020/21 Rate Revenue \$</b>	<b>2020/21 Interim Rate Revenue \$</b>	<b>2020/21 Back Rate Revenue \$</b>	<b>2020/21 Total Specified Area Rate Revenue \$</b>	<b>2020/21 Budget Rate Revenue \$</b>	<b>2020/21 Budget Back Rate Revenue \$</b>	<b>2020/21 Budget Interim Rate Revenue \$</b>	<b>2020/21 Total Budget Revenue \$</b>	<b>2019/20 Total Actual Revenue \$</b>
Port Mandurah	Residential improved	0.00390	20,165,490	78,696	-	-	78,696	78,646	-	-	78,646	78,644
Waterside	Residential improved	0.00000	5,322,600	-	-	-	-	-	-	-	-	-
Mandurah Ocean Marina	Residential improved	0.01430	21,065,228	304,479	-	-	304,479	301,233	-	-	301,233	385,387
Mandurah Quay	Residential improved	0.00240	6,412,680	15,671	-	-	15,671	15,390	-	-	15,390	15,342
Port Bouvard Eastport	Residential improved	0.00150	8,499,130	12,841	-	-	12,841	12,749	-	-	12,749	12,717
Port Bouvard Northport	Residential improved	0.00400	5,586,405	22,373	-	-	22,373	22,346	-	-	22,346	42,456
Mariners Cove	Residential improved	0.00000	9,072,320	-	-	4	4	-	-	-	-	10,765
			<b>76,123,853</b>	<b>434,060</b>	<b>-</b>	<b>4</b>	<b>434,064</b>	<b>430,364</b>	<b>-</b>	<b>-</b>	<b>430,364</b>	<b>545,311</b>

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Specified Area Rate	Purpose of the rate	Area/properties Rate Imposed	2020/21 Actual Rate Applied to Costs	2020/21 Actual Rate Set Aside to Reserve	2020/21 Actual Reserve Applied to Costs	2020/21 Budget Rate Applied to Costs	2020/21 Budget Rate Set Aside to Reserve	2020/21 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.	\$ 11,791	\$ 66,905	\$ -	\$ 13,746	\$ 64,900	\$ -
Waterside	Contribution toward maintaining and managing the canals.	All properties within the Waterside Canals.	-	-	3,543	-	-	5,171
Mandurah Ocean Marina	To provide for an enhanced maintenance standard and asset replacement costs.	All properties within the Mandurah Ocean Marina.	123,458	181,022	-	164,233	137,000	-
Mandurah Quay	Maintenance of the marina (i.e. the water body and walls) and is levied to cover the life cycle expenses of the marina.	All properties within the Mandurah Quay sub-division.	7,214	8,457	-	7,000	8,390	-
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.	5,164	7,677	-	12,749	-	-
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.	21,027	1,345	-	22,346	-	-
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.	4	-	6,964	-	-	9,717
			168,658	265,406	10,507	220,074	210,290	14,888

The City did not raise service charges for the year ended 30 June 2021.

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**27. RATING INFORMATION (Continued)**

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

**Rates Discounts**

<b>Rate or Fee Discount Granted</b>	<b>Discount</b>	<b>Discount</b>	<b>2021 Actual</b>	<b>2021 Budget</b>	<b>2020 Actual</b>	<b>Circumstances in which Discount is Granted</b>
	<b>%</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	
Rates incentive	N/A	N/A	-	9,600	-	- Early payment incentive for the payment of rates and charges being full payment of all current and arrears of rates including specified area rates, emergency services levy, domestic refuse charge and private swimming pool inspection fees within 35 days of the issue date on the annual rate notice, for eligibility to enter the early incentive prize draw.
			-	9,600	-	

**Waivers or Concessions**

<b>Rate or Fee and Charge to which the Waiver or Concession is Granted</b>	<b>Type</b>	<b>Discount</b>	<b>Discount</b>	<b>2021 Actual</b>	<b>2021 Budget</b>	<b>2020 Actual</b>
		<b>%</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
General rates	Concession	65%-100%		73,427	80,000	76,896
				73,427	80,000	76,896
Total discounts/concessions (Note 27(a))				73,427	89,600	76,896

<b>Rate or Fee and Charge to which the Waiver or Concession is Granted</b>	<b>Circumstances in which the Waiver or Concession is Granted and to whom it was available</b>	<b>Objects and reasons of the Waiver or Concession</b>
General rates	Peel Health Hub	Majority charitable entities with the exception of a State Government

## 27. RATING INFORMATION (Continued)

### (d) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
<b>Option One</b>				
Single full payment	11/11/2020	0.00	0.00%	7.00%
<b>Option Two</b>				
First instalment	11/11/2020	0.00	5.50%	7.00%
Second instalment	15/03/2021	3.00	5.50%	7.00%
<b>Option Three</b>				
First instalment	11/11/2020	0.00	5.50%	7.00%
Second instalment	13/01/2021	3.00	5.50%	7.00%
Third instalment	15/03/2021	3.00	5.50%	7.00%
Fourth instalment	17/05/2021	3.00	5.50%	7.00%

	2021 Actual \$	2021 Budget \$	2020 Actual \$
Interest on unpaid rates	224,655	140,000	338,768
Interest on instalment plan	335,135	360,000	365,412
Charges on instalment plan	95,735	110,363	116,458
	655,525	610,363	820,638

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**28. RATE SETTING STATEMENT INFORMATION**

		2020/21 Budget	2020/21	2019/20
	(30 June 2021 Carried Forward)	(30 June 2021 Carried Forward)	(1 July 2020 Brought Forward)	(30 June 2020 Carried Forward)
Note	\$	\$	\$	\$
<b>(a) Non-cash amounts excluded from operating activities</b>				
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> .				
<b>Adjustments to operating activities</b>				
	Less: Profit on asset disposals	11(a) -	(18,399)	(24,594)
	Less: Non-cash movement in assets	(521,127)	-	-
	Less: Non-cash grants and contributions for assets	-	(2,990,525)	(2,990,525)
	Less: Movement in liabilities associated with restricted cash	36,246	(1,504,428)	(1,504,428)
	Less: Fair value adjustments to financial assets at fair value through profit and loss	(4,525)	-	(124,637)
	Movement in pensioner deferred rates (non-current)	(209,168)	-	108,335
	Movement in employee benefit provisions (non-current)	(236,210)	-	(142,195)
	Movement in contract liabilities (non-current)	(242,439)	-	303,229
	Add: Reallocation of Cash in Lieu from Reserve to Trust	-	1,290,837	1,290,837
	Add: Loss on disposal of assets	11(a) 7,525,377	353,191	27,963,473
	Add: Non-cash movements in liabilities	2,920,983	-	-
	Add: Depreciation on non-current assets	11(b) 31,654,295	36,250,152	34,595,833
	<b>Non cash amounts excluded from operating activities</b>	40,923,432	36,584,944	59,475,328
<b>(b) Non-cash amounts excluded from investing activities</b>				
The following non-cash revenue or expenditure has been excluded from amounts attributable to investing activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .				
<b>Adjustments to investing activities</b>				
	Less: Non-cash grants and contributions for assets	(441,743)	-	-
	Movement in non current liability from transfers to acquire or construct non-financial assets to be controlled by the entity	(1,065,909)	-	-
	Movement in current unspent non-operating grants associated with restricted cash	903,890	(5,275,266)	5,648,265
	<b>Non cash amounts excluded from investing activities</b>	(603,762)	(5,275,266)	5,648,265
<b>(c) Surplus/(deficit) after imposition of general rates</b>				
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.				
<b>Adjustments to net current assets</b>				
	Less: Reserves - cash/financial asset backed	4 (44,767,915)	(20,116,870)	(39,199,174)
	Less: Unspent Borrowings	(2,197,471)	(614,011)	(1,531,765)
	Less: Current assets not expected to be received at end of year			
	- Prepaid rates	-	(2,455,879)	30,183
	- Current portion of community loan receivables	(95,237)	-	(96,670)
	Add: Current liabilities not expected to be cleared at end of year			
	- Current portion of borrowings	18(a) 5,677,779	7,499,999	4,759,831
	- Current portion of contract liability held in reserve	5,626,156	8,450	5,734,105
	- Current portion of lease liabilities	438,797	608,382	1,015,507
	- Current portion of interest bearing liabilities	360,151	-	0
	- Employee benefit provisions	4,917,692	5,041,426	5,103,667
	<b>Total adjustments to net current assets</b>	(30,040,048)	(10,028,503)	(24,184,316)

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**28. RATE SETTING STATEMENT INFORMATION (Continued)**

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

Total current assets	72,368,876	34,419,874	57,626,905	57,626,905
Less: Total current liabilities	(37,790,605)	(24,750,089)	(32,247,809)	(32,247,809)
Less: Total adjustments to net current assets	(30,040,048)	(10,028,503)	(24,184,316)	(24,184,316)
<b>Net current assets used in the Rate Setting Statement</b>	<b>4,538,223</b>	<b>(358,718)</b>	<b>1,194,780</b>	<b>1,194,780</b>

## 29. FINANCIAL RISK MANAGEMENT

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

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

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

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

### (a) Interest rate risk

#### Cash and cash equivalents

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

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

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
<b>2021</b>					
Cash and cash equivalents	0.90%	53,866,550	35,752,048	18,114,502	-
Financial assets at amortised cost	0.36%	9,015,866	9,015,866	-	-
<b>2020</b>					
Cash and cash equivalents	1.03%	50,053,366	46,149,289	3,904,077	-

#### Sensitivity

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

	2021	2020
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	181,145	39,041

\* Holding all other variables constant

#### Borrowings

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

## 29. FINANCIAL RISK MANAGEMENT (Continued)

### (b) Credit risk

#### Trade and Other Receivables

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

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

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

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

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 36 months before 1 July 2020 or 1 July 2021 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of ratepayers and residents to settle the receivables. Housing prices and unemployment rates have been identified as the most relevant factor in repayment rates, and accordingly adjustments are made to the expected credit loss rate based on these factors.

The loss allowance as at 30 June 2021 for rates receivable was determined as follows:

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
<b>30 June 2021</b>					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	0%
Gross carrying amount	148,460	162,219	143,724	3,033,364	3,487,767
Loss allowance	-	-	-	-	-
<b>30 June 2020</b>					
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
Loss allowance	0	0	0	0	0

The loss allowance as at 30 June 2021 and 30 June 2020 was determined as follows for trade receivables.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
<b>30 June 2021</b>					
Trade and other receivables					
Expected credit loss	0.002%	5.00%	0.002%	6.00%	11%
Gross carrying amount	838,820	306,964	57,357	355,731	1,558,872
Loss allowance	2,985	74,979	3,698	76,948	158,610
<b>30 June 2020</b>					
Trade and other receivables					
Expected credit loss	0.06%	2.34%	1.00%	8.20%	12%
Gross carrying amount	291,497	266,328	48,954	120,054	726,833
Loss allowance	6,981	26,633	12,238	93,162	139,014

## 29. FINANCIAL RISK MANAGEMENT (Continued)

### (c) Liquidity risk

#### Payables and borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The City manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required and disclosed in Note 18(e).

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
<b>2021</b>					
Payables	16,239,800	-	-	16,239,800	16,239,800
Borrowings	5,677,779	15,300,924	6,954,720	27,933,423	24,561,332
Contract liabilities	5,626,156	-	1,065,909	6,692,065	6,692,065
Interest bearing liabilities	581,781	2,223,580	1,289,885	4,095,246	2,844,493
Lease liabilities	531,743	354,136	-	885,879	785,965
	<u>28,657,259</u>	<u>17,878,640</u>	<u>9,310,514</u>	<u>55,846,413</u>	<u>51,123,655</u>
<b>2020</b>					
Payables	11,454,706	-	-	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	-	878,703	6,526,968
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>48,390,052</u>

### 30. 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 2020	Amounts Received	Amounts Paid	30 June 2021
	\$	\$	\$	\$
Cash in Lieu	1,593,404	159	(347,473)	1,246,090
	1,593,404	159	(347,473)	1,246,090

### **31. 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 end of the reporting period.

**CITY OF MANDURAH**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**32. 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.

### 33. FINANCIAL RATIOS

	2021 Actual	2020 Actual	2019 Actual
Current ratio	1.21	0.76	1.05
Asset consumption ratio	0.70	0.72	0.73
Asset renewal funding ratio	1.40	1.06	1.08
Asset sustainability ratio	0.43	0.45	0.61
Debt service cover ratio	1.98	2.67	2.77
Operating surplus ratio	(0.13)	(0.16)	(0.17)
Own source revenue coverage ratio	0.80	0.82	0.82

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	$\frac{\text{own source operating revenue}}{\text{operating expense}}$

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<b>2</b>	<b>SUBJECT:</b>	Culture Review 2021 Update
	<b>DIRECTOR:</b>	Strategy and Economic Development
	<b>MEETING:</b>	Audit and Risk Committee
	<b>MEETING DATE:</b>	6 December 2021

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## Summary

In early 2021 a review of the City of Mandurah's (the City) culture was conducted by the newly appointed Coordinator of Performance and Culture. In July 2021 the City conducted an Employee Engagement Survey. The findings of these two events have been used as inputs to initiatives that are aimed at improving the already constructive culture at the City. This is in line with realising the Chief Executive Officer's goals on improving our culture results by June 2022.

The purpose of this paper is to:

- Inform the Audit and Risk Committee of the review of the City's culture and the priority areas identified in the review.
- Inform the Audit and Risk Committee of the results of the Engagement Survey.
- Update the Audit and Risk Committee on the actions taken to address culture priorities identified in both the Culture Review and the Engagement Survey.
- Provide information on preparation for the 2022 Culture survey.
- Meet our commitment to provide a six monthly Culture update to the Audit and Risk Committee.

## Disclosure of Interest

Nil

## Previous Relevant Documentation

- AR.4/6/21                      June 2021                      Culture Review 2021

## Background

The City has embarked on a cultural change journey since 2005 using the Human Synergistics framework.

To date:

- Significant improvement has been made with respect to two of the four constructive styles, namely Affiliative and Humanistic Encouraging. This was externally recognised through the organisation receiving the Human Synergistics Culture Transformation Award in 2007 and the Human Synergistics Sustainability Award in both 2009 and 2012.
- The City has seen inconsistent results for the remaining two constructive styles: Achievement and Self-Actualising. The goal is to improve these styles for the next Culture Survey by June 2022.

The Culture Survey results are represented by a circumplex which measures constructive blue results, aggressive defensive red results and passive defensive green results. A highly constructive culture is represented as predominantly blue with aggressive and passive results ideally below the median. The city achieved its best result in 2017. Figure 1 shows the journey from 2005 to 2019.

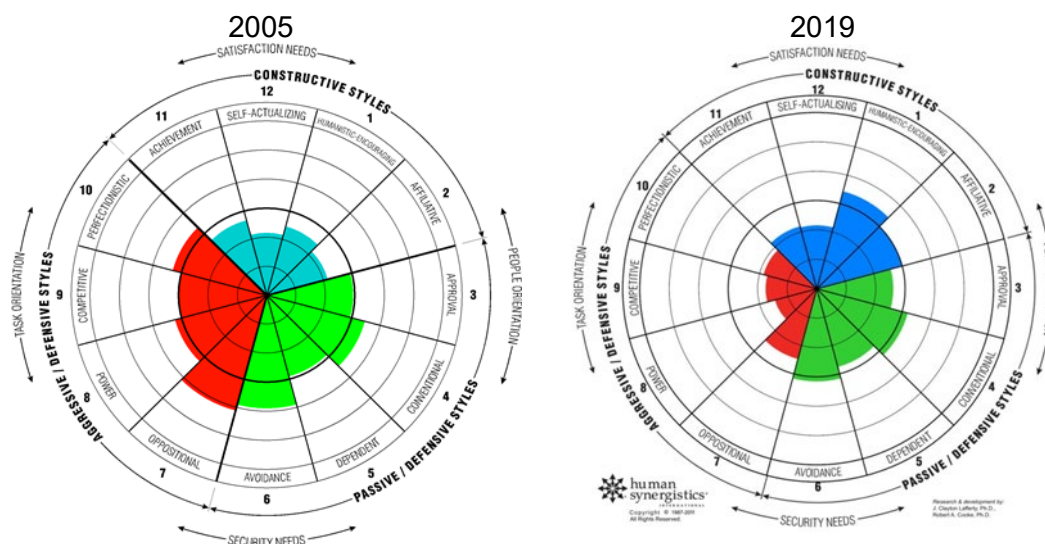


Figure 1. City of Mandurah Culture Circumplex

The City’s goal is to achieve a score at or above the 50th percentile for all four constructive (blue) styles, while maintaining the remaining eight passive/aggressive defensive styles (green/red) score below the 50th percentile, on the Human Synergetics circumplex in the June 2022 survey. In response to this challenge, the Performance and Culture team was established in late 2021 to ensure we had the dedicated capability and capacity to address some of the long-term causal factors that we have struggled to consistently address in the past.

In December 2020 a summary of the Performance and Culture focus for 2021 was presented to the Audit and Risk Committee as part of a Culture update presentation. This summary of actions included a review of the culture framework in early 2021. Other areas of focus included reward and recognition, talent and performance processes, a learning framework and a leadership framework.

In early 2021 the Performance and Culture Team conducted a review of the City’s culture and confirmed a number of key areas of priority to address ahead of future engagement and culture surveys:

- Reward and Recognition
- Career Progression
- Training
- Leadership

In July 2021 the Performance and Culture Team conducted a Qualtrics Survey measuring Employee Engagement (see Figure 2.) along with a number of other measures of employee experience. Qualtrics are recognised world leaders in employee experience and customer experience data. The overall engagement score of 76% compared positively with a global average of 66%. The top scoring items were Safety at 87% and Quality Services at 84%. Lower scoring items including Reward, Career Progression, Leadership and Training in line with findings of the recent culture review, previous culture and engagement surveys and the culture priorities identified to Audit and Risk in December 2020.

Figure 2. City of Mandurah Qualtrics Engagement Results, 2021

	2021	2019
	421	455
Engagement	76	84
Autonomy and Power	76	81
Career Progression	57	60
Collaboration	65	68
Communication	73	76

Exec Leadership	57	64
Recognition	61	62
Resources	70	75
Strategy Alignment	74	74
Supportive Management	72	73
Training and Development	67	69
Customer Focus	73	79
Quality Services	84	87
Diversity and Inclusion	70	73
Pay and Benefits	67	71
Safety	87	88
Social Responsibility	74	77
Work Distribution and Work-life Balance	71	75

The overall engagement and employee experience results had dropped since the 84% engagement score of 2019. The drop was not uniform across the City with some Directorates and teams maintaining or improving on 2019 results.

Analysis of the results has shaped the City's response into two main themes:

- a. Actions on initiatives that would maintain and where possible improve City-Wide results.
- b. Targeted initiatives in teams and business areas with results that have dropped more significantly since 2019.

The key initiatives that have been put in place to address the priority areas include:

1. A City of Mandurah Reward and Recognition Program – The Reward and Recognition Program has been approved by the Executive Leadership Team (ELT) and the City of Mandurah Management Team (CoMMT) and is being rolled out across the City with funding already allocated in the long-term financial plan.
2. Career Progression and Talent – The City of Mandurah Management Team (CoMMT) are taking on a number of Workforce Planning initiatives ahead of the development of the 2022 Workforce Plan. These include a City-wide approach to the talent and mobility of staff in order to address career progression concern.
3. Training Framework and Learning Management – The City is centralising some aspects of the Training Budget and the Performance and Culture Team are developing a Learning Framework and Learning Management System that will provide more targeted training and development aligned to our Business Excellence approach. It will ensure we continue to develop the capability requirements projected through our Workforce Planning approach. This initiative has already commenced and should be well progressed and visible to staff by the end June 2022. One of the early and highly visible initiatives will be a Training Calendar. This will embed business critical areas such as statutory responsibilities, policy and procedure and safety and qualification related training. The People and Culture team are undertaking a needs analysis as part of the workforce plan to inform subsequent L&D requirements. This will also allow us to achieve a greater volume and quality of training outcomes for our budget through a more planned and efficient approach.
4. Leadership Development – A planned approach to Leadership Development was commenced at the beginning of 2021 with a number of Workshops conducted for Executive, Managers, Coordinators and Supervisors. This commenced in February with offsite executive development

sessions held for the ELT and Executive Managers. As an outcome of the ELT workshop, the Executive committed to the following actions:

- Continue to build strong relationships in the executive team
- Provide inspiration for the organisation and COMMT on the direction and focus
- Be more visible across the organisation
- Ensure we have the capability and commitment of the senior leaders in our teams
- Bring balance and unity to the culture and governance journey that are required to continue transforming Mandurah
- Ensuring we are in it together – One Team, no silos
- Ensuring workload is better managed and supporting teams to prioritise their workload effectively
- Provide recognition and celebrate success
- Career progression

5. In September a three day executive development workshop was conducted for the City's Management Team with the following commitments

Career Progression	Implement and manage a process to promote the movement of high potentials within/external to the City (secondments, acting opportunities, movement of people/skills to teams under pressure)
Executive Leadership	COMMT to support ELT connect with teams across the business.
Work Distribution and Work-life Balance	Develop an organisational events calendar to promote a more even distribution of work
Recognition	Recognise our people
Work Distribution and Work-life Balance	Reduce transactional work for ourselves and our people
Work Distribution and Work-life Balance	Work as one team, support our peers (COMMT)

6. In June 2021 a three day internally facilitated Coordinator Pilot workshop was conducted. Since then numerous workshops have been conducted with high visibility of Executive and Managers engaging our Coordinators and Supervisors in the City strategy and goals.

Further to these actions, the Engagement Results are being rolled out across the city with many teams now well into action planning. Feedback from the de-briefing sessions also highlighted that some staff had misinterpreted the questions. Further training on the survey will be provided as part of subsequent surveys. All parts of the business will have the time and support to have effective actions plans in place before the end of June 2022.

### Statutory Environment

Nil

### Policy Implications

Nil

### Financial Implications

Actions identified in the review will focus on ensuring there is no net increase in budget or resource requirement.

## **Strategic Implications**

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

### Organisational Excellence:

- Build and retain a skilled, agile, motivated and healthy workforce.
- 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**

Over the next 12-18 months, the Performance and Culture team will be undertaking a program of work to address priority areas identified in the review to enhance the City's organisational culture. It is critical that the Audit and Risk Committee, and the broader Elected Members, continue to provide support, advice and guidance to the ELT and the Performance and Culture team in the delivery of this program of work.

## **RECOMMENDATION**

**That the Audit and Risk Committee notes the findings of the review.**

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<b>3</b>	<b>SUBJECT:</b>	Office of the Auditor General Report: Local Government COVID-19 Financial Hardship Support
	<b>DIRECTOR:</b>	Business Services
	<b>MEETING:</b>	Audit and Risk Committee
	<b>MEETING DATE:</b>	6 December 2021

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### Summary

The Office of the Auditor General (OAG) has tabled their report on the Local Government COVID-19 Financial Hardship Support<sup>1</sup> performance report issued in October 2021. The audit found that most local governments had a financial hardship policy in 2020-21 and local government entities provided support above what was requested by the State Government.

### Disclosure of Interest

N/A

### Previous Relevant Documentation

N/A

### Background

The OAG conducted a performance audit into local government hardship policies particularly around COVID-19 support. The report was tabled in parliament in October 2021 and focused on three local governments in particular. The OAG also reviewed 134 local government entities to see if they had a hardship policy in place.

On 8 May 2020, the Minister for Local Government issued Ministerial Circular 03-2020 which encouraged local government entities to adopt financial hardship policies to assist ratepayers. The City has had a financial hardship policy in place since 25 February 2020.

### Comment

The recommendations from the OAG report are that local government entities should ensure they:

1. Have a current Council-approved financial hardship policy that, if they want to charge the higher threshold of instalment interest, it covers 2021/22 rates.
  - a. The Collection of Overdue Debts Council Policy covers ratepayers who are experiencing financial hardship. The policy was adopted on 25 February 2020 and covers any financial year that an application is made.
2. Actively promote the policy to their ratepayers and make the policy and application form publicly available.
  - a. The Collection of Overdue Debts Council Policy is available on the City's website as well as the financial hardship application form. The City conducts its own debt collection before legal action commences and the financial hardship policy is actively promoted.
3. Put in place clear eligibility and assessment criteria and timeframes to process applications.

<sup>1</sup> The report can be accessed at <https://audit.wa.gov.au/reports-and-publications/reports/local-government-covid-19-financial-hardship-support/>

- a. The Council Policy sets out what evidence of hardship is required, when interest can be suspended or charges written off and a requirement for financial counselling to assist and educate ratepayers manage financial obligations.
4. Maintain records of applications and outcomes
    - a. The City maintains records of all hardship applications. Any approval to write off interest and other debt collection charges are registered through the delegated authority process and reported to Council.
  5. Identify and manage actual, potential and perceived conflicts of interest for staff who assess applications.
    - a. The City currently has two rates officers working on debt collection. Where there is a conflict of interest, either actual or perceived, the other rates officer will handle the case. In the rare case of both rates officers having a conflict of interest, the rates supervisor handles the case. This scenario has not occurred at the City. Any conflict of interest where the officer remains as the person processing the application, they must follow the conflict of interest process and seek approval from the Director before they can commence processing the application. Note, this scenario has not occurred at the City.
  6. Review their application and assessment processes in response to complaint feedback.
    - a. The City has received mostly positive feedback in relation to its Collection of Overdue Debts Council Policy and hardship offering. The processes are clear for staff to follow and since taking on debt collection in-house with the introduction of this policy, the percentage of overdue rates has decreased.

## **Statutory Environment**

N/A

## **Policy Implications**

The Collection of Overdue Debts Council Policy has been in force since 25 February 2020. The policy contains a section for financial hardship.

## **Financial Implications**

Rates are a charge on land and therefore are transferred with the land. If the property is sold, the rates and charges are paid. The financial implications arise when interest has been written off to assist the ratepayers experiencing financial hardship to reduce their debt over the agreed period. For the 2021/22 financial year the total interest revenue expected to be received from rates is \$280,000.

## **Risk Analysis**

There is a risk that the City's debtors accumulate and impact cash flow in future years which will restrict the City's ability to pay for services. Currently, the City's rate debtors at 30 June 2021 total \$3,487,767. Without resources and a council policy, the City's outstanding rates amount would continue to accumulate.

## **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**

The OAG 's report on Local Governments COVID-19 Financial Hardship Support found that most local governments have a financial hardship policy and have provided support above what was requested by the State Government.

## **RECOMMENDATION**

**That the Audit and Risk Committee note the officer's responses, outlined in the comment section of the report, to the Office of the Auditor General's (OAG) recommendations in the OAG's performance audit on Local Government COVID-19 Financial Hardship Support.**