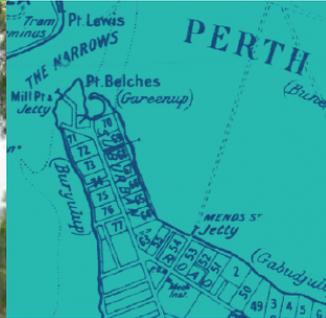


CITY OF SOUTH PERTH
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 2019 >



A CITY OF ACTIVE PLACES AND BEAUTIFUL SPACES





Kaartdjinin Nidja Nyungar Whadjuk Boodjar Koorā Nidja Djining Noonakoort kaartdijin wangkiny, maam, gnarnk and boordier Nidja Whadjul kura kura.

We acknowledge and pay our respects to the traditional custodians of this land, the Whadjuk people of the Noongar nation and their Elders past and present.

**CITY OF SOUTH PERTH
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019**

Contents of the Annual Financial Report

Statement by the Chief Executive Officer	-
Independent Auditor's Report	-
Financial Statements	Reference
Statement of Comprehensive Income by Function / Program	-
Statement of Comprehensive Income by Nature and Type	-
Statement of Financial Position	-
Statement of Changes in Equity	-
Statement of Cash Flows	-
Rate Setting Statement	-
Notes to the Financial Statements	Note
Summary of Accounting Policies	1
Accounting Policy	2
Our Vision and Mission Statement	3
Revenues and Expenses	4
Cash and Cash Equivalents	5
Trade and Other Receivables	6
Inventories	7
Other Financial Assets	8
Other Non-Financial Assets	9
Other Receivables - Non Current	10
Assets Attributed by Functions/Program	11
Investments in Associates Accounted for Using the Equity Method	12
Property, Plant and Equipment	13
Infrastructure	14
Intangibles	15
Trade and Other Payables	16
Borrowings - Current	17
Employee Related Provisions	18
Leaseholder Liability	19
Borrowings - Non Current	20
Reserve Funds	21
Revaluation Surplus	22
Elected Members' Expenditure	23
Operating Leases	24
Contingent Liabilities	25
Trading Undertakings and Major Land Transactions	26
Capital Commitments	27
Opening/Closing Position for the Purpose of the Rate Setting Statement	28
Rating Information	29
Schedule of Rates Levied	30
General Purpose Funding	31
Notes to the Statement of Cash Flows	32
Credit Standby Arrangements	33
Financial Risk Management	34
Interest Bearing Borrowings	35
Property, Plant and Equipment	36
Infrastructure	37
Key Performance Indicators	38
Events after the reporting period	39
Related Party Transactions	40
Effect of Changes in Accounting Policy	41
Initial Application of Australian Accounting Standards	42

**CITY OF SOUTH PERTH
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019**

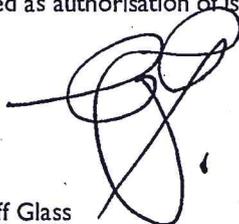
Local Government Act 1995

Local Government (Financial Management) Regulations 1996

STATEMENT BY CHIEF EXECUTIVE OFFICER

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

Signed as authorisation of issue on the 19 day of November, 2019.



Geoff Glass
CHIEF EXECUTIVE OFFICER





Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the City of South Perth

Report on the Audit of the Financial Report

Opinion

I have audited the annual financial report of the City of South Perth which comprises the Statement of Financial Position as at 30 June 2019, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

In my opinion the annual financial report of the City of South Perth:

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

Basis for Opinion

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

Emphasis of Matter – Basis of Accounting

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

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

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

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

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

Auditor's Responsibility for the Audit of the Financial Report

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

- (i) In my opinion, the following material matter indicates significant adverse trend in the financial position of the City:
 - a. Operating Surplus Ratio as reported in Note 38 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries' standard for the last three financial years.
- (ii) All required information and explanations were obtained by me.
- (iii) All audit procedures were satisfactorily completed.
- (iv) In my opinion, the asset consumption ratio and the asset renewal funding ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Other Matter

The financial ratios for 2017 in Note 38 of the annual financial report were audited by another auditor when performing their audit of the City for the year ending 30 June 2017. The auditor expressed an unmodified opinion on the annual financial report for that year.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the annual financial report of the City of South Perth for the year ended 30 June 2019 included on the City's website. The City's management is responsible for the integrity of the City's website. This audit does not provide assurance on the integrity of the City's website. The auditor's report refers only to the annual financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this annual financial report. If users of the annual financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited annual financial report to confirm the information contained in this website version of the annual financial report.



CAROLINE SPENCER
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
21 November 2019

**CITY OF SOUTH PERTH
STATEMENT OF COMPREHENSIVE INCOME BY FUNCTION / PROGRAM
FOR THE YEAR ENDED 30 JUNE 2019**

Details	Note	2019 Budget \$	2019 Actual \$	2018* Actual \$
REVENUE	3,4			
General Purpose Funding	31	39,399,109	40,073,018	38,919,913
Governance		70,000	95,798	78,907
Law, Order and Public Safety		200,250	223,985	227,568
Health		144,500	142,206	151,455
Housing		1,948,108	2,271,034	2,089,922
Community Amenities		7,623,053	7,674,436	7,238,679
Recreation and Culture		4,381,626	5,002,666	4,661,980
Transport		3,189,612	3,144,672	2,748,636
Economic Services		474,500	376,507	387,342
Other Property and Services		72,000	95,632	193,982
		57,502,758	59,099,954	56,698,384
EXPENSES	3,4			
General Purpose Funding		25,000	7,250	240,172
Governance		4,282,632	6,573,666	7,523,866
Law, Order and Public Safety		1,142,759	1,057,546	1,086,500
Education		52,250	62,867	85,229
Health		731,508	711,697	615,874
Welfare		621,599	619,465	492,587
Housing		2,286,935	2,403,673	2,250,580
Community Amenities		11,673,397	11,646,888	10,418,438
Recreation and Culture		21,126,681	20,825,862	18,883,016
Transport		15,815,329	16,202,884	16,483,892
Economic Services		737,029	788,372	852,551
Other Property and Services		81,687	732,093	538,511
		58,576,806	61,632,263	59,471,217
FINANCE COSTS	4(d)			
General Purpose Funding		286,164	298,142	396,418
Recreation and Culture		164,592	164,958	181,206
		450,756	463,100	577,624
Operating Result		(1,524,804)	(2,995,409)	(3,350,457)
Non-operating grants, subsidies and contributions	4(a)	725,680	2,439,613	974,937
Share of profit of Associates accounted for using the equity method	12	-	24,974	29,516
Adjustments to changes in fair value for holdings in Local Government House Trust	8	-	20,503	(93)
Profit on Disposal of Assets	4(h)	262,294	263,556	241,165
Loss on Disposal of Assets	4(h)	-	(228,544)	(129,846)
Non-Operating Result		987,974	2,520,102	1,115,680
NET RESULT FOR THE PERIOD		(536,830)	(475,307)	(2,234,777)
Other comprehensive income				
Changes in asset revaluation surplus	22	-	14,564,057	10,358,163
Total other comprehensive income for the period		-	14,564,057	10,358,163
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(536,830)	14,088,751	8,123,387

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

*Restated refer Note 41 'Effect of Changes in Accounting Policy'



**CITY OF SOUTH PERTH
STATEMENT OF COMPREHENSIVE INCOME BY NATURE and TYPE
FOR THE YEAR ENDED 30 JUNE 2019**

Details	Note	2019 Budget \$	2019 Actual \$	2018* Actual \$
REVENUE				
Rates Revenue	30	36,813,296	37,493,066	36,046,428
Fees and Charges	4(b)	17,287,153	16,687,684	14,874,673
Grants and Subsidies – Operating	4(a)	662,630	1,641,449	2,204,318
Contributions and Reimbursements		290,250	338,395	328,746
Interest Revenue	4(c)	1,672,391	2,022,209	1,988,994
Other Revenue		843,798	917,151	1,255,225
		57,569,518	59,099,954	56,698,384
EXPENSES				
Employee Expenses	4	23,768,539	24,983,457	24,586,983
Materials and Contracts		19,055,153	19,841,420	19,402,095
Utility Charges		2,264,140	2,360,959	2,426,858
Insurance Expenses		488,300	880,405	472,607
Depreciation	4(g)	11,224,400	11,861,091	10,935,022
Amortisation Expense	15	127,500	137,381	160,280
Other Expenses		1,715,534	1,567,549	1,487,371
		58,643,566	61,632,263	59,471,217
FINANCE COSTS				
Interest Expense	4(d)	450,756	463,100	577,624
		450,756	463,100	577,624
Operating Result		(1,524,804)	(2,995,409)	(3,350,457)
Non-operating grants, subsidies and contributions	4(a)	725,680	2,439,613	974,937
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TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(536,830)	14,088,751	8,123,387

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

*Restated refer Note 41 'Effect of Changes in Accounting Policy'



**CITY OF SOUTH PERTH
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

Details	Note	2019 \$	2018* \$
CURRENT ASSETS			
Cash and Cash Equivalents	5, 32	27,548,361	52,080,034
Trade and Other Receivables	6	5,331,901	3,625,150
Inventories – Materials	7	-	6,793
Other Financial Assets	8	20,688,934	-
Other Non-Financial Assets	9	427,525	334,529
TOTAL CURRENT ASSETS		53,996,721	56,046,506
NON-CURRENT ASSETS			
Other Receivables	10	988,102	1,265,134
Investments in Associates accounted for using the equity method	12	80,077	55,103
Other Financial Assets	8	175,171	154,668
Property, Plant and Equipment	13, 36	377,306,988	378,051,414
Infrastructure	14, 37	356,141,296	340,882,836
Intangibles	15	810,842	1,568,952
TOTAL NON-CURRENT ASSETS		735,502,476	721,978,107
TOTAL ASSETS		789,499,197	778,024,613
CURRENT LIABILITIES			
Trade and Other Payables	16	5,035,961	4,535,502
Borrowings	17, 35	1,208,076	1,504,508
Employee Related Provisions	18	4,906,031	4,386,991
Leaseholder Liability	19	26,966,474	29,026,970
TOTAL CURRENT LIABILITIES		38,116,542	39,453,971
NON-CURRENT LIABILITIES			
Borrowings	20, 35	7,455,519	8,752,693
Employee Related Provisions	18	318,138	394,063
Other Payables	16	96,361	-
TOTAL NON-CURRENT LIABILITIES		7,870,018	9,146,756
TOTAL LIABILITIES		45,986,560	48,600,727
NET ASSETS		743,512,637	729,423,886
EQUITY			
Retained Surplus		137,023,655	130,863,966
Reserves - Cash Backed	21	36,112,909	42,188,903
Revaluation Surplus	22	570,376,073	556,371,017
TOTAL EQUITY		743,512,637	729,423,886

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

*Restated refer Note 41 'Effect of Changes in Accounting Policy'



**CITY OF SOUTH PERTH
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019**

Details	Note	Retained Surplus*	Cash Backed Reserves	Revaluation Surplus*	Total Equity*
		\$	\$	\$	\$
Balance as at 1 July 2017 as previously reported		127,370,320	49,400,376	546,012,854	722,783,550
Effect of changes in Accounting Policy	41	(1,483,050)	-	-	(1,483,050)
Balance as at 1 July 2017 restated		125,887,270	49,400,376	546,012,854	721,300,500
Comprehensive Income					
Net Result		(2,234,777)	-	-	(2,234,777)
Other Comprehensive Income	22	-	-	10,358,163	10,358,163
Total Comprehensive Income		(2,234,777)	-	10,358,163	8,123,386
Reserve Movements					
Transfer to Reserve	21	(3,286,940)	3,286,940	-	-
Transfer from Reserve	21	10,498,413	(10,498,413)	-	-
Total Reserve Movements		7,211,473	(7,211,473)	-	-
Balance at 30 June 2018*		130,863,966	42,188,903	556,371,017	729,423,886
Comprehensive Income					
Net Result		(475,307)	-	-	(475,307)
Other Comprehensive Income	22	-	-	14,564,058	14,564,058
Total Comprehensive Income		(475,307)	-	14,564,058	14,088,751
Revaluation write back on disposals	22	559,002	-	(559,002)	-
		559,002	-	(559,002)	-
Reserve Movements					
Transfer to Reserve	21	(4,268,854)	4,268,854	-	-
Transfer from Reserve	21	10,344,848	(10,344,848)	-	-
Total Reserve Movements		6,075,994	(6,075,994)	-	-
Balance at 30 June 2019		137,023,655	36,112,909	570,376,073	743,512,637

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

*Restated refer Note 41 'Effect of Changes in Accounting Policy'

**CITY OF SOUTH PERTH
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019**

Details	Note	2019 Budget \$	2019 Actual \$	2018* Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates Revenue		36,813,296	36,804,153	35,093,925
Fees and Charges		20,787,153	16,061,030	14,530,990
Interest Revenue		1,672,391	1,973,902	2,562,034
Other Revenue		1,134,048	1,254,630	1,457,220
Grants - Operating		662,630	1,621,842	2,247,443
GST Refunded from ATO		-	2,863,248	4,518,671
GST Receipts on Sales		-	823,876	755,173
Total Operating Cash Receipts		61,069,518	61,402,681	61,165,456
Payments				
Employee Costs		(21,768,539)	(24,562,266)	(24,436,663)
Materials and Contracts		(22,009,064)	(18,773,652)	(20,797,279)
Interest Expense		(450,756)	(474,162)	(522,460)
Utilities Charges		(2,264,140)	(2,360,959)	(2,438,089)
Insurance Paid		(488,300)	(880,405)	(472,607)
Other Expenses		(1,715,534)	(1,399,422)	(1,313,389)
GST Payments on Purchases		(350,000)	(3,681,765)	(4,272,865)
Total Operating Cash Payments		(49,046,333)	(52,132,631)	(54,253,352)
Net Cash Flow from Operating Activities	32	12,023,185	9,270,050	6,912,104
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sale of Land		-	-	65,025
Proceeds of Sale of Property, Plant and Equipment		316,635	286,360	371,846
Purchase / Construction of Assets	15, 36, 37	(19,958,290)	(12,000,746)	(15,200,134)
Non-Operating Grants, Subsidies and Contributions	4(a)	725,680	1,814,613	974,937
Net Cash used in Investing Activities		(18,915,975)	(9,899,773)	(13,788,326)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of Borrowings	35	(1,524,797)	(1,593,606)	(1,431,835)
Self-Supporting Loan Receipts		304,375	304,375	309,651
Incoming CPV Contributions		750,000	1,500,000	1,304,500
Outgoing CPV Contributions		-	(3,423,784)	(2,841,130)
Net Cash Flow from Financing Activities		(470,422)	(3,213,015)	(2,658,814)
Net Increase / (Decrease) in Cash Held		(7,363,212)	(3,842,739)	(9,535,036)
Cash and Cash Equivalents at Beginning of Year		45,268,807	52,080,034	61,615,070
Cash and Cash Equivalents at End of Year	32	37,905,595	48,237,295	52,080,034
For the purpose of the Statement of Cash Flow, Cash and Cash Equivalents comprise:				
Cash and Cash Equivalents	5	37,905,595	27,548,361	52,080,034
Term Deposits	8	-	20,688,934	-
		37,905,595	48,237,295	52,080,034

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

*Restated refer Note 41 'Effect of Changes in Accounting Policy'

**CITY OF SOUTH PERTH
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2019**

Details	Note	2019 Budget \$	2019 Actual \$	2018* Actual \$
OPERATING REVENUE (Excluding Rates)				
General Purpose Funding		2,585,813	2,579,952	2,873,485
Governance		70,000	95,798	78,907
Law, Order and Public Safety		200,250	223,985	227,568
Health		144,500	142,206	151,455
Housing		1,948,108	2,271,033	2,089,922
Community Amenities		7,623,053	7,674,436	7,238,679
Recreation and Culture		4,400,918	5,002,666	4,661,980
Transport		3,896,000	3,144,672	2,748,636
Economic Services		474,500	376,507	387,342
Other Property and Services		72,000	95,632	193,982
Total Operating Revenue Excluding Rates		21,415,142	21,606,887	20,651,956
OPERATING EXPENDITURE				
General Purpose Funding		(311,164)	(305,392)	(636,590)
Governance		(4,282,632)	(6,014,605)	(7,491,305)
Law, Order and Public Safety		(1,142,759)	(1,057,546)	(1,086,500)
Education		(52,250)	(62,867)	(85,229)
Health		(731,508)	(711,697)	(615,874)
Welfare		(621,599)	(619,465)	(492,587)
Housing		(2,286,935)	(2,403,673)	(2,250,580)
Community Amenities		(11,673,397)	(11,646,888)	(10,418,438)
Recreation and Culture		(21,291,273)	(20,990,820)	(19,064,222)
Transport		(15,815,329)	(16,202,884)	(16,483,892)
Economic Services		(737,029)	(788,372)	(852,551)
Other Property and Services		(81,687)	(732,093)	(538,511)
Total Operating Expenditure		(59,027,562)	(61,536,302)	(60,016,279)
Net Operating Result - Excluding Rates		(37,612,420)	(39,929,415)	(39,364,323)
Adjustments for Cash Budget Requirements				
Depreciation of Assets	4(g)	11,224,400	11,861,091	10,935,022
Amortisation Expense	15	127,500	137,381	160,280
Movement in Non-Current Employee Provisions		-	(75,925)	61,573
Movement in CPV Liability	19	750,000	(2,060,496)	(1,536,630)
Movement in Deferred Pensioner Rates	10	-	(45,631)	(61,417)
Movement in Non-Current Payables	16	-	96,361	-
Net Non-Cash Items		12,101,900	9,912,781	9,558,828

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

*Restated refer Note 41 'Effect of Changes in Accounting Policy'

**CITY OF SOUTH PERTH
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2019**

Details	Note	Budget \$	2019 \$	2018* \$
ACQUISITIONS - NON CURRENT ASSETS				
Acquisition of Buildings	36	(2,399,200)	(1,001,998)	(4,624,862)
Acquisition of Furniture	36	-	-	(635,249)
Acquisition of Technology	36	(3,622,152)	(113,937)	(112,930)
Acquisition of Plant and Equipment	36	(232,700)	(39,391)	(562,327)
Acquisition of Mobile Plant	36	(774,150)	(671,146)	(1,191,549)
Construction of Infrastructure	37	(12,930,088)	(6,384,757)	(5,438,517)
Acquisition of Artworks	36	-	-	(119,000)
Acquisition of Software	15	-	-	(69,282)
WIP - Property Plant and Equipment	36	-	(710,861)	(20,125)
WIP - Infrastructure	37	-	(3,078,656)	(1,867,233)
WIP - Intangibles	15	-	-	(559,060)
Total Cash Demand for Asset Acquisition		(19,958,290)	(12,000,746)	(15,200,134)
REPAYMENT OF LOANS				
Loan Principal Repayments	35	(1,524,797)	(1,593,606)	(1,431,835)
Total Cash Demand for Loan Repayments		(1,524,797)	(1,593,606)	(1,431,835)
Net Capital Expenditure		(21,483,087)	(13,594,352)	(16,631,969)
CAPITAL REVENUES				
Proceeds from Disposal of Land		-	-	65,025
Proceeds from Asset Disposals	4(h)	316,635	286,360	371,846
Grants for Acquisition of Assets	4(a)	725,680	2,439,613	974,937
Self-Supporting Loan Repayments Recouped	35	304,375	304,375	309,651
Net Capital Revenues		1,346,690	3,030,348	1,721,459
RESERVE TRANSFERS				
Transfers to Reserves	21	(4,079,391)	(4,268,854)	(3,286,940)
Transfers from Reserves	21	13,263,079	10,344,848	10,498,413
Net Reserve Transfers		9,183,688	6,075,994	7,211,473
Less Unspent Grant			(1,500)	
Net Funds Demand		(36,463,229)	(34,506,144)	(37,504,531)
Add Opening Position - Surplus (Deficit)		550,112	4,630,735	6,088,838
Total Amount Raised from General Rates	31	36,813,296	37,493,066	36,046,428
Surplus (Deficit) after General Rates	28	900,179	7,617,657	4,630,735

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

*Restated refer Note 41 'Effect of Changes in Accounting Policy'

**CITY OF SOUTH PERTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

I. SUMMARY OF ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of these financial statements are:

(a) Basis of Preparation

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

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

With the exception of the cash flow and rate setting information, the report has been prepared on an accrual basis using historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

(b) 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. The City does not hold any Trust monies.

(c) Critical Accounting Estimates

Preparation of these financial statements to conform to Australian Accounting Standards has required management to make professional judgements and estimates that may affect the application of policies and the reported amounts of assets, liabilities, revenues and expenses.

All such estimates are based on historical experience and other factors that are believed to be reasonable under the circumstances. This experience and other relevant factors combine to form the basis for making professional judgements about the carrying values of assets and liabilities that may not otherwise be readily apparent from other sources. Realised actual results may therefore differ from these professional estimates.

(d) Comparatives Figures

Unless otherwise stated, the budget comparative figures shown in this annual financial report relate to the original budget adopted by Council and does not include any subsequent amendments.

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 the 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) Rounding off Figures

Figures in this financial report, other than the rate in the \$, are rounded to the nearest dollar.

(f) Allocation of Corporate Costs

Allocation of corporate costs using Activity Based Costing principles has been included in this financial report. This allocation of costs has a neutral impact upon the overall operating result of the City but results in a more accurate reflection of the costs of providing specific services by incorporating an allocation for corporate services provided to other service areas.

I. SUMMARY OF ACCOUNTING POLICIES (Continued)

(g) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities recoverable from or payable to the ATO are classified as operating cash flows in the statement.

(h) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits held at call and short term deposits with financial institutions 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.

Interest revenue on cash and short term deposits are recognised on an accrual basis.

(i) Rates, Grants, Donations and Other Contributions

Rates, grants, donations and other contributions are recognised as revenues when the City obtains control over the assets comprising the contributions.

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

Control over granted assets is normally obtained upon their receipt or upon prior notification that a grant has been secured.

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 4. That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current reporting period.

(j) Financial Assets and Financial Liabilities

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

Other financial assets at amortised cost

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

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

Financial assets at fair value through profit and loss

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

- debt investments which do not qualify for measurement at either amortised cost or fair value through other comprehensive income.

I. SUMMARY OF ACCOUNTING POLICIES (Continued)

(j) Financial Assets and Financial Liabilities (Continued)

- 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 34.

Previous accounting policy: available for sale financial assets

Available-for-sale financial assets were non-derivative financial assets that were either not suitable to be classified as other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Previous accounting policy: Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Loans and receivables are included in current assets where they are expected to mature within 12 months after the end of the reporting period.

Refer to Note 42 for impact of initial application of accounting standard AASB 9.

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measure 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.

Information regarding exposure to risk can be found at Note 34.

(k) Inventories - Stores and Materials

Inventories held at reporting date have been 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.

(l) 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 34.

**CITY OF SOUTH PERTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

I. SUMMARY OF ACCOUNTING POLICIES (Continued)

(l) Trade and Other Receivables (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 is considered immaterial.

(m) Other Non-Financial 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.

(n) Infrastructure, Property, Plant and Equipment

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

In relation to the initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition.

The cost of non-current assets constructed by the City includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

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

Land Under Control

In accordance with Local Government (Financial Management) Regulation 16(a), the City was required to include as an asset (by 30 June 2013), Crown Land operated by the local government as a golf course, showground, racecourse or other sporting or recreational facility of State or regional significance. City has included such crown land (which comes under this regulation) in its 2012/2013 and subsequent annual financial statements.

Land Under Roads

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

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

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

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

**CITY OF SOUTH PERTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

I. SUMMARY OF ACCOUNTING POLICIES (Continued)

(n) Infrastructure, Property, Plant and Equipment (Continued)

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

Revaluation

The City's assets are revalued at least every three years and no more than five years in accordance with the Local Government (Financial Management) Regulations, with the exception of Infrastructure, which is revalued annually.

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

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

Depreciation

The depreciable amounts of all non-infrastructure fixed assets 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. Infrastructure assets are depreciated based on the asset component condition with most asset classes able to be reliably assessed by inspection with the exception of drainage assets which are valued using (reliable) age data as a reasonable proxy for condition.

Major depreciation periods used for each class of depreciable asset are:

- Artwork 50 years
- Buildings 15 - 200 years (based on components)
- Plant and Equipment 10 years
- Furniture and Fittings 10 years
- Computer Equipment 3 - 10 years
- Mobile Plant 3 - 8 years
- Infrastructure:
 - Roads Network 20 - 60 years for individual components
 - Drainage Network 100 years
 - Path Network 40 - 60 years dependent on path type
 - Street Furniture 20 years
 - Parks Assets 20 years
 - Car Parking 25 - 75 years
 - Foreshore Assets Up to 100 years

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.

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:

I. SUMMARY OF ACCOUNTING POLICIES (Continued)

(n) Infrastructure, Property, Plant and Equipment (Continued)

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.

Impairment of Assets

In accordance with Australian Accounting Standards, the City's assets other than inventories are assessed at each reporting date to determine whether or not there is any indication that they may be impaired. Where such an indication exists, an estimate of the recoverable amount of the asset is made in accordance with the provisions of AASB 136 Impairment of Assets - and appropriate adjustments are made. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised immediately in profit and loss, unless the asset is carried at a revalued amount, whereby any impairment loss is treated as a revaluation decrease.

For non-cash generating assets such as roads, paths, drains, public buildings and the like, no annual assessment is required. Rather AASB 116.31 applies and revaluations need only be made with sufficient regularity 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.

(o) Intangibles

Easements

Local Governments are required to recognise easements in their Financial Statements where the asset can be identified and reliably measured. The City has easements over certain small portions of land but it is not possible to reliably measure these. Accordingly they are recognised at nil value.

Software

Costs incurred in developing software that will contribute to future period financial benefits through revenue generation or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of software development including consultancy, programming and data migration services. Amortisation is calculated on a straight line basis over 10 years. Technology development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the City has an intention and ability to use the asset.

(p) Trade and Other Payables

Trade and other payables represent liabilities for goods and services that are unpaid at the end of the reporting period. The liability arises when the City becomes obligated to make future payments in respect of those goods and services. These amounts are unsecured and are normally paid within 30 days of recognition.

(q) 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. Also refer to Note 1(j) regarding financial liabilities.

I. SUMMARY OF ACCOUNTING POLICIES (Continued)

(r) Employee Entitlements

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 and salaries. 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 and salaries are recognised as a part of current trade and other payables in the statement of financial position.

Other Long-Term Employee Benefits

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

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

(s) 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.

(t) Leaseholder Liability

The City discloses the liability for monies to be refunded to outgoing residents of the Collier Park Village in the primary financial statements at their nominal values, which are more meaningful, objective and useful disclosure to users of the financial statements - including the residents of the Collier Park Village for the following reasons:

- The liability to each individual resident of the Retirement Complex has no defined term - and is subject to change according to the state of health of each individual resident.
- There is therefore considerable subjectivity in determining the likely due dates for repayment of refundable monies to departing residents.
- The aggregate liability is partially 'cash backed' by quarantined Reserve Funds rather than being represented by unspecified assets.
- All transactions relating to leasehold obligations in the village, whether incoming or outgoing are transacted through the related cash backed reserve fund.

**CITY OF SOUTH PERTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

I. SUMMARY OF ACCOUNTING POLICIES (Continued)

(t) Leaseholder Liability (Continued)

The leaseholder liability represents the City's obligation to repay the unit lease purchase price (less the deposit premium and refurbishment levy) paid by residents of the Collier Park Village upon individual leaseholders relinquishing their leases. As the City does not have a right to defer settlement of the refund for more than one year upon a lease being relinquished, the entire liability is required to be disclosed as a Current Liability.

Notwithstanding this, the City recognises that only a portion of the leases for units within the complex will be relinquished in the next twelve months. Whilst there is some subjectivity in establishing the rate of turnover in tenancies and the quantum of payments to individual leaseholders in different stages of the complex, the City establishes a historical rolling five year average of the number of vacated units and then applies that percentage (7.1%) to the overall leaseholder liability to determine the anticipated obligation likely to become due in the next twelve months.

(u) Operating Leases

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

(v) Interests in Associates

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

(w) Current and Non-Current Classification

In the determination of whether an asset is current or non-current, consideration is given to the time when each asset is expected to be settled. The asset 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 even if not expected to be realised in the next 12 months except for Land Held for Resale where it is held as non-current based on the City's intentions to release for sale.

(x) Fair Value Measurement of Assets and Liabilities

When performing a revaluation, the City uses a mix of both independent and management valuations using the following as a guide: Fair Value is the price that 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. 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 (i.e. the market with the greatest volume and level of activity for the asset) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting

I. SUMMARY OF ACCOUNTING POLICIES (Continued)

(x) Fair Value Measurement of Assets and Liabilities (Continued)

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.

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 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.

**CITY OF SOUTH PERTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

I. SUMMARY OF ACCOUNTING POLICIES (Continued)

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the City for the annual reporting period ended 30 June 2019. The City's assessment of these new standards and interpretations is set out below.

Title and Topic	Issued	Applies	Impact on Statements
AASB 15: Revenue from Contracts with Customers	Dec 14	1 Jan 19	This standard establishes the principles for entities reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The impact of this standard depends on the nature of future transactions between the City and those third parties.
AASB 16 Leases	Feb 16	1 Jan 19	Under AASB 16, there is no longer a distinction between finance and operating leases. Lessees now bring to account a right-to-use asset and the lease liability onto their statement of financial position for all leases, unless the short-term and/or low-value lease exemptions are adopted. Effectively this means the operating leases as defined by the current AASB 117 Leases which currently do not impact the statement of financial position are required to be capitalised on the statement of financial position once AASB 16 is adopted. Operating lease payments are currently expensed on a straight line basis. This will cease and will be replaced by both depreciation and interest charges. Based on the current number of operating leases held by the City, the impact is not expected to be significant.
AASB 1058 Income of Not-for-Profit Entities	Dec 16	1 Jan 19	This Standard clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, more closely reflecting the economic reality of NFP entity transactions that are not contracts with customers. Timing of income recognition is dependent on whether such a transaction gives rise to a liability, a performance obligation (a promise to transfer a good or service), or, an obligation to acquire an asset. The City has not yet determined the application or the potential impact of the Standard.

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

(z) Adoption of New and Revised Accounting Standards

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

The only new standard with material application adopted by the City is AASB 9 *Financial Instruments*.

AASB 9 Financial Instruments (incorporating AASB2014-7 and AASB 2014-8)

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

The City applied AASB 9 prospectively, with an initial application date of 1 July 2018. The adoption of AASB 9 has resulted in changes to classification. In accordance with AASB 9.7.2.15, the City has not restated the comparative information which continues to be reported under AASB 139. Details are disclosed in Note 42.

2. ACCOUNTING POLICY

All accounting policies adopted are consistent with those of the previous year except as noted in Note 41 'Effect of Changes in Accounting Policy'.

In accordance with the amendment to the Local Government (Financial Management) Regulations 1996 (Regulation 17A), the capitalisation threshold of assets has been increased to \$5,000.

The adoption of this amendment has resulted in changes in adjustments to the amounts recognised in the financial statements. Differences arising from adoption have been recognised directly in accumulated surplus/(deficit).

The effect of the threshold change is disclosed in Note 41 'Effect of Changes in Accounting Policy'.

3. OUR VISION and MISSION STATEMENT

Mission Statement

Our mission statement outlines the purpose and core business of the City of South Perth. This statement identifies the important roles of the community, City and staff in ensuring that the strategies outlined in the Strategic Plan can be achieved.

The City's mission statement is: 'Working Together to Create a City for Everyone'.

Vision

Our vision statement describes how the City of South Perth will respond to the community's aspirations and priorities in the future. The community vision was identified through the Our Vision Ahead project:

'We belong to an engaged and cohesive community that is linked by vibrant local centres and shared spaces. We live and travel in ways that nurture our environment; and our housing and amenities meet the diverse needs of a changing society'.

Corporate Values

The City conducts its business based on its adopted corporate values. These govern the way in which we engage with our community, the pride with which we undertake our work and the services that we deliver to our community. Our corporate values are Supportive, Accountable, Unified and Respectful.

3. OUR VISION and MISSION STATEMENT (Continued)

OBJECTIVES and FUNCTIONS (PROGRAMS) OF THE CITY

Statement of Objective

The City of South Perth is dedicated to providing high quality customer focussed services to the community through its adoption of the principles of business excellence. Outcomes are pursued through the various service orientated programs that the City has established.

Activities relating to the components reported on the Income Statement are as follows:

Governance

This program reflects the statutory element of local government operations including administration and support services to members of council, civic functions, statutory reporting, compliance and accountability.

General Purpose Funding

This program relates mainly to the collection and administration of rates levied under the *Local Government Act 1995*. The program also includes grants from the Western Australian Grants Commission and other Government Grant of a general purpose, as well as interest earning from deposits and investments.

Law, Order and Public Safety

This program embraces parking management, animal control, fire prevention and Safer Cities.

Education

This program includes the maintenance of pre-school facilities including the operating costs for utilities, building maintenance and grounds maintenance for each of these facilities.

Health

The health program includes food premises inspections, pest control, environmental health administration and operation and maintenance of the buildings and grounds of child health centres.

Welfare

This program includes the operation and maintenance of the buildings and grounds of two senior citizens centres including staff costs for coordinators at the centres and other voluntary services.

Housing

The largest single component of this program is the operation and maintenance of the Collier Park Retirement Village. This includes all operating costs for the facilities and the revenue streams arising from residents' fees at the Collier Park Village.

Community Amenities

This program includes household rubbish collection services, recycling collections and operation of the waste transfer station. Also embraced within this program are environmental management and noise control. The other major component of the Community Amenities program is administration of the town planning scheme and orderly planning of the district.

Recreation and Culture

This program includes operation and maintenance of our halls and recreation centre. The operation of two libraries and a local studies facility fall within this program which also includes the maintenance and upkeep of sporting and passive reserves, sporting pavilions and other public facilities.

Another major component of the revenue stream for this program is the operation of a 27 holes golf course at Collier Park. The acclaimed City of South Perth Fiesta forms part of the Recreation and Culture program as do activities associated with supporting community and cultural organisations.

**CITY OF SOUTH PERTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

3. OUR VISION and MISSION STATEMENT (Continued)

OBJECTIVES and FUNCTIONS (PROGRAMS) OF THE CITY (Continued)

Transport

The transport program includes the maintenance and rehabilitation of roads, drainage networks, paths, parking facilities, streetscape and verge maintenance as well as maintenance of traffic devices and traffic signs and expenses relating to street lighting.

Economic Services

This program includes building control, pool inspections and the operation of the City's plant nursery.

Other Property and Services

This program includes public works overheads and operation of the City's fleet and plant services.

4. 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:

Program Name	Budget	2019	2018
	\$	\$	\$
Operating Grants, Subsidies and Contributions			
General Purpose Funding	364,223	886,132	893,884
Health	-	5,231	7,225
Recreation and Culture	139,205	309,465	866,242
Transport	159,202	440,621	431,407
Economic Services	-	-	5,560
	662,630	1,641,449	2,204,318
Non-Operating Grants, subsidies and Contributions			
Recreation and Culture	19,292	114,741	27,690
Transport	706,388	2,324,872	947,247
	725,680	2,439,613	974,937
Total Grants, Subsidies and Contributions	1,388,310	4,081,062	3,179,255

**CITY OF SOUTH PERTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

4. REVENUE and EXPENSES (Continued)

(a) Grant Revenue (Continued)

Conditions over Grants and Contributions

Conditional Grants	Function	Balance 1/07/17⁽¹⁾	Recognised 2017/18⁽²⁾	Expended 2017/18⁽³⁾	Balance 30/06/18⁽¹⁾	Recognised 2018/19⁽²⁾	Expended 2018/19⁽³⁾	Closing Balance 30/06/19
Mosquito Management	Health (Environmental)	-	7,225	(7,225)	-	5,232	(5,232)	-
Nursery Subsidy	Economic Services	-	5,560	(5,560)	-	-	-	-
Natural Areas Maintenance	Recreation and Culture	-	27,690	(27,690)	-	114,741	(114,741)	-
EJ Oval Precinct Redevelopment	Recreation and Culture	-	524,000	(524,000)	-	-	-	-
Major Events Grants	Recreation and Culture	-	320,000	(320,000)	-	275,000	(275,000)	-
Minor Events	Recreation and Culture	-	11,785	(11,785)	-	20,000	(20,000)	-
Kid Sport Grants	Recreation and Culture	-	10,457	(10,457)	-	9,465	(9,465)	-
Road Rehabilitation	Transport	-	947,247	(947,247)	-	2,324,871	(2,324,871)	-
Street Lighting Grants	Transport	-	20,277	(20,277)	-	19,782	(19,782)	-
Community programs	Recreation and Culture	-	-	-	-	5,000	(3,500)	1,500

Unconditional Grants and Contributions

Unconditional Grants	General Purpose Funding	480,387	893,884	(901,593)	472,678	886,132	(1,358,810)	-
Unconditional Grants	Transport	219,498	411,130	(404,869)	225,759	420,839	(646,598)	-
Total Grants and Contributions		699,885	3,179,255	(3,180,703)	698,437	4,081,062	(4,777,999)	1,500

Notes:

- (1) Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous reporting period.
- (2) New grants/contributions which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.
- (3) Grants/contributions which had been recognised as revenues in a previous reporting period or recognised in the current reporting period and which were expended in the current reporting period in the manner specified by the contributor.

**CITY OF SOUTH PERTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

4. REVENUE and EXPENSES (Continued)

(b) Fees and Charges Revenue by Program (Function)

	Budget	2019	2018
	\$	\$	\$
General Purpose Funding	378,000	317,422	334,087
Law, Order and Public Safety	119,250	128,118	116,367
Health	67,500	62,166	65,708
Housing	1,249,325	1,289,551	1,143,317
Community Amenities	7,439,060	7,530,115	7,054,422
Recreation and Culture	4,232,518	4,436,440	3,666,830
Transport	3,374,000	2,556,366	2,108,785
Economic Services	417,500	363,387	354,012
Other Property and Services	10,000	4,119	31,145
Total Fees and Charges Revenue	17,287,153	16,687,684	14,874,673

(c) Interest Revenue

The City invests funds awaiting dispensation in short-term financial instruments.

	Budget	2019	2018
	\$	\$	\$
Interest Revenue - Municipal	450,000	542,826	453,619
Interest Revenue - Reserves	867,391	1,036,899	1,162,353
Interest Revenue - Rates	355,000	442,484	373,022
Total Interest Revenue	1,672,391	2,022,209	1,988,994

(d) Interest Expense

	Budget	2019	2018
	\$	\$	\$
General Purpose Funding	286,164	298,142	396,418
Recreation and Culture	164,592	164,958	181,206
Total	450,756	463,100	577,624

(e) Audit Remuneration

	Budget	2019	2018
	\$	\$	\$
Audit of Financial Report	55,000	56,000	35,820
Audit of Grant Acquittals	-	-	1,400
Total	55,000	56,000	37,220

Included under Governance (Statement of Comprehensive Income by Function/Program) and Materials and Contracts (Statement of Comprehensive Income by Nature and Type).

(f) Significant Expenditure Items

	Budget	2019	2018
	\$	\$	\$
Impaired Debts Expense	65,000	65,318	64,917
Total	65,000	65,318	64,917

Included under General Purpose Funding and Transport (Statement of Comprehensive Income by Function/Program) and Other Expenses (Statement of Comprehensive Income by Nature and Type).

**CITY OF SOUTH PERTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

4. REVENUE and EXPENSES (Continued)

(g) Depreciation by Asset Category	2019	2018
	\$	\$
Artworks	25,718	10,986
Buildings	2,048,240	1,957,007
Technology Equipment	208,453	191,633
Furniture and Fittings	20,287	20,540
Mobile Plant	943,603	1,060,040
Plant and Equipment	64,323	47,028
Infrastructure – Roads Network	4,474,609	4,681,997
Infrastructure – Path Network	1,161,307	1,119,148
Infrastructure – Drainage Network	484,329	469,653
Infrastructure – Street Furniture	113,834	100,379
Infrastructure – Parks Assets	1,219,951	1,276,611
Infrastructure – Foreshore Assets	794,771	-
Infrastructure – Car Parking	301,666	-
Total Depreciation	11,861,091	10,935,022

(h) Asset Disposals by Category - Actual	Proceeds 2019 Actual	Book Value 2019 Actual	Profit (Loss) 2019 Actual
	\$	\$	\$
Mobile Plant	286,360	(22,804)	263,556
Subtotal Profit	286,360	(22,804)	263,556
Infrastructure – Path Network	-	(100,816)	(100,816)
Infrastructure – Street Furniture	-	(18,904)	(18,904)
Infrastructure – Parks Assets	-	(108,824)	(108,824)
Subtotal Loss	-	(228,544)	(228,544)
Total	286,360	(251,348)	35,012

Asset Disposals by Category – Budget	Proceeds 2019 Budget	Book Value 2019 Budget	Profit (Loss) 2019 Budget
	\$	\$	\$
Plant and Equipment	316,635	(54,341)	262,294
Total	316,635	(54,341)	262,294

**CITY OF SOUTH PERTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

5. CASH and CASH EQUIVALENTS

Cash and Cash Equivalents include cash held in bank accounts, deposits held at call and term deposits with financial institutions to meet short term cash requirements with a maturity of three months or less.

At reporting date, Cash and Cash Equivalents were represented by:

	2019	2018
	\$	\$
Cash at Bank / On Hand	1,799,005	79,232
At Call / Term Deposits (less than 3 months)	25,749,356	52,000,802
Total Cash Assets	27,548,361	52,080,034

Term deposits of \$20,688,934 with maturities of more than 3 months are classified as financial assets and disclosed in Note 8.

Restricted Cash and Financial Assets

The following cash holding restrictions are imposed either by regulations or other externally imposed requirements.

	Note	2019	2018
		\$	\$
Plant Replacement Reserve	21	315,984	308,266
Collier Park Village Residents Offset Reserve	21	20,220,501	21,731,309
Collier Park Golf Course Reserve	21	-	491
Waste Management Reserve	21	5,363,438	4,027,760
Reticulation and Pump Reserve	21	241,978	235,895
Information Technology Reserve	21	83,279	1,066,933
Employee Entitlements Reserve	21	398,116	387,949
Major Community Facilities Reserve	21	4,169,580	8,197,930
Underground Power Reserve	21	115,054	112,095
Parking Facilities Reserve	21	426,237	423,056
Collier Park Village Reserve	21	1,517,822	1,342,188
River Wall Reserve	21	177,200	172,643
Railway Station Precincts Reserve	21	815,372	794,402
Sustainable Infrastructure Reserve	21	1,980,996	3,178,224
Public Art Reserve	21	287,351	209,762
Total Reserve Funds		36,112,909	42,188,903
Unexpended Grant Funds	4(a)	1,500	-
Subtotal Restricted Cash and Financial Assets		36,114,409	42,188,903
Bond Payable	16	1,461,603	-
Total Restricted Cash and Financial Assets		37,576,012	42,188,903

Reconciliation of Cash and Cash Equivalents and Financial Assets

	2019	2018
	\$	\$
Unrestricted Cash and Cash Equivalents and Term Deposits	10,661,283	9,891,131
Restricted Cash and Cash Equivalents and Term Deposits	37,576,012	42,188,903
Total Cash and Cash Equivalents and Financial Assets	48,237,295	52,080,034

For the purpose of the Statement of Cash Flow, Cash and Cash Equivalents comprise:

Cash and Cash Equivalents	27,548,361	52,080,034
Term Deposits (<i>maturities of more than three months</i>)	20,688,934	-
	48,237,295	52,080,034

**CITY OF SOUTH PERTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

6. TRADE and OTHER RECEIVABLES	2019	2018
	\$	\$
Rates Receivable	2,188,433	1,431,343
Loans - Clubs and Institutions	322,663	304,375
GST Receivable from ATO	457,158	462,517
Pensioner Rebate Receivable	37,797	143,160
Underground Power Service Charge - Stage 3 and 5	11,687	12,880
ESL Debtors	201,853	199,745
	3,219,591	2,554,020
Infringement Debtors	646,326	593,928
Sundry Debtors	1,778,265	724,165
	2,424,591	1,318,093
Less: Allowance for Impairment of Debts	(312,281)	(246,963)
	2,112,310	1,071,130
Total Current Trade and Other Receivables	5,331,901	3,625,150
7. INVENTORIES	2019	2018
	\$	\$
Materials and Fuel at Cost	-	6,793
Total Inventories	-	6,793
8. OTHER FINANCIAL ASSETS	2019	2018
	\$	\$
Current		
Term Deposits (<i>maturities of more than three months</i>)	20,688,934	-
	20,688,934	-
Non Current		
Investment in Local Government House Trust (10 units)		
Opening balance	154,668	154,761
Adjustment for the current year	20,503	(93)
Balance as at 30 June	175,171	154,668
9. OTHER NON-FINANCIAL ASSETS	2019	2018
	\$	\$
Prepayments	260,060	215,372
Accrued Income	167,465	119,157
Total Other Non-Financial Assets	427,525	334,529
10. OTHER RECEIVABLES - NON CURRENT	2019	2018
	\$	\$
Rates Outstanding - Pension Deferrals	496,482	459,295
ESL Outstanding - Pension Deferrals	75,074	66,630
Loans - Clubs and Institutions	416,546	739,209
Total Current Trade and Other Receivables	988,102	1,265,134

**CITY OF SOUTH PERTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

11. ASSETS ATTRIBUTED BY FUNCTIONS/PROGRAM	2019	2018
Program Name	\$	\$
General Purpose Funding	59,647,133	58,043,395
Governance	27,555,889	14,506,149
Law, Order and Public Safety	1,473,097	998,375
Education	2,451,631	3,208,175
Health	25,022	32,011
Welfare	8,639,777	7,190,771
Housing	24,128,885	20,360,684
Community Amenities	16,978,274	18,803,705
Recreation and Culture	254,968,097	268,822,807
Transport	319,767,953	313,181,325
Economic Services	105,933	547,658
Other Property and Services	73,757,506	72,329,558
Total Assets	789,499,197	778,024,613

12. INVESTMENT IN ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

	2019	2018
	\$	\$
Equity Share in Associates - Rivers Regional Council		
Opening balance (12.23% share of Net Assets of \$ 450,558)	55,103	25,587
Adjustment for the current period	24,974	29,516
Balance as at 30 June (11.97% share of Net Assets of \$ 668,983)	80,077	55,103

13. PROPERTY, PLANT and EQUIPMENT

Movements in each class of Property, Plant and Equipment are disclosed in Note 36.

Asset Category	2019	2018
	\$	\$
Freehold Land at Fair Value	270,173,000	270,173,000
Land under Control at Fair Value	3,000,000	3,000,000
	273,173,000	273,173,000
Buildings at Fair Value	127,678,641	127,678,641
Acquisitions since valuation at Cost	1,001,998	-
Reclassification at Cost	635,250	-
Less Accumulated Depreciation	(30,972,854)	(28,924,614)
	98,343,035	98,754,027
Artworks at Fair Value	1,285,847	1,285,847
Less Accumulated Depreciation	(25,718)	-
	1,260,129	1,285,847

**CITY OF SOUTH PERTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

13. PROPERTY, PLANT and EQUIPMENT (Continued)

Asset Category	2019	2018
	\$	\$
Technology Equipment at Fair Value	1,635,472	1,910,187
Acquisitions since valuation at Cost	113,936	112,930
Disposals since valuation at Cost	-	(387,645)
Reclassification at Cost	30,036	-
Less Accumulated Depreciation	(1,245,064)	(1,005,905)
	534,380	629,567
Furniture and Fittings at Fair Value	1,141,289	507,831
Acquisitions since valuation at Cost	-	635,249
Reclassification at Cost	(635,250)	-
Disposals since valuation at Cost	-	(1,791)
Less Accumulated Depreciation	(457,749)	(437,462)
	48,290	703,827
Mobile Plant at Fair Value	7,586,159	7,512,529
Acquisitions since valuation at Cost	671,146	1,191,549
Disposals since valuation at Cost	(730,318)	(1,117,920)
Reinstatement at Cost	149,827	-
Reclassification at Cost	71,070	-
Less Accumulated Depreciation	(5,272,881)	(4,878,234)
	2,475,003	2,707,924
Plant and Equipment at Fair Value	1,120,016	557,689
Acquisitions since valuation at Cost	39,391	562,327
Reclassification at Cost	(8,730)	-
Less Accumulated Depreciation	(398,512)	(342,919)
	752,165	777,097
Capital Works in Progress – Buildings		
Building Cost	20,314	-
Washdown Shed	31,430	10,125
Canning Bridge DCP	-	10,000
Ernest Johnson Oval Precinct Upgrade Stage 3	435,935	-
Como Tram Rehousing	35,459	-
Civic Centre	29,609	-
Club House Toilet	8,976	-
Neil McDougall Park	35,285	-
	597,008	20,125
Capital Works in Progress - Technology		
CCTV	13,139	-
Network Enhancements	110,839	-
	123,978	-
Total Works in Progress	720,986	20,125
Total Property, Plant and Equipment	377,306,988	378,051,414

**CITY OF SOUTH PERTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

14. INFRASTRUCTURE

Roads, Drains, Paths, Street Furniture, Parks, Car Parking and Foreshore Assets are valued by City Officers using approved valuation techniques to establish the current replacement value having regard to the condition, age and remaining useful lives of the assets. The valuation was last updated at 30 June 2019.

Movements in classes of Infrastructure during the reporting period are disclosed at Note 37. Information relating to the fair value methodology and the levels of valuation inputs for infrastructure assets is provided at Note 37.

Asset Category	2019	2018
	\$	\$
Infrastructure – Roads Network at Fair Value	285,103,600	272,292,051
Less Accumulated Depreciation	(99,880,788)	(86,683,184)
	185,222,812	185,608,867
Infrastructure – Drainage Network at Fair Value	66,701,213	47,283,595
Less Accumulated Depreciation	(37,411,920)	(26,606,198)
	29,289,293	20,677,397
Infrastructure – Path Network at Fair Value	65,052,408	61,814,076
Less Accumulated Depreciation	(21,144,246)	(20,443,826)
	43,908,162	41,370,250
Infrastructure – Street Furniture at Fair Value	2,641,243	3,151,059
Less Accumulated Depreciation	(1,118,269)	(1,363,903)
	1,522,974	1,787,156
Infrastructure – Parks Assets at Fair Value	77,848,775	74,131,311
Less Accumulated Depreciation	(9,420,217)	(8,730,942)
	68,428,558	65,400,369
Infrastructure – Foreshore Assets at Fair Value	30,221,060	29,437,731
Less Accumulated Depreciation	(14,278,213)	(13,756,487)
	15,942,847	15,681,244
Infrastructure – Car Parking at Fair Value	15,257,235	15,099,794
Less Accumulated Depreciation	(7,116,665)	(6,776,806)
	8,140,570	8,322,988
Capital Work In Progress		
Capital Work in Progress – Roads Network	79,886	-
Capital Work in Progress – Parks Assets	3,384,159	2,034,565
Capital Work in Progress – Drainage Network	39,198	-
Capital Work in Progress – Foreshore Assets	179,987	-
Capital Work in Progress - Street Furniture	2,850	-
	3,686,080	2,034,565
Total Infrastructure	356,141,296	340,882,836

**CITY OF SOUTH PERTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

15. INTANGIBLES	2019	2018
	\$	\$
Carrying Amount – Intangibles		
Computer Software At Cost	1,466,192	1,466,192
Reclassification of Assets to Technology Equipment	(92,376)	-
Less Accumulated Amortisation	(562,974)	(456,300)
	810,842	1,009,892
Movement		
Balance at 1 July	1,009,892	973,614
Reclassification of Assets to Technology Equipment	(61,669)	-
Transfer from WIP Technology		127,276
Additions	-	69,282
Amortisation	(137,381)	(160,280)
Balance at 30 June	810,842	1,009,892
Capital Work in Progress – WIP Intangibles		
Software Purchases	-	3,630
Technology One	-	555,430
	-	559,060
Movement		
Balance at 1 July	559,060	-
Additions	-	559,060
Transfer from WIP Technology	-	127,276
Transfer to Intangibles	-	(127,276)
Expensed in the current year	(559,060)	-
Balance at 30 June	-	559,060
Total Intangibles (including WIP)	810,842	1,568,952
16. TRADE and OTHER PAYABLES		
	2019	2018
	\$	\$
Current		
Accounts Payable	2,479,043	3,438,731
Income in Advance	67,255	86,862
Accrued Wages	734,523	756,447
Accrued Interest Expense	68,419	79,481
Other Payables	225,118	173,981
Bond Payables	1,461,603	-
	5,035,961	4,535,502
Non Current		
Other Payables	96,361	-
	96,361	-

**CITY OF SOUTH PERTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

17. BORROWINGS - CURRENT

	2019	2018
	\$	\$
Loans – City	563,495	895,055
Loans - Collier Park Golf Course	321,918	305,078
Loans - Self Supporting	322,663	304,375
Total Current Borrowings	1,208,076	1,504,508

The City uses loan borrowings as part of a responsible balanced funding strategy to support the construction of long term assets or major infrastructure works.

All City borrowings relate to the General Purpose Funding program and were undertaken in accordance with Section 6.20 of the Local Government Act and City Policy P604 - Use of Debt as a Funding Option. Loans are secured over the future rate revenue of the City. There are no encumbrances on specific assets in relation to any of the loan borrowings. Details of all loan borrowings are disclosed in the Schedule of Loan Borrowings at Note 35.

The financial statements also reflect self-supporting loans to community groups. The City's role in respect of these loans is that of guarantor only. All payments are met by the relevant community group and there is no impost on City funds for repayment of the self-supporting loans. A receivable amount equivalent to the outstanding balance on the loan is recognised in the Statement of Financial Position.

During the reporting period, no new City borrowings were undertaken.

18. EMPLOYEE RELATED PROVISIONS

	Provision for Annual Leave	Provision for Long Service Leave	TOTAL
	\$	\$	\$
Opening Balance at 1 July 2018			
Current	2,422,387	1,964,604	4,386,991
Non-Current	-	394,063	394,063
	<u>2,422,387</u>	<u>2,358,667</u>	<u>4,781,054</u>
Movement for the Year			
Additional Provision	1,613,952	445,879	2,059,831
Amounts used	(1,473,976)	(180,845)	(1,654,821)
Increase in the Discounted Amount arising because of the time and the effect of any change in the discounted rate	20,056	18,049	38,105
Balance at 30 June 2019	2,582,419	2,641,750	5,224,169
Comprise of:			
Current	2,582,419	2,323,612	4,906,031
Non-Current	-	318,138	318,138
	<u>2,582,419</u>	<u>2,641,750</u>	<u>5,224,169</u>

	2019	2018
	\$	\$
Amounts are expected to be settled on the following basis:		
Less than 12 months after the reporting date	2,006,280	1,746,877
More than 12 months from reporting date	3,227,381	3,046,508
Expected reimbursements from other WA local governments	(9,492)	(12,331)
	<u>5,224,169</u>	<u>4,781,054</u>

**CITY OF SOUTH PERTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

19. LEASEHOLDER LIABILITY

	2019	2018
	\$	\$
Leaseholder Liability - Collier Park Village	26,966,474	29,026,970
Total Current Leaseholder Liability	26,966,474	29,026,970

The Collier Park Village Residents Offset Reserve partially cash-backs the CPV leaseholder liability. The extent of this cash backing is \$20,220,501 (\$21,731,309 in 2017/2018). Refer Note 21.

20. BORROWINGS - NON CURRENT

	2019	2018
	\$	\$
Loans – City	4,621,284	5,247,764
Loans - Collier Park Golf Course	2,417,689	2,765,719
Loans - Self Supporting	416,546	739,210
Total Non-Current Borrowings	7,455,519	8,752,693

21. RESERVE FUNDS

PURPOSE OF RESERVES

Plant Replacement Reserve

This reserve is used to fund the balance of the purchase price of plant and equipment associated with City works (after trade-in, discounts and allowances).

Collier Park Village Residents Offset Reserve

This reserve was established to partially cash back the loan liability due to residents on departing the village complex. The reserve is funded by the premium on the difference between the sale price of the units in the village to the ingoing resident and the amount of the refund to the departing resident. Funds in the reserve are maintained at an appropriate level to ensure that the draw of funds by departing residents in any given year is fully cash backed and available on demand.

Collier Park Golf Course Reserve

This reserve was established to quarantine funds relating to the Collier Park Golf Course, to purchase plant and equipment, reticulation equipment and to repay debt (if any) associated with the Golf Course. The reserve is funded by an amount equal to a specified percentage of the annual operating surplus excluding depreciation with the remainder returned to the City's Municipal Fund as a dividend in accordance with City Policy P608.

Waste Management Reserve

This reserve was established to provide for investment in new waste management initiatives and is funded by an annual allocation equal to the operating surplus (deficit) from the waste operations.

Reticulation and Pump Replacement Reserve

This reserve was established to provide funds for the replacement of reticulation and pumps at various parks and gardens.

Information Technology Reserve

This reserve was established to finance the acquisition and enhancement of technology and digital service delivery initiatives. The municipal fund provides ongoing appropriations as and when needed.

21. RESERVE FUNDS (Continued)

PURPOSE OF RESERVES (Continued)

Major Community Facilities Reserve - formerly Asset Enhancement Reserve

This reserve was established to accumulate funds including those from major strategic land sales for significant discretionary community facility projects in future years; alleviating the impacts of inter-generational equity in funding major facilities.

Employee Entitlements Reserve

This reserve was established during the year to fund the City's long service leave requirements and is maintained by an annual contribution equivalent to the long service leave entitlements of the City's employees.

Underground Power Reserve

This reserve was established to accumulate funding to support the City's contribution to the undergrounding of existing overhead electrical cables within specified precincts in the city.

Parking Facilities Reserve

This reserve is used to quarantine funds contributed by developers in lieu of providing parking facilities. Funds are used to provide parking within the district in the vicinity of these developments as opportunities arise in the future.

Collier Park Village Reserve

This reserve accumulates the lease premium and refurbishment levy paid by ingoing residents of the retirement village as well as the operating result (adjusted for depreciation) for the Village each year. Capital purchases and refurbishment costs associated with this complex are funded from this reserve. In the event of an operating shortfall, the reserve is expected to subsidise the difference so that the facility's operations do not impose a financial burden upon the City's ratepayers.

River Wall Reserve

This reserve was established to quarantine monies to be used to attract matching funding from state government with a view towards sharing financial responsibility for maintaining the river walls.

Railway Station Precincts Reserve

This reserve was established to quarantine monies to be used to provide streetscapes and infrastructure around (future) railway stations constructed as part of the Perth to Mandurah railway.

Sustainable Infrastructure Reserve

This reserve was created to support the financially sustainable management of our community infrastructure including roads, drains, paths, street furniture, parks, car parking and foreshore assets.

Public Art Reserve

This reserve was created to quarantine contributions obtained under the Public Art (Percent for Art) policy and to support the creation of public art pieces within City precincts.

Reserve Fund Movements

All active reserves may have funds applied to projects or may be reimbursed from the Municipal Fund as determined by Council during the budget process.

The City's Long Term Financial Plan details funding plans for all major discretionary capital projects. These specified funding plans incorporate funding from sources including grants, land sale proceeds, municipal funds and cash backed reserves created specifically to support those projects. In particular, the Major Community Facilities Reserve, Sustainable Infrastructure Reserve, River Wall Reserve and Railway Station Precinct Reserves are relevant to these funding models.

Any change in the purpose of reserve funds is made in accordance with the Local Government Act and Local Government Financial Management Regulations.

All of the reserve accounts are supported by money held in financial institutions and match the amount shown as restricted cash in Note 5 in this financial report.

**CITY OF SOUTH PERTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

21. RESERVE FUNDS (Continued)

	2019 Budget	2019 Actual	2018 Actual
	\$	\$	\$
Plant Replacement Reserve			
Balance at 1 July	308,096	308,266	595,299
Transfers from Retained Surplus	8,226	7,718	12,967
Transfers to Retained Surplus	-	-	(300,000)
Balance at 30 June	316,322	315,984	308,266
Collier Park Village Residents Offset Reserve			
Balance at 1 July	22,423,318	21,731,309	22,725,910
Transfers from Retained Surplus	3,618,728	2,053,018	1,846,532
Transfers to Retained Surplus	(2,250,000)	(3,563,826)	(2,841,133)
Balance at 30 June	23,792,046	20,220,501	21,731,309
Collier Park Golf Course Reserve			
Balance at 1 July	-	491	206,477
Transfers from Retained Surplus	-	-	165,598
Transfers to Retained Surplus	-	(491)	(371,584)
Balance at 30 June	-	-	491
Waste Management Reserve			
Balance at 1 July	4,000,060	4,027,760	3,867,816
Transfers from Retained Surplus	99,993	1,418,831	395,112
Transfers to Retained Surplus	(255,000)	(83,153)	(235,168)
Balance at 30 June	3,845,053	5,363,438	4,027,760
Reticulation and Pump Replacement Reserve			
Balance at 1 July	221,598	235,895	353,575
Transfers from Retained Surplus	5,917	6,083	8,021
Transfers to Retained Surplus	-	-	(125,701)
Balance at 30 June	227,515	241,978	235,895
Information Technology Reserve			
Balance at 1 July	1,066,788	1,066,933	1,041,667
Transfers from Retained Surplus	1,783	16,346	25,266
Transfers to Retained Surplus	(1,000,000)	(1,000,000)	-
Balance at 30 June	68,571	83,279	1,066,933
Employee Entitlements Reserve			
Balance at 1 July	387,889	387,949	-
Transfers from Retained Surplus	10,357	10,167	2,910
Transfer from Insurance Risk Reserve	-	-	385,039
Balance at 30 June	398,246	398,116	387,949
Insurance Risk Reserve			
Balance at 1 July	-	-	448,506
Transfers from Retained Surplus	-	-	7,595
Transfers to Retained Surplus	-	-	(71,062)
Transfer to Employee Entitlements Reserve	-	-	(385,039)
Balance at 30 June	-	-	-

**CITY OF SOUTH PERTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

21. RESERVE FUNDS (Continued)

	2019 Budget \$	2019 Actual \$	2018 Actual \$
Major Community Facilities Reserve			
Balance at 1 July	7,765,072	8,197,930	13,294,527
Transfers from Retained Surplus	53,402	182,635	303,795
Transfers to Retained Surplus	(5,765,000)	(4,210,985)	(5,400,392)
Balance at 30 June	2,053,474	4,169,580	8,197,930
Underground Power Reserve			
Balance at 1 July	112,077	112,095	109,440
Transfers from Retained Surplus	2,992	2,959	2,655
Transfers to Retained Surplus	-	-	-
Balance at 30 June	115,069	115,054	112,095
Parking Facilities Reserve			
Balance at 1 July	422,977	423,056	413,036
Transfers from Retained Surplus	14,228	11,114	10,020
Transfers to Retained Surplus	(274,652)	(7,933)	-
Balance at 30 June	162,553	426,237	423,056
Collier Park Village Reserve			
Balance at 1 July	1,243,269	1,342,188	1,898,101
Transfers from Retained Surplus	228,055	384,238	349,403
Transfers to Retained Surplus	(738,427)	(208,604)	(905,316)
Balance at 30 June	732,897	1,517,822	1,342,188
River Wall Reserve			
Balance at 1 July	172,621	172,643	168,555
Transfers from Retained Surplus	3,274	4,557	4,088
Transfers to Retained Surplus	(50,000)	-	-
Balance at 30 June	125,895	177,200	172,643
Railway Station Precincts Reserve			
Balance at 1 July	794,292	794,402	775,590
Transfers from Retained Surplus	21,208	20,970	18,812
Transfers to Retained Surplus	-	-	-
Balance at 30 June	815,500	815,372	794,402
Sustainable Infrastructure Reserve			
Balance at 1 July	3,140,827	3,178,224	3,346,384
Transfers from Retained Surplus	5,629	72,628	79,897
Transfers to Retained Surplus	(2,930,000)	(1,269,856)	(248,057)
Balance at 30 June	216,456	1,980,996	3,178,224
Public Art Reserve			
Balance at 1 July	209,735	209,762	155,493
Transfers from Retained Surplus	5,600	77,589	54,269
Transfers to Retained Surplus	-	-	-
Balance at 30 June	215,335	287,351	209,762
Total Cash Backed Reserves	33,084,951	36,112,909	42,188,903

**CITY OF SOUTH PERTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

21. RESERVE FUNDS (Continued)

Summary of Cash Backed Reserves	Budget	2019	2018
Balance at 1 July	42,268,639	42,188,903	49,400,376
Transfers from Retained Surplus	4,079,391	4,268,854	3,286,940
Transfers to Retained Surplus	(13,263,079)	(10,344,848)	(10,498,413)
Balance at 30 June	33,084,951	36,112,909	42,188,903

22. REVALUATION SURPLUS

Revaluation surpluses have arisen on revaluation of the following classes of Non-Current Assets:

	2019	2018
	\$	\$
Land		
Balance at 1 July	216,116,078	215,916,129
Current Year Revaluation Increment /(Decrement)	-	199,949
Balance at 30 June	216,116,078	216,116,078
Buildings		
Balance at 1 July	43,005,048	42,965,952
Current Year Revaluation Increment /(Decrement)	-	39,096
Balance at 30 June	43,005,048	43,005,048
Artworks		
Balance at 1 July	916,635	161,437
Current Year Revaluation Increment /(Decrement)	-	755,198
Balance at 30 June	916,635	916,635
Furniture and Fittings		
Balance at 1 July	30,000	30,000
Current Year Revaluation Increment /(Decrement)	-	-
Balance at 30 June	30,000	30,000
Mobile Plant		
Balance at 1 July	274,432	274,432
Current Year Revaluation Increment /(Decrement)	-	-
Transfer to Retained Surplus	(114,303)	-
Balance at 30 June	160,129	274,432
Infrastructure – Roads Network		
Balance at 1 July	185,574,494	198,441,663
Current Year Revaluation Increment /(Decrement)	1,142,876	(12,867,169)
Balance at 30 June	186,717,370	185,574,494
Infrastructure – Path Network		
Balance at 1 July	32,609,412	29,669,533
Current Year Revaluation Increment /(Decrement)	3,137,373	2,939,879
Transfer to Retained Surplus	(189,368)	-
Balance at 30 June	35,557,417	32,609,412
Infrastructure – Drainage Network		
Balance at 1 July	9,482,191	8,911,700
Current Year Revaluation Increment /(Decrement)	8,940,731	570,491
Balance at 30 June	18,422,922	9,482,191

**CITY OF SOUTH PERTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

22. REVALUATION SURPLUS (Continued)	2019	2018
	\$	\$
Infrastructure - Street Furniture		
Balance at 1 July	953,015	665,553
Current Year Revaluation Increment/(Decrement)	(148,216)	287,462
Transfer to Retained Surplus	(12,855)	-
Balance at 30 June	791,944	953,015
Infrastructure – Parks Assets		
Balance at 1 July	45,609,323	48,976,455
Current Year Revaluation Increment /(Decrement)	315,672	(3,367,132)
Transfer to Retained Surplus	(242,476)	-
Balance at 30 June	45,682,519	45,609,323
Infrastructure - Foreshore Assets		
Balance at 1 July	13,477,401	-
Current Year Revaluation Increment /(Decrement)	1,056,374	13,477,401
Balance at 30 June*	14,533,775	13,477,401
Infrastructure - Car Parking		
Balance at 1 July	8,322,988	-
Current Year Revaluation Increment /(Decrement)	119,248	8,322,988
Balance as at 30 June*	8,442,236	8,322,988
Total Revaluation Surplus	570,376,073	556,371,017
Summary of Revaluation Surplus		
	2019	2018
Details	\$	\$
Balance at 1 July	556,371,017	546,012,854
Revaluation Increments	14,712,273	26,592,464
Revaluation Decrements	(148,216)	(16,234,301)
Transfer to Retained Surplus	(559,002)	-
Balance at 30 June	570,376,073	556,371,017

* Refer to Note 37, regarding Infrastructure assets identified during the 30 June 2018 year end.

**CITY OF SOUTH PERTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

23. ELECTED MEMBERS' EXPENDITURE

Elected Members' Remuneration Payments

For the year ended 30 June 2019, meeting attendance fees, local government allowances and communications and technology allowances within the permissible limits have been paid to the City's Council Members as provided for under the Local Government Act. Fees and allowances are paid quarterly 'in advance'.

	2019	2019	2018
	Budget	Actual	Actual
	\$	\$	\$
Meeting Attendance Fees	220,000	211,008	206,925
Local Government Allowances	80,000	77,540	73,609
Technology Allowances	42,000	30,916	31,500
Total Elected Members' Remuneration Payments	342,000	319,464	312,034

Other Elected Members' Expenditure

There are other expenses incurred in relations to Elected Members.

Insurances	32,000	53,629	29,749
Training and Conferences	30,000	24,146	32,226
Election Expenses	-	-	108,884
Subscriptions	50,000	48,998	45,977
Other Expenses	10,950	17,144	31,900
Depreciation	86,500	81,972	86,522
Total Other Elected Members' Expenditure	209,450	225,889	335,258
Total Elected Members' Expenditure	551,450	545,353	647,292

24. OPERATING LEASES

The City does not have outstanding obligations under non-cancellable operating leases at reporting date, other than the operating lease for rental of photocopier / printer units with Xerox Australia.

At reporting date, the City has the following obligations under non-cancellable operating leases for equipment used in administrative functions. These obligations are currently not recognised in the Statement of Financial Position as liabilities.

	2019	2018
	\$	\$
Not later than 1 Year	70,987	70,987
Later than 1 Year and not later than 5 Years	70,987	141,974
Later than 5 Years	-	-
Total Operating Lease Obligations	141,974	212,961

25. CONTINGENT LIABILITIES

The City has no contingent liabilities as at reporting date.

26. TRADING UNDERTAKINGS and MAJOR LAND TRANSACTIONS

During the reporting period, the City did not engage in any trading undertakings or major land transactions as defined in Local Government Financial Management Regulation 45 and 46.

27. CAPITAL COMMITMENTS

The City has contracted for items of capital expenditure that were not recognised as liabilities in the Statement of Financial Position at reporting date but are detailed as capital commitments because they are the subject of an irrevocable commitment for the goods or services as at reporting date.

	2019	2018
	\$	\$
Not later than 1 Year	3,549,793	3,712,511
Later than 1 Year and not later than 5 Years	-	2,339,577
Later than 5 Years	-	-
Total Capital Commitments	3,549,793	6,052,088

**CITY OF SOUTH PERTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

28. OPENING / CLOSING POSITION For The Purpose of the Rate Setting Statement

	Note	2019 Budget \$	2019 Actual \$	2018 Actual \$
Current Assets				
Cash and Cash Equivalents	5	37,905,595	27,548,361	52,080,034
Trade and Other Receivables	6	2,500,000	5,331,901	3,625,150
Other Financial Assets at Amortised Cost	8	-	20,688,934	-
Inventories - Materials	7	150,000	-	6,793
Other Non-Financial Assets	9	430,000	427,525	334,529
		<u>40,985,595</u>	<u>53,996,721</u>	<u>56,046,506</u>
Exclude:				
Self-Supporting Loan Debtors		(465)	(322,663)	(304,375)
Adjusted Current Assets		<u>40,985,130</u>	<u>53,674,058</u>	<u>55,742,131</u>
Current Liabilities				
Trade and Other Payables	16	(2,500,000)	(32,002,435)	33,562,472
Borrowings	17	(160,000)	(1,208,076)	(1,504,508)
Employee Related Provisions	18	(4,500,000)	(4,906,031)	(4,386,991)
		<u>(7,160,000)</u>	<u>(38,116,542)</u>	<u>(39,453,971)</u>
Exclude:				
Borrowings	17	160,000	1,208,076	1,504,508
Liabilities Associated with Restricted Assets	19	-	26,966,474	29,026,970
Adjusted Current Liabilities		<u>(7,000,000)</u>	<u>(9,941,992)</u>	<u>(8,922,493)</u>
(Adjusted) Net Current Assets		33,985,130	43,732,066	46,819,638
Less Restricted Assets - Cash Reserves and Financial Assets	5	(33,084,951)	(36,114,409)	(42,188,903)
		<u>900,179</u>	<u>7,617,657</u>	<u>4,630,735</u>
SURPLUS (DEFICIT)		900,179	7,617,657	4,630,735

Net current (unrestricted) assets carried forward at 1 July 2018 as disclosed for the purpose of the budget were \$550,112. This amount differs from the net current (unrestricted) assets (calculated in accordance with Department of Local Government Guideline No 8) shown in the audited financial statements for the year ended 30 June 2018 of \$4,630,735.

Net current assets for the purposes of preparing the Annual Budget is calculated as the projected difference between current assets (adjusted by the exclusion of "restricted" assets and current liabilities as disclosed on the budgeted balance sheet (adjusted by the exclusion of current loan liabilities).

The difference arose as a consequence of the use of 'estimated' account balances to facilitate the early adoption of the Annual Budget on 26 June 2018. This has no detrimental effect on operations during the year. The practice of deriving the budget position using projected balances allows Council to adopt its Annual Budget in early July and levy its rates promptly, thereby avoiding the need to arrange short term cash accommodation with its bankers to fund City's operations during July and August.

**CITY OF SOUTH PERTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

29. RATING INFORMATION

Rate In the Dollar

A rate of 6.6612 cents in the dollar (6.5563 cents in 2018) was applied to the Gross Rental Value (GRV) of all rateable properties in the City except those subject to the approved minimum rate. This rate was applied to both residential and commercial property within the City.

Minimum Rate

A \$984 Minimum Rate was applied (\$968.20 in 2018). This rate was determined to reflect the basic cost incurred in servicing lots within the district for the 2018/2019 rating year. Approximately 8.9% of rateable properties attracted this minimum rate - well under the allowable threshold of 50%.

Instalment Options

In accordance with the statutory provisions the City offers ratepayers a choice of payment of rates by either one, two or four instalments. To offset the cost of offering the instalment payment option, the City charges a \$10.00 administration fee on the second, third and fourth instalments plus interest at 5.5% per annum on instalment payments. This fee supports the cost of administering debts, issuing instalment reminder notices and processing payments received.

Penalty Interest

An interest charge of 11% is applicable to all rates outstanding past the due date, including unpaid instalments (excluding pensioner deferrals) as provided in the Local Government Act (1995). The rate of interest on outstanding rates is consistent with the penalty interest rate gazetted by the state government and applied to outstanding balances for the Emergency Services Levy.

Revenue from Rates Admin Fees and Interest

	2019	2019	2018
	Budget	Actual	Actual
	\$	\$	\$
Administration Fee – Instalments	150,000	145,511	149,480
Prescribed Interest on Rates Instalments	185,000	172,467	184,429
Interest on Overdue Rates	170,000	270,017	188,593
Total Charges and Interest	505,000	587,995	522,502

Concessions

Council does not offer any concession other than those under the Rates and Charges (Rebates and Deferments) Act 1992.

Incentive Scheme

The incentive scheme to encourage the early payment of rates did not operate in the 2018/2019 rating year.

Emergency Services Levy

During the 2018/2019 year the City was required to perform the role of third party collection agent for the Emergency Services Levy (ESL) for properties within the City. The ESL is a state government levy used to fund the operations of the career and volunteer fire brigades. For the 2018/2019 year, the City used the method of progressively remitting nominated portions of the total ESL levies to the Fire and Emergency Services Levy irrespective of whether they had been collected or not at 30 June 2019. Accordingly, the uncollected ESL funds at year end are included in the City's Statement of Financial Position as a debt owing to the City.

**CITY OF SOUTH PERTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

30. SCHEDULE OF RATES LEVIED

2018/2019 ACTUAL	Rate in \$ Cents	Properties #	Rateable Value \$	Rate Yield \$
General - GRV				
Residential	6.6612	17,954	466,520,690	31,075,876
Commercial	6.6612	675	56,932,966	3,792,420
		18,629	523,453,656	34,868,296
Min General – GRV				
Residential	984	1,756	23,524,985	1,727,905
Commercial	984	70	852,764	68,880
		1,826	24,377,749	1,796,785
Interim Rates		-	-	415,989
Rates Income in Advance		-	-	411,996
TOTAL		20,455	547,831,405	37,493,066

2018/2019 BUDGET	Rate in \$ Cents	Properties #	Rateable Value \$	Rate Yield \$
General – GRV				
Residential	6.6612	17,816	466,403,501	31,068,070
Commercial	6.6612	576	56,993,845	3,796,474
		18,392	523,397,346	34,864,544
Min General – GRV				
Residential	984	1,758	23,689,841	1,729,872
Commercial	984	70	826,635	68,880
		1,828	24,516,476	1,798,752
Interim Rates		-	-	150,000
TOTAL		20,220	547,913,822	36,813,296

**CITY OF SOUTH PERTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

31. GENERAL PURPOSE FUNDING

	2019 Budget \$	2019 Actual \$	2018 Actual \$
General Rate			
GRV - 18,629 Assessments	34,864,544	34,868,296	
Rate in \$ of 6.6612 cents			
GRV – 18,445 Assessments			34,142,055
Rate in \$ of 6.5563 cents			
Minimum Rate			
GRV – 1,826 Assessments at \$ 984.00	1,798,752	1,796,785	
GRV – 1,842 Assessments at \$ 968.20			1,783,423
Interim Rates			
GRV - Rate in \$ of 6.6612 cents	150,000	415,989	
GRV - Rate in \$ of 6.5563 cents			120,950
Plus – Advance Rates		411,996	-
	36,813,296	37,493,066	36,046,428
Plus - Late Payment Penalties / Interest	355,000	172,467	178,983
Plus - Admin and Legal Fees Recouped	230,000	145,335	176,903
Total Amount from Rates	37,398,296	37,810,868	36,402,315
Grant Revenue			
General (Untied) Grant	925,000	886,132	892,948
	925,000	886,132	892,948
Other General Purpose Income			
Pensioner’s Deferred Rates Interest	13,000	-	936
Interest Revenue (Including Reserves)	572,615	883,102	934,979
ESL Transaction Processing Fee	40,000	40,180	40,330
ESL Interest Revenue	15,000	35,772	21,580
Other General Purpose Revenue	435,198	416,964	626,826
	1,075,813	1,376,018	1,624,651
Total General Purpose Revenue	39,399,109	40,073,018	38,919,913

**CITY OF SOUTH PERTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

32. NOTES TO THE STATEMENT OF CASHFLOWS

RECONCILIATION TO THE STATEMENT OF CASH FLOWS

For the purpose of preparing the Statement of Cash Flows, the City considers cash and cash equivalents to include cash on hand, in banks and in term deposits with financial institutions. Cash at the end of the reporting period as shown on the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2019	2018
	\$	\$
Cash at Bank / On Hand	1,799,005	79,232
Cash Equivalents	25,749,356	52,000,802
Cash and Cash Equivalents	27,548,361	52,080,034
Other Financial Assets - Term Deposits	20,688,934	-
Total Cash and Cash Equivalents and Financial Assets	48,237,295	52,080,034

Term deposits of \$20,688,934 with maturities of more than three months are now classified as financial assets and disclosed as detailed in Note 8.

Reconciliation of Net Cash Provided By Operating Activities to Net Result

Net Result	(475,307)	(2,234,777)
Non-cash flows in Net result:		
Fees and Charges	(136,712)	-
Depreciation	11,861,091	10,935,022
Amortisation	137,381	160,280
Profit on Sale of Assets	(35,012)	(111,319)
Share of profit of Associates accounted for using the equity	(24,974)	(29,516)
Adjustment to Financial Assets at Fair Value	(20,503)	93
Work in Progress expensed	559,060	32,563
Non Operating Items		
Grants for the Construction of Assets	(2,439,613)	(974,937)
Changes in Assets and Liabilities during Year		
(Increase) / Decrease in Current Receivables	(1,063,463)	(360,540)
(Increase) / Decrease in Inventory	6,793	102,258
(Increase) / Decrease in Prepayments	(44,689)	(11,231)
(Increase) / Decrease in Accrued Income	(48,307)	573,040
Increase / (Decrease) in Current Payables	(959,688)	(1,530,004)
Increase / (Decrease) in Income in Advance	(19,607)	43,125
Increase / (Decrease) in Accrued Expenses	(32,986)	158,935
Increase / (Decrease) in Current Provisions	519,040	(15,024)
Increase / (Decrease) in Other Payables	51,137	173,980
Increase / (Decrease) in Bond Payables	1,461,603	-
(Increase) / Decrease in Non Current Receivables	(45,631)	(61,417)
Increase / (Decrease) in Non Current Other Payables	96,361	-
Increase / (Decrease) in Non Current Provisions	(75,925)	61,573
Net Cash From Operating Activities	9,270,050	6,912,104

33. CREDIT STANDBY ARRANGEMENTS

The City has access to a corporate credit card facility to a potential funding limit of \$40,000 (2018: \$40,000). Any outstanding balances are settled monthly.

**CITY OF SOUTH PERTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

34. 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.

The City held the following financial instruments at balance date:

	Carrying Value 2019 \$	Carrying Value 2018 \$
Financial Assets		
Financial assets measured at amortised cost	27,008,937	-
Financial assets measured at fair value through profit or loss	175,171	-
Available for sale financial assets	-	154,668
Loans and receivables	-	4,890,284
	27,184,108	5,044,952
Financial Liabilities		
Financial liabilities measured at amortised cost	40,762,391	43,819,673
	40,762,391	43,819,673

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

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. The City does not have an overdraft facility.

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.

**CITY OF SOUTH PERTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

34. FINANCIAL RISK MANAGEMENT (Continued)

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
2019					
Cash and cash equivalents	2.23%	27,548,361	21,146,603	6,397,169	4,590
Financial assets at amortised cost - term deposits	2.53%	20,688,934	20,688,934	-	-
2018					
Cash and cash equivalents	2.66%	52,080,034	46,966,362	5,109,172	4,500

Sensitivity

As most of the City's Cash and Cash Equivalents are invested in short term deposits with fixed interest rates the City's exposure is limited only to those deposits that are at call with variable interest rates. These deposits are minimal and are available only for a short duration of time before being used to meet the City's day to day obligations. This coupled with the current low interest rates mean the City's risk exposure is very minimal.

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 35.

(b) Credit risk

Trade Receivables

The City's major receivables comprise rates annual charges and user fees and charges. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. The City manages this risk by monitoring outstanding debt and employing debt recovery policies.

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

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

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

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 36 months before 1 July 2018 or 1 July 2019 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of ratepayers and residents to settle the receivables. Housing prices and unemployment rates have been identified as the most relevant factor in repayment rates, and accordingly adjustments are made to the expected credit loss rate based on these factors. There are no material receivables that have been subject to a re-negotiation of repayment terms.

**CITY OF SOUTH PERTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

34. FINANCIAL RISK MANAGEMENT (Continued)

The loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows for rates receivable. No expected credit loss was forecast on 1 July 2018 or 30 June 2019 for rates receivable as penalty interest applies to unpaid rates and properties associated with unpaid rates may be disposed of to recover unpaid rates.

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

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2019					
Sundry Receivables and infringements					
Expected credit loss [^]	0%	0%	0%	51.95%	12.88%
Gross carrying amount	1,680,583	110,719	32,151	601,138	2,424,591
Loss allowance	-	-	-	312,281	312,281
01 July 2018					
Sundry Receivables and Infringements					
Expected credit loss [^]	0%	0%	0%	43.62%	18.74%
Gross carrying amount	619,030	92,477	40,466	566,120	1,318,093
Loss allowance	-	-	-	246,963	246,963

[^] Expected Credit Loss percentage includes past due and future write-offs.

(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. Financial assets utilised to minimise the City's Liquidity risk are term deposits (disclosed in Notes 5 and 8). The maturity profiles of these term deposits are planned for and scheduled taking in to account the City's expectation of cash inflows generated from trade and other receivables. Thereby ensuring adequate liquidity is maintained to meet the City's payment obligations as and when they fall due. Payment terms can be extended if required.

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 and 5 years	Due after 5 years	Total contractual cash flows	Carrying values
2019	\$	\$	\$	\$	\$
Payables *	4,968,706	96,361	-	5,065,067	5,065,067
Borrowings	1,617,159	3,944,528	5,535,845	11,097,532	8,663,595
Leaseholder Liability (Retirement Facility)	26,966,474	-	-	26,966,474	26,966,474
	33,552,339	4,040,889	5,535,845	43,129,073	40,695,136
2018					
Payables *	4,448,640	-	-	4,448,640	4,448,640
Borrowings	1,956,754	4,776,299	6,386,859	13,119,912	10,257,201
Leaseholder Liability (Retirement Facility)	29,026,970	-	-	29,026,970	29,026,970
	35,432,364	4,776,299	6,386,859	46,595,522	43,732,811

* Payables total excludes Income in Advance

**CITY OF SOUTH PERTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

35. INTEREST BEARING BORROWINGS

The City undertakes borrowings for its own purposes as part of a balanced funding model. It also acts as a guarantor for Self Supporting Loans to a number of community groups. City borrowings are regarded as part of the overall municipal funding package and with the exception of borrowings associated with the Collier Park Golf Course (Recreation and Culture Program) are not directly attributed to operational programs other than General Purpose Revenue. They are secured against the future general revenue of the City. Loan No 223, 225A, 225B and 231 are City loans.

Self Supporting Loans are guaranteed by the City on behalf of a nominated community sporting group. Responsibility for all payments of principal and interest rests with the beneficiary community sporting group. All payments are reimbursed by the relevant group - meaning that there is no financial impost on the City for these loans. Loan Numbers 224, 228, 229 and 230 are Self Supporting Loans. Loan 227 relates to the Collier Park Golf Course and the course is responsible for servicing all of its own loan repayments from its own sources - without impost on ratepayers.

All loans borrowings detailed below are undertaken with WA Treasury Corporation. Loan terms, payment frequencies and interest rates vary as agreed at the time of negotiating the loan. Individual loan details are as specified in the following table.

Loan No	Interest Rate	Budget Principal 1 July 2018	Budget Principal Repayments	Budget Interest Repayments	Budget Principal outstanding	Actual Balance 1-Jul-18	Actual Principal Repayment	Actual Interest Repayment	Actual Total Repayment	Balance 30-Jun-19	Comprise: Current Non Current	
City Loans												
223	6.22%	390,386	(390,386)	(16,214)	-	390,386	(390,386)	(16,040)	(406,426)	-	-	-
225A	5.48%	718,373	(226,491)	(38,526)	491,882	736,694	(244,812)	(39,556)	(284,368)	491,882	239,219	252,663
225B	4.02%	374,380	(119,820)	(15,314)	254,560	384,150	(129,589)	(15,714)	(145,303)	254,561	124,726	129,835
231	3.21%	4,615,721	(177,385)	(165,254)	4,438,336	4,631,590	(193,254)	(177,643)	(370,897)	4,438,336	199,550	4,238,786
		6,098,860	(914,082)	(235,308)	5,184,778	6,142,820	(958,041)	(248,953)	(1,206,994)	5,184,779	563,495	4,621,284
Golf Course Loans												
227	4.97%	3,045,948	(306,341)	(164,592)	2,739,607	3,070,797	(331,190)	(165,856)	(497,046)	2,739,607	321,918	2,417,689
Self Supporting Loans – Clubs and Institutions												
224	6.15%	542,990	(263,275)	(26,188)	279,715	542,990	(263,275)	(26,188)	(289,463)	279,715	279,715	-
228	4.65%	59,042	(5,066)	(3,042)	53,976	59,041	(5,066)	(3,042)	(8,108)	53,975	5,305	48,670
229	4.42%	360,974	(30,316)	(17,814)	330,658	360,974	(30,316)	(17,814)	(48,130)	330,658	31,678	298,980
230	4.22%	80,579	(5,718)	(3,812)	74,861	80,579	(5,718)	(3,812)	(9,530)	74,861	5,965	68,896
		1,043,585	(304,375)	(50,856)	739,210	1,043,584	(304,375)	(50,856)	(355,231)	739,209	322,663	416,546
Total Borrowings		10,188,393	(1,524,798)	(450,756)	8,663,595	10,257,201	(1,593,606)	(465,665)	(2,059,271)	8,663,595	1,208,076	7,455,519

**CITY OF SOUTH PERTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

36. PROPERTY PLANT and EQUIPMENT

(a) Movements in Carrying Amount

Movement	Land	Buildings	Artwork	Technology Equipment	Furniture & Fittings	Mobile Plant	Plant & Equipment	Work in Progress	Total
Balance - 1 July 2018	273,173,000	98,754,027	1,285,847	629,567	703,827	2,707,924	777,097	20,125	378,051,414
Additions	-	1,001,998	-	113,937	-	671,146	39,391	-	1,826,472
Disposals	-	-	-	-	-	(50,351)	-	-	(50,351)
Revaluation Increments / (Decrements)	-	-	-	-	-	-	-	-	-
Additions to Work in Progress	-	-	-	-	-	-	-	710,861	710,861
Assets Reclassification	-	635,250	-	(671)	(635,250)	62,340	-	-	61,669
Reinstatement of Assets disposed in Error	-	-	-	-	-	27,547	-	-	27,547
Transfer from/(to) WIP Infrastructure	-	-	-	-	-	-	-	(10,000)	(10,000)
Depreciation Expense	-	(2,048,240)	(25,718)	(208,453)	(20,287)	(943,603)	(64,323)	-	(3,310,624)
Balance - 30 June 2019	273,173,000	98,343,035	1,260,129	534,380	48,290	2,475,003	752,165	720,986	377,306,988

**CITY OF SOUTH PERTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

36. PROPERTY PLANT and EQUIPMENT

(a) Movements in Carrying Amount (Continued)

Movement	Land	Buildings	Artwork*	Technology Equipment*	Furniture & Fittings*	Mobile Plant*	Plant & Equipment*	Work in Progress	Total
Balance - 1 July 2017	273,160,000	93,093,093	292,235	716,193	89,118	2,707,096	261,798	3,330,654	373,650,187
Additions	-	4,624,862	119,000	112,930	635,249	1,191,549	562,327	-	7,245,917
Disposals	(186,949)	-	-	(7,922)	-	(130,681)	-	-	(325,552)
Revaluation Increments / (Decrements)	199,949	39,096	755,198	-	-	-	-	-	994,243
Additions to Work in Progress	-	-	-	-	-	-	-	20,125	20,125
Transfer from Infrastructure - Parks	-	-	80,900	-	-	-	-	-	80,900
Transfer from/(to) WIP Infrastructure	-	-	-	-	-	-	-	(167,332)	(167,332)
Transfer from/(to) WIP Intangibles	-	-	-	-	-	-	-	(127,276)	(127,276)
Transfer from/(to) Expenses	-	-	-	-	-	-	-	(32,563)	(32,563)
Transfers from Work in Progress	-	2,953,983	49,500	-	-	-	-	(3,003,483)	-
Depreciation Expense	-	(1,957,007)	(10,986)	(191,634)	(20,540)	(1,060,040)	(47,028)	-	(3,287,235)
Balance - 30 June 2018	273,173,000	98,754,027	1,285,847	629,567	703,827	2,707,924	777,097	20,125	378,051,414

*Restated refer Note 41 'Effect of Changes in Accounting Policy'

**CITY OF SOUTH PERTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

36. PROPERTY PLANT and EQUIPMENT (Continued)

(b) Fair Value Measurements

Asset Class	Note	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Land - Freehold	13	2	Market approach using recent observable market data for similar properties	Independent registered valuer	June 2018	Comparable sales / Price per square metre
Land under Control	13	3	Income approach using cashflow methodology	Management valuation	June 2019	Expected cashflow
Buildings - Specialised	13	3	Cost approach using depreciated replacement cost adjusted for estimates of residual value, useful life, condition and pattern of consumption.	Independent registered valuer	June 2018	Construction costs and current condition, residual value, remaining useful life and pattern of consumption assessments inputs
Artwork	13	2	Market approach using estimated value expected to be realised adjusted for condition and comparability	Independent registered valuer	June 2018	Comparison to recent sales of Artwork with similar characteristics
Technology Equipment	13	2	Cost approach using depreciated replacement cost	Management valuation	June 2018	Consideration for make, capacity, year of manufacture and condition
Furniture & Fittings	13	2	Cost approach using depreciated replacement cost	Management valuation	June 2018	Consideration for make, capacity, year of manufacture and condition
Mobile Plant	13	2	Cost approach using depreciated replacement cost	Management valuation	June 2018	Consideration for make, capacity, year of manufacture and condition
Plant and Equipment	13	2	Cost approach using depreciated replacement cost	Management valuation	June 2018	Consideration for make, capacity, year of manufacture and condition

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

During the period there was no change in the valuation techniques used by the City to determine the fair value of property, plant and equipment.

There were no transfers in or out of Level 3 during the year.

Refer to Note 36 (a) for the reconciliation of the opening to closing balances of Level 3 assets.

Refer to Note 36 (a) for the fair value movements during the reporting period.

**CITY OF SOUTH PERTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

37. INFRASTRUCTURE

(a) Movements in Carrying Amount

Movement	Roads Network	Drainage Network	Path Network	Street Furniture	Parks Assets	Foreshore Assets	Car Parking	Work in Progress	Total Infrastructure
Balance - 1 July 2018	185,608,867	20,677,397	41,370,250	1,787,156	65,400,369	15,681,244	8,322,988	2,034,565	340,882,836
Additions	2,945,678	155,494	662,662	16,772	2,604,151	-	-	-	6,384,757
Disposals	-	-	(100,816)	(18,904)	(108,824)	-	-	-	(228,544)
Revaluation Increments	1,142,876	8,940,731	3,137,373	-	315,672	1,056,374	119,248	-	14,712,274
Revaluation Decrements	-	-	-	(148,216)	-	-	-	-	(148,216)
Additions to Work in Progress	-	-	-	-	-	-	-	3,078,656	3,078,656
Transfers from Work in Progress	-	-	-	-	1,437,141	-	-	(1,437,141)	-
WIP Transfer from PP&E	-	-	-	-	-	-	-	10,000	10,000
Depreciation Expense	(4,474,609)	(484,329)	(1,161,307)	(113,834)	(1,219,951)	(794,771)	(301,666)	-	(8,550,468)
Balance - 30 June 2019	185,222,812	29,289,293	43,908,162	1,522,974	68,428,558	15,942,847	8,140,570	3,686,080	356,141,296

**CITY OF SOUTH PERTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

37. INFRASTRUCTURE (Continued)

(a) Movements in Carrying Amount (Continued)

Movement	Roads Network	Drainage Network	Path Network	Street Furniture	Parks Assets	Foreshore Assets	Car Parking	Work in Progress	Total Infrastructure
Balance - 1 July 2017	199,573,890	20,082,899	39,120,531	1,589,893	67,733,614	2,176,898	-	1,496,797	331,774,522
Additions	3,402,388	452,041	428,988	10,180	1,117,975	26,945	-	-	5,438,517
Disposals	-	-	-	-	-	-	-	-	-
Revaluation Increments	-	570,491	2,939,879	287,462	-	13,477,401	8,322,988	-	25,598,221
Revaluation Decrements	(12,867,169)	-	-	-	(3,367,132)	-	-	-	(16,234,301)
Additions to Work in Progress	-	-	-	-	-	-	-	2,034,565	2,034,565
Transfers to Artworks	-	-	-	-	(80,900)	-	-	-	(80,900)
Transfers from Work in Progress	181,755	41,619	-	-	1,273,423	-	-	(1,496,797)	-
Depreciation Expense	(4,681,997)	(469,653)	(1,119,148)	(100,379)	(1,276,611)	-	-	-	(7,647,788)
Balance - 30 June 2018*	185,608,867	20,677,397	41,370,250	1,787,156	65,400,369	15,681,244	8,322,988	2,034,565	340,882,836

* During the 30 June 2018 year end, a full inventory and valuation was undertaken for Infrastructure assets. This full review identified \$20.7m (Foreshore Assets \$12.4m and Car Parking \$8.3m) in Infrastructure assets that previously existed, but were not recorded in the Financial Statements. A significant portion of the assets not previously recognised at fair value, were constructed between fifty to sixty years ago. The valuation of Infrastructure assets can only be completed during a current review based on conditions existing at that time. Retrospective restatement is impracticable due to condition surveys not being completed during prior periods for these assets. Retrospective estimations of asset values for previous years would require making numerous assumptions which have significant variability affecting the accuracy and reliability, as such retrospective valuations would be inappropriate and may be misleading.

Infrastructure assets not being accounted for in prior periods has been included as at 30 June 2018.

**CITY OF SOUTH PERTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

37. INFRASTRUCTURE (Continued)

(b) Fair Value Measurements

Asset Class	Note	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - Roads	14	3	Cost approach using depreciated replacement costs	Management valuation	June 2019	Construction costs and current condition, residual value, remaining useful life and pattern of consumption assessments inputs
Infrastructure - Drains	14	3	Cost approach using depreciated replacement costs	Management valuation	June 2019	Construction costs and current condition, residual value, remaining useful life and pattern of consumption assessments inputs
Infrastructure - Paths	14	3	Cost approach using depreciated replacement costs	Management valuation	June 2019	Construction costs and current condition, residual value, remaining useful life and pattern of consumption assessments inputs
Infrastructure - Parks	14	3	Cost approach using depreciated replacement costs	Management valuation	June 2019	Construction costs and current condition, residual value, remaining useful life and pattern of consumption assessments inputs
Infrastructure - Street Furniture	14	3	Cost approach using depreciated replacement costs	Management valuation	June 2019	Construction costs and current condition, residual value, remaining useful life and pattern of consumption assessments inputs
Infrastructure - Foreshore Assets	14	3	Cost approach using depreciated replacement costs	Management valuation	June 2019	Construction costs and current condition, residual value, remaining useful life and pattern of consumption assessments inputs
Infrastructure - Car Parking	14	3	Cost approach using depreciated replacement costs	Management valuation	June 2019	Construction costs and current condition, residual value, remaining useful life and pattern of consumption assessments inputs

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

During the period there was no change in the valuation techniques used by the City to determine the fair value of infrastructure assets.

There were no transfers in or out of Level 3 during the year.

Refer to Note 37 (a) for the reconciliation of the opening to closing balances of Level 3 assets.

Refer to Note 37 (a) for the fair value movements during the reporting period.

**CITY OF SOUTH PERTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

38. KEY PERFORMANCE INDICATORS

Performance Measure	2019	2018	2017
CURRENT RATIO	1.03	0.85	0.9
<p><i>Indicates the City's short term liquidity and capacity to meet short term obligations. Preferred value for this ratio is greater than 1.0</i></p> <p><i>This ratio is calculated as follows:</i></p> $\frac{\text{Current Assets minus Restricted Assets}}{\text{Current Liabilities minus Liabilities Associated With Restricted Assets}}$			
OPERATING SURPLUS RATIO	(5.0%)	(6.0%)	(1.5%)
<p><i>Indicates the extent to which revenue covers operational expenses and capital expenditure. Preferred value is positive and between 0% and 15%</i></p> <p><i>This ratio is calculated as follows:</i></p> $\frac{\text{Operating Revenue minus Operating Expenses}}{\text{Own Source Operating Revenue}}$			
OWN SOURCE REVENUE COVER RATIO	92.6%	90.9%	95.5%
<p><i>Indicates the extent of financial autonomy That is the capacity to generate revenues to meet operating costs from its own revenue sources. Preferred value is greater than 40%</i></p> <p><i>This ratio is calculated as follows:</i></p> $\frac{\text{Own Source Operating Revenue}}{\text{Operating Expense}}$			
DEBT SERVICE COVER RATIO	4.64	4.64	5.32
<p><i>Indicates the capacity to generate sufficient cash to meet debt service obligations as they become due and payable. Preferred value for this ratio is greater than 2.0</i></p> <p><i>This ratio is calculated as follows:</i></p> $\frac{\text{Operating Surplus before Interest and Depreciation}}{\text{Principal and Interest}}$			

**CITY OF SOUTH PERTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

38. KEY PERFORMANCE INDICATORS (Continued)

Performance Measure	2019	2018	2017
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ASSET SUSTAINABILITY RATIO[^]	101.2%	121.5%	125.2%
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*Indicates the extent to which assets are renewed or replaced as they reach the end of their useful lives
Preferred value for this ratio is greater than 90%*

This ratio is calculated as follows:

Capital Renewal and Replacement Expenditure

Depreciation Expense and Amortisation

[^]The prior year comparative has been reviewed and amended to reflect the classification of cost incurred on asset renewal and replacement. As this is a significant adjustment the prior year results as originally published (2018: 62.2%, 2017: 165.8%) have been amended.

Further Ratio Information

The following information relates to those ratios that require only attestation that they have been checked and are supported by verifiable information.

ASSET CONSUMPTION RATIO	66.5%	71.8%	71.9%
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*Indicates the aged condition of the City's physical assets.
Preferred value for this ratio is between 50% and 70%*

This ratio is calculated as follows:

Depreciated Replacement Cost of Assets

Current Replacement Value of Assets

ASSET RENEWAL FUNDING RATIO	100.0%	100.0%	97.3%
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*Indicates the City's capacity to fund asset renewals at existing revenue and service levels.
Preferred value for this ratio is between 95% and 100%*

This ratio is calculated as follows:

Net Present Value of Planned Renewal Funding

Net Present Value of Required Renewal Funding

39. EVENTS AFTER THE REPORTING PERIOD

There have been no significant events after the reporting period that are required to be included in the 2018/2019 Annual Financial Report.

**CITY OF SOUTH PERTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

40. RELATED PARTY TRANSACTIONS

Key Management Personnel (KMP) Compensation Disclosure

Total Remuneration paid to KMP of the City during the year are as follows:

	2019	2018
	\$	\$
Short-term employee benefits	832,074	802,809
Post-employment benefits	103,850	125,300
Other long-term benefits	99,488	95,940
	<u>1,035,411</u>	<u>1,024,049</u>

Short-term employee benefits

These amounts include all salary and fringe benefits awarded to KMP, excluding fees and benefits paid to elected members which are disclosed in Note 23.

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 annual leave and long service benefits including the non-current entitlement to long service leave and annual leave accruing during the year.

Termination benefits

These amounts represent termination benefits paid to KMP during the year.

Related Parties

The entity'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. Compensation in relation to elected members is disclosed in Note 23.

ii. Entities subject to significant influence by the entity

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.

iii. Associates accounted for under the equity method

The Entity has an interest in the Rivers Regional Council, which is accounted for in these financial statements using the equity method. For details of interests held in Associates, refer to Note 12.

The City has an interest in the Rivers Regional Council based on the tonnes of waste delivered during the previous financial year, which is included in the financial statements. The percentage interest for the year, based on proportionate prior year tonnage contributions (from the Cities of Armadale, Gosnells, Mandurah, South Perth and the Shires of Serpentine Jarrahdale and Murray) was 11.97% representing an interest of \$80,077 (2018: 12.23% and \$55,103). The total contribution paid to Rivers Regional Council during the year were \$55,804.

**CITY OF SOUTH PERTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

40. RELATED PARTY TRANSACTIONS (Continued)

iv. The City has an ownership interest in the Local Government House Trust, which is included in the financial statements, comprising of 10 units. This ownership interest represents 1.61% and \$175,171 (2018: 1.61% and \$154,668).

Transactions with related parties

Transactions between the City and related parties in the ordinary course of business are undertaken at arm's length, and are no more favourable than those available to other parties and have been identified to be transactions ordinary citizen would undertake with the City. These Ordinary Citizen Transactions have been determined to be immaterial in nature and are excluded from related party disclosures.

41 EFFECT OF CHANGES IN ACCOUNTING POLICY

Effective from 1 July 2018 the City has adopted the amendment to the Local Government (Financial Management) Regulation 1996 (Regulation 17A). The nature of the change is to increase the capitalisation threshold of assets from \$1,000 to \$5,000.

The adoption of this amendment has resulted in changes to the amounts recognised in the financial statements and the City has restated the comparative information where indicated.

The impact of the accounting policy change is as follows:

Statement of Financial Position as at:	Previous 30/06/2018	Restated 30/06/2018
	\$	\$
Property, Plant and Equipment	379,515,095	378,051,414
Intangibles	1,573,143	1,568,952
Retained Surplus	132,292,050	130,863,966
Revaluation Surplus	556,410,805	556,371,017
Statement of Changes in Equity as at:	Previous 30/06/2018	Restated 30/06/2018
	\$	\$
Retained Surplus	132,292,050	130,863,966
Revaluation Surplus	556,410,805	556,371,017
Statement of Comprehensive Income by Function / Program as at:	Previous 30/06/2018	Restated 30/06/2018
	\$	\$
Governance	7,477,189	7,523,866
Community Amenities	10,375,806	10,418,438
Recreation and Culture	19,005,071	18,883,016
Transport	16,506,112	16,483,892
Changes in asset revaluation surplus	10,397,951	10,358,163

**CITY OF SOUTH PERTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

41 EFFECT OF CHANGES IN ACCOUNTING POLICY (Continued)

Statement of Comprehensive Income by Nature and Type as at:	Previous 30/06/2018	Restated 30/06/2018
	\$	\$
Materials and Contracts	19,082,620	19,402,095
Depreciation	11,308,996	10,935,022
Amortisation Expense	160,747	160,280
Changes in asset revaluation surplus	10,397,951	10,358,163
	\$	\$
Statement of Cash Flows	Previous 30/06/2018	Restated 30/06/2018
Materials and Contracts	(20,477,804)	(20,797,279)
Purchase / Construction of Assets	(15,519,609)	(15,200,134)
	\$	\$
Rate Setting Statement	Previous 30/06/2018	Restated 30/06/2018
Governance	(7,444,628)	(7,491,305)
Community Amenities	(10,375,806)	(10,418,438)
Recreation and Culture	(19,186,277)	(19,064,222)
Transport	(16,506,112)	(16,483,892)
Depreciation of Assets	11,308,996	10,935,022
Amortisation Expense	160,747	160,280
Acquisition of Furniture	(674,424)	(635,249)
Acquisition of Technology	(302,406)	(112,930)
Acquisition of Plant and Equipment	(604,959)	(562,327)
Acquisition of Mobile Plant	(1,239,741)	(1,191,549)

42 INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

During the current year, the City adopted the new Australian Accounting Standard AASB 9 *Financial Instruments*.

AASB 9 Financial Instruments

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

The City applied AASB 9 prospectively, with an initial application date of 1 July 2018. The adoption of AASB 9 has resulted in changes in accounting policies and adjustments to the following. In accordance with AASB 9.7.2.15, the City has not restated the comparative information which continues to be reported under AASB 139. The adoption of AASB 9 has not resulted in any adjustment to the amount recognised in the financial statements on its initial application.

**CITY OF SOUTH PERTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

42 INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

(a) Classification and measurement

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

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

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

- Trade and Other Receivables as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Financial Assets at amortised cost beginning 1 July 2018.
- Equity instrument in the Local Government House Trust classified as available for sale Financial Assets as at 30 June 2018 are classified and measured as Financial Assets at Fair Value through profit and loss beginning 1 July 2018.

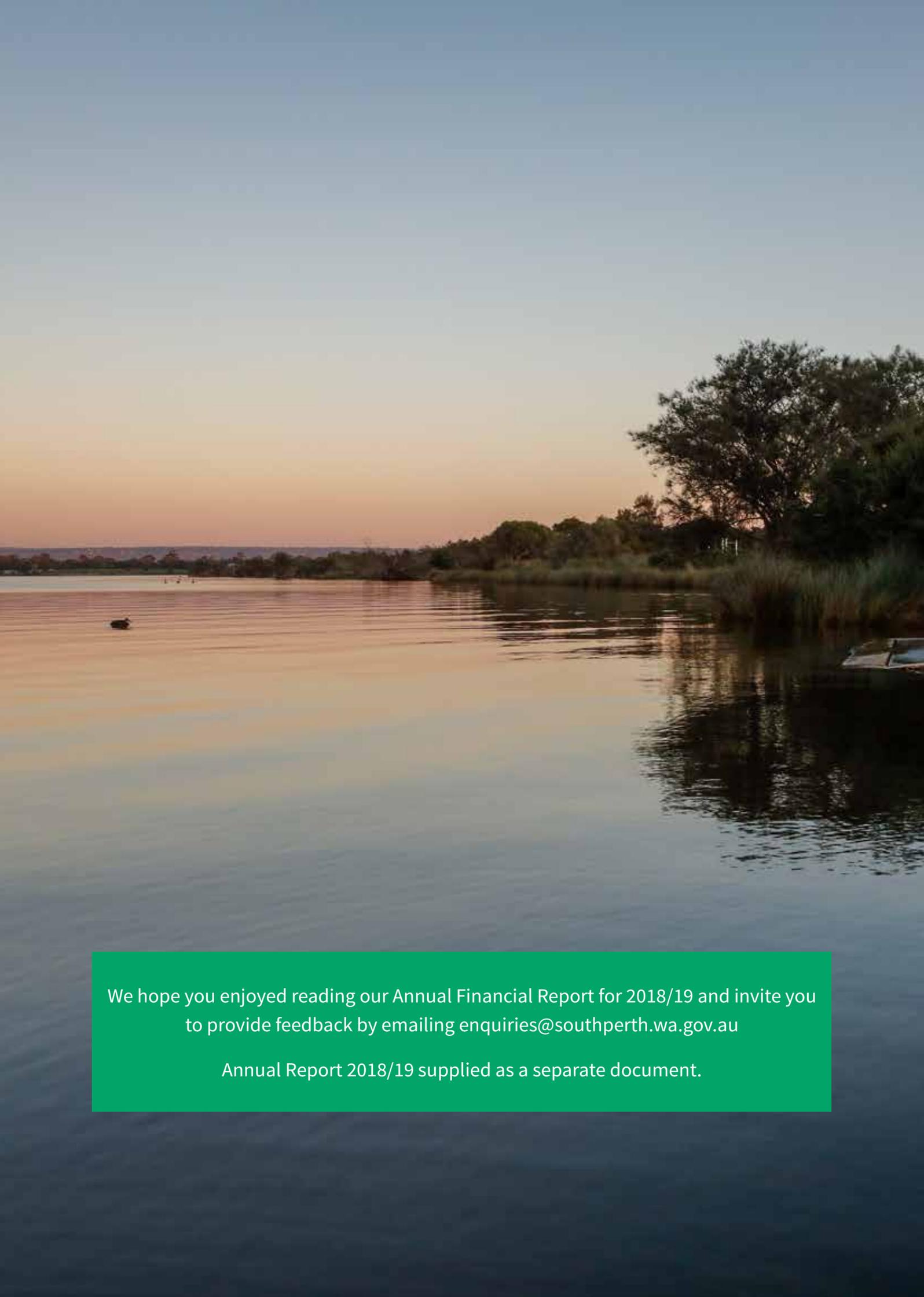
In summary, upon the adoption of AASB 9, the City had the following required reclassifications as at 1 July 2018.

AASB 139 category	AASB 139 value	AASB 9 category amortised cost	Fair value through P/L
	\$	\$	\$
Loans and Receivables	4,890,284	4,890,284	-
Available for sale Financial	154,668	-	154,668

(b) Impairment

The adoption of AASB 9 has fundamentally changed the City's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the City to recognise an allowance for ECLs for all financial assets not held at fair value through P/L. The adoption of AASB 9 has not resulted in any additional impairment recognised by the City.

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We hope you enjoyed reading our Annual Financial Report for 2018/19 and invite you to provide feedback by emailing enquiries@southperth.wa.gov.au

Annual Report 2018/19 supplied as a separate document.

USEFUL CONTACTS

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Recycling Centre

9367 2492

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Animal Care Facility

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South Perth Senior Citizens

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9484 1666

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