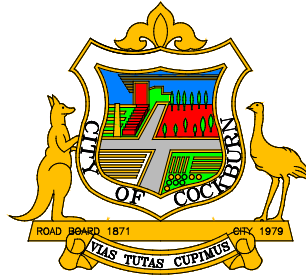


CITY OF COCKBURN



AUDIT & STRATEGIC FINANCE COMMITTEE

AGENDA ATTACHMENTS

FOR

THURSDAY, 17 NOVEMBER 2016

CITY OF COCKBURN

SUMMARY OF AGENDA TO BE PRESENTED TO THE AUDIT & STRATEGIC FINANCE COMMITTEE MEETING TO BE HELD ON THURSDAY, 17 NOVEMBER 2016 AT 6:00 PM

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CITY OF COCKBURN

AGENDA TO BE PRESENTED TO THE AUDIT & STRATEGIC FINANCE COMMITTEE MEETING TO BE HELD ON THURSDAY, 17 NOVEMBER 2016 AT 6:00 PM

1. DECLARATION OF MEETING
2. APPOINTMENT OF PRESIDING MEMBER (If required)
3. DISCLAIMER (TO BE READ ALOUD BY PRESIDING MEMBER)
4. ACKNOWLEDGEMENT OF RECEIPT OF WRITTEN DECLARATIONS OF FINANCIAL INTEREST AND CONFLICT OF INTEREST (BY PRESIDING MEMBER)
5. APOLOGIES & LEAVE OF ABSENCE
6. PUBLIC QUESTION TIME
7. CONFIRMATION OF MINUTES
 - 7.1 (ASFC 17/11/2016) - MINUTES OF THE AUDIT AND STRATEGIC FINANCE COMMITTEE MEETING - 21/07/2016

RECOMMENDATION

That Committee confirms the Minutes of the Audit and Strategic Finance Committee Meeting held on Thursday, 21 July 2016 as a true and accurate record, subject to Clr Bart Houwen being noted as an apology.

COMMITTEE DECISION

8. DEPUTATIONS

9. PETITIONS

10. BUSINESS LEFT OVER FROM THE PREVIOUS MEETING (IF ADJOURNED)

Nil

11. DECLARATION BY MEMBERS WHO HAVE NOT GIVEN DUE CONSIDERATION TO MATTERS CONTAINED IN THE BUSINESS PAPER PRESENTED BEFORE THE MEETING

12. COUNCIL MATTERS

12.1 (ASFC 17/11/2016) - CHIEF EXECUTIVE OFFICER'S BI-ENNIAL REVIEW FOR RISK, LEGISLATIVE COMPLIANCE & INTERNAL CONTROL 2016 (021/012) (J NGOROYEMOTO) (ATTACH)

RECOMMENDATION

That Council receives the Chief Executive Officer's Bi-ennial Review of the appropriateness and effectiveness of the City's systems and procedures in relation to risk management, internal controls and legislative compliance as detailed in the 2016 CEO bi-ennial review results, attached to the Agenda.

COMMITTEE RECOMMENDATION

COUNCIL DECISION

Background

In 2013, the Local Government (Audit) Regulations 1996 (the Regulations) were amended to include an obligation for each local government to bi-ennially review its systems and procedures regarding risk, legislative compliance and internal control (the Review). The review has been completed, and the results are presented to the Audit & Strategic Finance Committee.

Submission

N/A

Report

Regulation 17 of the Regulations requires the Chief Executive Officer (the CEO) to undertake the Review, at least every two calendar years. The Review assesses the appropriateness and effectiveness of the City of Cockburn's (the City's) systems and procedures in relation to:

- risk management;
- internal controls; and
- legislative compliance.

The Department of Local Government and Communities issued Local Government Guideline 9 'Audit in Local Government' in September 2013 (the Guideline) which in part outlines the items to be considered in the Review.

In conducting the Review, the City has assessed its progress against each of the items in the Guideline and the results are summarised in 2016 Chief Executive Officer's Bi-ennial Review results attached to the Agenda. The Review has confirmed that the City has sound and effective systems and procedures in place for many areas covered by the Review. The Review also highlighted those areas where improvements to strengthen the City's position are required, and being undertaken.

Strategic Plan/Policy Implications

Leading & Listening

- Deliver sustainable governance through transparent and robust policy and processes

Budget/Financial Implications

N/A

Legal Implications

The Review has been completed in accordance with Regulation 17 of the Regulations and completes the City's obligations in this area.

Community Consultation

N/A

Risk Management Implications

Failure to complete this review and present it to the Audit and Strategic Finance Committee, will result in a compliance breach of the Local Government (Audit) Regulations 1996. Completion of this review also provides assurance to the Chief Executive Officer and Council of the appropriateness and effectiveness of the City's systems and

procedures for mitigating risks, internal controls, and legislative requirements.

Attachment(s)

2016 Chief Executive Officer's Bi-ennial Review results.

Advice to Proponent(s)/Submissioners

N/A

Implications of Section 3.18(3) Local Government Act, 1995

Nil.

12.2 (ASFC 17/11/2016) - RISK MANAGEMENT INFORMATION REPORT (021/012) (J NGOROYEMOTO)

RECOMMENDATION

That Council receives the quarterly report on the Risk Management Program.

COMMITTEE RECOMMENDATION

COUNCIL DECISION

Background

At the Ordinary Council Meeting held on 13 June 2013, Council endorsed the City's proposed Risk Management Policy and associated roll-out program. Subsequently, at the Ordinary Council Meeting 11 December 2014, via the Audit and Strategic Finance Committee, Council endorsed the Risk Management Strategy. The City is progressing in implementing the Risk Program, and this report provides an update on the key milestones achieved over the past 4 months since the last information report was submitted to the Audit and Strategic Finance Committee.

The City's Risk Program, through adopting the guidelines and principles of the Australian Risk Standard, AS/NZ ISO 31000:2009 is committed to a culture of risk management. City's Policy SC51 'Enterprise Risk Management' (the Policy) is a commitment by the City

to ensuring that sound risk management practices and procedures are fully integrated into its strategic and operational processes and day to day business practices. The City continues to roll out the Risk Program in line with the Risk Management Strategy.

Submission

N/A

Report

Risk Management and Safety System (RMSS) was purchased by the City in 2016. This is an externally hosted database which will retain all of the City's Safety and Risk information. All risk registers, safety incidents and safety inspections will be moved from manual and paper based processes and transferred into RMSS.

All the City's strategic and operational risk information has been transferred from the manual spreadsheets , and uploaded into RMSS. Currently, all information loaded into RMSS is being reviewed, and evaluated as part of the annual risk registers review process with the Risk Owners. Once the review and RMSS implementation has been completed, a detailed report will be brought back to the March 2017 Audit and Strategic Finance Committee to present the Operational and Strategic Risk Registers.

RMSS staff training has commenced and scheduled through October and November 2016, to ensure all employees are confident in the application of the RMSS system including the entering and reviewing of incidents, and the ability to review and update risks and risk actions. It is anticipated that the system will be rolled out in December 2016.

Strategic Plan/Policy Implications

Leading & Listening

- Deliver sustainable governance through transparent and robust policy and processes

Budget/Financial Implications

N/A

Legal Implications

N/A

Community Consultation

N/A

Risk Management Implications

There are no risks associated with the recommendation.

Attachment(s)

N/A

Advice to Proponent(s)/Submissioners

N/A

Implications of Section 3.18(3) Local Government Act, 1995

Nil.

12.3 (ASFC 17/11/2016) - LEGAL PROCEEDINGS BETWEEN COUNCIL AND OTHER PARTIES (118/001) (J NGOROYEMOTO) (ATTACH)

RECOMMENDATION

That Council receive the report on legal proceedings commenced or responded to by the City during 2015/16 financial year.

COMMITTEE RECOMMENDATION

COUNCIL DECISION

Background

At its meeting held on 12 October 2006, Council adopted a new Position Statement PSES13 "Legal Proceedings Between Council and Other Parties".

At the May 2016 DAPPS Committee Meeting, Policy SES1 'Obtaining Legal or Other Expert Advice' and associated delegated authority was presented for clarification on the methodology by which legal or other expert advice is provided to Elected Members to enable them to perform their civic function. As a result the "Legal Advice Register" provided annually to the Audit and Strategic Finance Committee is now limited to the notification of those issues which are in relation to, or a result of a Council resolution, or where the amount related to

administrative advice is of such an amount to warrant Council's attention only.

Submission

N/A

Report

Under Clause 2 of Position Statement PSES13, sub-clause (7) and (8) states:

- (7) *The Chief Executive Officer shall establish and maintain a procedure which enables those matters which are subject to the terms of this Position Statement to be centrally recorded and updated, as appropriate.*
- (8) *A record of the procedure mentioned in (7) above shall be presented to the Audit Committee at least annually, or as often as considered appropriate by the Chief Executive Officer or as requested by any member of the Audit Committee.*

The Audit Calendar – Part 6 in the month of November states:

- (6) *Monitor the progress of any major law suits facing the Council. (Internal Audit).*

A Summary of the Legal Proceedings commenced or responded to by the City during the 2015/16 financial year, as a result of a Council resolution, or of significant amount that warrants Council's attention has been circulated under separate confidential cover.

Strategic Plan/Policy Implications

Leading & Listening

- Deliver sustainable governance through transparent and robust policy and processes

Budget/Financial Implications

The table below highlights the legal fees expensed during 2015/16 with commensurate, where relevant, fines and penalties arising from the incurring of the legal expenditure. The City, further incurs expenses for rates recovery, but in 90% of the cases, the amounts expended are recovered. The break-up of where the funds are spent is detailed in the table below as well.

LEGAL SERVICES 2015/16		
Legal Firms	Actual	Budget
General - McLeods	\$408,799	
General - Kott Gunning	\$75,750	
Total General	\$484,550	\$471,237
CCW - Jackson McDonald	\$363,924	\$300,000
Rates Recovery		
Debt Collection	\$148,528	\$148,528
Recoveries	\$136,791	-\$136,791
Net	\$11,737	\$11,737
Fines and Penalties Income	-\$100,794	\$0
Net Legal Fees (after fines and penalties)	\$759,471	\$782,974

Legal Implications

N/A

Community Consultation

N/A

Risk Management Implications

There are no risks associated with this recommendation, However failure to present this report to the Council annually presents a compliance risk in accordance with Position Statement PSES13 'Legal Proceedings Between Council and Other Parties', and Policy SES1 'Obtaining Legal or Other Expert Advice' & Associated delegated authority.

Attachment(s)

Summary of Legal Proceedings commenced and/or responded to by the City (provided under separate confidential cover).

Advice to Proponent(s)/Submissioners

N/A

Implications of Section 3.18(3) Local Government Act, 1995

Nil.

13. PLANNING & DEVELOPMENT DIVISION ISSUES

Nil

14. FINANCE & CORPORATE SERVICES DIVISION ISSUES**14.1 (ASFC 17/11/2016) - APPOINTMENT OF EXTERNAL AUDITOR FOR THE 2016/17 FINANCIAL YEAR (067/002) (N MAURICIO) (ATTACH)****RECOMMENDATION**

That Council re-appoint Macri Partners as the City's External Auditor for a further one year period ending with the audit of the 2016/17 financial year.

TO BE CARRIED BY AN ABSOLUTE MAJORITY OF COUNCIL

COMMITTEE RECOMMENDATION**COUNCIL DECISION****Background**

Council is required to appoint an External Auditor to audit the financial statements of the City in accordance with Section 7.3 of the Local Government (LG) Act as follows:

7.3 Appointment of auditors

- (1) *A local government is to, from time to time whenever such an appointment is necessary or expedient, appoint* a person, on the recommendation of the audit committee, to be its auditor.* Absolute majority required.*
- (2) *The local government may appoint one or more persons as its auditor.*
- (3) *The local government's auditor is to be a person who is —*
 - (a) *a registered company auditor; or*
 - (b) *an approved auditor.*

Section 7.6 of the LG Act allows for the appointment of a local government's auditor for a term of not more than five financial years, but states an auditor is eligible for re-appointment.

Council appointed the incumbent auditor (Macri Partners) in April 2012 for a four year period covering the 2012-2015 financial years. This was subsequently extended by one year to cover the 2016 financial year due to the impact of LG reform.

Submission

N/A

Report

Macri Partners was previously appointed as the City's External Auditor, following a quotation process using the Western Australian Local Government Association (WALGA) Preferred Supplier panel contract for Audit Services. The WALGA pre-qualification process ensured that auditors appointed to the panel met the qualification requirements of the Local Government Act.

The agreement entered into by the City with Macri Partners had an initial term of four years commencing 1 July 2011 to 30 June 2015, with a Principal instigated option to extend the contract by a further one year period. This option was taken up by Council, due to the previous likelihood that the City was to be amalgamated into the new City of Jervoise Bay and the sudden abandonment of Local Government reform by the State Government left little time to procure a new long term audit contract.

The State Government has since introduced a Bill into Parliament on 25 August 2016 proposing for the Auditor General to undertake the annual financial audits of local government. It is intended that the Office of the Auditor General (OAG) take responsibility for local government financial audits from 1 July 2017 following the passage of the Bill through Parliament. The Auditor General wrote to the Mayor on 15 September regarding this matter (attached to the Agenda).

Given the pending changes to local government auditing, the Department of Local Government & Communities (DLGC) wrote to the CEO in August (attached to the Agenda) encouraging Council not to renew its audit contract beyond the 2017 financial year. Should Council observe the DLGC's request, it would be considered disruptive and ineffective to switch auditing firms for a period of one year only. Ideally, a new external audit contract should be for a minimum of three years, allowing for the new auditor to properly familiarise themselves with the City's operations and processes.

For this reason, the City sought a quote from its incumbent auditor, Macri Partners to continue providing external audit services for the 2017 financial year. The quote attached to the Agenda has been provided under the same terms and conditions as the existing contract. The cost of the external audit under the new contract will increase from

\$29,000 to \$30,000 (ex-GST), with the hourly rates for additional audit services remaining the same.

Management considers the performance of Macri Partners to have been at a consistently high level over the previous four years, always accommodating the City's needs to ensure audits and grant acquittals are completed within set deadlines. They have also provided information and guidance to improve the quality and standard of the City's financial reporting (accounting for landfill rehabilitation liabilities being a good example).

Another key factor in the quality of audit performance is the experience and knowledge of the auditing team. Macri Partners have been able to maintain a reasonably stable and experienced team of auditors, making responding to audit queries less onerous for management and staff. This has allowed audit attention to focus on high priority matters.

Given this good performance, it is recommended that Council re-appoint Macri Partners for the 2017 financial year. Should the amendment Bill ultimately not be passed by Parliament, the City will seek competitive quotations through the WALGA audit services supply panel for a minimum contract period of three years.

Strategic Plan/Policy Implications

Leading & Listening

- Deliver sustainable governance through transparent and robust policy and processes
- Ensure sound long term financial management and deliver value for money

Budget/Financial Implications

The cost of the external audit has been quoted at \$30,000 (ex-GST) for 2016/17, with additional audit services paid for on an hourly basis in accordance with the rates outlined in the quote. The City has \$35,000 in the 2016/17 budget for external auditing services.

Legal Implications

N/A

Community Consultation

N/A

Risk Management Implications

It is a statutory requirement for Council to appoint its external auditor. Not appointing the external auditor at this time could leave the City in a

position where it is unable to meet its statutory and legal responsibilities for the 2016/17 financial year.

Attachment(s)

1. Quotation: Audit Services – Financial Year ending 30 June 2017.
2. Letter from OAG: Local Government Amendment (Auditing) Bill 2016.
3. Letter from DLGC: Auditing of Local Governments by the Auditor General.

Advice to Proponent(s)/Submissioners

N/A

Implications of Section 3.18(3) Local Government Act, 1995

Nil.

14.2 (ASFC 17/11/2016) - ANNUAL PERFORMANCE REVIEW OF MONETARY AND NON-MONETARY INVESTMENTS FOR THE FINANCIAL YEAR 2015/16 (073/001; 073/004) (S DOWNING)

RECOMMENDATION

That Council receive the information.

COMMITTEE RECOMMENDATION

COUNCIL DECISION

Background

Council Policy SFCS1 'Investments' Clause 5.2 requires:

An annual report on the performance of the investment portfolio will be submitted to Council outlining the performance of the portfolio for the financial year."

Submission

N/A

Report

As per the Investments Policy SFCS1, the following report is divided into two parts. The first part is a report on cash investments held by the City and the second part is for non-cash investments.

Cash Investments

The City earned the following interest income during 2015/16:

Municipal/Reserve funds	\$4.9284m
Rates – Administration Interest	\$0.375m
Rates – Penalty Interest	\$0.233m
Deferred Pension rates	\$0.018m
ESL Interest	\$0.020m
Deferred land sale settlement	\$0.104m
Total Interest income	\$5.678m

Interest income from the surplus cash in the municipal fund and reserves (MFR) amounted to \$4.928m. The opening balance for MFR (on deposit) at 1 July 2015 was \$128.03m and the closing balance was \$152.3m. . The interest rates earned by the MFR over the twelve months varied from 3.16% in July 2015 to 3.05% in June 2016. The reduction over the twelve months came about due to the easing of the cash rate by the RBA which fell in the corresponding period from 2.0% to 1.5%.

The interest income earned from the other five sources, Rates – Penalty Interest, Rates – Administration Interest, Deferred Pension Rates, ESL Interest and interest of a deferred land sale settlement, was not earned on the management of surplus cash but on outstanding debts due to the Council. The Local Government Act provides the heads of power for a council to impose interest on outstanding rates. Rates – Administration Interest and ESL Interest are charged at 4%, whilst Rates – Penalty Interest is charged at 8%. The Local Government Act has a maximum interest rate of 11%. The Council has always elected to impose a lower interest rate. The rate for Deferred Pension Rates was 2.50% as at 30 June 2016.

All surplus funds are invested in accordance with the Local Government Act and associated regulations.

The funds are invested in term deposits with APRA regulated financial institutions apart from two investments. The amendment to the regulations requiring Council's only invest in term deposits with a maturity less than twelve was gazetted with an over-rider allowing existing investments with a maturity greater than twelve months and in non-term deposits to go to maturity.

The first investment is for \$2m in a CBA zero coupon senior bond paying 7.18%. The maturity date for the return of the \$4m is January 2018. (The additional \$2m is the capitalised interest compounded over the life of the bond).

The second investment is the reverse mortgage backed security, Emerald. The original investment was \$3m in three \$1m tranches. The City is **currently** receiving interest at the rates of 2.40%, 2.75% and 2.86% on the respective tranches. Additional 'step-up' interest is also accruing on these three tranches at 0.9%, 1.5% and 1.9% respectively, which will be paid to the City upon maturity. The current balance of 'step-up' interest owing to the City is \$227,187. The City received capital repayments of \$54k in the past year, reducing the outstanding balance due for the investment to \$2.68m.

Non-Cash Investments

The City has substantial freehold land on its balance sheet. As at the 30 June 2016 that total was \$99.4m. The makeup of the land comprises sumps, reserves, land available for sale, freehold parks and land on which council buildings and facilities occupy. The Land Management Strategy had identified a range of land assets that are surplus to requirement or land that could be made saleable with investment from Council. The concept is to monetise freehold land (where possible) so as to re-invest in income producing property to receive a stream of rental income. The Land Management Strategy provides for a reconciliation of the freehold land and that which is surplus to requirements.

Rental Income

The City received rental income for 2015/16 on commercial properties and land.

Commercial Property	Income (Ex-GST)
Coogee Beach Caravan Park	\$211,911
Cockburn Health and Community Facility	\$1,244,269
Cockburn GP Super Clinic	\$557,865
Youth Centre	\$137,010
Naval Base Shacks	\$445,397
Coogee Beach Café	\$50,618
Baptist Recreation Centre - Land Lease	\$25,655
Spearwood Dalmatinac - Land Lease	\$20,617
Cockburn Bowling Club - Land Lease	\$9,712
Emergency Services Facility - DFES Sub-lease	\$67,295
12 Rivers Street, Bibra Lake	\$69,084
Lot 7, Cockburn Central	\$16,699
Other land rental	\$129,000
Total Rental Income	\$2,985,132

The net rental revenue from the Cockburn Health and Community Facility is quarantined within a financial reserve for the purpose of future maintenance requirements for the facility. This is to ensure that

there is no future demand for the Municipal Fund to meet capital or operating maintenance costs. Once the level of funds meets the target, dividends will be paid to the municipal fund. The City also quarantines funds received from the Naval Base Shacks to meet the future capital maintenance needs of this unique asset.

Land Sales

The City had budgeted to sell the following land with outcomes as noted:

Land for Sale	To be sold - Budget	Sold	Settlement received	Comment
Lot 9003 Beeliar Drive Beeliar	\$9,600,000	\$9,600,000		Sold & Contract in place, waiting for Services & settlement. Contract price is \$9.6m.
Lot 803 Yangebup Road, Yangebup	\$1,500,000	\$1,500,000		Settlement – 28/11/16
Total	\$11,100,000	\$11,100,000	0	

Whereas funds are generally allocated to income producing assets, the exception is the sale of land at Lot 9003 Beeliar Drive. The proceeds have been allocated in the 2015/16 budget to the redevelopment of the Council Depot. Other land for sale and reported in last year's report have been withdrawn from the market at this time. An update to the City's Land Management Strategy is being currently being prepared.

Strategic Plan/Policy Implications

Community, Lifestyle & Security

- Provide for community facilities and infrastructure in a planned and sustainable manner
- Create and maintain recreational, social and sports facilities and regional open space
- Foster a greater sense of community identity by developing Cockburn Central as our regional centre whilst ensuring that there are sufficient local facilities across our community

Economic, Social & Environmental Responsibility

- Increase local employment and career opportunities across a range of different employment areas through support for economic development

Leading & Listening

- Ensure sound long term financial management and deliver value for money

- Provide for community and civic infrastructure in a planned and sustainable manner, including administration, operations and waste management

Budget/Financial Implications

N/A

Legal Implications

N/A

Community Consultation

N/A

Risk Management Implications

N/A

Attachment(s)

N/A

Advice to Proponent(s)/Submissioners

N/A

Implications of Section 3.18(3) Local Government Act, 1995

Nil.

14.3 (ASFC 17/11/2016) - 2015/16 FINANCIAL STATEMENTS AND EXTERNAL AUDIT REPORT (071/003; 067/001) (N MAURICIO) (ATTACH)

RECOMMENDATION

That Council accept:

- (1) the Financial Statements and External Audit Report for the year ended 30 June 2016; and
- (2) the Summary of Financial Statements and External Audit Report for the year ended 30 June 2016;

as attached to the Agenda.

COMMITTEE RECOMMENDATION**COUNCIL DECISION****Background**

As set out in its Terms of Reference, the Audit and Strategic Finance (A&SF) Committee is required to review the City's Annual Financial Report and recommend its adoption to Council,. The Committee is also required to discuss any issues arising from the audit with the Auditor. The Local Government Act 1995 requires the City to meet with the auditor at least once in every year.

The Audit Plan prepared by the City's Auditor (Macri Partners) was submitted to the March meeting of the A&SF Committee and subsequently adopted by Council. This outlined the purpose and scope of the external audit for the 2015/16 financial year and explained the audit approach and methodology.

The Local Government (Audit) Regulations 1996 state that the principal objective of the external audit is to carry out such work as is necessary to form an opinion as to whether:

- (a) the accounts are properly kept; and
- (b) the annual financial report:
 - is prepared in accordance with financial records; and
 - represents fairly the results of the operations of the local government at 30 June in accordance with Australian Accounting Standards and the Local Government Act 1995.

The duties and responsibilities of the A&SF Committee include reviewing Council's draft annual financial report, focusing on:

1. accounting policies and practices;
2. changes to accounting policies and practices;
3. the process used in making significant accounting estimates;
4. significant adjustments to the financial report (if any) arising from the audit process;
5. compliance with accounting standards and other reporting requirements;
6. significant variances from prior years.

Submission

N/A

Report

2015/16 - Annual Financial Report

The Annual Financial report is presented to the Audit and Strategic Finance Committee in two formats:

1. Financial Statements including all accounting and supporting notes (Detailed).
2. Summary Financial Statements excluding all accounting and supporting notes.

The Summary of Financial Statements differs from the full set in that they do not contain the accompanying financial notes and discussion and analysis. Both sets have been approved by the City's Chief Executive Officer and Auditor (Macri Partners).

The Summary of Financial Statements has been prepared specifically for inclusion in the City's Annual Report, as the full set is deemed too lengthy and mostly irrelevant to the intended audience. The full set of Financial Statements will be published separately on the Council's website.

Statement of Comprehensive Income

1. Operating Result

The City's operating result for 2015/16 came in at \$8.4M, down by \$3.7M on the previous year. Whilst expenditure increased in line with inflationary factors, overall revenue stagnated. This is still a healthy financial result, demonstrating the City generates more than sufficient revenue to cover the cost of depreciation.

Overall, operating revenues of \$129.9M were up \$1.3M year on year. Due to the incorporation of waste charges into the general rates for residential property, like for like comparisons are difficult to make this year. However, revenue from rates, service charges and fees & charges were collectively up \$5.1M (4.6%). Revenue from contributions and interest earnings was little changed year on year. The negative impact on revenue came from operating grants and subsidies, which were down by \$3.8M on last year. This is purely attributable to the changed practice in paying federal financial assistance grants (FAGS), which had been advanced by 50% the previous year but not this year.

Operating expenses were up for the year by \$5.0M (4.3%) to \$121.5M. Employee costs, the City's biggest operational expense item, were up \$2.0M (4.4%) to \$47.1M and in line with budget expectations. Spending on materials and contracts was up 4.0% to \$34.9M (+\$1.4M) and \$1.8M over the adopted budget. This result reflects \$2.0M of soft landscaping cost transferred from the capital budget due to accounting requirements and is not an overall budget variance. Insurance expenses came in \$0.3M (14%) higher than last year at \$2.2M. Back claimed workers compensation was the main reason for this result, as well as additional premium for the Cockburn integrated health and community facility. Interest expenses were minimal at under \$0.1M and relate to self-funding purposes.

Depreciation expense (non-cash) was little changed at \$23.8M, down by \$0.1M on last year. A more accurate reflection of useful life for building assets reduced overall depreciation by \$0.4M, offsetting minor increases across other asset classes. Against the adopted budget, depreciation was down \$2.6M due to the changes to useful life for buildings and the annual revaluation of road assets at the end of the prior financial year.

The consumption of landfill infrastructure assets has this year been accounted for as amortisation, rather than depreciation. This change of classification was recommended by the City's auditor based on accounting standard definitions. The result of \$1.1M was little changed year on year.

2. *Net Result*

Including non-operating activities, the City's net result (before asset revaluations) was up \$20.1M on the previous year to \$51.7M. Although negatively impacted by the \$3.7M decline in the operating result, non-operating activities contributed an additional \$23.8M.

Capital grants and contributions received of \$23.6M were up \$13.3M year on year. \$17.3M represented state and federal grants (up \$10.5M) with \$11.8M relating to funding for the Cockburn ARC project and the balance for road construction projects. Private capital contributions totalled \$6.3M (up \$2.7M) mostly due to the JV partner share of incurred construction costs for Cockburn ARC.

\$9.2M received from the City's Developer Contribution Plans (DCP) has been reported separately from other capital contributions this year. This result is up \$1.0M on last year with \$6.5M received for the community infrastructure plan (up \$0.2M) and \$2.7M for the road infrastructure plans (up \$0.8M).

Infrastructure assets within new subdivisions gifted by developers totalled \$13.1M, slightly lower than the \$13.4M received last year. These assets comprise of roads, drainage and parks infrastructure.

Net profit/loss from the sale of assets was a net \$0.2M, mostly from the sale and trade-in of plant assets. This result was well down on the net profit of \$1.8M last year, with last year benefiting from a \$2.0M profit from land sales. This year's only land sale of \$2.4M was close to the book value.

Statement of Financial Position

The City's net assets and total equity increased by \$58.9M during the reporting year to \$1,162.8M. This reflects an increase in total assets of \$106.3M, comprising increases in non-current assets of \$75.5M and \$30.8M for current assets. These were offset by an increase in total liabilities of \$47.5M, comprising increases in non-current liabilities of \$30.0M and \$17.5M for current liabilities.

1. Assets

The increase in current assets of \$30.8M includes an additional \$22.5M in cash and investments, reflecting the greater amount of cash held in financial reserves. Receivables were also higher by \$8.2M, mainly due to the invoiced Cockburn ARC JV contribution.

The increase in non-current assets of \$75.5M comprised a net increase of \$18.9M in the value of infrastructure assets and \$50.7M in property, plant & equipment assets. This increase includes an additional \$53M works in progress (WIP) for buildings, mainly comprising the Cockburn ARC project. Road assets increased by \$14.3M and Parks Infrastructure increased by \$9.9M.

The City also increased the amount of the landfill rehabilitation asset by \$8.0M to \$16.5M. This followed an independent review commissioned by the City during the year into the post-closure rehabilitation requirements for the landfill. This is offset by a non-current liability provision for the same amount. There was also a decrease of \$2.3M in the City's equity share of the SMRC joint venture.

2. Liabilities

Current liabilities increased significantly over the year by \$17.5M to \$31.6M, with trade & other payables increasing by \$15.5M to \$23.6M. However, this was impacted by the June end of month payment run being processing at the bank on the 1st July, adding an extra \$6.5M to end of year payables. The June progress claim for Cockburn ARC also added another \$8.4M to the payables. The current liability for borrowings increased by \$1.2M due to the

Cockburn ARC \$25M loan drawn down in June. Current leave provisions were also higher by \$0.8M from last year at \$5.4M.

Non-current liabilities increased by \$30.0M from last year, primarily due to an increase in loan borrowings of \$ 22.4M relating to Cockburn ARC. Provisions were also \$8.0M higher due to the previously mentioned increase in expected costs for the landfill site rehabilitation.

Changes in Equity

Cash backed reserves held by the City increased by \$19.5M to \$126.6M during the year. Reserves with significant increases included Community Infrastructure (up \$5.9M to \$12.1M), Roads & Drainage Infrastructure (up \$5.0M to \$8.2M) and Major Buildings Refurbishment (up \$4.4M to \$9.8M). The new reserve established to quarantine municipal funding for carried forward projects also added \$4.0M to the increase. Reserves that decreased significantly during the year were the DCP Community Contributions reserve (down \$6.1M to \$10.4M) and the Restricted Grants & Contributions reserve (down \$3.3M to \$2.2M).

The Revaluation Surplus increased by \$7.2M to \$575.4M as a result of the annual management valuation of roads, footpaths, drainage and parks infrastructure.

The City's accumulated surplus increased by \$32.2M to \$460.8M. This represented the \$51.7M net operating surplus result, less the \$19.5M net transfer of funds to financial reserves.

Statement of Cash Flows

The City's net incoming cash flows from operating activities increased by \$4.7M to \$41.0M for the reporting year. This reflects the strong financial capacity of the City to continue funding new assets and asset renewals and upgrades as planned for and when they become necessary.

Cash of \$78.0M was outlaid on capital spending, an increase of \$41.5M on the previous year. This mainly reflected increased spending on building construction (up \$46.0M) as a result of Cockburn ARC.

Cash flows from grants and contributions received for the development of assets increased by \$14.3M to \$32.8M, with the increase also attributable to the Cockburn ARC project. Cash received from the sale of assets was down slightly by \$0.5M to \$3.5M.

The City repaid \$1.4M of outstanding borrowings, completing the repayment of the underground power loan and leaving under \$0.1M outstanding on the emergency services building self-funding loan. It also received the \$25.0M borrowing proceeds from the Cockburn ARC loan.

Cash and cash equivalents increased for the year by \$22.5M to \$151.5M strengthening the City's already strong liquidity position.

Rate Setting Statement

The City's closing funds position was \$9.27M compared to the balanced budget position contained in the 2015/16 adopted budget. \$6.15M of the closing funds is unspent monies required to complete carried forward works and projects. The balance of \$3.12M covers the forecast \$3.0M end of year surplus included in the adopted budget for 2016/17, with an additional \$0.12M available to be transferred into financial reserves in accordance with Council's budget policy.

The total amount raised from general rates cannot be compared to the previous year due to the incorporation of waste charges into general rates for residential property. However, the \$91.3M raised was \$2.3M (2.5%) higher than the adopted budget, reflecting strong interim rating from continued development within the City.

Financial Ratios

The WA Local Government (Financial Management) Regulations 1996 prescribe seven financial ratios that are to be included in the annual financial report. These ratios are also used by the Department of Local Government and Communities (DLGC) as a measurement of a local government's overall financial health. They form the basis of calculations used for the Financial Health Indicator (FHI) displayed on the MyCouncil website.

RATIO	2016	2015	Benchmark	High
Current Ratio	1.211	1.869	1.00	1.50
Asset Sustainability Ratio	1.399	0.378	0.90	1.20
Debt Service Ratio	20.631	16.625	2.00	5.00
Operating Surplus Ratio	0.049	-0.002	0.01	0.15
Own Source Revenue Ratio	1.003	0.898	0.40	0.90
Asset Consumption Ratio	0.714	0.712	0.50	0.75
Asset Renewal Funding Ratio	0.741	0.767	0.75	1.10

All seven of the ratios are at or above the DLGC benchmark, with three exceeding the high ratio mark. The Asset Sustainability Ratio has seen a marked improvement due to the capital spending on the Cockburn ARC project. A significant proportion of this spend is essentially renewal expenditure for an existing service providing asset (South Lake Leisure Centre). The auditor has concurred with this treatment following consultation with the DLGC. The Operating Surplus Ratio was also significantly higher this year, as last year's result was adversely impacted by the write-off of parks living landscape assets (trees, plants and turf). The write-off was necessary in order for the City to comply with asset fair value requirements under the WA Local Government (Financial Management) Regulations.

These results combine to produce an FHI score of 89 (compared to 68 last year). This result is more comparable to that for the 2014 year (of 88) and 2013 year (of 85). An FHI result of 70 and above indicates sound financial health according to the DLGC.

Audit Report

The 2015/16 Financial Statements were audited by Macri Partners and their assigned Audit Partner, Mr Tony Macri. They were signed off as being true and fair and without qualification. The Local Government Act requires the City to meet with the auditor at least once in every year and the auditor will be present at the meeting to discuss the audit report and audit findings.

Strategic Plan/Policy Implications

Leading & Listening

- Deliver sustainable governance through transparent and robust policy and processes
- Ensure sound long term financial management and deliver value for money

Budget/Financial Implications

The cost of the external audit is sufficiently covered within the City's annual budget.

Legal Implications

Local Government Act 1995 Sections 5.54, 6.4, 7.9 and 7.12A
Local Government (Audit) Regulations 1996 Regulations 9 and 10

Community Consultation

N/A

Risk Management Implications

It is a requirement under the Local Government Act for Council to accept the City's annual report (including the financial report and auditor's report) by no later than 31 December each year. Failure to do so will lead to statutory non-compliance.

Attachment(s)

1. Financial Statements and External Audit Report – 30 June 2016
2. Summary of Financial Statements and External Audit Report – 30 June 2016

Advice to Proponent(s)/Submissioners

N/A

Implications of Section 3.18(3) Local Government Act, 1995

Nil.

15. ENGINEERING & WORKS DIVISION ISSUES

Nil

16. COMMUNITY SERVICES DIVISION ISSUES

Nil

17. EXECUTIVE SERVICES DIVISION ISSUES

Nil

18. MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

Nil

19. NOTICES OF MOTION GIVEN AT THE MEETING FOR CONSIDERATION AT NEXT MEETING

20. NEW BUSINESS OF AN URGENT NATURE INTRODUCED BY MEMBERS OR OFFICERS

21. MATTERS TO BE NOTED FOR INVESTIGATION, WITHOUT DEBATE

22. CONFIDENTIAL BUSINESS

23. CLOSURE OF MEETING

2016 CEO REVIEW OF RISK MANAGEMENT, LEGISLATIVE COMPLIANCE & INTERNAL CONTROLS

Risk Management

A risk management system is a key expression of the City's attitude to effective controls. The City has a number of mechanisms for monitoring risk management. The review has considered these mechanisms and assessed whether the City has:

Criteria	Business/Service Unit	Monitoring Tool
An effective risk management system and that the City's material operating risks are appropriately considered	Governance	<p>The City's Risk Management Framework consists of:</p> <ul style="list-style-type: none"> • Enterprise Risk Management Policy SC51 • Enterprise Risk Management Strategy • Enterprise Risk Management Guidelines <p>The City purchased a risk reporting and monitoring software in 2016, Risk Management & Safety System (RMSS) this is an externally hosted database which will retain all of the City's Safety and Risk information. All risk registers, have be transferred from manual and paper based processes and into RMSS. RMSS will house operational and strategic risks At present the configuration has been completed, with training scheduled, and roll out Implementation scheduled for December 2016.</p>
A current and effective business continuity plan (including IT disaster recovery) which is tested from time to time	Governance Information Services Ranger & Community Safety	<p>The City's business continuity activity is managed through:</p> <ul style="list-style-type: none"> • Business Continuity Plan (BCP) • Business Continuity Management - Policy & Framework AES12 <p>The BCP undergoes a desktop review every 24 months (due March 2017). In addition, the City's Business Continuity Team conducts a bi-ennial test of the BCP, including its information, plans, timeframes and strategies and potential gaps are identified (last completed in February 2015).</p> <p>The City's Local Emergency Management Arrangements (LEMA) are reviewed annually, and contact list is updated regularly. The City is Complying with the Emergency Management Act 2005. The City's LEMA and Emergency Response Management (ERM) are due for renewal. The LEMA is currently in draft with additional information from key stakeholders scheduled to be obtained after the December LEMC meeting. The ERM Plan is currently being reviewed with the City actively working with WALGA and SEMC to undertake the required district and local level risk assessments required for the Plan.</p> <p>IT has a dedicated Disaster Recovery (DR) facility currently located at the Depot which allows the City to run most of the important business systems in the event of a disaster at the Administration Building. Our DR site also is a repository for our off-site daily backups. Our Disaster Recovery procedure was successfully tested in December 2015. The City's DR procedure makes use of the Youth Centre as a site for key staff to assemble once Disaster Recovery has been invoked. The connection to the Youth Centre and the City's DR facility will receive hardening work Q1 2017 to assure a link to all Cockburn remote buildings and offices.</p>
Internal processes for determining and managing material operating risks in accordance with the City's identified tolerance for risk, particularly in respect of: <ul style="list-style-type: none"> • potential non-compliance with legislation, regulations and standards and local government's policies • important accounting judgments or estimates that prove to be wrong • litigation and claims • misconduct, fraud and theft • significant business risks, recognising responsibility for general or specific risk areas, for example, environmental risk, occupational 	Governance Finance HR	<p>The City's operational risks are assessed against the City's risk appetite regularly. Compliance is monitored during reviews and risks assessed.</p> <p>The City has developed and implemented a Risk Management Policy and Framework, which includes a Risk Management Strategy and extensive risk registers for all areas of the City. This risk management framework covers all types of risks, including those around internal controls and legislative compliance. The risk registers identify, the severity of risk, accepted tolerance levels and any existing and proposed mitigation treatments. These are reviewed and updated on an annual basis. Supporting the City's Risk Management Framework are the following initiatives, controls and processes:</p> <ol style="list-style-type: none"> 1. The City's external audit function assists the City maintain compliance with legislation, regulations, standards and policies and to improve internal control processes associated with financial management. It tests accounting assumptions made in the preparation of the annual accounts and assesses the adequacy of internal controls across a number of financial activities (including bank reconciliations, investments, procurement, accounts payable, rates, IT

2016 CEO REVIEW OF RISK MANAGEMENT, LEGISLATIVE COMPLIANCE & INTERNAL CONTROLS

Risk Management

<p>health and safety, and how they are managed by the local government</p>		<p>controls and property, plant, equipment and infrastructure assets.</p> <ol style="list-style-type: none"> 2. The Audit & Strategic Finance Committee plays an independent oversight role over the financial affairs of the City. Part of its remit is to monitor any litigation action against the City. 3. The City engages a major accounting firm to assist, develop and deliver an internal audit plan. The results are reported back to the Audit and Strategic Finance Committee. 4. The City has a Fraud Prevention Policy and associated Fraud Control Plan. A staff procurement induction highlights fraud and misconduct risk. <p>A Business Continuity Plan has been developed with some aspects of the plan tested. Risks have been identified and controls reviewed. The City has developed its first Safety and Health Management Plan 2016/17 in support of the Zero Harm vision. The Plan articulates the leadership commitment to safety, consultation arrangements; Hazard Identification and Risk Management requirements and Safety and Health training. The Plan also details a range of performance measures and references external compliance requirements against which the City will be assessed. Safety Moments have been introduced to encourage safety to be discussed at every meeting within the City.</p>
<p>Robust risk reporting framework which identifies, mitigates and manages new risks, while monitoring and reporting on existing risks</p>	<p>Governance</p>	<p>Outcomes of the City's Risk Management Framework are to be reported quarterly to the Audit and Strategic Finance Committee.</p> <p>Quarterly risk reports, providing summaries of operational risks, are being presented to the Executive Team Meetings. This will now be monitored and reviewed in a live environment through RMSS, which generates different types of reports.</p>
<p>Adequate processes to manage insurable risks and ensure the adequacy of insurance cover, and if applicable, the level of self-insurance</p>	<p>Finance</p>	<p>The City actively manages its insurable risks. It maintains up to date property insurance registers and independently revalues building assets every three years, and has a well-resourced and structured approach to managing insurance claims. An annual renewal meeting is held with its insurers, LGIS, to assess the adequacy of existing cover and to determine any new requirements. A review of the claims history is also undertaken as part of this exercise. A formal insurance declaration is completed each year and reviewed by senior management to ensure all risk areas are sufficiently covered.</p>
<p>Effective reviews of internal control system involving management and internal and external auditors</p>	<p>Finance Governance</p>	<p>The City's internal control system is effectively reviewed each year through the following actions:</p> <ol style="list-style-type: none"> 1. External Audit – interim audit and annual accounts audit. 2. Internal Audit Plan – developed to address key organisational risk areas. 3. Annual Risk Register reviews. 4. Council Policy and Delegated Authority reviews. 5. DLGA LG Statutory Compliance Audit Return. 6. Fraud Control Plan 7. Annual management review of staff delegated financial authorities.
<p>Controls in place for unusual types of transactions and/or any potential transactions that might carry more than an acceptable degree of risk</p>	<p>Finance</p>	<p>The City has a strictly enforced delegated authorities system, including system controlled financial delegations. All asset purchases and sales are subject to these controls and appropriately recorded. A centre-led procurement model ensures significant oversight over purchasing and contracted procurements. Transactions that may be deemed unusual and sit outside the current delegations require Council approval. Changes to banking details for suppliers are closely managed.</p>
<p>A procurement framework with a focus on the probity and transparency of policies and procedures/processes and whether these are being applied</p>	<p>Finance</p>	<p>The City developed a robust procurement framework in response to extensive audit evaluation and suggested recommendations. Staff resourcing has increased in order to better meet the City's procurement objectives. This has driven a more focused, transparent and skilled procurement function, resulting in a very low incidence of non-compliant procurement activity. The City's framework includes:</p> <ol style="list-style-type: none"> 1. A centre-led procurement model. 2. Regularly updated procurement policy.

2016 CEO REVIEW OF RISK MANAGEMENT, LEGISLATIVE COMPLIANCE & INTERNAL CONTROLS

Risk Management

		<ol style="list-style-type: none"> 3. Improved financial delegated authority system controls and processes. 4. Compulsory procurement induction and systems training sessions for all procurement network users. 5. Actively managed supplier contract management system. 6. Business ethics statement. 7. Supplier database reviews and rationalisation. 8. Annual supplier reviews conducted with purchasing managers. 9. Non-compliance incidence reporting and escalation process.
<p>The capacity, should the need arise, to meet periodically with key management, internal and external auditors, and compliance staff, to understand and discuss any changes in the City's control environment</p>	<p>Finance</p>	<p>The City has a Strategic Business Managers Group that is involved in the following control activities:</p> <ol style="list-style-type: none"> 1. Consultation on the development of the annual Internal Audit plan. 2. Meeting briefings on changes made in the financial control environment and the impact to their business areas. 3. Reviewing and updating their respective risk registers and sharing key information with Senior Management. 4. Meeting briefing on the recommendations of the interim external audit where applicable. 5. Participation in workshops for fraud control, public interest disclosure, risk management, business continuity and disaster recovery. <p>Senior management has both open and structured dialogue with the internal and external auditors where control matters are discussed and recommendations are sought.</p>

2016 CEO REVIEW OF RISK MANAGEMENT, LEGISLATIVE COMPLIANCE & INTERNAL CONTROLS

Internal Control

Internal control is a key component of the City's governance framework, in addition to leadership, long-term planning, compliance, resource allocation, accountability and transparency. The review has considered the City's approach to internal control and assessed whether the City has:

Criteria	Business/Service Unit	Monitoring Tool
Integrity and ethics	Governance	Council Members and Staff are expected to own and adhere to the City's values as contained in Code of Conduct. Refer to Code of Conduct for Elected Members & Code of Conduct for Staff. The City reviews and publishes annually, the Corporate Governance Charter disseminated throughout the City via the corporate values.
Policies and delegated authority	Governance	In July 2011 the Delegated Authorities, Policies and Position Statements (DAPPS) Committee was formally established and membership appointed. In addition, Council adopted a Policy which provides for all DAPPS documents to be reviewed on a biennial basis. Quarterly meetings are conducted by the committee for divisional reviews, in addition, any "ad hoc" reviews of each or any documents can be referred to the quarterly meeting for consideration.
Levels of responsibilities and authorities	Governance Finance Human Resources	The City uses its hierarchy/organizational chart as the mechanism for defining levels of responsibility and authority. The same hierarchy has been applied across the organization to define, for example appropriate authorities for purchasing limits, report sign-offs, access to documents in ECM and Human Resources practices.
Audit practices	Finance	The City's audit practices are overseen by: <ul style="list-style-type: none"> • the Audit and Strategic Finance Committee - Terms of Reference • Documented scope of internal/external review • External Audit Tender procedures and checklist
Control of computer applications and information system standards	Information Services	The City uses various technologies and mechanisms to control computer applications and information systems. Primarily, system access is governed in policy by the 'Electronic Information Code of Conduct' and is technically enforced within the City's Microsoft Active Directory Service. Several business applications (not all) have their own authentication and access controls embedded within. All the City's information systems are secured by edge firewalls which perform content filtering and malware inspection, along with server and client-side anti-virus and intrusion detection services.
Management operating style and human resource management and practices	Human Resources	The City is structured across five divisions and fifteen business units. The four main divisions (excluding the small Executive division) are overseen by a Director. Each business unit is managed by a Strategic Business Unit Manager or Senior Manager. Human resource management is relatively centralized with the Human Resources department establishing controls and providing guidance to managers and supervisors.

2016 CEO REVIEW OF RISK MANAGEMENT, LEGISLATIVE COMPLIANCE & INTERNAL CONTROLS

Internal Control

Internal control systems involve policies and procedures that safeguard assets, ensure accurate and reliable financial reporting, promote compliance with legislation and achieve effective and efficient operations and may vary depending on the size and nature of the local government. Aspects of the City's control framework include:		
Trained and qualified employees	Human Resources	All staff are employed against periodically reviewed position descriptions. Where qualifications are required, evidence is obtained during the recruitment phase. Significant pre-employment screening is conducted, probation reviews conducted and compliance with the requirement for annual performance appraisals monitored. Engineering Operations employees are closely monitored for relevant competencies and skills training conducted as necessary.
System controls	Information Services	The City's Document Management System (ECM), is able to determine and control access to the City's electronic and physical information via security levels and access controls linked to both staff profiles within ECM and on the files themselves.
Procurement	Finance	Procurement activities are controlled through the City's Procurement Policy and corporate Enterprise Resource Planning System (Technology One). This includes segregation of duties, delegated financial authorities, compliance and data analysis reporting. A well-defined tendering and contract development function exists to support the City's business units with their procurement needs. Significant end user documentation exists to ensure corporate standards and legislative requirements are met, and these are reviewed and updated regularly.
Payroll	Human Resources	Payroll is audited by both internal and external auditors at least annually. Procedures are fully documented and each payroll is reviewed internally by the Human Resources Manager and externally by Finance prior to payment. Separation of duties between HR and Payroll employees is maintained to ensure the integrity of the payroll process.
Regular internal audits	Governance	Annual Compliance Audit Return is conducted by the Governance Department, and any areas of non-compliance identified, are reported, monitored and audited internally.
Documentation of risk identification and assessment	Governance	The City is committed to a culture of risk management and has implemented an approach to consider risk at three levels: strategic, operational and project. RMSS efficiently identifies, assesses, controls, monitors and reviews risks using a unique patented workflow, allowing the City to use a variety of risk assessment methodologies, terminology and workflows. RMSS allows the City to identify and report a broad range of risk through an automated process. Standard reports include risk registers, overdue actions, completed actions, open actions and estimated cost, uncontrolled risks, top risks and history summary. Centralised data is accessible through flexible and detailed reporting that proactively identifies trends and reduces costs.
Regular liaison with auditor and legal advisors.	Governance	The City does not have a dedicated in house legal team, all legal issues to be considered externally. The City engages periodically with its auditors informally, as well as through the formal audit process.
Control of approval of documents, letters and financial records	Finance	The City's corporate Enterprise Resource Planning System (Technology One) has workflow functionality and associated business rules and delegated financial authority. This ensures that all financial transactions are approved in accordance with delegations and defined position descriptions. These include purchase orders, AP invoice processing, budgeting, general journals, raising revenue and infringements management. Automated optical character recognition (OCR) technology has been introduced to AP invoice processing, cutting out manual data entry and improving process efficiency. It also improves efforts to identify fraudulent activity.
Comparison of internal data with other or external sources of information	Finance	The City utilizes a series of monthly routine checklists and processes to identify and act on any anomalies in financial data. Examples of external information sources include banks, Landgate, creditors, ATO.
Limit of direct physical access to assets and records	Information Services	The Records Management service unit continues to act as the custodian of the City's corporate information repository. The majority of the City's corporate physical records are all stored within locked facilities that can only be accessed by authorised officers and our Records personnel. The City's off-site storage facilities, namely Cockburn Seniors' Centre, Depot Archive Room and Parke Place self-storage facility are all accessible by authorised Officers only. The majority of records are now either legally disposed or retained within the City's outsourced provider, Grace Information and

2016 CEO REVIEW OF RISK MANAGEMENT, LEGISLATIVE COMPLIANCE & INTERNAL CONTROLS

Internal Control

Internal Control		
		Records Management Services Ltd.
Control of computer applications and information system standards;	Information Services	Control of information system access is directed by the business unit responsible for the generation and maintenance of the data or information. Information Services, in particular the Business System Unit is responsible for the facilitation of security, and ensure relevant industry standards and best practices relating to secure management of data is maintained at all times. Other systems such as information management policy and Acceptable Use of Computer Equipment policy and procedures also ensures the City regularly tests and reviews all existing information controls.
<ul style="list-style-type: none"> • Regular maintenance and review of financial control accounts and trial balances; • Comparison and analysis of financial results with budgeted amounts; • Arithmetical accuracy and content of records; • report, review and approval of financial payments and reconciliations; and • Comparison of the result of physical cash and inventory counts with accounting records 	Finance	<p>The City's financial management control practices include the following:</p> <ol style="list-style-type: none"> 1. Monthly reconciliation of all financial control accounts and the trial balance, with Senior Management review through a consolidated monthly financial report. 2. Actual financial results are analysed against budget and reported to Council on a monthly basis with significant variances disclosed and any recommended actions. 3. Budget Vs Actual financial reports are published to each business unit and service unit manager for review on a monthly basis. 4. The financial status of the City's capital projects and works is heavily scrutinised through a comprehensive customised project management financial report. This is maintained by project managers and reviewed by Senior Management on a monthly basis. 5. Comprehensive cross checks, balances and reconciliations are in place to ensure the arithmetical accuracy of the City's financial records. These include external/internal data matching, variance analysis, exception reporting, internal and external audit, segregated cash balancing and audit, and management reviews and sign off.

2016 CEO REVIEW OF RISK MANAGEMENT, LEGISLATIVE COMPLIANCE & INTERNAL CONTROLS

Legislative Compliance

The compliance programs of a local government are a strong indication of attitude towards meeting legislative requirements. The City's practices in regard to monitoring compliance programs typically include:

Criteria	Business/Service Unit	Monitoring Tool
Monitoring compliance with legislation and regulations	All Business/Service Units	<p>The City utilizes a variety of mechanisms for ensuring compliance as developed by each relevant Business Unit and include:</p> <ul style="list-style-type: none"> • A calendar for governance compliance incorporating items such as completing the Compliance Audit Returns and annual returns, annual review of delegations; • Checklists compiled for building approvals and completed by assessing officers with a final compliance check conducted by senior building staff; • A robust compliance and enforcement process which is followed for investigations arising from alleged non-compliance with a variety of legislation including the <i>Health Act 1911</i>, the <i>Environmental Protection Act 1986</i> and the City's Local Laws; • A documented process for all planning approvals which includes review and approved by senior staff to ensure compliance, and referral of more complex applications to the Manager; • Workflow and procedures to guide patrol and security investigations stemming from issues with a number of customer focused issues such as parking, wandering dogs and effective fire breaks. In addition, all staff undergo certified training, peer reviews and internal audits are completed periodically; • A stringent emergency management framework is in place, and is monitored via the City's Local Emergency Management Planning process; • A compliance calendar monitors various compliance obligations relating to the City's Leisure Center including working with children checks, fire systems, running of crèche, appropriate building maintenance; and • ATTAIN - effectively controls the management of Delegations, Gifts, Travel Contributions and Returns, to increase accountability transparency and ability to monitor trend analysis compliance.
Reviewing the annual Compliance Audit Return and reporting to Council the results of that review	Governance	The City's Compliance Audit Return is reported to Council annually and anomalies are referred to relevant Business Unit to implement appropriate fixes.
Reviewing whether the local government has procedures for it to receive, retain and treat complaints, including confidential and anonymous employee complaints	Governance	These procedures are addressed within the City's Public Interest Disclosure (PID) Information Statement, in accordance with PID Act 2003. CEO also investigates and maintains the Complaints Register for Minor Breaches. In addition Customer Service has an online complaints receiving system.
Reviewing management disclosures in financial reports of the effect of significant compliance issues	Finance Services	Management disclosures in financial reports are discussed with the external auditor and where compliance or any other issue has a significant effect on the City's financial results, a management paper is prepared explaining the issue and result. This paper is provided to the external auditor and the Audit and Strategic Finance Committee to support management decision-making.
Reviewing whether the internal and/or external auditors have regard to compliance and ethics risks in the development of their audit plan and in the conduct of audit projects, and report compliance and ethics issues to the audit committee	Finance Services	A review of the External Audit Plan and audit report prepared for and presented to the Audit and Strategic Finance Committee confirms that the external auditor had regard to fraud, ethics and statutory compliance and compliance with accounting standards. Auditing standards place responsibilities on the auditor for these matters. The City places a high priority on ethics/fraud and compliance issues when developing its internal audit plans. The scope of all internal audit projects covers these key audit areas.
Monitoring the local government's compliance frameworks dealing with relevant external legislation and regulatory requirements	Governance	The City has an extensive Governance Program which includes monitoring of regulatory requirements, and recording on the compliance calendar. The City also purchased Integrity Solutions System Software ATTAIN in 2016, This software assists in the monitoring of compliance in relation to financial disclosures, gifts, travel contributions, and Delegated Authority.
Complying with legislative and regulatory requirements imposed on audit committee members, including not misusing their position to gain an advantage for themselves or another or to cause detriment to the local government and disclosing conflicts of interest.	Governance	The City relies on the Audit and Strategic Finance Committee's Terms of Reference and revised Code of Conduct to ensure behavior is appropriate, and conflicts of interests are managed properly.



31 August 2016

Manager Financial Services
City of Cockburn
Cnr Rockingham Road & Coleville Crescent
SPEARWOOD WA 6163

Dear Sir

QUOTATION: AUDIT SERVICES - FINANCIAL YEAR ENDING 30 JUNE 2017

As requested by you, we are pleased to provide the City with a quotation to provide external audit services for the financial year ending 30 June 2017 (one year). The terms and conditions will be the same as the existing contract (No. QRP 02/2012).

We are confident in providing real value to the City through high-quality, tailored and flexible services delivered by our skilled audit and assurance team.

1. WALGA Preferred Supplier



Macri Partners is a preferred supplier with WALGA as an approved contractor for the Provision of Audit and Associated Services (C026/14).

This means that WA local Councils can appoint for professional services without the need for formal tender processes, thus saving significant time, reducing procurement costs and avoiding many of the risks associated with tendering.

It also ensures that Local Governments achieve regulatory and audit compliance.



(A) AUDIT SERVICES: EXTERNAL

We envisage that the duration of our audit visits would be as follows:

Interim	March – June *	3 Days	Audit Senior
		3 Days	Audit Assistant
		3 Days	Audit Manager
		1 Day	Audit Partner
Final	September - October *	4 Days	Audit Senior
		3 Days	Audit Assistant
		3 Days	Audit Manager
		1 Day	Audit Partner
TOTAL		<u>21 Man Days</u>	

* Specific timing of our audit visits will be finalised with management.

Based on our estimated time to carry out the audit, we envisage the staffing would be as follows:

Staffing	No. of Hours	Hourly Cost (ex GST)	Total Cost (ex GST)
Partner	15	\$320	\$4,800
Manager	45	\$250	\$11,250
Senior	52	\$190	\$9,880
Assistant	45	\$140	\$6,300
	157		\$32,230

PRICE:

We believe that the above hours would be required to undertake the audit of the City. However, with our knowledge of the local government systems and with our experienced staff who are familiar with the City's audit, we will be able to discount our fee, without reducing the hours, and perform the audit at the following fees:

Year	Price (Ex GST)	GST	Price (Ex GST)
2016/2017	\$30,000	\$ 3,000	\$ 33,000

The fees quoted above is for external audit services for the audit of the City's financial report.



(B) ADDITIONAL SERVICES - SCHEDULE OF RATES

Services may be required by the City for specific project audits (grant acquittals, etc.) and other services relating to provision for technical advice and related meetings, tax advice (GST and FBT) and such like.

Depending on the size and complexity of the services, we would envisage the use of either partner, manager, senior or assistant.

The hourly rates by staff are:

(Note: This is in accordance with our WALGA Preferred Supplier Agreement, C026/14)

Position	Rate per Hour (Ex-GST)	GST	Rate per Hour (Inc-GST)
Audit Partner	\$320	\$32	\$352
Audit Manager	\$250	\$25	\$275
Audit Senior	\$190	\$19	\$209
Audit Assistant	\$140	\$14	\$154

We have kept the hourly rates same as previous year.

Audit Committee Representation:

The Audit Partner or his Representative may attend the Audit Committee meetings as and when requested. Fee will be charged based on an hourly rate as disclosed above.

3. Value and Benefits

In summary, we believe that Macri Partners offers a unique value proposition with extensive audit and assurance experience within the local government industry. Our team is experienced and dedicated to serve as the City's auditors in order to meet your requirements.

We look forward to engaging with your team and will work to address your needs as we have successfully done in the past years. Should you require any further information, please do not hesitate to contact me.

Yours faithfully



ANTHONY MACRI
AUDIT PARTNER





Our Ref: 7576

Mayor Logan K Howlett
City of Cockburn
PO Box 1215
BIBRA LAKE DC WA 6965

Dear Mayor *Logan*

CITY OF COCKBURN
DOC Set
20 SEP 2016
SUBJECT 025/001
RETENTION 66.1 AS
PROPERTY
APP
ACTION 011/011 011/010



Office of the Auditor General
Serving the Public Interest

7th Floor, Albert Facey House
469 Wellington Street, Perth

Mail to: Perth BC
PO Box 8489
PERTH WA 6849

Tel: (08) 6557 7500
Fax: (08) 6557 7600

Email: info@audit.wa.gov.au

LOCAL GOVERNMENT AMENDMENT (AUDITING) BILL 2016

You may be aware that the State Government introduced the Local Government Amendment (Auditing) Bill 2016 to Parliament on Thursday 25 August 2016. The Bill proposes that the Auditor General undertake the annual financial audits of local government. It also requires that I undertake performance audits of local governments. These changes will bring Western Australia into line with other Australian states.

At this stage, I am unable to provide any indication as to when or if the Bill will pass.

However, if it does pass, then I will seek to talk to Councils throughout the State about what the changes will involve and how the transition will take place. I will also keep you informed by email on transition issues as well as on accounting, auditing and governance issues that may affect you.

I have never advocated for my Office to take responsibility for local government audits as this is a matter for the Parliament. However, I can assure you that if given this responsibility, we will approach it in manner consistent with our current role to provide a consultative and highly professional audit service to local government.

Yours sincerely

Colin Murphy
COLIN MURPHY
AUDITOR GENERAL
15 September 2016

cc Mr Stephen Cain, Chief Executive Officer



Government of **Western Australia**
 Department of **Local Government and Communities**

Our Ref: 2689-15; E1630605

Mr Stephen Cain
 City of Cockburn
 PO Box 1215
 BIBRA LAKE DC WA 6965

Stephen

Dear Mr Cain

CITY OF COCKBURN	
31 AUG 2016	
SUBJECT	067/002
RETENTION	087/005
PROPERTY	94.2 AS
APP	
ACTION	011/010

Auditing of local governments by the Auditor General

On 2 March 2016, Jennifer Mathews, Director General, wrote to you regarding the State Government’s proposal for amendments to be made to the *Local Government Act 1995* which will provide for the Auditor General to undertake financial and performance audits of the local government sector.

As you would be aware, it is intended that the Auditor General and the Office of the Auditor General (OAG) take responsibility for local government financial audits from 1 July 2017 following passage of the Bill through Parliament. Under the proposed changes, the Auditor General may contract out some of the financial audits to private firms, but all financial audits will be done under the supervision of the Auditor General and the OAG.

I thank you for providing the Department with the date your current audit contract expires as requested in the previous letter. You indicated that it expires at the completion of the 2015/16 financial year and that you did not have an audit contract in place beyond then or you were considering a further extension of your contract. This information is assisting the OAG in understanding current arrangements to enable them to determine their resourcing requirements.

As it is proposed that the Auditor General takes responsibility of financial audits from 1 July 2017, the earliest audit they will undertake is for the 2017/18 financial year. If you have not already extended or renewed your audit contract, I encourage you to do so, up to but not past the 2016/17 audit. If, to secure an auditor, the audit contract has to be renewed beyond the 2016/17 audit, you should consider renewing it for no more than one extra year, with the option of annual extensions.

Gordon Stephenson House
 140 William Street Perth WA 6000
 GPO Box R1250 Perth WA 6844

Tel: (08) 6551 8700 Fax: (08) 6552 1555 Freecall: 1800 620 511 (Country only)
 Email: info@dlgc.wa.gov.au Website: www.dlgc.wa.gov.au

I would appreciate further advice on the new expiry date of your audit contract or what your intentions are in this regard, so that the OAG can be informed of the current situation. Please provide this information (including the date the audit contract expires and the financial years included in the audit) to legislation@dlgc.wa.gov.au as soon as possible, and in any event by 2 September 2016.

Please contact Ms Julie Knight in the Department's Legislation team on 65521595 if you require further information or wish to discuss the extension of your audit contract.

Yours sincerely



Brad Jolly
A/DIRECTOR GENERAL
DEPARTMENT OF LOCAL GOVERNMENT AND COMMUNITIES

Understanding the Financial Statements

Introduction

The Financial Statements show how the Council performed financially during the 2016/16 financial year and presents the financial position as at the 30th June 2016.

Council is required to prepare its' financial statements in accordance with the Australian Accounting Standards, the Local Government Act 1995 and the associated Local Government Regulations. As Council is a "not-for-profit" organisation in the public sector, some of the generally recognised terms used in private sector reports are not ideally transferable to the Local Government environment.

Cockburn Council is mindful of its role of acting in the public interest and it is in this context that this guide is provided to assist readers in understanding and analysing the financial statements.

What is contained in the Financial Statements?

Council's Financial Statements has two sections, namely:

- (1) The principal Financial Statements
- (2) The Notes to and Forming Part of the Financial Statements.

There are five (5) principal Financial Statements and twenty eight (28) Notes to the Accounts. These are prepared by Council staff, audited by an independent Auditor, presented to Council's Audit Committee and then accepted by full Council as part of the Annual Report.

The five Principal Financial Statements comprise the following:

- Statement of Financial Position
- Statement of Changes in Equity
- Statement of Comprehensive Income
- Cash Flow Statement
- Rate Setting Statement

The Notes to the Accounts include the accounting policies that were applied in preparing the financial statements, as well as more detailed information relating to specific items and values disclosed within the statements.

Statement of Financial Position

This statement is a snap shot of the financial position of the Council as at 30 June 2016. It shows what Council owns as assets and what it owes as liabilities. The bottom line of this statement is the net assets and is equivalent to the net worth of the Council that has built up since inception.

The assets and liabilities are separated into those that are Current and Non Current. Current means those assets and liabilities, which are likely to be consumed or extinguished within the next 12 months. Non Current refers to assets and liabilities with an economic life extending beyond 12 months.

Statement of Changes in Equity

From one year to the next, the value of and composition of equity (as reported within the Statement of Financial Position) changes. Equity can be defined as being the net worth of Council or its net assets (Assets less Liabilities).

Council's equity is comprised of Cash Backed Reserves, Asset Revaluation Reserve (non cash) and the Accumulated Surplus. Net surpluses (or deficits) from Council's operations (as disclosed in the Statement of Comprehensive Income), will change the overall total of equity (via the accumulated surplus). Asset revaluations also impact Council's net worth position. Transfers to and from cash backed reserves, whilst not impacting the overall total of equity, demonstrate the consumption of or accumulation of savings for future purposes.

Statement of Comprehensive Income

The Statement of Comprehensive Income shows:

- The sources of Council's Revenue under various Program Headings
- The expenses incurred in running the Council during the year under Program Headings

These expenses relate only to the operations and do not include the costs associated with the purchase or the building of assets. While asset purchase costs are not included in expenses, there is an item for depreciation. This is the annual allocation of the cost of assets by reference to the remaining useful life of assets.

The key figure is the change in net assets resulting from operations and this year, it indicates that revenues exceeded expenses.

Cash Flow Statement

The Cash Flow Statement summarises Council's cash payments and cash receipts for the year. This statement is presented according to a very specific accounting standard and needs some care and analysis. The values in the Cash Flow Statement differ from those shown in the Statement of Comprehensive Income, as it is prepared on a cash basis, whereas the Statement of Comprehensive Income is prepared on an accruals basis.

Cash in this statement refers to bank deposits and other forms of highly liquid investments that can be readily converted to cash.

Council's cash arises from and is used in three main areas:

- Operating activities
- Investing activities – this term relates to assets such as infrastructure, plant, land and other long-term revenue producing assets.
- Financing activities – this is used to record the receipt and repayment of external financing such as loans and leases.

The bottom line of the Cash Flow Statement shows the cash held at the end of the financial year.

Rate Setting Statement

The inclusion of a Rate Setting Statement in the annual statements is a requirement of the Local Government (Financial Management) Regulations 1996. The format for this statement is prescribed within the regulations and is the same as that included in the annual budget.

As the name suggests, the Rate Setting Statement sets out the total amount of general rates proposed in the budget and the amount actually raised during the reporting year. To arrive at these, the statement reconciles all sources and application of funds and the closing surplus or deficit (less any opening balances). This includes all operational revenue and expenses (as included in the Statement of Comprehensive Income) together with all capital acquisitions made, transfers to and from cash-backed reserves and transactions associated with borrowings.

The Rate Setting Statement provides a more complete picture of the council's financial activities during the reporting year compared to the Statement of Comprehensive Income (which reports only on the operational activities).

Notes to the Accounts

The notes are a very important and informative section of the Report. They provide additional meaning to and information in support of the principal statements.

The Significant Accounting Policies at note 1 provide the reader with the policies and parameters used in preparing the Statements. In other words, these are the ground rules that form the basis for preparing the statements.

Apart from the Accounting Policies, the other notes provide the details behind many of the summarised figures contained within the statements. Where there is a direct correlation between amounts, the applicable note number is disclosed beside the relevant item in the statements.

The notes should be read in conjunction with the principal Financial Statements to get a clearer understanding of Council's financial position.

Auditor's Report & CEO's Statement

The independent Audit Report provides an external and independent opinion on the Financial Statements. It provides the reader with the scope of the audit work undertaken and expresses an audit opinion formed on this basis. The audit opinion relates to the fairness aspects and the statutory compliance of the Financial Statements.

The Statement by the Chief Executive Officer serves as a written undertaking by management to the correctness and fairness of the statements.

DISCUSSION AND ANALYSIS OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Statement of Comprehensive Income

Operating Result

The City's operating result for 2015/16 came in at \$8.4M, down by \$3.7M on the previous year. Whilst expenditure increased in line with inflationary factors, overall revenue stagnated. This is still a healthy financial result, demonstrating the City generates more than enough revenue to cover the cost of depreciation.

Overall, operating revenues of \$129.9M were up \$1.3M year on year. Due to the incorporation of waste charges into the general rates for residential property, like for like comparisons are difficult to make this year. However, revenue from rates, service charges and fees & charges were collectively up \$5.1M (4.6%). Revenue from contributions and interest earnings was little changed year on year. The negative impact on revenue came from operating grants and subsidies, which were down by \$3.8M on last year. This is purely attributable to the changed practice in paying federal financial assistance grants (FAGS), which had been advanced by 50% the previous year but not this year.

Operating expenses were up for the year by \$5.0M (4.3%) to \$121.5M. Employee costs, the City's biggest operational expense item, were up \$2.0M (4.4%) to \$47.1M and in line with budget expectations. Spending on materials and contracts was up 4.0% to \$34.9M (+\$1.4M) and \$1.8M over the adopted budget. This result reflects \$2.0M of soft landscaping cost transferred from the capital budget due to accounting requirements and is not an overall budget variance. Insurance expenses came in \$0.3M (14%) higher than last year at \$2.2M. Back claimed workers compensation was the main reason for this result, as well as additional premium for the Cockburn integrated health and community facility. Interest expenses were minimal at under \$0.1M and relate to self-funding purposes.

Depreciation expense (non-cash) was little changed at \$23.8M, down by \$0.1M on last year. A more accurate reflection of useful life for building assets reduced overall depreciation by \$0.4M, offsetting minor increases across other asset classes. Against the adopted budget, depreciation was down \$2.6M due to the changes to useful life for buildings and the annual revaluation of road assets at the end of the prior financial year.

The consumption of landfill infrastructure assets has this year been accounted for as amortisation, rather than depreciation. This change of classification was recommended by the City's auditor based on accounting standard definitions. The result of \$1.1M was little changed year on year.

Net Result

Including non-operating activities, the City's net result (before asset revaluations) was up \$20.1M on the previous year to \$51.7M. Although negatively impacted by the \$3.7M decline in the operating result, non-operating activities contributed an additional \$23.8M.

Capital grants and contributions received of \$23.6M were up \$13.3M year on year. \$17.3M represented state and federal grants (up \$10.5M) with \$11.8M relating to funding for the Cockburn ARC project and the balance for road construction projects. Private capital contributions totalled \$6.3M (up \$2.7M) mostly due to the JV partner share of incurred construction costs for Cockburn ARC.

\$9.2M received from the City's Developer Contribution Plans (DCP) has been reported separately from other capital contributions this year. This result is up \$1.0M on last year with \$6.5M received for the community infrastructure plan (up \$0.2M) and \$2.7M for the road infrastructure plans (up \$0.8M).

Infrastructure assets within new subdivisions gifted by developers totalled \$13.1M, slightly lower than the \$13.4M received last year. These assets comprise of roads, drainage and parks infrastructure.

Net profit/loss from the sale of assets was a net \$0.2M, mostly from the sale and trade-in of plant assets. This result was well down on the net profit of \$1.8M last year, with last year benefiting from a \$2.0M profit from land sales. This year's only land sale of \$2.4M was close to the book value.

Statement of Financial Position

The City's net assets and total equity increased by \$58.9M during the reporting year to \$1,162.8M. This reflects an increase in total assets of \$106.3M, comprising increases in non-current assets of \$75.5M and \$30.8M for current assets. These were offset by an increase in total liabilities of \$47.5M, comprising increases in non-current liabilities of \$30.0M and \$17.5M for current liabilities.

Assets

The increase in current assets of \$30.8M includes an additional \$22.5M in cash and investments, reflecting the greater amount of cash held in financial reserves. Receivables were also higher by \$8.2M, mainly due to the invoiced Cockburn ARC JV contribution.

The increase in non-current assets of \$75.5M comprised a net increase of \$18.9M in the value of infrastructure assets and \$50.7M in property, plant & equipment assets. This increase includes an additional \$53M works in progress (WIP) for buildings, mainly comprising the Cockburn ARC project. Road assets increased by \$14.3M and Parks Infrastructure increased by \$9.9M.

The City also increased the amount of the landfill rehabilitation asset by \$8.0M to \$16.5M. This followed an independent review commissioned by the City during the year into the post-closure rehabilitation requirements for the landfill. This is offset by a non-current liability provision for the same amount. There was also a decrease of \$2.3M in the City's equity share of the SMRC joint venture.

Liabilities

Current liabilities increased significantly over the year by \$17.5M to \$31.6M, with trade & other payables increasing by \$15.5M to \$23.6M. However, this was impacted by the June end of month payment run being processing at the bank on the 1st July, adding an extra \$6.5M to end of year payables. The June progress claim for Cockburn ARC also added another \$8.4M to the payables. The current liability for borrowings increased by \$1.2M due to the Cockburn ARC \$25M loan drawn down in June. Current leave provisions were also higher by \$0.8M from last year at \$5.4M.

Non-current liabilities increased by \$30.0M from last year, primarily due to an increase in loan borrowings of \$ 22.4M relating to Cockburn ARC. Provisions were also \$8.0M higher due to the previously mentioned increase in expected costs for the landfill site rehabilitation.

Changes in Equity

Cash backed reserves held by the City increased by \$19.5M to \$126.6M during the year. Reserves with significant increases included Community Infrastructure (up \$5.9M to \$12.1M), Roads & Drainage Infrastructure (up \$5.0M to \$8.2M) and Major Buildings Refurbishment (up \$4.4M to \$9.8M). The new reserve established to quarantine municipal funding for carried forward projects also added \$4.0M to the increase. Reserves that decreased significantly during the year were the DCP Community Contributions reserve (down \$6.1M to \$10.4M) and the Restricted Grants & Contributions reserve (down \$3.3M to \$2.2M).

The Revaluation Surplus increased by \$7.2M to \$575.4M as a result of the annual management valuation of roads, footpaths, drainage and parks infrastructure.

The City's accumulated surplus increased by \$32.2M to \$460.8M. This represented the \$51.7M net operating surplus result, less the \$19.5M net transfer of funds to financial reserves.

Statement of Cash Flows

The City's net incoming cash flows from operating activities increased by \$4.7M to \$41.0M for the reporting year. This reflects the strong financial capacity of the City to continue funding new assets and asset renewals and upgrades as planned for and when they become necessary.

Cash of \$78.0M was outlaid on capital spending, an increase of \$41.5M on the previous year. This mainly reflected increased spending on building construction (up \$46.0M) as a result of Cockburn ARC.

Cash flows from grants and contributions received for the development of assets increased by \$14.3M to \$32.8M, with the increase also attributable to the Cockburn ARC project. Cash received from the sale of assets was down slightly by \$0.5M to \$3.5M.

The City repaid \$1.4M of outstanding borrowings, completing the repayment of the underground power loan and leaving under \$0.1M outstanding on the emergency services building self-funding loan. It also received the \$25.0M borrowing proceeds from the Cockburn ARC loan.

Cash and cash equivalents increased for the year by \$22.5M to \$151.5M strengthening the City's already strong liquidity position.

Rate Setting Statement

The City's closing funds position was \$9.27M compared to the balanced budget position contained in the 2015/16 adopted budget. \$6.15M of the closing funds is unspent monies required to complete carried forward works and projects. The balance of \$3.12M covers the forecast \$3.0M end of year surplus included in the adopted budget for 2016/17, with an additional \$0.12M available to be transferred into financial reserves in accordance with Council's budget policy.

The total amount raised from general rates cannot be compared to the previous year due to the incorporation of waste charges into general rates for residential property.

However, the \$91.3M raised was \$2.3M (2.5%) higher than the adopted budget, reflecting strong interim rating from continued development within the City.

Financial Ratios

The WA Local Government (Financial Management) Regulations 1996 prescribe seven financial ratios that are to be included in the annual financial report. These ratios are also used by the Department of Local Government & Communities (DLGC) as a measurement of a local government's overall financial health. They form the basis of calculations used for the Financial Health Indicator (FHI) displayed on the MyCouncil website.

RATIO	2016	2015	Benchmark	High
Current Ratio	1.211	1.869	1.00	1.50
Asset Sustainability Ratio	1.399	0.378	0.90	1.20
Debt Service Ratio	20.631	16.625	2.00	5.00
Operating Surplus Ratio	0.049	-0.002	0.01	0.15
Own Source Revenue Ratio	1.003	0.898	0.40	0.90
Asset Consumption Ratio	0.714	0.712	0.50	0.75
Asset Renewal Funding Ratio	0.741	0.767	0.75	1.10

All seven of the ratios are at or above the DLGC benchmark, with three exceeding the high ratio mark. The Asset Sustainability Ratio has seen a marked improvement due to the capital spending on the Cockburn ARC project. A significant proportion of this spend is essentially renewal expenditure for an existing service providing asset (South Lake Leisure Centre). The auditor has concurred with this treatment following consultation with the DLGC. The Operating Surplus Ratio was also significantly higher this year, as last year's result was adversely impacted by the write-off of parks living landscape assets (trees, plants and turf). The write-off was necessary in order for the City to comply with asset fair value requirements under the WA Local Government (Financial Management) Regulations.

These results combine to produce an FHI score of 89 (compared to 68 last year). This result is more comparable to that for the 2014 year (of 88) and 2013 year (of 85). An FHI result of 70 and above indicates sound financial health according to the DLGC.

Statement of Comprehensive Income

by Nature or Type

for the Year Ended 30 June 2016

	Notes	Actual 2015/16 \$	Budget 2015/16 \$	Actual 2014/15 \$
OPERATING REVENUE				
Rates	23	91,311,030	89,031,014	65,044,331
Specified Area Rates	23	341,727	274,438	312,317
Fees and Charges	25	22,072,981	25,132,053	40,311,919
Service Charges		1,066,477	1,037,370	4,031,642
Operating Grants and Subsidies	27	8,057,274	9,098,273	11,843,090
Contributions, Donations and Reimbursements		1,372,307	592,253	1,301,834
Interest Earnings	2	5,678,901	5,385,532	5,716,510
Other revenue and Income		-	-	26,637
Total Operating Revenue		129,900,696	130,550,933	128,588,280
OPERATING EXPENDITURE				
Employee Cost		(47,084,154)	(47,543,019)	(45,115,536)
Materials and Contracts		(34,865,658)	(33,084,733)	(33,512,994)
Utilities		(4,363,875)	(4,622,148)	(4,285,795)
Interest Expenses		(85,602)	(73,336)	(123,170)
Insurances		(2,223,550)	(2,134,448)	(1,952,591)
Other Expenses		(7,976,582)	(8,933,563)	(6,383,171)
Depreciation on Non Current Assets	2	(23,790,540)	(26,435,368)	(23,897,844)
Amortisation on Landfill Infrastructure	2	-	-	(1,130,001)
Total Operating Expenditure		(120,389,960)	(122,826,616)	(116,401,102)
Increase/(Decrease)		9,510,736	7,724,318	12,187,177
NON-OPERATING ACTIVITIES				
Non-Operating Grants, Subsidies and Contributions	27	23,618,162	19,964,025	18,497,201
Developers Contributions Plans: Cash		9,220,108	6,741,922	-
Gifted Subdivision Assets	10b	13,128,414	-	13,393,722
Increase/(Decrease) in Equity - Joint Venture	17	(2,344,579)	-	1,274,680
Increase/(Decrease) in LG House Trust	4	(16,582)	-	143,108
Land Ceded to the Crown		(610,366)	-	-
Profit on Sale of Assets	20b	364,400	1,150,000	288,036
Loss on Sale of Assets	20b	(121,241)	7,021,209	(492,329)
Impairment - Infrastructure Park Landscaping	10b	-	-	(15,701,497)
Total Non-Operating Activities		43,238,316	34,877,156	19,432,348
NET RESULT		52,749,052	42,601,474	31,619,526
OTHER COMPREHENSIVE INCOME				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	15	7,190,450	-	36,652,247
Total Other Comprehensive Income		7,190,450	-	36,652,247
TOTAL COMPREHENSIVE INCOME		59,939,503	42,601,474	68,271,773

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Comprehensive Income

by program

For the year ended 30 June 2016		Actual 2015/16	Budget 2015/16	Actual 2014/15
	Notes	\$	\$	\$
REVENUES				
Revenue From Ordinary Activities				
General Purpose Funding		100,301,439	99,716,849	77,988,574
Governance		231,074	125,550	211,482
Law Order & Public Safety		962,430	799,091	4,038,394
Health		309,815	225,500	226,309
Education & Welfare		7,049,298	6,230,253	6,934,498
Community Amenities		11,875,672	15,050,847	30,471,588
Recreation & Culture		4,101,359	3,948,928	3,858,299
Transport		522,125	285,200	352,845
Economic Services		2,120,142	2,338,578	2,274,265
Other Property & Services		2,427,343	1,830,137	2,232,026
TOTAL OPERATING REVENUES		129,900,696	130,550,933	128,588,280
EXPENSES				
General Purpose Funding		(1,165,505)	(723,675)	(1,068,489)
Governance		(10,153,011)	(11,063,513)	(9,919,116)
Law Order & Public Safety		(6,004,225)	(5,455,161)	(5,326,612)
Health		(2,454,667)	(2,384,409)	(2,298,026)
Education & Welfare		(13,228,316)	(13,086,595)	(13,030,111)
Community Amenities		(30,160,766)	(34,066,623)	(29,943,002)
Recreation & Culture		(28,531,696)	(27,381,070)	(26,082,512)
Transport		(25,497,265)	(25,927,976)	(24,583,064)
Economic Services		(2,504,795)	(2,635,548)	(2,478,111)
Other Property & Services		(1,754,625)	(1,348,463)	(1,672,060)
Total Operating Expenditure		(121,454,871)	(124,073,032)	(116,401,102)
Increase/(Decrease)		8,445,825	6,477,902	12,187,177
NON-OPERATING GRANTS/CONTRIBUTIONS TOWARDS				
ASSETS: CASH				
General Purpose Funding		89,267	85,557	85,557
Governance		17,437,563	18,050,000	6,219,799
Law Order & Public Safety		117,897	-	-
Education & Welfare		23,640	-	-
Community Amenities		603,645	-	1,023,748
Recreation & Culture		199,633	400,000	48,677
Transport		5,115,016	1,363,468	2,965,410
Other Property & Services		9,251,608	6,806,922	8,154,009
		32,838,270	26,705,947	18,497,201
Gifted Subdivision Assets	10b	13,128,414	-	13,393,722
Land Ceded to the Crown		(610,366)	-	-
Increase/(Decrease) in Equity - Joint Venture	17	(2,344,579)	-	1,274,680
Increase/(Decrease) in LG House Trust	4	(16,582)	-	143,108
PROFIT/(LOSS) ON DISPOSAL OF ASSETS				
Education & Welfare		42,300	30,000	37,722
Recreation & Culture		(90,767)	-	(492,329)
Transport		283,348	(206,540)	125,302
Other Property & Services		8,278	8,347,750	(13,547,057)
	20b	243,160	8,171,209	(13,876,363)
NET RESULT		51,684,141	41,355,058	31,619,526
OTHER COMPREHENSIVE INCOME				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	15	7,190,450	-	36,652,247
Total Other Comprehensive Income		7,190,450	-	36,652,247
TOTAL COMPREHENSIVE INCOME		58,874,591	41,355,058	68,271,773

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 30 June 2016		Actual 2015/16	Actual 2014/15
	Notes	\$	\$
CURRENT ASSETS			
Cash and Cash Equivalents	3	151,554,000	129,018,060
Trade & Other Receivables	6	13,656,877	5,470,423
Other Assets	7	715,996	621,686
Inventories	8	41,102	18,634
Total Current Assets		<u>165,967,975</u>	<u>135,128,804</u>
NON CURRENT ASSETS			
Financial Assets - Non Current	4	4,819,364	4,649,839
Interests in Joint Ventures	5	6,093,158	8,437,737
Other Receivables	6	738,851	632,550
Property, Plant and Equipment	9	311,375,336	260,695,329
Infrastructure	10	736,216,337	717,267,463
Rehabilitation Assets	11	16,517,533	8,565,455
Total Non Current Assets		<u>1,075,760,579</u>	<u>1,000,248,374</u>
TOTAL ASSETS		<u>1,241,728,554</u>	<u>1,135,377,178</u>
CURRENT LIABILITIES			
Trade & Other Payables	12a	23,605,924	8,063,526
Borrowings	12b	2,593,138	1,423,320
Provisions	13	5,425,888	4,618,800
Total Current Liabilities		<u>31,624,950</u>	<u>14,105,646</u>
NON CURRENT LIABILITIES			
Other Payables	12a	5,761,532	6,203,155
Borrowings	12b	23,150,036	743,174
Provisions	13	18,391,990	10,399,749
Total Non Current Liabilities		<u>47,303,558</u>	<u>17,346,077</u>
TOTAL LIABILITIES		<u>78,928,508</u>	<u>31,451,723</u>
NET ASSETS		<u>1,162,800,045</u>	<u>1,103,925,454</u>
EQUITY			
Accumulated Surplus		460,767,729	428,609,779
Reserves - Cash/Investment Backed	14	126,599,957	107,073,767
Revaluation Surplus	15	575,432,360	568,241,909
TOTAL EQUITY		<u>1,162,800,045</u>	<u>1,103,925,454</u>

The Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 30 June 2016		Actual 2015/16	Actual 2014/15
	Notes	\$	\$
RESERVES CASH/INVESTMENT BACKED			
Balance at beginning of year		107,073,767	85,588,563
Transfer from accumulated surplus		68,342,602	50,541,657
Transfer to accumulated surplus		(48,816,412)	(29,056,453)
Balance at end of reporting period	14	<u>126,599,957</u>	<u>107,073,767</u>
REVALUATION SURPLUS			
Balance at beginning of year		568,241,909	531,589,662
Revaluation Increments during year		15,359,080	36,652,247
Revaluation Decrements during year		(8,168,629)	–
Balance at end of reporting period	15	<u>575,432,360</u>	<u>568,241,909</u>
ACCUMULATED SURPLUS			
Balance at beginning of year		428,609,779	418,475,456
Net result		51,684,141	31,619,526
Transfer from reserves		48,816,412	29,056,453
Transfer to reserves		(68,342,602)	(50,541,657)
Balance at end of reporting period		<u>460,767,729</u>	<u>428,609,779</u>
TOTAL EQUITY		<u>1,162,800,045</u>	<u>1,103,925,454</u>

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 30 June 2016		Actual 2015/16	Budget 2015/16	Actual 2014/15
	Notes	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee Cost		(46,236,902)	(46,947,039)	(44,802,756)
Materials and Contracts		(20,127,926)	(40,084,733)	(34,139,958)
Utilities		(4,363,875)	(4,622,148)	(4,285,795)
Interest Paid		(85,602)	(73,336)	(123,170)
Insurances		(2,223,550)	(2,134,448)	(1,952,591)
Other Expenses		(7,976,582)	(8,933,563)	(6,383,171)
GST on Payments		(10,657,073)	-	-
		(91,671,509)	(102,795,268)	(91,687,442)
Receipts				
Rates & Special Area Rates		90,889,316	89,305,452	64,484,285
Fees and Charges		16,128,057	29,121,953	40,328,331
Service Charges		1,066,477	1,037,370	4,349,053
Contributions, Donations and Reimbursements		1,372,307	592,253	1,301,834
Interest Received		5,438,875	5,385,532	5,566,816
Grants & Subsidies - Operating		8,057,274	9,598,273	11,843,090
Other Revenue/Income		-	10,100	26,637
GST on Receipts		2,973,834	-	-
GST Refunded by ATO		6,786,736	2,500,000	-
		132,712,876	137,550,933	127,900,045
NET CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES	16a	41,041,367	34,755,666	36,212,603
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sale on Non Current Assets	20b	3,471,651	16,051,000	4,001,046
Purchase Furniture and Equipment		(6,105)	(6,000)	-
Purchase Computer Equipment		(294,621)	(503,800)	(642,552)
Purchase & Construction of Infrastructure Assets		(13,016,993)	(13,135,576)	(17,043,477)
Purchase Plant and Machinery		(3,537,490)	(4,568,000)	(3,426,802)
Purchase & Development of Land		(428,871)	(1,350,000)	(1,406,416)
Purchase & Construction of Buildings		(60,055,961)	(62,618,000)	(14,035,063)
Capital Grants, Subsidies & Contributions		32,838,270	26,705,947	18,497,201
Land Ceded to the Crown		(610,366)	-	-
NET CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES		(41,640,486)	(39,424,429)	(14,056,063)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net receipts/(refund) of bonds		(441,622)	-	3,400,863
Loan Principal Repayment		23,576,680	23,576,680	(1,373,356)
NET CASH FLOWS PROVIDED BY/(USED IN) FINANCING ACTIVITIES		23,135,058	23,576,680	2,027,507
Net Increase/(Decrease) In Cash during year		22,535,939	18,907,917	24,184,047
Cash & Cash Equivalents at Beginning of Reporting Period		129,018,060	101,348,197	104,834,013
CASH & CASH EQUIVALENTS AT END OF REPORTING PERIOD	3,16b	151,554,000	120,256,114	129,018,060

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

RATE SETTING STATEMENT
For the year ended 30 June 2016

	Notes	Actual 2015/16 \$	Budget 2015/16 \$	Actual 2014/15 \$
Operating Revenue				
Specified Area Rates	23b	341,727	274,438	312,317
Fees & Charges	23b	22,072,981	25,132,053	40,311,919
Service Charges	23b	1,066,477	1,037,370	4,031,642
Operating Grants & Subsidies	23b	8,057,274	9,098,273	11,843,090
Contributions, Donations, Reimbursements	23b	1,372,307	592,253	1,301,834
Interest Earnings	23b	5,678,901	5,385,532	5,716,510
Other Revenue / Income	23b	-	-	26,637
Profit on Sale of Assets	20b	364,400	1,150,000	2,317,463
Total Operating Revenue		38,954,067	42,669,919	65,861,412
Operating Expenditure				
Employee Costs		(47,084,154)	(47,543,019)	(45,115,536)
Materials and Contracts		(34,865,658)	(33,084,733)	(33,512,994)
Utilities		(4,363,875)	(4,622,148)	(4,285,795)
Interest Expenses	22	(85,602)	(73,336)	(123,170)
Insurances		(2,223,550)	(2,134,448)	(1,952,591)
Other Expenses		(7,976,582)	(8,933,563)	(6,383,171)
Loss on Sale of Assets	20b	(121,241)	7,021,209	(492,329)
Impairment - Infrastructure Park Landscaping	10b	-	-	(15,701,497)
Depreciation on Non Current Assets	9b, 10b	(24,855,452)	(27,681,784)	(25,027,845)
Total Operating Expenditure		(121,576,112)	(117,051,822)	(132,594,928)
Change in Net Assets Resulting from Operations before Rates				
		(82,622,045)	(74,381,903)	(66,733,516)
Adjustments for Cash Budget Requirements:				
Profit on Sale of Assets	20b	(364,400)	(8,437,938)	(2,317,463)
Loss on Sale of Assets	20b	121,241	266,729	492,329
Impairment - Infrastructure Park Landscaping	10b	-	-	15,701,497
Depreciation on Assets	9b, 10b	24,855,452	27,681,784	25,027,845
Movement in Non-Current Employee Benefit Provisions	13	40,164	-	246,615
Movement in Deferred Pensioners	6	(106,301)	-	(45,803)
		24,546,155	19,510,575	39,105,019
Capital Expenditure and Revenue				
Purchase of Land and Buildings	9b	(60,484,831)	(63,968,000)	(16,899,796)
Purchase of Plant and Machinery	9b	(3,537,490)	(4,568,000)	(3,426,802)
Purchase of Furniture and Equipment	9b	(6,105)	(6,000)	-
Purchase of Computer Equipment	9b	(294,621)	(503,800)	(642,552)
Construction of Infrastructure Assets	10b	(26,145,406)	(13,135,576)	(28,978,882)
Proceeds on Sale of Assets	20b	3,417,732	16,051,000	4,001,046
Land Vested in Crown		(610,366)	-	-
Contributions/Grants for the development of Assets	27	32,838,270	26,705,947	18,497,201
Gifted & Previously Unrecognised Assets	10b	13,128,414	-	13,393,722
Repayment of Loans	22	(1,423,320)	(1,423,320)	(1,373,356)
Proceeds from New Loans	22	25,000,000	25,000,000	-
Transfers from Reserves (Restricted Assets)	14	48,816,412	31,635,188	29,056,453
Transfers to Reserves (Restricted Assets)	14	(68,342,602)	(63,087,125)	(50,541,657)
		(13,097,760)	(27,789,111)	2,190,397
NET		(95,719,805)	(102,171,014)	(64,543,119)
Add: Opening Funds	34	13,676,287	16,289,342	13,175,076
Less: Closing Funds	34	9,267,511	3,149,343	13,676,287
Amount Required to be Raised from Rates		(91,311,030)	(89,031,015)	(65,044,331)

The Rate Setting Statement should be read in conjunction with the accompanying notes.

NOTES TO THE ACCOUNTS

1. Significant Accounting Policies

The significant accounting policies which have been adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

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, other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1995 and accompanying regulations.

Except for cash flow and rate setting information, the report has also been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

Critical accounting estimates

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

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

The advisors model valuations, which are based on future cash flows, are derived from a number of factors including information obtained from arrangers of individual securities and ratings agencies, reviews of the components of the relevant securities and also movements in applicable credit spreads.

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.

Trust Fund

The Department of Local Government expressed the view that a local government has no control over performance bonds held and consequently these should be placed into the Trust Fund. However, the City determined there to be no fiduciary relationship between itself and developers, as it is not acting in the interest of, or on behalf of the developer, but in the discharge of its statutory role as a municipal authority. Therefore, the City concluded the funds can legitimately be held in the municipal fund.

b. Goods and Services Tax (GST)

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

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

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

c. Cash and Cash Equivalents

Cash and cash equivalents include cash at bank and in hand and short-term deposits with an original maturity of six months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

d. Trade and Other Receivables

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

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

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that they will not be collectible.

e. Inventories

General

Inventories are valued 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.

f. Fixed Assets

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

Mandatory requirement to revalue non-current assets

Effective from 1 July 2012, the *Local Government (Financial Management) Regulations 1996* were amended and the measurement of non-current assets at Fair Value became mandatory.

During the year ended 30 June 2013, the City commenced the process of adopting Fair Value in accordance with the Regulations.

Whilst the amendments initially allowed for a phasing in of fair value in relation to fixed assets over three years, as at 30 June 2015 all non-current assets were carried at Fair Value in accordance with the requirements.

Thereafter, each asset class must be revalued in accordance with the regulatory framework established and the City revalues its asset classes in accordance with this mandatory timetable.

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

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.

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

Initial recognition and measurement between mandatory revaluation dates

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

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the City includes the cost of

all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

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

Revaluation

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 asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss.

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, Council elected not to recognise any value for land under roads acquired on or before 30 June 2008. This accords with the treatment available in Australian Accounting Standard AASB 1051 Land Under Roads and the requirement of Regulation 16(a)(i) of the Local Government (Financial Management) Regulations that prohibits local government from recognising such land as an asset of local government.

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

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

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

Depreciation of Non-Current Assets

The depreciation amount of all fixed assets including buildings but excluding freehold land, are depreciate don 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 life of the improvements.

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:

- 1) Restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount; or
- 2) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Depreciation is recognised, as follows:

Property, Plant and Equipment

Buildings (Components)	30-50 years
Furniture and Equipment	3-10 years
Computer Equipment	3-5 years
Plant & Machinery	3-10 years

Infrastructure Assets

Infrastructure – Footpaths	20-50 years
Infrastructure – Drainage	30-75 years
Infrastructure – Roads: Surface	15-25 years
Infrastructure – Roads: Base	50-80 years
Infrastructure – Roads: Sub-Base	80-100 years
Infrastructure – Roads: Kerbing	20-50 years
Infrastructure – Bridges	30-50 years
Infrastructure – Parks Equipment	10-30 years
Bus Shelters	15-40 years

Capitalisation Threshold

Asset Class	\$
Land	-
Buildings	-
Furniture & Equipment / Computer Equipment	5,000
Plant & Machinery	5,000
Infrastructure Assets	5,000
Software	100,000

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.

g. Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the City becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the City commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or at cost.

Amortised cost is calculated as:

- (a) The amount in which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments and any reduction for impairment; and
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest rate method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

i) Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be

tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in other comprehensive income (except for impairment losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

v) Financial liabilities

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

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date - the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included as gains and losses from investment securities.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of revenue from continuing operations when Council's right to receive payments is established. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Impairment

Council assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss- measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement. Impairment losses recognised on equity instruments classified as available-for-sale are not reversed.

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

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset. 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 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 use convert estimated future cash flows or income and expenses into a single discounted present value.

Cost approach

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

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 and 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.

As detailed above, the mandatory measurement framework imposed by the *Local Government (Financial Management) Regulations 1996* requires, as a minimum, all assets carried at a revalued amount to be revalued at least every 3 years.

i. 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 there is any indication they may be impaired.

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

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

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

j. Trade and Other Payables

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

k. Employee Benefits

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

Short-term employee benefits

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

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

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other 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 remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

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

I. Borrowings

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

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

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

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.

m. Provisions

Provisions are recognised when: The Council has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

n. Leases

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

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

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

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

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

o. Interests in Joint Arrangements

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

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

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The City's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements. Information about the joint venture is set out in Notes 5 and 17.

p. Investment in Associates

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

The carrying amount of the investment includes, where applicable, goodwill relating to the associate. Any discount on acquisition, whereby the City's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the City and the associate are eliminated to the extent of the City's interest in the associate.

When the City's share of losses in an associate equals or exceeds its interest in the associate, the City discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

When the associate subsequently makes profits, the City will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

q. Rates, Grants, Donations and Other Contributions

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

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 20(c). That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operation for the current reporting period.

r. Superannuation

The Council is a member of the Western Australian Local Government Superannuation Plan (WALGSP). This is a Defined Contributions Plan and Council contributes at the rate of 10% for the Superannuation Guarantee Charge, plus additional matching contributions of up to 4% where agreed.

s. Rounding Off Figures

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

t. Comparative Figures

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

u. Current and Non-Current Classification

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

v. Budget Information

Budget figures shown in the financial statements have been disclosed as per the legislative requirements. Where necessary, budget information has been recast to comply with current presentation requirements. Unless otherwise stated, the budget comparative figures shown in this annual financial report relate to the original budget estimate for the relevant item of disclosure.

w. New Accounting Standards and Interpretations

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 period ended 30 June 2016. These are outlined in the table below:

	Title	Issued / Compiled	Applicable (1)	Impact
(i)	AASB 9 – Financial Instruments (incorporating AASB 2014-7 and AASB 2014-8)	December 2014	1 January 2018	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the City, it is not anticipated the Standard will have any material effect.
(ii)	AASB 16 – Leases	February 2016	1 January 2019	<p>Under AASB 16 there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-to-use asset and lease liability onto their statement of financial position for all leases. Effectively this means the vast majority of operating leases as defined by the current AASB 117 Leases which currently do not impact the statement of financial position will be required to be capitalised on the statement of financial position once AASB 16 is adopted.</p> <p>Currently, operating lease payments are expensed as incurred. 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.</p>

(iii)	AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2017	<p>This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.</p> <p>The effect of this Standard will depend upon the nature of future transactions the City has with those third parties it has dealings with. It may or may not be significant.</p>
(iv)	AASB 2014-3: Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	August 2014	1 January 2016	<p>This Standard amends AASB 11: <i>Joint Arrangements</i> to require the acquirer of an interest (both initial and additional) in a joint operation in which the activity constitutes a business, as defined in AASB 3: <i>Business Combinations</i>, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.</p> <p>Since adoption of this Standard would impact only acquisitions of interests in joint operations on or after 1 January 2016, management believes it is impracticable at this stage to provide a reasonable estimate of such impact on the City's financial statements.</p>

(v)	AASB 2014-4 Amendments of Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & 138]	August 2014	1 January 2016	<p>This Standard amends AASB 116 and AASB 138 to establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. It also clarifies the use of revenue-based methods to calculate the depreciation of an asset is not appropriate nor is revenue generally an appropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.</p> <p>Given the City currently uses the expected pattern of consumption of the future economic benefits of an asset as the basis of calculation of depreciation, it is not expected to have a significant impact.</p>
(vi)	AASB 2014-5 Amendments of Australian Accounting Standards arising from AASB 15	December 2014	1 January 2017	<p>Consequential changes to various Standards arising from the issuance of AASB 15.</p> <p>It will require changes to reflect the impact of AASB 15.</p>
(vii)	AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	January 2015	1 January 2016	<p>This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus</p>

[AASB 7, 101, 134 & 1049]

amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements.

This Standard also makes editorial and consequential amendments as a result of amendments to the Standards listed in the title column.

It is not anticipated it will have any significant impact on disclosures.

(ix)	AASB 2015-3 Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality	January 2015	1 July 2015	<p>This Standard completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing it to be completely withdrawn.</p> <p>It is not anticipated it will have a significant impact as the principles of materiality remain largely unchanged.</p>
(x)	AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, 124 & 1049]	March 2015	1 July 2016	<p>The objective of this Standard is to extend the scope of AASB 124 <i>Related Party Disclosures</i> to include not-for-profit sector entities.</p> <p>The Standard is expected to have a significant disclosure impact on the financial report of the City as both Elected Members and Senior Management will be deemed to be Key Management Personnel and resultant disclosures will be necessary.</p>

Notes: (1) Applicable to reporting periods commencing on or after the given date.

aa. 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 were compiled became mandatory and which were applicable to its operations.

AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities.

The standards adopted had a minimal effect on the accounting and reporting practices of the City as they were either not applicable, largely editorial in nature, were revisions to help ensure consistency with presentation, recognition and measurement criteria of IFRSs or related to topics not relevant to operations.

ab. Intangible Assets

Easements

The Council has determined that under AASB 138 Intangible Assets, easements are valued on an historical cost basis, because it is unlikely that an active market in easements exists to allow for fair value measurement. Due to acquisition of easements at NIL values, no easements have been included in the financial report.

ac. Provision for Restoration, Rehabilitation and Site Monitoring Costs

The City complies with the full provision method for accounting provisions in respect of restoration, rehabilitation and site monitoring costs. Charges are made to expenses based on the estimated costs of restoring, rehabilitating and monitoring the landfill site. The rate charge is reviewed annually and is based on an estimated cost per tonne. The cost per tonne is arrived at after taking into account a standard engineering cost per cubic metre of landfill, the density of the waste and the most recent aerial surveys. Engineering rates differ according to the nature of the obligation to provide the service.

ad. Future capping Expenditure

The liability for estimated future capping expenditure is provided for through a rehabilitation provision on a phase-by-phase basis and is discounted to its present value, with the unwinding of the discount being charged to the statement of comprehensive income within the amortisation charge. The discounted present value of the future capping expenditure is also capitalised as part of the rehabilitation asset and is amortised on a straight-line basis. Changes in estimates are recognised prospectively with corresponding adjustments to the provision and associated costs.

ae. Land Held for Resale

Land purchased for development and/or resale is valued at the lower of cost and fair value less costs to sell. Cost includes the cost of acquisition, development and interest incurred on the financing of that land during its development. Interest and holding charges incurred after development is complete are recognised as expenses.

Gains and losses are recognised in profit or loss at the time of signing an unconditional contract of sale if significant risks and rewards, and effective control over the land, are passed on to the buyer at this point.

Land held for resale is classified as current except where it is held as non-current based on the Council's intention to release for sale.

2a. Revenue and Expenses

	Actual 2015/16	Budget 2015/16	Actual 2014/15
The net result includes:	\$	\$	\$
(i) CHARGING AS AN EXPENSE			
<u>Auditors Remuneration</u>			
Audit of financial statements	26,300	35,000	24,560
Audit of project - acquittals	11,347	12,495	29,045
	37,647	47,495	53,605
<u>Depreciation</u>			
Buildings	4,130,221	5,382,841	4,548,676
Plant and Machinery	2,761,857	2,949,690	2,802,365
Furniture Equipment	223,307	32,091	95,204
Computer Equipment	144,029	143,718	153,240
Infrastructure - Roads	10,176,299	11,181,984	10,166,026
Infrastructure - Drainage	2,498,163	2,524,212	2,294,867
Infrastructure - Footpaths	1,156,861	1,201,320	1,092,153
Infrastructure - Parks Equipment	2,699,803	3,019,512	2,745,312
	23,790,540	26,435,368	23,897,844
<u>Amortisation</u>			
Infrastructure - Landfill	1,064,912	1,246,416	1,130,001
<u>Interest Expenses</u>			
Debentures (refer Note 21)	85,602	73,336	123,170
<u>Rental Charges</u>			
Operating Leases	556,092	660,875	589,977
<u>Other Expenses</u>			
State Landfill Levy	2,858,990	5,495,466	2,943,345
(ii) CREDITING AS REVENUE			
Grants/Contributions towards Assets	32,838,270	26,705,947	18,497,201
Increase/(Decrease) in Equity - SMRC Joint Venture	(2,344,579)	-	1,274,680
<u>Interest Earnings</u>			
Interest received on Reserve Funds	2,484,527	2,059,692	2,074,414
Interest received on Other Funds	3,194,374	3,325,840	3,642,096
	5,678,901	5,385,532	5,716,510

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

2b. Revenues and Expenses

MISSION STATEMENT

To make the City of Cockburn the most attractive place to live, work, visit and invest in, within the Perth metropolitan area.

The City of Cockburn has adopted the program/activity structure outlined in Schedule 1 of the Local Government (Financial Management) Regulations. The City has incorporated the allocation of internal service provision costs throughout the various programs/activities.

Council operations as disclosed in this budget encompass the following service orientated programs/activities:

General Purpose Funding

The collection of general-purpose revenue including rates and penalties, general-purpose grants and interest on investments. This provides the funding for much of the City's programs/activities.

Governance

The administration and operation of facilities and services to the elected members of Council. Also includes other corporate type costs that are not related to the specific service areas covered under the other programs.

Law, Order And Public Safety

Provision of community safety services including supervision of various by-laws, animal and dog control, a security patrol service, fire prevention and voluntary emergency services.

Health

The provision of environmental health services including food quality and pest control.

Education and Welfare

The provision of support services to families and children, the aged and disabled and senior citizens. The provision of pre- schools and services and facilities for the youth.

Community Amenities

Refuse collection, recycling and disposal, the operation of the Henderson Landfill site, protection of the environment, administration of the town planning scheme and maintenance of bus shelters.

Recreation and Culture

The provision and operation of community halls and recreation centres, parks and ovals, beach reserves and swimming areas and library facilities. The development and provision of arts and cultural events.

Transport

This program includes road, drainage and footpath construction and maintenance. The provision and maintenance of streetscapes is also included, as is the purchase of heavy plant and the operations of the council works depot

Economic Services

Activities associated with the control of building activity within the city and the provision of facilities and services that encourage tourism.

Other Property and Services

Includes private works and engineering overheads and plant operating costs (both of which are allocated to the City's works program).

3. Cash & Cash Equivalents

	Actual 2015/16	Actual 2014/15
	\$	\$
Cash at Bank	8,528,960	4,360,482
Cash on Hand	22,768	26,350
Term Deposits	143,002,272	124,631,229
	151,554,000	129,018,060
Restricted	127,668,651	108,770,190
Unrestricted	23,885,349	20,247,870
	151,554,000	129,018,060
SUMMARY OF RESTRICTED CASH		
Sundry Deposits and Bonds (Non Current Payables)	5,761,532	6,203,155
	5,761,532	6,203,155
Cash/Investment Backed Reserves		
Council Funded	102,687,894	74,498,719
Externally Funded	7,053,040	9,570,222
Development Contribution Plans	16,859,023	23,004,825
Sub-total	126,599,957	107,073,767
Less:		
Funds held in current & non-current investments	(4,692,838)	(4,506,731)
	121,907,119	102,567,036
TOTAL RESTRICTED CASH	127,668,651	108,770,190

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

4. Financial Assets

	Actual 2015/16	Actual 2014/15
CURRENT	\$	\$
Held to Maturity Investments maturing within 12 mths of reporting period	-	-
NON CURRENT		
Held to Maturity Investments maturing later than 12 mths from reporting period		
Mortgage-Backed securities	4,692,838	4,506,731
Available-for-Sale Financial Assets		
Investment in WALGA Local Government House Trust	126,526	143,108
*	<u>4,819,364</u>	<u>4,649,839</u>

All held to maturity Investments are restricted in nature (see note 3).

*) This note discloses the equity the City has in the Local Government House Trust as a consequence of a contribution towards the cost of purchasing Local Government House.

The total contribution by all Councils towards the cost of the WALGA building was \$582,000. There are 620 units in the Local Government House Unit Trust, 8 of which are held by the City of Cockburn.

5. Interests in Joint Ventures

NON CURRENT		
Joint Venture in SMRC	6,093,158	8,437,737
	<u>6,093,158</u>	<u>8,437,737</u>

Refer note 17 for further detail on SMRC Joint Venture

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

6. Trade & Other Receivables

	Actual 2015/16	Actual 2014/15
CURRENT	\$	\$
Rates Outstanding	1,668,444	1,011,305
Rubbish Charges Outstanding	110,530	230,247
Sundry Debtors	9,443,662	3,379,021
GST Receivable	2,434,241	849,851
	<u>13,656,877</u>	<u>5,470,423</u>
NON CURRENT		
Rates Outstanding - Pensioners	738,851	632,550
	<u>738,851</u>	<u>632,550</u>

7. Other Assets

	Actual 2015/16	Actual 2014/15
CURRENT	\$	\$
Prepayments	715,996	621,686
	<u>715,996</u>	<u>621,686</u>

8. Inventories

	Actual 2015/16	Actual 2014/15
	\$	\$
Fuel Depot	41,102	18,634
	<u>41,102</u>	<u>18,634</u>

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

9a. Property, Plant and Equipment

	Actual 2015/16 \$	Actual 2014/15 \$
LAND		
At Independent Valuation 2014	98,010,600	99,470,600
	98,010,600	99,470,600
BUILDINGS		
At Independent Valuation 2014	199,332,010	196,150,560
LESS Accumulated Depreciation	(73,847,838)	(69,836,150)
	125,484,173	126,314,409
FURNITURE AND EQUIPMENT		
At Management Valuation 2015	1,946,415	1,940,310
LESS Accumulated Depreciation	(1,672,252)	(1,528,223)
	274,163	412,086
COMPUTER EQUIPMENT		
At Management Valuation 2015	830,012	2,826,197
LESS Accumulated Depreciation	(19,974)	(1,792,852)
	810,038	1,033,345
PLANT AND MACHINERY		
At Management Valuation 2015	20,997,029	20,297,200
LESS Accumulated Depreciation	(9,473,940)	(8,932,777)
	11,523,089	11,364,424
WORK IN PROGRESS		
At cost	75,273,275	22,100,465
	75,273,275	22,100,465
TOTAL PROPERTY, PLANT AND EQUIPMENT		
Gross Book Value	396,389,341	342,785,331
LESS Accumulated Depreciation	(85,014,004)	(82,090,002)
NET BOOK VALUE	311,375,337	260,695,329

The fair value of property, plant and equipment is determined at least every three years in accordance with the regulatory framework. Additions since the date of valuation are shown as cost, given they were acquired at arm's length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening period 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 which requires property, plant and equipment to be shown at fair value.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

9b. Movements in Carrying Amounts - Property, Plant & Equipment

The following table reconciles the carrying amount at the beginning and end of the current financial year for each class of non-current assets:

Asset Classification	Carrying amount at beginning of the year	<i>add</i> Acquisitions	<i>add</i> Gifted Development Assets	<i>add / (less)</i> Revaluation increments/ (decrements)	<i>less</i> Disposal & Write Offs	<i>less</i> Impairment (Losses)/ Reversals	<i>less</i> Depreciation	<i>Transfers</i> Works Completed & Capitalised During the Year	Carrying amount at end of the year
Freehold Land	99,470,600				(2,466,838)			1,906,838	98,010,600
Buildings	126,314,409	0			(90,767)		(4,130,220)	3,390,751	125,484,173
Furniture & Equipment	412,086	6,104					(144,028)		274,162
Computer Equipment	1,033,345						(223,308)		810,037
Plant & Machinery	11,564,424	3,537,490			(616,968)		(2,761,857)		11,523,089
Work in Progress	22,100,465	60,779,452		0	(3,174,573)	0	(7,259,413)	(7,606,642)	75,273,276
	260,695,329	64,323,046	0	0	(3,174,573)	0	(7,259,413)	(3,209,054)	311,375,336

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

10a. Infrastructure Assets

	Actual 2015/16 \$	Actual 2014/15 \$
INFRASTRUCTURE - ROADS		
At Management Valuation 2015	570,909,037	559,813,818
LESS Accumulated Depreciation	(160,475,410)	(159,360,816)
	<u>410,433,627</u>	<u>400,453,002</u>
INFRASTRUCTURE - DRAINAGE		
At Management Valuation 2015	245,116,705	249,798,853
LESS Accumulated Depreciation	(48,261,101)	(48,669,308)
	<u>196,855,604</u>	<u>201,129,545</u>
INFRASTRUCTURE - FOOTPATHS		
At Management Valuation 2015	55,531,251	54,727,130
LESS Accumulated Depreciation	(14,707,037)	(14,624,162)
	<u>40,824,214</u>	<u>40,102,968</u>
INFRASTRUCTURE - PARKS EQUIPMENT		
At Management Valuation 2015	69,046,722	58,435,440
LESS Accumulated Depreciation	(24,651,804)	(21,203,880)
	<u>44,394,918</u>	<u>37,231,560</u>
INFRASTRUCTURE - PARKS LANDSCAPING		
At Management Valuation 2015	-	-
	<u>-</u>	<u>-</u>
LANDFILL INFRASTRUCTURE		
At Management Valuation 2015	35,844,253	35,137,559
LESS Accumulated Depreciation	(13,020,973)	(11,956,061)
	<u>22,823,280</u>	<u>23,181,498</u>
WORK IN PROGRESS		
At cost	20,884,694	15,168,890
	<u>20,884,694</u>	<u>15,168,890</u>
TOTAL INFRASTRUCTURE ASSETS		
Gross Book Value	997,332,662	973,081,690
LESS Accumulated Depreciation	(261,116,325)	(255,814,227)
NET BOOK VALUE	<u>736,216,337</u>	<u>717,267,463</u>

The fair value of infrastructure is determined at least every three years in accordance with the regulatory framework. Additions since the date of valuation are shown as cost. Given they were acquired at arm's length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening period 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 which requires infrastructure to be shown at fair value.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
10b. Movements in Carrying Amounts - Infrastructure

The following table reconciles the carrying amount at the beginning and end of the current financial year for each class of non-current assets:

Asset Classification	Carrying amount at beginning of the year	<i>add</i>	<i>add</i>	<i>add / (less)</i>	<i>less</i>	<i>less</i>	<i>Transfers</i>	Carrying amount at end of the year
		Acquisitions	Gifted Development Assets	Revaluation increments/ (decrements)	Impairment (Losses)/ Reversals	Depreciation	Works Completed & Capitalised During the Year	
Roads Infrastructure	400,453,002		5,154,444	8,838,026		(10,176,299)	6,164,454	410,433,627
Drainage Infrastructure	201,129,545		5,817,308	(8,168,628)		(2,498,163)	575,542	196,855,604
Footpaths Infrastructure	40,102,968			1,092,166		(1,156,861)	785,940	40,824,214
Parks Equipment	37,231,560		2,156,662	5,428,888		(2,699,803)	2,277,610	44,394,918
Refuse Site Infrastructure	23,181,498					(1,064,912)	706,694	22,823,280
Works in Progress	15,168,890	13,016,990					(7,301,186)	20,884,694
	717,267,464	13,016,990	13,128,414	7,190,452	0	(17,596,038)	3,209,054	736,216,337

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

11. Rehabilitation Assets

	Actual 2015/16	Actual 2014/15
NON CURRENT		
Post closure rehabilitation assets	16,517,533	8,565,455
Less: Accumulated amortisation	-	-
	<u>16,517,533</u>	<u>8,565,455</u>

Movements in carrying amounts of post closure rehabilitation assets during the financial year are shown as follows.

	Rehabilitation Assets
	\$
Opening balance at 1 July 2015	8,565,455
Increase / (decrease) in provision resulting from the remeasurement of the estimated future cash flows	7,952,078
Amortisation	-
Closing Balance at 30 June 2016	<u>16,517,533</u>

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

12a. Trade & Other Payables

	Actual 2015/16	Actual 2014/15
CURRENT	\$	\$
Creditors	21,244,213	5,832,478
Accrued Expenses	1,405,840	1,963,065
GST Payable	955,871	267,983
	<u>23,605,924</u>	<u>8,063,526</u>
NON CURRENT		
Sundry Deposits and Bonds	<u>5,761,532</u>	<u>6,203,155</u>

12b. Borrowings

	Actual 2015/16	Actual 2014/15
CURRENT	\$	\$
Debentures - Secured by Floating Charge	<u>2,593,138</u>	<u>1,423,320</u>
NON CURRENT		
Debentures - Secured by Floating Charge	<u>23,150,036</u>	<u>743,174</u>

Additional detail on borrowings is provided in Note 22.

NOTES TO THE ACCOUNTS.

13. Provisions

	Actual 2015/16	Actual 2014/15
CURRENT	\$	\$
Provision for Annual Leave	3,312,104	2,766,414
Provision for Long Service Leave	2,113,784	1,852,386
	<u>5,425,888</u>	<u>4,618,800</u>

NON CURRENT		
Provision for Long Service Leave	1,874,457	1,834,293
Provision for Annual Leave	-	-
Provision for Site Rehabilitation	16,517,533	8,565,455
	<u>18,391,990</u>	<u>10,399,749</u>

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Provision for Site Rehabilitation \$	Total \$
Opening balance as at 1 July 2015	2,766,414	3,686,679	8,565,455	15,018,549
Net movement	545,690	301,562	7,952,078	8,799,330
Balance at 30 June 2016	<u>3,312,104</u>	<u>3,988,241</u>	<u>16,517,533</u>	<u>23,817,879</u>

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

14. Reserves

	Actual 2015/16	Budget 2015/16	Actual 2014/15
	\$	\$	\$
CASH BACKED RESERVES			
Staff Payments & Entitlements			
Opening Balance	2,049,042	1,988,978	2,271,100
Transfer from Accumulated Surplus - Interest	49,774	154,552	54,884
Transfer from Accumulated Surplus	110,000	110,000	110,000
Transfer to Accumulated Surplus	(93,523)	(180,000)	(386,942)
	<u>2,115,293</u>	<u>2,073,530</u>	<u>2,049,042</u>

This Reserve provides for payment of staff entitlements including leave, separation, bonus, awards and other payments made to Staff either through contractual or statutory entitlement. The purpose of this Reserve was broadened during the reporting year from it's previous purpose of providing only for Leave Liability.

Anticipated date of use: ongoing.

Plant & Vehicle Replacement

Opening Balance	7,416,121	4,214,532	5,930,546
Transfer from Accumulated Surplus - Interest	163,062	77,520	126,404
Transfer from Accumulated Surplus	2,802,657	2,800,000	3,450,000
Transfer to Accumulated Surplus	(2,129,467)	(2,797,000)	(2,090,830)
	<u>8,252,372</u>	<u>4,295,052</u>	<u>7,416,121</u>

This Reserve provides for the orderly replacement of plant and vehicles. Annual transfers into this Reserve are equivalent to the depreciation charge for plant each year. Funds are drawn as required to meet annual plant replacement costs.

Anticipated date of use: ongoing.

Information Technology

Opening Balance	279,795	178,840	261,600
Transfer from Accumulated Surplus - Interest	6,913	36,514	5,369
Transfer from Accumulated Surplus	100,000	100,000	100,000
Transfer to Accumulated Surplus	(7,050)	(100,000)	(87,175)
	<u>379,658</u>	<u>215,354</u>	<u>279,795</u>

This Reserve Fund was set up to provide for the upgrading/replacement of Council's computer hardware and software depreciated over five years. An amount equivalent to the annual depreciation charge for computers is transferred to the Reserve each year. Funds are drawn as required to cover capital computer replacement costs.

Anticipated date of use: ongoing.

Major Building Refurbishment

Opening Balance	5,452,406	5,524,551	5,439,366
Transfer from Accumulated Surplus - Interest	127,269	25,439	140,612
Transfer from Accumulated Surplus	4,928,686	4,928,686	-
Transfer to Accumulated Surplus	(679,794)	-	(127,572)
	<u>9,828,567</u>	<u>10,478,676</u>	<u>5,452,406</u>

This Reserve Fund provides funding for future major refurbishment of Council buildings as they become necessary.

Annual transfers are usually made to this Reserve from any end of year surplus

Anticipated date of use: ongoing.

Waste & Recycling

Opening Balance	21,330,958	17,940,198	18,659,246
Transfer from Accumulated Surplus - Interest	524,843	614,391	469,267
Transfer from Accumulated Surplus	2,233,448	2,703,369	3,607,510
Transfer to Accumulated Surplus	(242,497)	(324,000)	(1,405,066)
	<u>23,846,752</u>	<u>20,933,958</u>	<u>21,330,958</u>

This Reserve Fund was initially set up for the funding of capital costs associated with the development of a rubbish disposal site. It was recognised that land would be expensive to purchase and the stringent environmental standards required would result in high development costs.

Transfers to this Reserve are made based on planned future capital funding requirements.

Anticipated date of use: majority by the time landfill closes in 2040.

Land Development and Investment Fund Reserve

Opening Balance	5,605,100	5,738,759	4,719,455
Transfer from Accumulated Surplus - Interest	170,717	278,221	106,688
Transfer from Accumulated Surplus	3,679,491	15,125,432	3,116,453
Transfer to Accumulated Surplus	(3,106,478)	(10,350,000)	(2,337,496)
	<u>6,348,831</u>	<u>10,792,412</u>	<u>5,605,100</u>

This Reserve Fund is to accommodate and facilitate the purchase, development and disposal of land under the Council's land development strategies with the ability to loan funds on an interest payable basis to other reserve funds of the City.

Anticipated date of use: ongoing.

Roads & Drainage Infrastructure

Opening Balance	3,207,854	1,758,452	2,026,150
Transfer from Accumulated Surplus - Interest	79,162	99,653	40,652
Transfer from Accumulated Surplus	4,876,387	-	1,594,821
Transfer to Accumulated Surplus	(4,197)	-	(453,769)
	<u>8,159,206</u>	<u>1,858,105</u>	<u>3,207,854</u>

The purpose of this Reserve Fund is to provide for the renewal and refurbishment of roads and drainage infrastructure and for the provision of matching funds for Federal & State Government road grants.

Anticipated date of use: ongoing.

Naval Base Shacks

Opening Balance	828,752	772,223	766,921
Transfer from Accumulated Surplus - Interest	20,206	16,109	19,776
Transfer from Accumulated Surplus	103,088	158,497	89,129
Transfer to Accumulated Surplus	(16,176)	(17,875)	(47,073)
	<u>935,871</u>	<u>928,954</u>	<u>828,752</u>

This Reserve Fund was initially set up to provide funds for the development & refurbishment of the Naval Base Chalet Resort. It is envisaged that it will also fund rehabilitation costs required to be incurred when the Park reverts back to the State Government. Annual transfers to this Reserve are fully funded by part of the lease income derived from the chalet sites.

Anticipated date of use: no certain date for rehabilitation

Mobile Rubbish Bins

Opening Balance	-	-	63,279
Transfer from Accumulated Surplus - Interest	-	-	(708)
Transfer from Accumulated Surplus	-	-	-
Transfer to Accumulated Surplus	-	-	(62,000)
	<u>-</u>	<u>-</u>	<u>572</u>

In 1989 Council introduced the use of Mobile Rubbish Bins for its waste collection service. In 1992, this reserve was established to provide for the replacement of the bins in due course. This Reserve has now been depleted and closed as bin replacement is funded through the annual operating budget for waste collection.

Community Infrastructure

Opening Balance	6,211,519	9,775,774	9,830,572
Transfer from Accumulated Surplus - Interest	153,500	198,992	251,723
Transfer from Accumulated Surplus	5,798,831	5,300,000	4,542,744
Transfer to Accumulated Surplus	(67,814)	-	(8,414,091)
	<u>12,096,036</u>	<u>15,274,766</u>	<u>6,210,948</u>

This Reserve was set up to fund the provision of community and recreation facilities within the City as the need arises. The requirement for these facilities over the next five to ten years is significant due to the rapid rate of development within the city and the associated population growth.

Anticipated date of use: ongoing.

Workers Compensation

Opening Balance	389,322	387,255	379,495
Transfer from Accumulated Surplus - Interest	9,639	15,187	9,827
Transfer from Accumulated Surplus	100,000	-	-
Transfer to Accumulated Surplus	(10,000)	-	-
	<u>488,961</u>	<u>402,442</u>	<u>389,322</u>

Council's Workers Compensation cover is provided by Municipal Workcare, which is a self-insurance scheme. If at a future date claims exceed income, then Council will be required to contribute further funds towards any deficit. These funds are held so that any additional contribution that may be called for would not impact on the annual budget.

Anticipated date of use: ongoing.

Greenhouse Action Fund

Opening Balance	636,855	627,838	652,516
Transfer from Accumulated Surplus - Interest	14,378	13,617	16,403
Transfer from Accumulated Surplus	361,660	200,000	200,000
Transfer to Accumulated Surplus	(111,562)	(80,000)	(232,064)
	<u>901,331</u>	<u>761,455</u>	<u>636,855</u>

This Reserve will be used to purchase carbon offsets and fund projects to support energy efficiency, waste management and renewable energy installations.

Anticipated date of use: ongoing.

Development Contribution Plans

Opening Balance	6,525,157	6,140,836	4,647,104
Transfer from Accumulated Surplus - Interest	178,621	104,795	138,974
Transfer from Accumulated Surplus	2,729,985	1,741,922	1,855,340
Transfer to Accumulated Surplus	(2,935,998)	(116,723)	(116,261)
	<u>6,497,765</u>	<u>7,870,830</u>	<u>6,525,157</u>

This Reserve was established for the management of contributions and costs with respect to Development Contribution Areas as established by and in accordance with Town Planning Scheme 3.
Anticipated date of use: ongoing.

Family Day Care Accumulation Fund

Opening Balance	-	-	22,383
Transfer from Accumulated Surplus - Interest	-	-	54
Transfer from Accumulated Surplus	8,295	-	1,876
Transfer to Accumulated Surplus	-	-	(24,314)
	<u>8,295</u>	<u>-</u>	<u>-</u>

This is a Reserve Fund that applies to grant funded welfare services. It is fully funded from the operating grants received by the service and thus has no effect on the Municipal Fund.
Anticipated date of use: ongoing.

Aged and Disabled Asset Replacement Reserve

Opening Balance	430,493	298,869	322,162
Transfer from Accumulated Surplus - Interest	8,160	10,728	7,710
Transfer from Accumulated Surplus	60,317	60,317	104,119
Transfer to Accumulated Surplus	(172,023)	(165,000)	(3,499)
	<u>326,947</u>	<u>204,914</u>	<u>430,493</u>

This is a Reserve Fund that applies to grant funded welfare services. It is fully funded from the operating grants received by the service and thus has no effect on the Municipal Fund.
Anticipated date of use: ongoing.

Welfare Projects Employee Entitlements

Opening Balance	432,255	429,960	444,422
Transfer from Accumulated Surplus - Interest	10,582	10,719	11,667
Transfer from Accumulated Surplus	124,280	-	37,479
Transfer to Accumulated Surplus	(87,306)	-	(61,313)
	<u>479,810</u>	<u>440,679</u>	<u>432,255</u>

This is a Reserve Fund that applies to grant funded welfare services. It is fully funded from the operating grants received by the service and thus has no effect on the Municipal Fund.
Anticipated date of use: ongoing.

Bibra Lake Nutrient Management

Opening Balance	-	319,856	313,447
Transfer from Accumulated Surplus - Interest	-	11,999	8,117
Transfer from Accumulated Surplus	-	-	-
Transfer to Accumulated Surplus	-	-	-
	<u>-</u>	<u>331,855</u>	<u>321,564</u>

This Reserve was established in 2002/03 to provide funds to manage the nutrients in Bibra Lake. This Reserve was amalgamated into the Bibra Lake Management Reserve as the purposes are compatible.

Contaminated Sites

Opening Balance	2,488,919	2,512,485	2,518,882
Transfer from Accumulated Surplus - Interest	59,914	50,542	64,181
Transfer from Accumulated Surplus	-	-	-
Transfer to Accumulated Surplus	(226,138)	(100,000)	(94,144)
	<u>2,322,695</u>	<u>2,463,027</u>	<u>2,488,919</u>

This Reserve is required to cover any costs associated with clean-up & remediation works at contaminated sites within the district as enforced by the Contaminated Sites Act.
Anticipated date of use: ongoing.

Municipal Elections

Opening Balance	51,009	50,738	49,721
Transfer from Accumulated Surplus - Interest	(890)	13,018	1,288
Transfer from Accumulated Surplus	150,000	150,000	-
Transfer to Accumulated Surplus	(165,905)	(200,000)	-
	<u>34,213</u>	<u>13,756</u>	<u>51,009</u>

This Reserve has been established to provide funding to cover election expenses during election

years. An amount will be transferred into this reserve in non-election years.
Anticipated date of use: ongoing.

Funded Services Redundancies Reserve

Opening Balance	39,839	146	2,991
Transfer from Accumulated Surplus - Interest	986	-	56
Transfer from Accumulated Surplus	-	-	39,692
Transfer to Accumulated Surplus	-	-	(2,900)
	<u>40,825</u>	<u>146</u>	<u>39,839</u>

This Reserve was created for the purpose of covering potential future redundancy costs for grant funded services, as funding agreements do not usually allow for these costs.
Anticipated date of use: ongoing.

Port Coogee Special Maintenance - SAR

Opening Balance	1,224,733	906,531	1,005,468
Transfer from Accumulated Surplus - Interest	27,554	22,623	24,874
Transfer from Accumulated Surplus	341,727	274,438	312,317
Transfer to Accumulated Surplus	(193,885)	(132,305)	(117,925)
	<u>1,400,129</u>	<u>1,071,287</u>	<u>1,224,733</u>

This Reserve was established to manage the funds raised through the specified area rate for the Port Coogee development. These funds are required for the specialised maintenance requirements of the development.
Anticipated date of use: ongoing.

Port Coogee Waterways WEMP Reserve No. 1

Opening Balance	-	-	-
Transfer from Accumulated Surplus - Interest	-	-	-
Transfer from Accumulated Surplus	-	-	-
Transfer to Accumulated Surplus	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>

This Reserve was established this year to manage the funds paid by the developer of the Port Coogee marina development in accordance with the Waterways Environmental Management Plan (WEMP). The funds will be used to maintain and manage the marina when it comes under the City's control.

Public Open Space (POS) Cash in Lieu Trust

Opening Balance	5,485,916	5,675,824	4,240,466
Transfer from Accumulated Surplus - Interest	134,863	130,194	125,291
Transfer from Accumulated Surplus	452,457	-	1,601,101
Transfer to Accumulated Surplus	(601,594)	(527,000)	(480,943)
	<u>5,471,641</u>	<u>5,279,018</u>	<u>5,485,916</u>

This Reserve was established for holding Council's public open space cash in lieu trust funds.
Anticipated date of use: ongoing.

Community Surveillance Levy Reserve

Opening Balance	1,481,926	518,798	653,841
Transfer from Accumulated Surplus - Interest	35,866	29,127	13,741
Transfer from Accumulated Surplus	-	-	1,005,395
Transfer to Accumulated Surplus	(272,301)	(220,000)	(191,051)
	<u>1,245,490</u>	<u>327,925</u>	<u>1,481,926</u>

This Reserve was established to fund activities in relation to Community Surveillance.
Anticipated date of use: ongoing.

Community Infrastructure – Development Contributions Reserve

Opening Balance	16,479,668	15,494,450	10,029,345
Transfer from Accumulated Surplus - Interest	264,337	140,052	337,310
Transfer from Accumulated Surplus	6,465,284	5,000,000	6,249,691
Transfer to Accumulated Surplus	(12,848,030)	(6,783,463)	(136,678)
	<u>10,361,258</u>	<u>13,851,039</u>	<u>16,479,668</u>

This reserve has been established to account for the funds generated from the Community Infrastructure Developer Contributions Scheme established under the City's Town Planning Scheme No. 3.
Anticipated date of use: ongoing.

Waste Collection Levy Surplus

Opening Balance	1,055,070	52,610	264,697
Transfer from Accumulated Surplus - Interest	26,656	1,511	5,434
Transfer from Accumulated Surplus	1,681,022	1,090,079	1,110,439
Transfer to Accumulated Surplus	(121,219)	(580,000)	(325,500)
	<u>2,641,530</u>	<u>564,200</u>	<u>1,055,070</u>

This Reserve is used to manage any surplus generated from the annual waste collection levy versus the service costs.

Anticipated date of use: ongoing.

Cockburn Super Clinic

Opening Balance	-	-	1,936,374
Transfer from Accumulated Surplus - Interest	-	-	30,964
Transfer from Accumulated Surplus	-	-	3,067
Transfer to Accumulated Surplus	-	-	(1,970,405)
	-	-	-

This reserve was established for the purpose of managing and meeting the accountability requirements for the federal grant funds towards the construction of the GP super clinic on Wentworth Pde, Success.

Naval Base Leaseholder Dwelling Removal

Opening Balance	397,285	340,773	333,945
Transfer from Accumulated Surplus - Interest	9,836	4,189	8,648
Transfer from Accumulated Surplus	54,693	54,693	54,693
Transfer to Accumulated Surplus	-	-	-
	<u>461,814</u>	<u>399,655</u>	<u>397,285</u>

Established for the purposes of the future removal of leasehold dwellings at Reserve 24308, Naval Base. All funds raised are to be accounted for on a property lease by lease basis, and not on who paid the actual payment at the time of the payment. Funds raised will be reimbursed to leaseholders when dwelling is removed and the site rehabilitated to its prior state.

Anticipated date of use: ongoing.

Underground Power

Opening Balance	550,927	769,646	754,224
Transfer from Accumulated Surplus - Interest	13,640	-	19,175
Transfer from Accumulated Surplus	1,030,000	1,030,000	1,149,592
Transfer to Accumulated Surplus	(1,372,063)	(1,372,063)	(1,372,063)
	<u>222,504</u>	<u>427,583</u>	<u>550,927</u>

This Reserve is for managing the funds raised through prescribed service charges for the undergrounding of power within the district.

Anticipated date of use: 2016/17.

Environmental Offset

Opening Balance	284,550	283,039	277,368
Transfer from Accumulated Surplus - Interest	7,045	-	7,183
Transfer from Accumulated Surplus	-	-	-
Transfer to Accumulated Surplus	-	-	-
	<u>291,595</u>	<u>283,039</u>	<u>284,550</u>

Purpose of the reserve is to receive funds so as to undertake environmental rehabilitation of land associated with road construction as approved by the relevant government agency.

Anticipated date of use: ongoing.

Bibra Lake Management Reserve

Opening Balance	1,070,427	794,506	847,819
Transfer from Accumulated Surplus - Interest	25,644	-	21,044
Transfer from Accumulated Surplus	-	-	-
Transfer to Accumulated Surplus	(110,633)	(600,000)	(120,000)
	<u>985,439</u>	<u>194,506</u>	<u>748,863</u>

Purpose of the reserve is to receive funds so as to implement the Bibra Lake Management Plan as adopted by Council.

The opening balance includes funds from the amalgamated Bibra Lake Nutrient Management Reserve.

Anticipated date of use: ongoing.

Restricted Grants & Contributions Reserve

Opening Balance	5,569,838	2,108,490	5,923,657
Transfer from Accumulated Surplus - Interest	(4)	-	156
Transfer from Accumulated Surplus	2,247,700	-	3,458,719
Transfer to Accumulated Surplus	(5,587,055)	(39,759)	(3,812,694)
	<u>2,230,479</u>	<u>2,068,732</u>	<u>5,569,838</u>

Purpose of the reserve is to quarantine monies received for restricted purposes across financial years

Anticipated date of use: ongoing.

CIHF Building Maintenance Reserve

Opening Balance	2,189,423	-	-
Transfer from Accumulated Surplus - Interest	61,178	-	7,650
Transfer from Accumulated Surplus	1,072,590	1,000,000	2,181,773
Transfer to Accumulated Surplus	-	-	-
	<u>3,323,192</u>	<u>1,000,000</u>	<u>2,189,423</u>

Purpose of the reserve is to provide funding for major building maintenance of the Cockburn Integrated Health Facility at Cockburn Central.
 Anticipated date of use: ongoing.

Cockburn Central West Recreation Facility Reserve

Opening Balance	7,908,607	-	-
Transfer from Accumulated Surplus - Interest	301,076	-	-
Transfer from Accumulated Surplus	14,688,595	8,700,000	12,491,292
Transfer to Accumulated Surplus	(12,017,517)	(6,950,000)	(4,582,685)
	<u>10,880,762</u>	<u>1,750,000</u>	<u>7,908,607</u>

Purpose of the reserve is to manage funds for the development of the Cockburn Central West Recreation Facility.
 Anticipated date of use: fund will be exhausted in 16/17.

Carry Forward Projects Reserve

Opening Balance	-	-	-
Transfer from Accumulated Surplus - Interest	-	-	-
Transfer from Accumulated Surplus	9,657,071	10,500,000	-
Transfer to Accumulated Surplus	(5,636,373)	-	-
	<u>4,020,698</u>	<u>10,500,000</u>	<u>-</u>

This reserve is to manage municipal funds for incomplete projects carried forward to the following financial year.
 Anticipated date of use: ongoing.

SUMMARY CASH BACKED RESERVES

Opening Balance	107,073,767	85,604,958	85,588,563
Transfer from Accumulated Surplus - Interest	2,484,527	2,059,692	2,074,414
Transfer from Accumulated Surplus	65,858,263	61,027,433	48,467,243
Transfer to Accumulated Surplus	(48,816,600)	(31,635,188)	(29,056,453)
Transfer to Accumulated Surplus-Impairment			
TOTAL CASH BACKED RESERVES	<u>126,599,957</u>	<u>117,056,895</u>	<u>107,073,767</u>

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

15. REVALUATION SURPLUS

	Actual 2015/16 \$	Actual 2014/15 \$
Revaluation surpluses have arisen on revaluation of the following classes of non-current assets:		
Land		
Opening balance	118,679,531	118,679,531
	118,679,531	118,679,531
Buildings		
Opening balance	22,405,632	22,405,632
	22,405,632	22,405,632
Roads Infrastructure		
Opening Balance	231,301,929	213,820,054
Revaluation Increment/(Decrement)	8,838,026	17,481,874
	240,139,955	231,301,929
Drainage Infrastructure		
Opening Balance	151,027,196	135,494,667
Revaluation Increment/(Decrement)	(8,168,629)	15,532,529
	142,858,567	151,027,196
Footpath Infrastructure		
Opening Balance	26,094,236	23,493,420
Revaluation Increment/(Decrement)	1,092,166	2,600,817
	27,186,403	26,094,236
Parks Infrastructure		
Opening Balance	18,733,385	17,696,358
Revaluation Increment/(Decrement)	5,428,888	1,037,027
	24,162,273	18,733,385
TOTAL REVALUATION SURPLUS	575,432,360	568,241,909
SUMMARY OF REVALUATION SURPLUS		
Opening Balance	568,241,909	531,589,662
Revaluation net increments made during the year	7,190,450	36,652,247
TOTAL REVALUATION SURPLUS	575,432,360	568,241,909

NOTES to and forming part of the financial statements

16. Notes to Statement of Cash Flows

	Actual 2015/16	Budget 2015/16	Actual 2014/15
	\$	\$	\$
16a			
Reconciliation of Net Cash Provided by/(Used in) Operating Activities to Change in Net Assets Resulting from Operations.			
Net Result	51,684,141	41,355,058	31,619,526
Add (Less) non-cash items:			
Depreciation	24,855,452	27,681,784	25,027,845
(Profit)/Loss on Sale of Assets	(243,160)	(8,171,209)	(1,825,134)
Impairment - Infrastructure Park Landscape	-	-	15,701,497
Impairment charge provision	-	-	-
Land Ceded to the Crown	610,366	-	-
Employee entitlements provision	847,252	595,980	312,780
Accrued investment income	(240,026)	-	(149,694)
Joint Venture Investment	2,361,161	-	(1,417,788)
Recognition of infrastructure assets previously not recognised	(13,128,414)	-	(13,393,722)
Less: Grants & Contributions for the Development of Assets	(32,838,270)	(26,705,947)	(18,497,201)
Change in Assets and Liabilities:			
[Increase)/Decrease in Rates Debtors & Deferred Rates	(763,440)	-	(872,362)
(Increase)/Decrease in Sundry Debtors	(7,649,031)	-	299,651
(Increase)/Decrease in Stock on Hand	(22,468)	-	20,787
Increase/(Decrease) in Creditors & Accruals	15,542,398	-	(560,419)
(Increase)/Decrease in Rubbish Debtors	119,717	-	16,124
Increase/(Decrease) on Income Received in Advance	-	-	-
(Increase)/Decrease in Prepayments	(94,310)	-	(69,285)
NET CASH USED IN OPERATING ACTIVITIES	41,041,367	34,755,666	36,212,603

16b

Reconciliation of Cash

For the purpose of the Statement of Cash Flows, the entity considers cash to include Cash on Hand and in Banks and investments in Money Market Instruments. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related item in the Statement of Financial Position as follows: -

Cash at Bank	8,528,960	21,465,061	4,360,482
Cash on Hand	22,768	30,000	26,350
Term Deposits	143,002,272	98,761,053	124,631,229
Cash & Cash Equivalents at end of Reporting Period	151,554,000	120,256,114	129,018,060

16c

Undrawn Borrowing Facilities

Credit Standby Arrangements

Credit Card limit	250,000	250,000
Credit Card Balance at Balance Date	50,458	58,849
Total Amount of Credit Unused	199,542	191,151

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

17. Investment in Joint Venture - SMRC

The City is a member of the Southern Metropolitan Regional Council (SMRC) and also a participant in the Regional Resource Recovery Centre (RRRC).

The RRRC is controlled by a regional local government established in accordance with the Local Government Act 1995. The regional local government being the SMRC, consists of six local governments of which five are participants in the RRRC.

Participating Local Governments are required to contribute an annual fee to cover the capital cost in the establishment of the facility and pay gate fees for each tonne of waste they deliver to the facility to cover the operating costs. The capital costs for each participating Local Government member is based on the Australian Bureau of Statistics population statistics. Each project participant will develop equity in the project equal to the relevant proportion of the total capital loan repayments made by that project participant. The City of Cockburn's interest in the RRRC is 42.53 per cent.

The City of Cockburn has guaranteed, by way of agreement, its share of the Loan Liability to the SMRC and the Western Australian Treasure Corporation (funding body). The City of Cockburn's share of the outstanding loan liabilities of RRRC at 30 June 2016 is \$9,858,413 (unaudited). The City of Cockburn's share of the outstanding loan liability for the SMRC Admin Building at 30 June 2016 is \$667,620 (unaudited)

	2015/16 Actual \$ (audited)	2014/15 Actual \$ (audited)
The City's share in the net assets of the SMRC (excluding equity) Equity Ratio	5,215,229	7,690,632
Represented by Share of Joint Venture entity's Financial		
Current Assets	5,784,371	5,558,254
Non Current Assets	<u>12,840,615</u>	<u>16,799,485</u>
Total Assets	<u>18,624,986</u>	<u>22,357,739</u>
Current Liabilities	5,375,605	5,327,788
Non Current Liabilities	<u>7,156,223</u>	<u>8,592,214</u>
Total Liabilities	<u>12,531,828</u>	<u>13,920,002</u>
Net Assets	<u>6,093,158</u>	<u>8,437,737</u>
Net Increase/(Decrease) in Equity - SMRC Joint Venture	<u><u>- 2,344,579</u></u>	

City of Cockburn's withdrawal from the Regional Resource Recovery Centre (RRRC) Project

Council resolved on the 9th June 2016 to give notice to the other RRRC project participants of its withdrawal from the RRRC Project Participants' Agreement. The notice is effective as of 30 June 2016 and the withdrawal will take effect on 30 June 2017 (following a 12 month notice period).

In accordance with the RRRC Project Agreement, the SMRC is required to prepare an amended business plan of the RRRC Project having regard to the effect of the City's withdrawal. The amended business plan is expected to be finalised by December 2016 and will include a determination and subsequent division of certain surplus funds, assets and liabilities.

Until the amended business plan is finalised, the financial impact upon the City from the withdrawal will not be fully known.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

18. Contingent Liabilities

(a) Regional Resource Recovery Centre- Lending Facility

Council is a participant in the Regional Resource Recovery Centre Joint Venture. The project was established through the Southern Metropolitan Regional Council (SMRC) and involves the cities of Canning, Cockburn, Fremantle, Melville and the Town of East Fremantle in the development of a waste processing plant and a recyclable and green waste facility at Canning Vale.

The capital construction of the facility is funded by borrowings from Western Australian Treasury Corporation. A \$40 million lending facility was initially set up for this purpose, repayable over a term of 20 years. This facility has since been extended to a total of \$55 million. The SMRC administer the borrowings and the project participants make quarterly contributions equal to the repayment costs of these borrowings.

The Council's estimated share of the project funding is based upon population percentages as derived from the Australian Bureau of Statistics census. These are now revised yearly over the life of the loan. Council's share in the 2015/16 year is 42.53%.

As at 30th June 2016, the balance outstanding against the lending facility stood at \$23,179,903 with Council's share of this liability being \$9,858,413 (calculated using the percentage of 42.53%).

Council's annual contribution towards the repayment of interest and principal on the lending facility is currently around \$1.62 million (approx. \$40 per household).

Council has guaranteed by way of agreement its share of the loan liability to the SMRC and the Western Australian Treasury Corporation (funding body).

(b) SMRC Administration Building - Lending Facility

As a SMRC participant, Council has guaranteed by way of security to the Western Australian Treasury Corporation, a charge over its' general funds for its' share of any outstanding debenture borrowings provided for the SMRC administration building at 9 Aldous Place Booragoon. This facility has a limit of \$2 million.

As at 30th June 2016, the balance outstanding against this facility stood at at \$1,800,000 with Council's share of this liability being \$667,620 (using the current cost/profit sharing percentage of 37.09%).

(c) ATO GST Audit - Unimproved Land Sales

The Australian Taxation Office (ATO) instigated an audit into the City's GST treatment of unimproved land sales made during the period 1 September 2009 to 30 September 2013. Specifically, it investigated the City's application of the margin scheme to land sales made under Item 4 of subsection 75-10(3) of the GST Act and whether the City correctly accounted for the GST attributable to these sales. The audit completed in December 2014 found that the City had not correctly accounted for GST on these land sales by a shortfall of \$782,747. This finding was premised on the ATO's view that some of the land had been improved prior to 1 July 2000 (mainly through land clearing) and that this had enhanced the value of the land compared to its natural state. However, the City's tax advisor's position is that the ATO have erred with their interpretation of the facts and is currently acting on behalf of the City (and several other clients with similar issues) in responding to the ATO's audit findings.

Upon advice, the City has since entered the ATO's Alternative Dispute Resolution (ADR) process that was developed to resolve issues in respect of 'land on which there are no improvements', applicable for section 38-445 and Item 4 of subsection 75-10(3) of the A New Tax System (Goods and Services Tax) Act 1999. The City's ADR matter will be dealt with in sequential order by the ATO after it has resolved other ADR matters ahead in the queue.

The City and other affected taxpayers are currently awaiting the outcome of a second ADR neutral evaluation process presently being conducted by the ATO. This case has similar facts to those of the City's land sales and the ATO envisages the process being completed by 31 March 2017.

The ATO has advised that in the event the City's ADR process finds that Item 4 is not applicable to the land sales in question, it will review its audit decision to consider the City's ability to apply alternative margin scheme provisions to the land sales. This scenario would most likely lead to some reduction in the audit result of a \$782,747 tax liability.

Given the tax advice received to date, the City remains confident that the ATO's audit findings will be amended following the resolution of its ADR process. Until this process has run its course, the City will continue disclosing a contingent liability in the financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

19. Capital & Leasing Commitments

Capital Commitments

At the reporting date, Council had the following commitments remaining for major purchases:

	2016	2015
	\$	\$
Contracted for:		
capital expenditure projects	33,589,504	3,258,628
plant & equipment purchases	2,537,759	-
	<u>36,127,263</u>	<u>3,258,628</u>

Operating Leasing Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial report

	Actual 2015/16	Actual 2014/15
	\$	\$
Payable:		
Not later than 1 year	599,046	684,096
Later than 1 year but not later than 5 years	610,834	736,875
Later than 5 years	-	-
	<u>1,209,880</u>	<u>1,420,971</u>

20a. Assets Classified by Function

Total Assets Classified by Function and Activity

	Actual 2015/16	Actual 2014/15
	\$	\$
General Purpose Funding	56,990,186	41,636,420
Governance	28,965,663	22,685,367
Law, Order and Public Safety	2,364,945	2,717,356
Health	2,042,004	2,114,025
Education and Welfare	2,332,666	2,824,896
Community Amenities	74,126,965	69,840,637
Recreation and Culture	196,060,761	129,135,664
Transport	685,238,718	696,183,914
Economic Services	3,939,698	3,348,088
Other Property and Services	189,666,947	164,890,812
Total	<u>1,241,728,554</u>	<u>1,135,377,178</u>

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

20b. Disposal of Assets

	NET BOOK VALUE		SALE PRICE		PROFIT/(LOSS)	
	Actual 2015/16	Adopted Budget 2015/16	Actual 2015/16	Adopted Budget 2015/16	Actual 2015/16	Adopted Budget 2015/16
BY FUNCTION	\$	\$	\$	\$	\$	\$
Governance	-	-	-	-	-	-
Law, Order and Public Safety	-	-	-	-	-	-
Health	-	-	-	-	-	-
Education and Welfare	-	-	42,300	30,000	42,300	30,000
Community Amenities	-	-	-	-	-	-
Recreation and Culture	90,767	-	-	-	(90,767)	-
Transport	148,818	884,540	432,167	678,000	283,348	(206,540)
Economic Services	-	-	-	-	-	-
Other Property and Services	2,934,988	6,995,250	2,943,266	15,343,000	8,278	8,347,750
Total	3,174,573	7,879,791	3,417,732	16,051,000	243,160	8,171,209
BY ASSET CLASSIFICATION						
Land	2,466,838	6,452,062	2,436,364	14,890,000	(30,474)	8,437,938
Buildings	90,767	-	-	-	(90,767)	-
Infrastructure - Parks Equipment	-	-	-	-	-	-
Furniture and Equipment	-	-	-	-	-	-
Computers	-	-	-	-	-	-
Plant and Equipment	616,968	1,427,729	981,369	1,161,000	364,400	(266,729)
Total	3,174,573	7,879,791	3,417,732	16,051,000	243,160	8,171,209

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

20c. Control Over Contributions

Funding Bodies	Purpose	Function	Opening Balance (1) 1/07/14	Received 2014/15	Expended 2014/15	Closing Balance (1) 30/06/15	Received 2015/16	Expended 2015/16	Closing Balance 30/06/16
Alcoa Kwinana Refinery	Operating grants for delivering services	Recreation & Culture	1,213.66	450.00	1,663.66	-	10,000.00	-	10,000.00
Department Child Protection and Family Support	Operating grants for delivering services	Education & Welfare	110,682.52	453,485.91	472,846.90	91,322.53	294,958.91	343,547.50	42,773.94
Department Local Government and Communities	Operating grants for delivering services	Education & Welfare	67,943.68	346,636.39	391,822.91	22,757.16	416,392.28	393,111.01	46,038.43
Department of Attorney General	Operating grants for delivering services	Education & Welfare	10,674.73	6,153.59	18,828.72	-	7,702.01	7,702.01	-
Department of Corrective Services	Operating grants for delivering services	Education & Welfare	71,641.56	244,787.57	309,170.16	7,258.97	135,765.33	140,290.47	2,733.83
Department of Education, Employee & Workplace	Operating grants for delivering services	Education & Welfare	-	11,002.82	10,827.50	175.32	-	175.32	-
Department of Education and Training	Operating grants for delivering services	Education & Welfare	2,096.82	2,768,711.34	2,750,152.20	20,655.96	2,989,444.19	3,004,954.49	15,145.66
Department of Fire and Emergency Services	Operating grants for delivering services	Law Order & Public Safety	16,984.84	238,893.41	238,893.41	16,984.84	238,550.00	255,534.04	-
Department of Health	Operating grants for delivering services	Education & Welfare	49,883.39	1,656,230.00	1,698,338.89	7,779.50	1,661,073.00	1,688,766.42	86.08
Department of Infrastructure and Regional Development	Capital grants for roads constructions	Transport	-	185,000.00	152,012.58	32,987.42	1,998,968.00	2,031,955.42	-
Department of Local Government	Operating grants for delivering services	Law Order & Public Safety	9,600.00	-	9,600.00	-	-	-	-
Department of Social Services	Operating grant for delivering a service	Education & Welfare	10,879.91	470,926.33	445,771.84	36,034.40	334,522.57	321,373.62	49,183.35
Department of Sports and Recreation	Operating grant for delivering a service	Governance	61,343.72	79,062.94	140,406.66	-	151,086.30	151,086.30	-
Department of Transport	Operating grant for coastal and adaptation study	Recreation & Culture	72,205.10	70,000.00	25,143.53	117,061.57	77,612.11	69,059.11	125,614.57
Disability Services Commission	Operating grants for delivering services	Education & Welfare	13,536.95	-	13,536.95	-	23,640.00	21,383.00	2,257.00
Fremantle Dockers Football Club	Developer contribution for building construction	Governance	376,359.33	-	376,359.33	-	-	-	-
Fremantle Ports	Operating grants for delivering services	Recreation & Culture	12,429.34	10,642.70	20,215.00	2,856.84	10,162.41	8,000.00	5,019.25
Main Roads WA	Capital grants for roads constructions	Transport	1,885,349.39	2,187,339.54	2,807,622.83	1,165,066.10	1,972,001.00	1,518,651.92	1,618,415.18
Medicare Australia	Operating grant for delivering a service	Health	85,000.00	-	78,036.39	6,963.61	-	6,963.61	-
Ngala and Parenting Research Centre	Operating grants for delivering services	Education & Welfare	1,909.27	8,792.00	10,572.52	128.75	10,680.00	9,697.84	1,110.91
Private contributions	Private contributions for delivering services	Education & Welfare	39,352.22	74,094.07	48,018.47	65,427.82	323,941.86	157,607.88	231,761.80
Public Transport Authority of WA	Capital grant for bus stop construction	Transport	20,000.00	75,304.00	95,304.00	-	-	-	-
State Emergency Management Committee	Operational grants for bushfire prevention	Law Order & Public Safety	22,727.27	-	22,727.27	-	45,000.00	33,843.65	11,156.35
State Natural Resource Management Office	Operating grants for delivering services	Community Amenities	-	48,000.00	39,163.85	8,836.15	10,000.00	8,836.15	10,000.00
Western Australian Local Government Association (WALGA)	Capital grant for building construction	Recreation & Culture	-	-	-	-	63,636.36	4,454.10	59,182.26
Western Australian Planning Commission (WAPC)	Operating grant for environmental services	Recreation & Culture	900.00	14,100.00	15,000.00	-	28,000.00	28,000.00	-
Western Australian Police	Capital grants for CCTV implementation and operating grants for delivering services	Law Order & Public Safety	22,407.43	7,994.00	30,401.43	-	-	-	-
Grand Total			2,965,125.93	8,959,608.01	10,322,437.00	1,602,296.94	10,833,176.33	10,204,994.66	2,230,478.61

(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 revenue in a previous reporting period or received in the current reporting period and which were expended in the current reporting period in the manner specified by the contributor.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

21. FINANCIAL RATIOS

	2016	2015	2014
Current Ratio	1.211	1.869	1.811
Asset Sustainability Ratio	1.399	0.378	0.316
Debt Service Cover Ratio	20.631	16.625	21.507
Operating Surplus Ratio	0.049	-0.002	0.091
Own Source Revenue Ratio	1.003	0.898	1.012

The above ratios are calculated as follows:

Current Ratio	$\frac{\text{current assets minus restricted current assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset Sustainability Ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation expense}}$
Debt Service Cover Ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating Surplus Ratio	$\frac{\text{operating revenue minus operating expense}}{\text{own source operating revenue}}$
Own Source Revenue Ratio	$\frac{\text{own source operating revenue}}{\text{operating expense}}$

ADDITIONAL FINANCIAL RATIOS

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

	2016	2015	2014
Asset Consumption Ratio	0.714	0.712	0.699
Asset Renewal Funding Ratio	0.741	0.767	1.027

The above ratios are calculated as follows:

Asset Consumption Ratio	$\frac{\text{depreciated replacement cost of assets}}{\text{current replacement cost of depreciated assets}}$
Asset Renewal Funding Ratio	$\frac{\text{NPV of planned capital renewals over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

22. Information on Borrowings

Debenture Repayments

Particulars/Purpose	Principal 1 July 2015 \$	Interest Rate	Maturity Date	Principal Repayments		Principal 30 June 2016		Interest Repayments	
				Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Law Order & Public Safety To assist fund the Emergency Services Head Quarters in Cockburn Central (FESA Funded)	832,441	4.29%	4 June 2023	89,267	89,267	743,174	743,174	37,585	35,325
Other Property & Services Loan to assist fund the costs associated with the undergrounding of power in Coolbellup East and Hamilton Hill (repayment to be funded from the applicable Specified Area Rate).	1,334,052	3.56%	4 June 2016	1,334,052	1,334,052	0	0	40,767	38,011
Total	2,166,493			1,423,320	1,423,320	743,174	743,174	78,352	73,336

New Debentures

Particulars/Purpose	Amount Borrowed			Start Date	Maturity Date	Institution	Amount Used		Balance Unspent \$
	Actual \$	Budget \$	Interest Rate				Actual \$	Budget \$	
Recreation & Culture To assist fund the Cockburn Central West development	25,000,000	25,000,000	2.96%	27 June 2016	27 June 2026	WATC	(25,000,000)	(25,000,000)	0
Total	25,000,000	25,000,000					(25,000,000)	(25,000,000)	0

Unspent Debentures

There is no unspent debenture as at 30 June 2016.

Overdraft

The City has not utilised an overdraft Facility during the year.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

23a. Statement of Rating Information for Year Ended 30 June 2016

	NON-MINIMUM					MINIMUMS					TOTALS			
	Qty	Rateable value \$	Rate in \$	Yield \$	Budget 2015-2016	Qty	Rateable Value \$	Amount \$	Yield \$	Budget 2015-2016	Qty	Rateable Value \$	Yield \$	Budget 2015-2016
GRV														
Commercial Caravan Parks	2	1,778,244	0.0816300	145,158	145,158		0	0	0	0	2	1,778,244	145,158	145,158
Residential Improved	26,042	592,179,240	0.0707400	41,880,759	40,942,944	11638	180,546,858	1,250	14,547,500	14,472,500	37,680	772,726,059	56,438,259	55,415,444
Residential - Vacant	1,580	28,745,600	0.0911700	2,620,736	2,689,516	1,482	9,146,158	722	1,070,004	813,694	3,062	37,891,756	3,690,740	3,503,210
Comm & Industrial - Improved	2,339	188,697,869	0.0733000	13,831,554	13,715,813	193	1,356,005	722	139,346	123,462	2,532	150,053,874	13,970,900	13,892,027
Comm & Industrial - Vacant	219	14,947,107	0.0911700	1,362,728	1,457,940	6	16,150.00	722	4,332	4,332	225	14,963,257	1,367,060	1,462,272
Large Comm & Industrial - Improved	52	114,927,129	0.0805800	9,260,828	9,204,422			722	0	0	52	114,927,129	9,260,828	9,204,422
Jandakot Airport - Standard	1	14,433,797	0.0723900	1,044,863	2,208,966			722		0	1	14,433,797	1,044,863	2,208,966
Jandakot Airport - Major	1	20,916,000	0.0805800	1,685,411				722		0	1	20,916,000	1,685,411	0
UV														
Rural - Vacant Land	54	73,384,000	0.0038800	278,859	250,131	2	184,000	880	1,760	880	56	73,568,000	280,619	251,011
Rural General	266	219,512,100	0.0024600	540,000	556,427	12	1,447,630	880	10,560	30,800	280	220,959,730	550,560	598,397
Total Rates Levied	30,558	1,269,521,086		72,660,896	71,171,317	13,333	192,696,799		15,773,502	15,445,668	43,891	1,462,217,885	88,434,398	86,680,907
Interim Rates - GRV & UV													3,699,794	2,350,107
Rates Received in Advance													669,607	
Residential Improved - Concessions				(1,492,770)									(1,492,770)	
Total General Rates	30,558	1,269,521,086		71,168,126	71,171,317	13,333	192,696,799		15,773,502	15,445,668	43,891	1,462,217,885	91,311,030	89,031,014

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

23b. Specified Area Rates for Year Ended 30 June 2016

	Rate in \$	Basis of Rate	Qty	Rateable Value \$	Yield \$	Interim Rate Revenue \$	Budget 2015-2016 \$	Applied to Costs \$	Budget Applied to Costs \$
Port Coogee Special Maintenance	0.014	GRV	808	24,100,800	337,411.20	4,316	274,438	341,727	274,438

24. Prescribed Service Charges

Property Surveillance & Security

Section 6.38 of the Local Government Act 1995 allows Council to impose service charges on owners or occupiers to meet the costs of providing a prescribed service in relation to the land. Section 54 of the Local Government (Financial Management) Regulations 1996 prescribes the provision of a security services as an allowable service charge.

In accordance with Section 6.32 of the Local Government Act 1995, Council imposed a whole of district security patrol service charge during the reporting year. Financial details for this charge are as follows:

Amount of each service charge:	\$67.00	
	Actual 2015/16	Budget 2015/16
Total amount of revenue collected from service charge for reporting year:	70,381	62,082
Add: Amount of funds b/f from previous year for unspent service charges	1,481,926	1,481,926
Less: Amount of total funds applied during the reporting year in meeting the costs of the service provided by Wilson Parking Australia were:	(306,816)	(314,313)
Amount of funds un-applied as at 30 June 2016 (carried forward into the following year to meet future service costs).	1,245,490	1,229,695

Underground Power - Coolbellup East and Hamilton Hill

Section 6.38 of the Local Government Act 1995 allows Council to impose service charges on owners or occupiers to meet the costs of providing a prescribed service in relation to the land. Section 54 of the Local Government (Financial Management) Regulations 1996 prescribes the provision of a security services as an allowable service charge.

Amount of each service charge:		
- Infrastructure Fee	\$510.00	
- Connection Fee	\$100.00	
	Actual 2015/16	Budget 2015/16
Total amount of revenue collected from service charge for reporting year:	1,031,962	1,037,370
Add: Amount of funds b/f from previous year for unspent service charges	550,927	550,927
Add: Loan funding received	0	0
Add: Grant funding received	0	0
Less: Amount of total funds applied during the reporting year in meeting the costs of the construction were:	(1,582,889)	(1,588,297)
Amount of funds un-applied as at 30 June 2016 (carried forward into the following year to meet future service and financing costs).	0	0

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

25. Fees and Charges

	Actual 2015/16	Actual 2014/15
	\$	\$
General Purpose Funding		
Administration Fees	256,341	239,164
Rate Search Fees	86,331	105,745
Admin Fee - FESA	88,120	86,150
Other Fees & Charges	128,036	103,313
	558,828	534,373
Governance		
Administration Service Charges	618	450
Other Fees & Charges	18,030	13,740
	18,648	14,190
Law, Order and Public Safety		
Dog Registration Fees	267,175	221,872
Licences	6,882	737
Impounding Fees	50,376	52,794
Fines, Infringements & Penalties	184,420	510,896
Other Fees & Charges	96,540	55,978
	605,392	842,277
Health		
Administration, Application & Inspection Fees	19,754	19,125
Administration Fees & Licences	223,535	197,525
Fines & Penalties	34,042	1,015
Other Fees & Charges	1,179	417
	278,509	218,082
Education and Welfare		
Client Fees	234,532	270,718
Lease / Rental Income	69,004	56,945
Other Fees & Charges	1,173,765	865,747
	1,477,301	1,193,411
Community Amenities		
Planning Fees & Charges	1,458,368	1,765,952
Rubbish Removal Charges	2,532,287	19,041,157
Rubbish Tipping Fees	6,845,805	8,532,499
Other Fees & Charges	848,744	1,055,600
	11,685,204	30,395,208
Recreation and Culture		
Client Fees	-	(3,585)
Hall Hires	309,491	261,645
Reserve Hires	243,410	208,235
Leasehold Rentals	56,993	55,105
Recreation Centre Charges	2,829,365	2,827,902
Other Fees & Charges	101,099	84,676
	3,540,358	3,433,977
Transport		
Supervision Fees	244,772	251,057
Other Fees & Charges	78,608	64,715
	323,379	315,772

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

Economic Services

Building Licences	1,102,584	1,287,988
Caravan Park Leases / Licences	213,473	210,566
Assessment & Application Fees	3,110	3,100
Swimming Pool Inspection Fees	237,412	227,777
Fines & Penalties	27,526	30,525
Other Fees & Charges	534,200	507,070
	<u>2,118,305</u>	<u>2,267,027</u>

Other Property and Services

Private Works Revenue	4,635	11,759
Other Fees & Charges	1,462,421	1,085,845
	<u>1,467,055</u>	<u>1,097,604</u>

TOTAL FEES & CHARGES

	<u>22,072,981</u>	<u>40,311,919</u>
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There were no changes during the year to the amount of the fees or charges detailed in the original budget.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

26. Interest Charges, Administration Fees and Instalments

	Interest Rate	Admin Fee	Actual 2015/16	Actual 2014/15
	%	\$	\$	\$
Administration Fee		5.00	256,341	239,164
Penalty Interest	8.00	-	253,474	199,543
Instalment Interest	4.00	-	375,225	329,136
			<u>885,040</u>	<u>767,843</u>

Payment by Instalments

Council offered instalment payment options of either two or four payments. The first instalment (inclusive of any arrears) had to be paid in full by the due date. Failure to pay the first instalment by the due resulted in the forfeiture of the instalment payment option. Ratepayers had the following options for paying their rates:

(a) Pay in full by 28 August 2015

(b) Pay in four instalments due:

1. 28 August 2015
2. 30 October 2015
3. 4 January 2016
4. 8 March 2016

Administration Fees

The Rates Instalment Fee is \$5 per instalment. This fee is being made in conjunction with the introduction of a 0.55% transaction fee for the cost recovery of credit card merchant fees. This initiative will provide lower costs to the majority of ratepayers.

Special Payment Arrangements

Ratepayers who were unable to pay their account in full or according to the instalment plans offered were able to make special payment arrangements to extinguish their debt. A separate administration fee of \$20.00 was charged for these arrangements. Penalty interest was applied at the rate of 8% to any outstanding balance.

Instalment Interest

The Local Government Act allows for interest to be charged on overdue amounts. The Council charged interest at the rate of 4% on outstanding rates for the year under review. This charge covered the opportunity cost of lost income on investment that would otherwise be received had the instalment options not been exercised. The maximum rate of interest allowed to be imposed on outstanding amounts under S6.45(4)(e) of the Local Government Act is 5.5%

Penalty Interest - Rates

Penalty interest was levied where payment in full or the first instalment was not received within thirty-five days of the issue of the rate notice. The rate charged was 8% pa on the daily balance. The maximum rate of interest allowed to be imposed on overdue rates and service charges under S6.51(1) of the Local Government Act is 11%.

Penalty Interest - FESA

The Minister for Emergency Services deemed the penalty interest rate for 2015/16 to be 8% on outstanding balances. Interest was levied where payment in full or the first instalment was not received within thirty-five days of the issue of the rate notice.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

27. GRANT REVENUE

	Actual 2015/16	Budget 2015/16	Actual 2014/15
	\$	\$	\$

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

By Nature or Type:

Operating Grants, Subsidies and Contributions	8,057,274	9,098,273	11,843,090
Non-Operating Grants, Subsidies and Contributions	17,284,797	12,964,025	6,715,595
	25,342,070	22,062,298	18,558,685

By Program:

General Purpose Funding	1,897,775	3,727,644	5,614,608
Governance	11,914,433	11,130,000	3,977,472
Law Order & Public Safety	401,447	243,999	238,743
Health	-	-	(10,650)
Education & Welfare	5,489,697	4,875,070	5,630,098
Community Amenities	156,007	-	50,100
Recreation & Culture	391,955	633,117	256,548
Transport	5,059,256	1,387,468	2,794,704
Other Property & Services	31,500	65,000	7,062
	25,342,070	22,062,298	18,558,685

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

28. Number of Employees

	Actual 2015/16	Actual 2014/15
	No.	No.
Number of full-time equivalent (FTE) employees as at balance date:	483	431

29. Superannuation

	Actual 2015/16	Actual 2014/15
	\$	\$
Contributory	615,464	605,711
S.G. Occupational	3,677,906	3,519,846
	4,293,370	4,125,556

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

30. Financial Risk Management

Council's activities expose it to a variety of financial risks including price risk, credit risk, liquidity risk and interest rate risk. The Council's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

Council 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.

	<u>Carrying Value</u>		<u>Est. Fair Value</u>	
	Actual 2015/16	Actual 2014/15	Actual 2015/16	Actual 2014/15
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	151,554,000	129,018,060	151,554,000	129,018,060
Held-to-maturity investments	4,692,838	4,506,731	4,692,838	4,904,954
Receivables	15,111,724	6,724,659	15,111,724	6,724,659
	<u>171,358,562</u>	<u>140,249,450</u>	<u>171,358,562</u>	<u>140,647,673</u>
Financial Liabilities				
Borrowings	25,743,174	2,166,493	19,261,071	1,995,099
Payables	29,367,456	14,266,681	29,367,456	14,266,681
	<u>55,110,630</u>	<u>16,433,174</u>	<u>48,628,527</u>	<u>16,261,780</u>

Fair value is determined as follows:

- Cash and Cash Equivalents, Receivables, Payables – estimated to the carrying value which approximates net market value.
- Borrowings, Held-to-Maturity Investments – estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.

(a) Risk Assessment - Cash & Cash Equivalents and Investments

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The finance area manages the cash and investments portfolio with the assistance of independent advisers (where applicable). Council has an investment policy and the policy is subject to review by Council. An Investment Report is provided to Council on a monthly basis setting out the make-up and performance of the portfolio.

The major risk associated with investments is price risk – the risk that the capital value of investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments of their issuers or factors affecting similar instruments traded in a market.

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

Another risk associated with cash and investments is credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument resulting in a financial loss to Council.

Council manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees. Council also seeks advice from independent advisers (where applicable) before placing any cash and investments.

	Actual 2015/16	Actual 2014/15
	\$	\$
Impact of a 5% (*) movement in price of investments:		
- Equity	230,007	221,855
- Income Statement	230,007 (+)	221,855
Impact of a 0.5% (*) movement in interest rates on cash and investments:		
- Equity	769,875	692,661
- Income Statement	769,875 (+)	692,661

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

30. Financial Risk Management

(*) Sensitivity percentages based on management's expectation of future possible market movements.

Recent market volatility has seen large market movements for certain types of investments.

(+) Maximum impact.

(b) Receivables

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

Credit risk on rates and annual charges is minimised by the ability of Council to recover these debts as a secured charge over the land – that is, the land can be sold to recover the debt. Council 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.

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

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

	<u>Actual 2015/16</u>	<u>Actual 2014/15</u>
Percentage of Rates and Annual Charges		
- Current	29%	34%
- Overdue	71%	66%
Percentage of Other Receivables		
- Current	93%	84%
- Overdue	7%	16%

(c) Payables & 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. Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required.

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Total carrying value \$
2016					
Borrowings	2,593,138	10,414,725	12,735,311	29,788,028	25,743,174
Payables	23,605,924	5,761,532	-	29,367,456	29,367,456
	<u>26,199,062</u>	<u>16,176,257</u>	<u>12,735,311</u>	<u>59,155,484</u>	<u>55,110,630</u>
2015					
Borrowings	1,423,320	397,490	345,684	2,368,799	2,166,493
Payables	8,063,526	6,203,155	-	14,266,681	14,266,681
	<u>9,486,846</u>	<u>6,600,645</u>	<u>345,684</u>	<u>16,635,480</u>	<u>16,433,174</u>

(d) Interest Rate Risk Profile

The City is exposed to interest rate risk through primary financial assets and liabilities. The following table summaries interest rate risk for the City, together with the effective interest rates as at 30th June 2016.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

30. Financial Risk Management

<u>2015/16</u>	Average Interest Rate %	Floating Interest Rate \$	<u>Fixed Interest Rate Maturity</u>			Non-Interest Bearing		Total \$
			Less than 1 Year \$	1 to 5 Years \$	More than 5 Years \$	More than 5 Years \$	Non-Interest Bearing \$	
Financial Assets								
Cash	1.75	8,551,728						8,551,728
Direct Securities	2.85			1,108,599		3,584,239		4,692,838
FRN's & TD's	2.92		143,002,272					143,002,272
Receivables	2.64	738,851					14,372,873	15,111,724
Total		9,290,579	143,002,272	1,108,599	-	3,584,239	14,372,873	171,358,561
Financial Liabilities								
Borrowings	2.94		2,593,138	10,414,725	12,735,311			25,743,174
Accounts Payable							23,605,924	23,605,924
Deposits/Bonds	2.00			394,475			5,367,057	5,761,532
Total		-	2,593,138	10,809,200	12,735,311	-	28,972,981	55,110,630

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

30. Financial Risk Management

The following table provides comparatives as at 30th June 2015:

<u>2014/15</u>	<u>Fixed Interest Rate Maturity</u>					<u>Non-Interest Bearing</u>		<u>Total</u>
	<u>Average Interest Rate</u>	<u>Floating Interest Rate</u>	<u>Less than 1 Year</u>	<u>1 to 5 Years</u>	<u>More than 5 Years</u>	<u>More than 5 Years</u>	<u>Non-Interest Bearing</u>	
	<u>%</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>		<u>\$</u>	<u>\$</u>	
Financial Assets								
Cash	2.00	4,386,832						4,386,832
Direct Securities	3.21			1,162,518		3,344,213		4,506,731
FRN's & TD's	3.32		124,631,229					124,631,229
Receivables	2.85	632,550					6,092,110	6,724,659
Total		5,019,381	124,631,229	1,162,518	-	3,344,213	6,092,110	140,249,451
Financial Liabilities								
Borrowings	2.71		1,423,320	397,490	345,684			2,166,494
Accounts Payable							8,063,526	8,063,526
Deposits/Bonds	2.00			393,103			5,810,052	6,203,155
Total		-	1,423,320	790,593	345,684	-	13,873,578	16,433,175

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

31. Elected Members Remuneration

	Actual 2015/16	Budget 2015/16	Actual 2014/15
	\$	\$	\$
The following fees, expenses and allowances were paid to councillors and the mayor:			
Meeting Fees	324,284	335,806	324,450
Vehicle Mileage Claims	5,243	20,000	12,715
Mayoral/Deputy Mayoral Allowances	109,437	113,268	109,437
Communication Expenses	42,494	45,000	46,291
	481,458	514,074	492,894

32. Economic Dependency

A significant portion of Council's revenue is received by way of grants from the State and Federal Government.

	Actual 2015/16	Budget 2015/16	Actual 2014/15
	\$	\$	\$
The total of grant revenue from Government sources	25,342,070	22,062,298	18,558,685

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

Note 33 – Fair Value Measurement

The City of Cockburn measures the following assets at fair value on a recurring basis after initial recognition:

- Financial Assets at fair value through profit or loss
- Land and Buildings
- Plant & Machinery
- Computer Equipment
- Furniture and Equipment
- Roads
- Footpaths
- Drainage
- Landfill Infrastructure
- Parks Equipment

The following table provides the fair values of the City of Cockburn's assets measured and recognized on a recurring basis after initial recognition and their categorization within the fair value hierarchy:

Recurring Fair Value Measurements

Non-Financial Assets - 30 June 2016	Note	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Land	9(b)		98,010,600		98,010,600
Buildings	9(b)		306,458	125,177,694	125,484,152
Furniture and Equipment	9(b)			274,162	274,162
Computer Equipment	9(b)			810,037	810,037
Plant & Machinery	9(b)		11,523,089		11,523,089
Roads	10(b)			410,433,627	400,433,627
Footpaths	10(b)			40,824,214	40,824,214
Drainage	10(b)			196,855,604	196,855,604
Landfill Infrastructure	10(b)			22,823,280	22,823,280
Parks Equipment	10(b)			44,392,917	44,392,917

Non-Financial Assets - 30 June 2015	Note	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Land	9(b)		99,470,600		99,470,600
Buildings	9(b)		644,000	125,670,409	126,314,409
Furniture and Equipment	9(b)			412,086	412,086
Computer Equipment	9(b)			1,033,345	1,033,345
Plant & Machinery	9(b)		11,364,424		11,364,424
Roads	10(b)			400,453,002	400,453,002
Footpaths	10(b)			40,102,968	40,102,968
Drainage	10(b)			201,129,545	201,129,545
Landfill Infrastructure	10(b)			23,181,498	23,181,498
Parks Equipment	10(b)			37,231,560	37,231,560

33 (a). Transfers Policy

The policy of the City of Cockburn is to recognise transfers into and transfers out of the fair value hierarchy levels as at the end of the reporting period. There was a transfer of Level 3 for recurring fair value measurements during the year.

33 (b). Highest and Best Use

All assets have been valued at their highest and best use, that being their current use.

33 (c). Valuation techniques used to derive fair values:

The fair values of financial and non-financial assets that are not traded in an active market are determined using valuation techniques. These valuation techniques maximise the use of observable data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an asset are observable, the asset is included in level 2. If one or more of the significant inputs is not based on observable market data, the asset is included in level 3. This is the case for Council specialised buildings assets, which are of a specialist nature and where there is no active market for the assets.

The following table summarises the valuation inputs and techniques used to determine the fair value for each asset class.

Asset	Level of Valuation Input	Fair Value at 30 June 2016 (\$)	Valuation Technique(s)	Inputs Used
Land	2	98,010,600	Market Approach	Price per square metre
Buildings	2	306,458	Market Approach	Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount.
Buildings	3	125,177,694	Cost Approach	
Furniture & Equipment	3	274,162	Cost Approach	Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount
Computers & Equipment	2	810,037	Cost Approach	Make, size, year of manufacture and condition
Plant & Machinery	2	11,523,089	Market Approach	Make, size, year of manufacture and condition
Roads	3	410,433,627	Cost Approach	Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable

Footpaths	3	40,824,214	Cost Approach	Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount
Drainage	3	196,855,604	Cost Approach	Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount
Landfill	3	22,823,280	Cost Approach	Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount
Parks Equipment	3	44,392,917	Cost Approach	Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount
Total		951,431,682		

Recurring Fair Value Measurements

The City's land, building and landfill infrastructure assets were revalued as at 30 June 2014 by independent valuers AssetVal Pty Ltd. These were valued on the basis that the entity intended to retain these assets for a continuous use for the purposes of the enterprise and for the foreseeable future. The Valuer had regard to assessing the value of the assets in their existing use and ensuring the highest and best use, noting that the current use of an asset is presumed to be its highest and best use unless market or other factors suggest a different use would maximise its value.

The following methods were used to determine the fair value measurements.

Land

Where there is an active and liquid market as evidenced by sales transactions of similar property types, a Market Approach by way of Direct Comparison or Income methods can be utilised, and are accepted valuation methodologies under AASB13. If a Market Approach is adopted, the valuation is deemed to be a Level 2 input.

Direct Comparison method which is considered a Level 2 input on the Fair Value Hierarchy, involves the analysis of sales evidence and comparisons with the subject land taking into account matters such as area, location and other general site characteristics. We note the Direct Comparison approach has been utilised in our assessment for all Land Assets, however the fair value measurement has been either a Level 2 or 3, depending on assumptions as to:

- Whether the land is subject to restrictions as to use and/or sale;
- Whether there is no active market.

If these assumptions apply to the land, we have measured the expected Fair Value as a Level 3. However if an active market could be established and there were no unreasonable restrictions as to use and/or sale, we have deemed the measurement to be a Level 2. Land carrying a Community or Park Recreation zoning, land that is utilised for Community uses (and not zoned 'Community'), access strips, or due to its general characteristics land that has no observable active market, have been assessed as a Level 3.

The valuation techniques used to measure fair value maximised the use of observable data where it was available and relied as little as possible on entity specifics. The disclosure of valuation estimates is designed to provide users with an insight into the judgements that have been made in the determination of fair values.

For assets valued under Level 3, the unobservable input is the rate per square metre applied to the asset.

Buildings

Where there is an active and liquid market as evidenced by sales transactions of similar property types, the Market Approach by Direct Comparison, Income or Summation methods can be utilised, and is an accepted valuation methodology under AASB13. If a Market Approach is adopted, the building valuation is deemed to be a Level 2 input.

Direct Comparison and Summation methods involve the analysis of sales evidence and comparisons with the subject taking into account matters such as method of construction, size, condition, age, land area and location. The land value is subtracted from the Market Value of the property to measure the asset Fair Value.

The Income approach is applied to income producing properties and includes the capitalisation of net income method, or for multi-income stream assets, a discounted cash flow approach. The capitalisation method involves capitalising the estimated net income of the property at an appropriate capitalisation rate (net yield) that has been determined through the analysis of sales evidence.

Due to the predominantly specialised nature of Local Government Assets, most of the buildings valuations have been undertaken on a Cost Approach (Depreciated Replacement Cost) valuation, an accepted valuation methodology under AASB13. The cost approach is deemed a Level 3 Input. Under this approach, the following process has been adopted:

- Where there is no depth of market as determined for the Council assets, the net current value of an asset is the gross current value less accumulated depreciation to reflect the consumed or expired service potential of the asset. Published/available market data for recent projects, and/or published cost guides are utilised to determine the estimated replacement cost (gross value) of the asset, including allowances for preliminaries and professional fees. This is considered a Level 2 input.
- A condition assessment is applied, which is based on factors such as the age of the asset, overall condition as noted by the Valuer during inspection, economic and/or functional obsolescence. The condition assessment directly translates to the level of depreciation applied. The conditions assessed are considered a Level 3 input.
- In determining the level of accumulated depreciation, in some instances residual values have been factored into the calculations, which is the value at the time the asset is considered to be no longer available. The residual values applied are considered a Level 3 input.

While the replacement cost of the assets could be supported by market supplied evidence (level 2), the other unobservable inputs (such as estimates of residual value, useful life, and asset condition) were also required (level 3).

Landfill Infrastructure

Where there is an active and liquid market as evidenced by sales transactions of similar property types, the Market Approach by Direct Comparison, Income or Summation methods can be utilised, and is an accepted valuation methodology under AASB13. If a Market Approach is adopted, the asset valuation is deemed to be a Level 2 input.

The Fair Value should represent the highest and best use of the asset, i.e. the use of the asset that is physically possible, legally permissible, financially feasible, and which results in the highest value. Opportunities that are not available to the agency or entity are not considered. In this case we have assumed the current use is the highest and best use due to the specialist nature of the assets.

Due to the predominantly specialised nature of Local Government Assets, the landfill valuations have been undertaken on a Cost Approach (Depreciated Replacement Cost), an accepted valuation methodology under AASB13. The cost approach is deemed a Level 3 Input. Under this approach, the following process has been adopted:

- Where there is no depth of market as determined for the Council assets, the net current value of an asset is the gross current value less accumulated depreciation to reflect the consumed or expired service potential of the asset. Published/available market data for recent projects, and/or published cost guides are utilised to determine the estimated replacement cost (gross value) of the asset, including allowances

for preliminaries and professional fees. This is considered a Level 2 input.

- A condition assessment is applied, which is based on factors such as the age of the asset, overall condition, economic and/or functional obsolescence. The condition assessment directly translates to the level of depreciation applied. The conditions assessed are considered a Level 3 input.
- In determining the level of accumulated depreciation for major assets, we have disaggregated into significant components which exhibit different patterns of consumption (useful lives). Residual value is also factored which is the value at the time the asset is considered to be no longer available. The condition assessment is applied on a component basis.
- While the replacement cost of the assets could be supported by market supplied evidence (level 2), the other unobservable inputs (such as estimates of residual value, useful life, and asset condition) were also required (level 3).

The valuation techniques used in the determination of fair values maximise the use of observable data where it is available and relies as little as possible on entity specifics.

The landfill infrastructure assets were segregated into Storage, Monitoring, Water Supply, Fixed Plant, Plant & Equipment and Site works; Water supply and Site works assets were further componentized. Unit rates and lump sums were applied based on similar recent project costs, unit rate databases, indices, Rawlinson's Construction Handbook and quotations, these rates were reviewed by council staff. Raw Costs were increased up to 27% depending on project complexity to allow for project overheads including survey, environmental and investigation costs, engineering design, planning and project management.

A site inspection was carried out as part of the valuation process. However none of the sub-surface assets were inspected due to their inaccessible nature.

Plant & Machinery, Computer Equipment and Furniture & Equipment

These classes of assets were revalued in June 2016 through a management review in order to comply with the mandatory requirements of Reg. 17A of the Local Government (Financial Management) Regulations. The additions since that time are shown at cost and given their level of currency, it is deemed the written down values approximate fair values.

Most plant and equipment assets are generally valued using the market and cost approach using comparable sales and relevant industry market price reference guides, and have been classified as being valued at Level 2 of the fair value hierarchy. The most significant inputs into this valuation approach are the make, size, year of manufacture and condition.

Level 3 valuation inputs were used to determine the fair value of the City's furniture and equipment. The valuation methodology was determined having regard to the lack of a market and sales evidence, and the level of specialisation of the assets.

Infrastructure Assets (Roads, Footpaths, Drainage, Parks)

In accordance with AASB13 and legislative requirements, the City carried out internal management revaluations of its Roads, Footpaths, Drainage, Parks/Environment, Signs, and Lighting & Fences infrastructure assets as at 30 June 2016. These valuations were completed using the Cost Approach (Depreciated Replacement Cost), an accepted valuation methodology under AASB13. The cost approach is deemed a Level 3 Input.

The valuations were coordinated, developed and prepared in-house and formed by establishing unit rates for infrastructure replacement that consider labour, overhead costs and materials.

The unit rates are agreed by reviewing multiple sources as outlined below:

- Current contract rates from the City of Cockburn's contract management system.
- Rawlinsons Australian Construction Handbook 2014.
- Internal knowledge from key operational stakeholders.
- Current charge out rates for internal labour activities.

The Condition profile of the City's infrastructure assets is measured using a 1 to 5 rating. This rating affects the remaining life of the asset and has been considered in preparing the valuations.

Road surface and footpath data is considered to have an accuracy level of 95% and all roads and footpaths have been segmented from intersection to intersection. The data recorded against each section includes surface area, surface type, date of construction and condition. The City undertook a full road surface and footpath condition assessment audit with Cardno in 2009 and in late 2011 the then higher risk road surfaces (condition 4 & 5) were inspected internally.

Data is held for all storm water drainage assets including pits, pipes and sumps, and the pit type, pipe material and length and sump size and material. Where the construction year is unknown, this was assumed to be the same year as the road construction date. The data held for the storm water infrastructure is considered to have 85% accuracy. To improve this accuracy level and to validate the City's database an audit of the City's pits and pipes storm water assets was commissioned in 2013 and should be completed within two years. A condition assessment audit of the entire sump fencing was undertaken in 2012 by the Asset Services team, which also clarified any uncertainty of the material types. Sump fencing was included in the revaluation of Fences.

Parks & Environment Hard infrastructure data is currently considered to have an accuracy level of 95% and Signs, lighting & fences infrastructure data is currently considered to have an accuracy level of 90% and is held in the operational asset register. A full data pick up of all park and environment assets was undertaken in August 2012 (parks) and March 2013 (environment) by Opus. All assets were condition rated and documented on an individual asset basis (e.g. a single park bench) and each has been given a unique asset number. This data is recorded in the operational asset register.

The rates used for the Parks data were obtained from several sources. For previous years valuations an Excel spread sheet showing all park assets and current replacement costs has been used. These rates plus a CPI increase were transferred to the new data. Where assets with an unknown cost occurred the Rawlinson's 2014 Australian Construction Handbook was referred to for current industry rates. When newly constructed assets were considered the actual construction rates were used.

33 (d) Disclosed Fair Value Measurements

The following assets and liabilities are not measured at fair value in the statement of financial position, but their fair values are disclosed in the notes:

- Borrowings

The following table provides the level of fair value hierarchy within which the disclosed fair value measurements are categorised in their entirety and a description of the valuation technique(s) and inputs used:

Description	Note	Fair Value Hierarchy Level	Valuation Technique(s)	Inputs Used
Liabilities				
Borrowings	12(b)	2	Income approach using discounted cash flow methodology	Current commercial borrowing rates for similar instruments

There has been no change in the valuation technique(s) used to calculate the fair values disclosed in the notes to the financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

34. Opening & Closing Funds used in the Rate Setting Statement

	2016 (30 June 2016 Carried Forward) \$	2016 (1 July 2015 Brought Forward) \$	2015 (30 June 2015 Carried Forward) \$
Surplus/(Deficit) - Rate Setting Statement	<u>9,267,511</u>	<u>13,676,287</u>	<u>13,676,287</u>
Comprises:			
Cash and Cash Equivalents	151,554,000	129,018,060	129,018,060
Investments Held to Maturity			
Trade & Other Receivables	13,656,877	5,470,423	5,470,423
Other Assets	715,996	621,686	621,686
Inventories	41,102	18,634	18,634
	<u>165,967,975</u>	<u>135,128,804</u>	<u>135,128,804</u>
Less:			
Trade & Other Payables	(23,605,924)	(8,063,526)	(8,063,526)
Provisions	(5,425,888)	(4,618,800)	(4,618,800)
	<u>(29,031,812)</u>	<u>(12,682,327)</u>	<u>(12,682,327)</u>
Net Current Assets	<u>136,936,162</u>	<u>122,446,477</u>	<u>122,446,477</u>
Less:			
Restricted Financial Assets - Reserve Funds	(120,348,780)	(101,503,929)	(101,503,929)
Land Held for Re-sale			
Restricted Financial Assets - Deposits & Bonds	(5,761,532)	(6,203,155)	(6,203,155)
Committed Financial Assets (unspent grants & contributions)	(6,251,177)	(5,569,838)	(5,569,838)
	<u>(132,361,489)</u>	<u>(113,276,921)</u>	<u>(113,276,921)</u>
Add:			
Restricted Financial Assets held in Non Current Investments	4,692,838	4,506,731	4,506,731
Surplus/(Deficit)	<u>9,267,511</u>	<u>13,676,287</u>	<u>13,676,287</u>

Difference:

There was no difference between the Surplus/(Deficit) 1 July 2015 Brought Forward position used in the 2016 audited financial report and the Surplus/(Deficit) Carried Forward position as disclosed in the 2015 audited financial report.

35. Events after the Reporting Date

There are no matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either:

- the City's operations in future financial years
- the results of those operations in future financial years; or
- the City's state of affairs in future financial years.

36. Major Land Transactions

The City did not participate in any major land transactions during the 2015/16 financial year.

37. Trading Undertakings and Major Trading Undertakings

The City did not participate in any trading undertakings or major trading undertakings during the 2015/16 financial year.



**EXTERNAL AUDIT REPORT
FOR THE YEAR ENDED 30 JUNE 2016**



Certified Practising Accountants

City of Cockburn



Audit Completion Report to the Audit Committee For the Year Ended 30 June 2016

9 November 2016

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1. Executive Summary

Under the requirements of Australian Auditing Standard ASA 260: "*Communication with Those Charged with Governance*", we are required to communicate audit matters arising from the audit of financial statements to those charged with governance of an entity. This Annual Audit Completion Report together with our previous External Audit Plan submitted to the Audit Committee in March 2016 discharges the requirements of the Auditing Standard.

This report has been prepared for the Audit Committee to summarise the significant matters that have arisen from our year-end audit of the City of Cockburn for the year ended 30 June 2016.

1.1 Status of Audit

Our audit field work at the City of Cockburn for the financial year ended 30 June 2016 has been completed.

Before our Independent Auditor's Report is signed off and issued to the Council, the following outstanding matters are required to be attended to:

- Receipt of signed management representation letter by the auditor from management.
- Completion of audit procedures relating to Auditing Standard ASA 560 *Subsequent Events* to be performed up to the date of signing the Independent Auditor's Report.

1.2 Deliverables

Output	Timing
External Audit Plan	March 2016
Interim Audit Management Letter	4 July 2016
Present this report (Audit Completion Report) to the Audit Committee	17 November 2016
Provide Independent Auditor's Report on the Financial Report	After recommendation of Financial Report by the Audit Committee

2. Financial Statements and Audit Opinion

Audit Opinion

We have completed the audit of the City of Cockburn's accounts in line with current Australian Auditing Standards and will give an **Unqualified Opinion** [subject to subsequent events procedures] that the financial report of the City of Cockburn:

- (a) gives a true and fair view of the financial position of the City of Cockburn as at 30 June 2016 and of its financial performance for the year ended on that date; and
- (b) complies with the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) and the Australian Accounting Standards (including Australian Accounting Interpretations).

Refer to **Appendix 1** for our Proposed Draft Independent Auditor's Report

3. Current Year Areas of Audit Focus

Our audit procedures were focused on those areas of City of Cockburn's activities that are considered to represent the key audit risks identified in our external audit plan and through discussions with management during the course of our audit.

	Risk Area	Audit Response
1	<p>Revaluation of:</p> <ul style="list-style-type: none"> o Furniture and Equipment o Computer Equipment o Plant and Machinery 	<p>Regulation 17A(4) of the LG (Financial Management) Regulations 1996 requires Plant and Equipment assets to be measured at fair value for the year ended 30 June 2016. The City's Furniture and Equipment, Computer Equipment and Plant and Machinery asset classes were revalued at fair value internally by management at 30 June 2016.</p> <p>Audit procedures involved:</p> <ul style="list-style-type: none"> • testing capital asset additions on a sample basis for accuracy to supporting documentation • reviewing the valuation methodology documents showing the basis of the asset valuations (at fair value) undertaken • considering the judgements, assumptions and data used together with the reasonableness of any estimation techniques applied • Verifying asset reconciliation schedules against trial balance reported amounts. <p>Results of the audit procedures conducted did not note any material misstatement of the asset classes valued.</p>

2	Risk of Fraud through Management Override of Controls	<p>Australian Auditing Standards ASA 240 – <i>The auditor's responsibility to consider fraud in an audit of financial statements</i> requires us to consider the potential for management override because controls that may be sufficient to detect error may not be effective in detecting fraud.</p> <p>In all entities, management at various levels is in a unique position to perpetrate fraud because of the ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p> <p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> • accounting estimates impacting amounts included in the financial statements; • consideration and review of unusual or significant transactions outside the normal course of business; and • journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements. <p>Results of the audit procedures conducted did not highlight any issues to bring to your attention.</p>
3	Revenue Recognition	<p>Accounting Standards for Revenue and Contributions recognition may prevent Councils from recording unexpended grants as a liability instead of revenue (grants and contributions received in advance)</p> <p>Audit procedures included substantiation and verification of cut-off procedures and assessment of whether treatment of revenue is consistent with Accounting Standards AASB 118 <i>Revenue</i> and AASB 1004 <i>Contributions</i>.</p> <p>Results of the audit procedures conducted did not highlight any issues to bring to your attention.</p>
4	Financial Ratios	<p>The Department of Local Government and Communities launched a new website http://www.mycouncil.wa.gov.au/ where all key financial ratios for every Council will be reported to allow the public to view the financial health score of local governments.</p> <p>Audit procedures included checking the calculations of the financial ratios and assessing the reasonableness of explanations provided for any significant variations.</p>

		<p>The Asset Sustainability ratio, in particular, involved significant judgement. Management treated substantial portion of the expenditure on the new Cockburn ARC facility as capital renewal and replacement. This was based on the following facts:</p> <ul style="list-style-type: none"> • The City had incurred expenditure to return the service potential of the asset to its ratepayers up to that which it had originally. • Any replacement expenditure was carefully scrutinised i.e. swimming pool in the old leisure centre being replaced with a swimming pool in the new leisure centre, etc. • Any expenditure which was considered new or extended the life of the asset to more than what it had originally was excluded for the purposes of the ratio calculation. • The City was not having a new leisure centre built whilst retaining the old leisure centre i.e. old leisure centre was being replaced with another leisure centre. <p>The audit concurs with management's treatment. At this date, we are satisfied with the current disclosure of the financial ratios in the financial report.</p>
5	Provisions for Site Rehabilitation	<p>The obligation for the City to recognise the provision for site rehabilitation arises at the time the landfill is first put into use. The Henderson Waste Recovery Park consists of seven landfill cells constructed at different times throughout the lifecycle of the landfill.</p> <p>According to Accounting Standard 137 <i>Provisions, Contingent Assets and Contingent Liabilities</i> and UIG Interpretation 1 <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>, the rehabilitation provisions must be measured on the basis of the net present value of expected future cash outflows associated with closing and restoring the landfill. The provisions should be reviewed annually to adjust for evolving closure requirements (i.e. future cash flows arising from ongoing landfill closure, remediation, maintenance and monitoring activities), changes to the estimated lives of operations and revisions to discount rates and for inflation.</p> <p>In 2016, the City appointed a specialist engineering consultant firm "IW Projects Pty Ltd" to provide revised estimates of the closure and post-closure management liabilities for the landfill. The estimates were then reviewed internally by management and slightly amended in line with current practice. As a result, the City increased its existing provisions for site rehabilitation by \$7.95 million to reflect the true cost of decommissioning in the future.</p>

		<p>Audit procedures involved:</p> <ul style="list-style-type: none"> • evaluating the professional competence and objectivity of the expert and the adequacy of the scope of the expert's work; • reviewing the estimates, assumptions and data used; and • reviewing the calculations in the model developed. <p>We have relied upon the values adopted by the external expert.</p> <p>Results of the audit procedures conducted did not note any material misstatement of the Provisions for Site Rehabilitation.</p>
6	Contingent Liabilities	<p>Contingent liabilities at the reporting relate to the:</p> <ul style="list-style-type: none"> • lending facilities extended to the Southern Metropolitan Regional Council (SMRC) for the Regional Resource Recovery Centre (RRRC) and the SMRC Administration Building <p>Audit procedures included discussions with management and reviewing the most recent documentation between the City and the SMRC. It is noted that the City has resolved to withdraw from the RRRC Project Participants' Agreement which will take effect on 30 June 2017. The financial impact upon the City from the withdrawal will not be fully known until the amended business plan of the RRRC Project having regard to the effect of the City's withdrawal is finalised.</p> <ul style="list-style-type: none"> • the Australian Taxation Office (ATO) GST Audit - Unimproved Land Sales. <p>Audit procedures included discussions with management and reviewing the most recent documentation between the City and its tax advisor (PwC). The City's tax advisor's position is that the ATO have erred with their interpretation of the facts and is currently acting on behalf of the City (and several other clients with similar issues) in responding to the ATO's audit findings. The City and other affected taxpayers are awaiting the outcome of a second neutral evaluation process being conducted by the ATO. At this stage, it is expected to be completed by 31 March 2017.</p> <p>We await the signed management representation letter to confirm that there are no further contingent liabilities required to be disclosed, other than those currently disclosed in the financial report.</p> <p>At this date, we are satisfied with management's disclosure of the contingent liabilities in the financial report.</p>

We are satisfied that these key areas of focus have been addressed appropriately based on our audit procedures and are properly reflected in the Council's financial report.

4. Assessment of Internal Controls

Our interim phase of the audit indicated that the current internal control systems and processes are reasonable. They are designed adequately for the Council's current business operations.

However, a separate Interim Audit Management Letter was provided to management following our interim audit which provided details of the internal control matters raised.

We will be following up on the implementation of the management comments during our next interim audit visit. The result of our follow-up will be reported within our next Interim Audit Management Letter.

5. Key Findings During Final Phase of Audit

During our audit planning procedures and risk identification process, we identified a number of key focus areas as outlined in Section 3. In addition, during the course of our year-end fieldwork, other accounting and audit issues were noted. Our consideration of these matters is set out below.

We request that the Audit Committee review the matters below and satisfy themselves that:

- there are no other matters of which you are aware that would impact these issues;
- there are no other significant issues that ought to be considered before recommending the adoption of the financial statements to the Council; and
- you concur with the resolution of the issues as described below.

1	Area: Long Service Leave payable to Other Councils
	Issue
	We noted that long service leave payable to Other Councils for employees who have left the City has not been accounted for in the City's financial statements. Whilst the amounts involved would not be material, it would be considered prudent to recognise the City's obligations in the financial statements.
	Recommendation
	We recommend that the liabilities be brought in the City's books going forward from the next financial year after ascertaining the necessary details of the eligible employees who have left the City and are employed with other Councils.

2	Area: Asset Management Plans
	Recommendation
	Given the significant work undertaken in the revaluation of the City's Property, Plant and Equipment and Infrastructure Assets during the financial years ended 30 June 2013 to 30 June 2016, we recommend that Asset Management Plans for each asset class be reviewed and updated with the most recently acquired data collected to ensure all future projections of required capital maintenance and upgrades remain reliable for strategic decision making purposes.

Updated projections from the Asset Management Plans should be factored into the City's Long Term Financial Plan estimates to ensure appropriate planning for future funding requirements are appropriately planned for and known.

6. Significant Changes for the 2016/17 Year

AASB 2015–6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities was released in March 2015.

AASB 2015-6 removes the scope exemption currently within AASB 124 *Related Party Disclosures* for not-for-profit public sector entities which means that they will need to comply with all paragraphs in AASB 124. The AASB did not include any not-for-profit public sector specific paragraphs in AASB 124 however Australian Implementation Guidance has been added as an Appendix.

Implementation

The effective date is annual reporting periods beginning on or after 1 July 2016 (i.e. 30 June 2017) financial statements for Councils, comparatives are not required.

The impact of this standard will be disclosure in nature only – there is no impact to reported financial position or performance. The implementation guidance reminds Councils that materiality still exists in this context and provides the following information:

“as is often the case with related party transactions, judgement would be required as to when transactions are material, especially when qualitative assessments are made about the nature of transactions.”

“entity would also need to apply judgement in determining the extent of information it needs to collect to meet the objective of AASB 124, as there is little value in an entity incurring significant costs to obtain data that is immaterial for disclosure.”

When Councils are considering whether a disclosure of a related party transaction is material they should consider not just the financial amount but whether the user of the financial statements would be impacted by the information in making decisions, i.e. in their vote for Elected Members, etc. An alternative way of thinking about whether a disclosure should be included is whether omitted information would make newspaper headlines if it were to be discovered.

Implication

Key Management Personnel will include all Elected Members, Directors and all Senior Staff as determined by the Local Government Act 1995.

The additional disclosures are not onerous; however the time-consuming part of this standard is in identifying the transactions. The City is encouraged to refer to the Accounting Standard AASB 124 *Related Party Disclosures* and liaise with the Department of Local Government and Communities (DLGC) for further clarification or guidance on the types of disclosures for Not-for-profit public entities.

7. Specific Required Communications

The Australian Auditing Standard ASA 260: “*Communication with Those Charged with Governance*” requires the auditor to communicate certain matters to the Audit Committee that may assist them in overseeing management’s financial reporting and disclosure process. Below we summarise these required communications as they apply to your organisation.

Reporting Requirement	Detailed Comments
Changes to Audit Approach Outlined in External Audit Plan	<ul style="list-style-type: none"> ➤ There were no changes to the audit approach outlined in the External Audit Plan.
Significant accounting policies	<ul style="list-style-type: none"> ➤ Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Cockburn including new pronouncements adopted during the year, are described in Note 1 to the financial statements. ➤ There were no significant changes in the application of existing policies during the year ended 30 June 2016. The accounting policies adopted in the financial statements are appropriately disclosed.
Sensitive Accounting Estimates and Disclosures	<ul style="list-style-type: none"> ➤ Refer to Section 3 - Current Year of Audit Focus
Misstatements and significant audit adjustments	<ul style="list-style-type: none"> ➤ We are required to report to you all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature. In the context of the City of Cockburn, we consider that amounts of a value less than \$125,000 should be considered trivial. This represents 5% of materiality. ➤ A number of disclosure adjustments to the financial statements have been discussed and amended during the course of our audit. ➤ All financial adjustments that have been raised through the audit have been adjusted in the financial report.
Significant Weaknesses in Internal Controls	<ul style="list-style-type: none"> ➤ No significant weaknesses in internal control were identified. Refer to our Interim Audit Management Letter.
Disagreements with management	<ul style="list-style-type: none"> ➤ There have been no significant disagreements with management during the course of the audit.
Serious Difficulties Encountered in Dealing with Management	<ul style="list-style-type: none"> ➤ There were no serious difficulties encountered in dealing with management when performing the audit.

<p>when Performing the Audit such as:</p> <ul style="list-style-type: none"> • Significant delays in management providing required information • An unnecessarily brief time within which to complete the audit • Extensive unexpected effort required to obtain sufficient appropriate audit evidence • The unavailability of expected information • Restrictions imposed on the auditor by management 	
Fraud and Illegal Acts	<ul style="list-style-type: none"> ➤ We are not aware of any matters that require communication. ➤ We would request that the Audit Committee members raise with us any areas of risk not addressed in our communications and that they inform us of their knowledge of any actual or suspected fraud.
Compliance with laws and regulations	<ul style="list-style-type: none"> ➤ In performing our audit procedures, we have not become aware of any non-compliance with applicable laws or regulations that would have an impact on the determination of material amounts and disclosures in the financial report. ➤ We await written representations from management confirming that the Council is in compliance with all laws and regulations that impact the Council.
Books and records and conduct of the audit	<ul style="list-style-type: none"> ➤ We have been presented with all the necessary books and explanations requested of management to support the amounts and disclosures contained in the financial statements in a timely and efficient manner.
Other Information in Documents Containing Audited Financial Statements	<ul style="list-style-type: none"> ➤ Our financial statement audit opinion relates only to the financial statements and accompanying notes. <p>Other information in the Annual Report will be reviewed for consistency with the audited financial statements, when available.</p>
Related Party Transactions	<ul style="list-style-type: none"> ➤ None of which we are aware.
Major Issues Discussed with Management in Connection with Initial or Recurring Retention	<ul style="list-style-type: none"> ➤ None.
Going concern	<ul style="list-style-type: none"> ➤ As part of our audit, we have assessed and agreed with the conclusions reached by the management concerning the application of the going concern concept.

Independence	<ul style="list-style-type: none">➤ We confirm that, as the date of this report, we are independent having regard to Macri Partners' policies, professional rules and relevant statutory requirements regarding auditor independence.
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8. Disclaimer

This report has been prepared for the Audit Committee and Management of the City of Cockburn only. It should not be quoted or referred to, in whole or in part, without our prior written consent. No warranty is given to, and no liability will be accepted from, any party other than the City of Cockburn.

9. Appendix 1 - Proposed Audit Opinion

INDEPENDENT AUDITOR'S REPORT

TO: THE RATEPAYERS OF CITY OF COCKBURN

We have audited the financial report of the City of Cockburn, which comprises the Statement of Financial Position as at 30 June 2016 and the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date and a summary of significant accounting policies and other explanatory information and Statement by Chief Executive Officer.

Management's Responsibility for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended) and for such internal controls as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. Our audit has been conducted in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with the relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to management's preparation and fair presentation of the financial report 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 Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Accounting Professional and Ethical Standards Board.

INDEPENDENT AUDITOR'S REPORT

TO: THE RATEPAYERS OF CITY OF COCKBURN (Cont'd)

Auditor's Opinion

In our opinion, the financial report of the City of Cockburn:

- (a) gives a true and fair view of the financial position of the City of Cockburn as at 30 June 2016 and of its financial performance for the year ended on that date; and
- (b) complies with the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) and the Australian Accounting Standards (including Australian Accounting Interpretations).

Report on Other Legal and Regulatory Requirements

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

- (a) There are no matters that in our opinion indicate significant adverse trends in the financial position or financial management practices of the Council.
- (b) There are no matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law noted during the course of our audit:
- (c) In relation to the asset consumption ratio and asset renewal funding ratio (presented at Note 21 of the annual financial report) we have reviewed the calculations as presented and nothing has come to our attention to suggest they are not:
 - (i) reasonably calculated; and
 - (ii) based on verifiable information.
- (d) All necessary information and explanations were obtained by us.
- (e) All audit procedures were satisfactorily completed in conducting our audit.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the City of Cockburn for the year ended 30 June 2016 included on the City's website. Management is responsible for the integrity of the City's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the 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 financial report to confirm the information contained in this website version of the financial report.

MACRI PARTNERS
CERTIFIED PRACTISING ACCOUNTANTS
SUITE 2, 137 BURSWOOD ROAD
BURSWOOD WA 6100

A MACRI
PARTNER

PERTH
DATED THIS DAY OF 2016.

Report of the Independent Auditor on the Summary Financial Statements

To the Ratepayers of City of Cockburn

The accompanying summary financial statements prepared by City of Cockburn, which comprises the Statement of Financial Position at 30 June 2016, and the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, are derived from the audited general purpose financial report of City of Cockburn for the year ended 30 June 2016.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by the Australian Accounting Standards to the extent described in the audited financial report of City of Cockburn. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial report and the auditor's report thereon.

The financial report and the summary financial statements do not reflect the effects of events that occurred subsequent to the date of our report on that financial report.

The Audited Financial Report and Our Report Thereon

We expressed an unmodified opinion on that financial report in our report dated 18 November 2016.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial report based on our procedures, which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements*.

Report of the Independent Auditor on the Summary Financial Statements (continued)

Opinion

In our opinion, the summary financial statements derived from the audited financial report of City of Cockburn for the year ended 30 June 2016 is consistent, in all material respects, with that audited financial report.

MACRI PARTNERS
CERTIFIED PRACTISING ACCOUNTANTS
SUITE 2, 137 BURSWOOD ROAD
BURSWOOD WA 6100

A MACRI
PARTNER

PERTH
DATED THIS DAY OF 2016.



Statement of Comprehensive Income

by Nature or Type

for the Year Ended 30 June 2016

	Actual 2015/16	Budget 2015/16	Actual 2014/15
	\$	\$	\$
OPERATING REVENUE			
Rates	91,311,030	89,031,014	65,044,331
Specified Area Rates	341,727	274,438	312,317
Fees and Charges	22,072,981	25,132,053	40,311,919
Service Charges	1,066,477	1,037,370	4,031,642
Operating Grants and Subsidies	8,057,274	9,098,273	11,843,090
Contributions, Donations and Reimbursements	1,372,307	592,253	1,301,834
Interest Earnings	5,678,901	5,385,532	5,716,510
Other revenue and Income	-	-	26,637
Total Operating Revenue	129,900,696	130,550,933	128,588,280
OPERATING EXPENDITURE			
Employee Cost	(47,084,154)	(47,543,019)	(45,115,536)
Materials and Contracts	(34,865,658)	(33,084,733)	(33,512,994)
Utilities	(4,363,875)	(4,622,148)	(4,285,795)
Interest Expenses	(85,602)	(73,336)	(123,170)
Insurances	(2,223,550)	(2,134,448)	(1,952,591)
Other Expenses	(7,976,582)	(8,933,563)	(6,383,171)
Depreciation on Non Current Assets	(23,790,540)	(26,435,368)	(23,897,844)
Amortisation on Landfill Infrastructure	-	-	(1,130,001)
Total Operating Expenditure	(120,389,960)	(122,826,616)	(116,401,102)
Increase/(Decrease)	9,510,736	7,724,318	12,187,177
NON-OPERATING ACTIVITIES			
Non-Operating Grants, Subsidies and Contributions	23,618,162	19,964,025	18,497,201
Developers Contributions Plans: Cash	9,220,108	6,741,922	-
Gifted Subdivision Assets	13,128,414	-	13,393,722
Increase/(Decrease) in Equity - Joint Venture	(2,344,579)	-	1,274,680
Increase/(Decrease) in LG House Trust	(16,582)	-	143,108
Land Ceded to the Crown	(610,366)	-	-
Profit on Sale of Assets	364,400	1,150,000	288,036
Loss on Sale of Assets	(121,241)	7,021,209	(492,329)
Impairment - Infrastructure Park Landscaping	-	-	(15,701,497)
Total Non-Operating Activities	43,238,316	34,877,156	19,432,348
NET RESULT	52,749,052	42,601,474	31,619,526
OTHER COMPREHENSIVE INCOME			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Changes on revaluation of non-current assets	7,190,450	-	36,652,247
Total Other Comprehensive Income	7,190,450	-	36,652,247
TOTAL COMPREHENSIVE INCOME	59,939,503	42,601,474	68,271,773

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Comprehensive Income by program

For the year ended 30 June 2016	Actual 2015/16	Budget 2015/16	Actual 2014/15
	\$	\$	\$
REVENUES			
Revenue From Ordinary Activities			
General Purpose Funding	100,301,439	99,716,849	77,988,574
Governance	231,074	125,550	211,482
Law Order & Public Safety	962,430	799,091	4,038,394
Health	309,815	225,500	226,309
Education & Welfare	7,049,298	6,230,253	6,934,498
Community Amenities	11,875,672	15,050,847	30,471,588
Recreation & Culture	4,101,359	3,948,928	3,858,299
Transport	522,125	285,200	352,845
Economic Services	2,120,142	2,338,578	2,274,265
Other Property & Services	2,427,343	1,830,137	2,232,026
TOTAL OPERATING REVENUES	129,900,696	130,550,933	128,588,280
EXPENSES			
General Purpose Funding	(1,165,505)	(723,675)	(1,068,489)
Governance	(10,153,011)	(11,063,513)	(9,919,116)
Law Order & Public Safety	(6,004,225)	(5,455,161)	(5,326,612)
Health	(2,454,667)	(2,384,409)	(2,298,026)
Education & Welfare	(13,228,316)	(13,086,595)	(13,030,111)
Community Amenities	(30,160,766)	(34,066,623)	(29,943,002)
Recreation & Culture	(28,531,696)	(27,381,070)	(26,082,512)
Transport	(25,497,265)	(25,927,976)	(24,583,064)
Economic Services	(2,504,795)	(2,635,548)	(2,478,111)
Other Property & Services	(1,754,625)	(1,348,463)	(1,672,060)
Total Operating Expenditure	(121,454,871)	(124,073,032)	(116,401,102)
Increase/(Decrease)	8,445,825	6,477,902	12,187,177
NON-OPERATING GRANTS/CONTRIBUTIONS TOWARDS			
ASSETS: CASH			
General Purpose Funding	89,267	85,557	85,557
Governance	17,437,563	18,050,000	6,219,799
Law Order & Public Safety	117,897	-	-
Education & Welfare	23,640	-	-
Community Amenities	603,645	-	1,023,748
Recreation & Culture	199,633	400,000	48,677
Transport	5,115,016	1,363,468	2,965,410
Other Property & Services	9,251,608	6,806,922	8,154,009
	32,838,270	26,705,947	18,497,201
Gifted Subdivision Assets	13,128,414	-	13,393,722
Land Ceded to the Crown	(610,366)	-	-
Increase/(Decrease) in Equity - Joint Venture	(2,344,579)	-	1,274,680
Increase/(Decrease) in LG House Trust	(16,582)	-	143,108
PROFIT/(LOSS) ON DISPOSAL OF ASSETS			
Education & Welfare	42,300	30,000	37,722
Recreation & Culture	(90,767)	-	(492,329)
Transport	283,348	(206,540)	125,302
Other Property & Services	8,278	8,347,750	(13,547,057)
	243,160	8,171,209	(13,876,363)
NET RESULT	51,684,141	41,355,058	31,619,526
OTHER COMPREHENSIVE INCOME			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Changes on revaluation of non-current assets	15	7,190,450	-
Total Other Comprehensive Income		7,190,450	36,652,247
TOTAL COMPREHENSIVE INCOME	58,874,591	41,355,058	68,271,773

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 30 June 2016	Actual 2015/16	Actual 2014/15
	\$	\$
CURRENT ASSETS		
Cash and Cash Equivalents	151,554,000	129,018,060
Trade & Other Receivables	13,656,877	5,470,423
Other Assets	715,996	621,686
Inventories	41,102	18,634
Total Current Assets	<u>165,967,975</u>	<u>135,128,804</u>
NON CURRENT ASSETS		
Financial Assets - Non Current	4,819,364	4,649,839
Interests in Joint Ventures	6,093,158	8,437,737
Other Receivables	738,851	632,550
Property, Plant and Equipment	311,375,336	260,695,329
Infrastructure	736,216,337	717,267,463
Rehabilitation Assets	16,517,533	8,565,455
Total Non Current Assets	<u>1,075,760,579</u>	<u>1,000,248,374</u>
TOTAL ASSETS	<u>1,241,728,554</u>	<u>1,135,377,178</u>
CURRENT LIABILITIES		
Trade & Other Payables	23,605,924	8,063,526
Borrowings	2,593,138	1,423,320
Provisions	5,425,888	4,618,800
Total Current Liabilities	<u>31,624,950</u>	<u>14,105,646</u>
NON CURRENT LIABILITIES		
Other Payables	5,761,532	6,203,155
Borrowings	23,150,036	743,174
Provisions	18,391,990	10,399,749
Total Non Current Liabilities	<u>47,303,558</u>	<u>17,346,077</u>
TOTAL LIABILITIES	<u>78,928,508</u>	<u>31,451,723</u>
NET ASSETS	<u>1,162,800,045</u>	<u>1,103,925,454</u>
EQUITY		
Accumulated Surplus	460,767,729	428,609,779
Reserves - Cash/Investment Backed	126,599,957	107,073,767
Revaluation Surplus	575,432,360	568,241,909
TOTAL EQUITY	<u>1,162,800,045</u>	<u>1,103,925,454</u>

The Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 30 June 2016	Actual 2015/16	Actual 2014/15
	\$	\$
RESERVES CASH/INVESTMENT BACKED		
Balance at beginning of year	107,073,767	85,588,563
Transfer from accumulated surplus	68,342,602	50,541,657
Transfer to accumulated surplus	<u>(48,816,412)</u>	<u>(29,056,453)</u>
Balance at end of reporting period	<u>126,599,957</u>	<u>107,073,767</u>
REVALUATION SURPLUS		
Balance at beginning of year	568,241,909	531,589,662
Revaluation Increments during year	15,359,080	36,652,247
Revaluation Decrements during year	<u>(8,168,629)</u>	<u>-</u>
Balance at end of reporting period	<u>575,432,360</u>	<u>568,241,909</u>
ACCUMULATED SURPLUS		
Balance at beginning of year	428,609,779	418,475,456
Net result	51,684,141	31,619,526
Transfer from reserves	48,816,412	29,056,453
Transfer to reserves	<u>(68,342,602)</u>	<u>(50,541,657)</u>
Balance at end of reporting period	<u>460,767,729</u>	<u>428,609,779</u>
TOTAL EQUITY	<u>1,162,800,045</u>	<u>1,103,925,454</u>

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 30 June 2016	Actual 2015/16	Budget 2015/16	Actual 2014/15
Notes	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee Cost	(46,236,902)	(46,947,039)	(44,802,756)
Materials and Contracts	(20,127,926)	(40,084,733)	(34,139,958)
Utilities	(4,363,875)	(4,622,148)	(4,285,795)
Interest Paid	(85,602)	(73,336)	(123,170)
Insurances	(2,223,550)	(2,134,448)	(1,952,591)
Other Expenses	(7,976,582)	(8,933,563)	(6,383,171)
GST on Payments	(10,657,073)	-	-
	(91,671,509)	(102,795,268)	(91,687,442)
Receipts			
Rates & Special Area Rates	90,889,316	89,305,452	64,484,285
Fees and Charges	16,128,057	29,121,953	40,328,331
Service Charges	1,066,477	1,037,370	4,349,053
Contributions, Donations and Reimbursements	1,372,307	592,253	1,301,834
Interest Received	5,438,875	5,385,532	5,566,816
Grants & Subsidies - Operating	8,057,274	9,598,273	11,843,090
Other Revenue/Income	-	10,100	26,637
GST on Receipts	2,973,834	-	-
GST Refunded by ATO	6,786,736	2,500,000	-
	132,712,876	137,550,933	127,900,045
NET CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES	41,041,367	34,755,666	36,212,603
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sale on Non Current Assets	3,471,651	16,051,000	4,001,046
Purchase Furniture and Equipment	(6,105)	(6,000)	-
Purchase Computer Equipment	(294,621)	(503,800)	(642,552)
Purchase & Construction of Infrastructure Assets	(13,016,993)	(13,135,576)	(17,043,477)
Purchase Plant and Machinery	(3,537,490)	(4,568,000)	(3,426,802)
Purchase & Development of Land	(428,871)	(1,350,000)	(1,406,416)
Purchase & Construction of Buildings	(60,055,961)	(62,618,000)	(14,035,063)
Capital Grants, Subsidies & Contributions	32,838,270	26,705,947	18,497,201
Land Ceded to the Crown	(610,366)	-	-
NET CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES	(41,640,486)	(39,424,429)	(14,056,063)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net receipts/(refund) of bonds	(441,622)	-	3,400,863
Loan Principal Repayment	23,576,680	23,576,680	(1,373,356)
NET CASH FLOWS PROVIDED BY/(USED IN) FINANCING ACTIVITIES	23,135,058	23,576,680	2,027,507
Net Increase/(Decrease) In Cash during year	22,535,939	18,907,917	24,184,047
Cash & Cash Equivalents at Beginning of Reporting Period	129,018,060	101,348,197	104,834,013
CASH & CASH EQUIVALENTS AT END OF REPORTING PERIOD	151,554,000	120,256,114	129,018,060

The Statement of Cash Flows should be read in conjunction with the accompanying notes.



**EXTERNAL AUDIT REPORT
FOR THE YEAR ENDED 30 JUNE 2016**



Certified Practising Accountants

City of Cockburn



Audit Completion Report to the Audit Committee For the Year Ended 30 June 2016

9 November 2016

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1. Executive Summary

Under the requirements of Australian Auditing Standard ASA 260: "*Communication with Those Charged with Governance*", we are required to communicate audit matters arising from the audit of financial statements to those charged with governance of an entity. This Annual Audit Completion Report together with our previous External Audit Plan submitted to the Audit Committee in March 2016 discharges the requirements of the Auditing Standard.

This report has been prepared for the Audit Committee to summarise the significant matters that have arisen from our year-end audit of the City of Cockburn for the year ended 30 June 2016.

1.1 Status of Audit

Our audit field work at the City of Cockburn for the financial year ended 30 June 2016 has been completed.

Before our Independent Auditor's Report is signed off and issued to the Council, the following outstanding matters are required to be attended to:

- Receipt of signed management representation letter by the auditor from management.
- Completion of audit procedures relating to Auditing Standard ASA 560 *Subsequent Events* to be performed up to the date of signing the Independent Auditor's Report.

1.2 Deliverables

Output	Timing
External Audit Plan	March 2016
Interim Audit Management Letter	4 July 2016
Present this report (Audit Completion Report) to the Audit Committee	17 November 2016
Provide Independent Auditor's Report on the Financial Report	After recommendation of Financial Report by the Audit Committee

2. Financial Statements and Audit Opinion

Audit Opinion

We have completed the audit of the City of Cockburn's accounts in line with current Australian Auditing Standards and will give an **Unqualified Opinion** [subject to subsequent events procedures] that the financial report of the City of Cockburn:

- (a) gives a true and fair view of the financial position of the City of Cockburn as at 30 June 2016 and of its financial performance for the year ended on that date; and
- (b) complies with the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) and the Australian Accounting Standards (including Australian Accounting Interpretations).

Refer to **Appendix 1** for our Proposed Draft Independent Auditor's Report

3. Current Year Areas of Audit Focus

Our audit procedures were focused on those areas of City of Cockburn's activities that are considered to represent the key audit risks identified in our external audit plan and through discussions with management during the course of our audit.

	Risk Area	Audit Response
1	Revaluation of: <ul style="list-style-type: none"> ○ Furniture and Equipment ○ Computer Equipment ○ Plant and Machinery 	Regulation 17A(4) of the LG (Financial Management) Regulations 1996 requires Plant and Equipment assets to be measured at fair value for the year ended 30 June 2016. The City's Furniture and Equipment, Computer Equipment and Plant and Machinery asset classes were revalued at fair value internally by management at 30 June 2016. Audit procedures involved: <ul style="list-style-type: none"> • testing capital asset additions on a sample basis for accuracy to supporting documentation • reviewing the valuation methodology documents showing the basis of the asset valuations (at fair value) undertaken • considering the judgements, assumptions and data used together with the reasonableness of any estimation techniques applied • Verifying asset reconciliation schedules against trial balance reported amounts. Results of the audit procedures conducted did not note any material misstatement of the asset classes valued.

2	Risk of Fraud through Management Override of Controls	<p>Australian Auditing Standards ASA 240 – <i>The auditor’s responsibility to consider fraud in an audit of financial statements</i> requires us to consider the potential for management override because controls that may be sufficient to detect error may not be effective in detecting fraud.</p> <p>In all entities, management at various levels is in a unique position to perpetrate fraud because of the ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p> <p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> • accounting estimates impacting amounts included in the financial statements; • consideration and review of unusual or significant transactions outside the normal course of business; and • journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements. <p>Results of the audit procedures conducted did not highlight any issues to bring to your attention.</p>
3	Revenue Recognition	<p>Accounting Standards for Revenue and Contributions recognition may prevent Councils from recording unexpended grants as a liability instead of revenue (grants and contributions received in advance)</p> <p>Audit procedures included substantiation and verification of cut-off procedures and assessment of whether treatment of revenue is consistent with Accounting Standards AASB 118 <i>Revenue</i> and AASB 1004 <i>Contributions</i>.</p> <p>Results of the audit procedures conducted did not highlight any issues to bring to your attention.</p>
4	Financial Ratios	<p>The Department of Local Government and Communities launched a new website http://www.mycouncil.wa.gov.au/ where all key financial ratios for every Council will be reported to allow the public to view the financial health score of local governments.</p> <p>Audit procedures included checking the calculations of the financial ratios and assessing the reasonableness of explanations provided for any significant variations.</p>

		<p>The Asset Sustainability ratio, in particular, involved significant judgement. Management treated substantial portion of the expenditure on the new Cockburn ARC facility as capital renewal and replacement. This was based on the following facts:</p> <ul style="list-style-type: none"> • The City had incurred expenditure to return the service potential of the asset to its ratepayers up to that which it had originally. • Any replacement expenditure was carefully scrutinised i.e. swimming pool in the old leisure centre being replaced with a swimming pool in the new leisure centre, etc. • Any expenditure which was considered new or extended the life of the asset to more than what it had originally was excluded for the purposes of the ratio calculation. • The City was not having a new leisure centre built whilst retaining the old leisure centre i.e. old leisure centre was being replaced with another leisure centre. <p>The audit concurs with management's treatment. At this date, we are satisfied with the current disclosure of the financial ratios in the financial report.</p>
5	Provisions for Site Rehabilitation	<p>The obligation for the City to recognise the provision for site rehabilitation arises at the time the landfill is first put into use. The Henderson Waste Recovery Park consists of seven landfill cells constructed at different times throughout the lifecycle of the landfill.</p> <p>According to Accounting Standard 137 <i>Provisions, Contingent Assets and Contingent Liabilities</i> and UIG Interpretation 1 <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>, the rehabilitation provisions must be measured on the basis of the net present value of expected future cash outflows associated with closing and restoring the landfill. The provisions should be reviewed annually to adjust for evolving closure requirements (i.e. future cash flows arising from ongoing landfill closure, remediation, maintenance and monitoring activities), changes to the estimated lives of operations and revisions to discount rates and for inflation.</p> <p>In 2016, the City appointed a specialist engineering consultant firm "IW Projects Pty Ltd" to provide revised estimates of the closure and post-closure management liabilities for the landfill. The estimates were then reviewed internally by management and slightly amended in line with current practice. As a result, the City increased its existing provisions for site rehabilitation by \$7.95 million to reflect the true cost of decommissioning in the future.</p>

		<p>Audit procedures involved:</p> <ul style="list-style-type: none"> • evaluating the professional competence and objectivity of the expert and the adequacy of the scope of the expert's work; • reviewing the estimates, assumptions and data used; and • reviewing the calculations in the model developed. <p>We have relied upon the values adopted by the external expert.</p> <p>Results of the audit procedures conducted did not note any material misstatement of the Provisions for Site Rehabilitation.</p>
6	Contingent Liabilities	<p>Contingent liabilities at the reporting relate to the:</p> <ul style="list-style-type: none"> • lending facilities extended to the Southern Metropolitan Regional Council (SMRC) for the Regional Resource Recovery Centre (RRRC) and the SMRC Administration Building <p>Audit procedures included discussions with management and reviewing the most recent documentation between the City and the SMRC. It is noted that the City has resolved to withdraw from the RRRC Project Participants' Agreement which will take effect on 30 June 2017. The financial impact upon the City from the withdrawal will not be fully known until the amended business plan of the RRRC Project having regard to the effect of the City's withdrawal is finalised.</p> <ul style="list-style-type: none"> • the Australian Taxation Office (ATO) GST Audit - Unimproved Land Sales. <p>Audit procedures included discussions with management and reviewing the most recent documentation between the City and its tax advisor (PwC). The City's tax advisor's position is that the ATO have erred with their interpretation of the facts and is currently acting on behalf of the City (and several other clients with similar issues) in responding to the ATO's audit findings. The City and other affected taxpayers are awaiting the outcome of a second neutral evaluation process being conducted by the ATO. At this stage, it is expected to be completed by 31 March 2017.</p> <p>We await the signed management representation letter to confirm that there are no further contingent liabilities required to be disclosed, other than those currently disclosed in the financial report.</p> <p>At this date, we are satisfied with management's disclosure of the contingent liabilities in the financial report.</p>

We are satisfied that these key areas of focus have been addressed appropriately based on our audit procedures and are properly reflected in the Council's financial report.

4. Assessment of Internal Controls

Our interim phase of the audit indicated that the current internal control systems and processes are reasonable. They are designed adequately for the Council's current business operations.

However, a separate Interim Audit Management Letter was provided to management following our interim audit which provided details of the internal control matters raised.

We will be following up on the implementation of the management comments during our next interim audit visit. The result of our follow-up will be reported within our next Interim Audit Management Letter.

5. Key Findings During Final Phase of Audit

During our audit planning procedures and risk identification process, we identified a number of key focus areas as outlined in Section 3. In addition, during the course of our year-end fieldwork, other accounting and audit issues were noted. Our consideration of these matters is set out below.

We request that the Audit Committee review the matters below and satisfy themselves that:

- there are no other matters of which you are aware that would impact these issues;
- there are no other significant issues that ought to be considered before recommending the adoption of the financial statements to the Council; and
- you concur with the resolution of the issues as described below.

1	Area: Long Service Leave payable to Other Councils
	Issue
	We noted that long service leave payable to Other Councils for employees who have left the City has not been accounted for in the City's financial statements. Whilst the amounts involved would not be material, it would be considered prudent to recognise the City's obligations in the financial statements.
	Recommendation
	We recommend that the liabilities be brought in the City's books going forward from the next financial year after ascertaining the necessary details of the eligible employees who have left the City and are employed with other Councils.

2	Area: Asset Management Plans
	Recommendation
	Given the significant work undertaken in the revaluation of the City's Property, Plant and Equipment and Infrastructure Assets during the financial years ended 30 June 2013 to 30 June 2016, we recommend that Asset Management Plans for each asset class be reviewed and updated with the most recently acquired data collected to ensure all future projections of required capital maintenance and upgrades remain reliable for strategic decision making purposes.

Updated projections from the Asset Management Plans should be factored into the City's Long Term Financial Plan estimates to ensure appropriate planning for future funding requirements are appropriately planned for and known.

6. Significant Changes for the 2016/17 Year

AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities was released in March 2015.

AASB 2015-6 removes the scope exemption currently within AASB 124 *Related Party Disclosures* for not-for-profit public sector entities which means that they will need to comply with all paragraphs in AASB 124. The AASB did not include any not-for-profit public sector specific paragraphs in AASB 124 however Australian Implementation Guidance has been added as an Appendix.

Implementation

The effective date is annual reporting periods beginning on or after 1 July 2016 (i.e. 30 June 2017) financial statements for Councils, comparatives are not required.

The impact of this standard will be disclosure in nature only – there is no impact to reported financial position or performance. The implementation guidance reminds Councils that materiality still exists in this context and provides the following information:

“as is often the case with related party transactions, judgement would be required as to when transactions are material, especially when qualitative assessments are made about the nature of transactions.”

“entity would also need to apply judgement in determining the extent of information it needs to collect to meet the objective of AASB 124, as there is little value in an entity incurring significant costs to obtain data that is immaterial for disclosure.”

When Councils are considering whether a disclosure of a related party transaction is material they should consider not just the financial amount but whether the user of the financial statements would be impacted by the information in making decisions, i.e. in their vote for Elected Members, etc. An alternative way of thinking about whether a disclosure should be included is whether omitted information would make newspaper headlines if it were to be discovered.

Implication

Key Management Personnel will include all Elected Members, Directors and all Senior Staff as determined by the Local Government Act 1995.

The additional disclosures are not onerous; however the time-consuming part of this standard is in identifying the transactions. The City is encouraged to refer to the Accounting Standard AASB 124 *Related Party Disclosures* and liaise with the Department of Local Government and Communities (DLGC) for further clarification or guidance on the types of disclosures for Not-for-profit public entities.

7. Specific Required Communications

The Australian Auditing Standard ASA 260: “*Communication with Those Charged with Governance*” requires the auditor to communicate certain matters to the Audit Committee that may assist them in overseeing management’s financial reporting and disclosure process. Below we summarise these required communications as they apply to your organisation.

Reporting Requirement	Detailed Comments
Changes to Audit Approach Outlined in External Audit Plan	<ul style="list-style-type: none"> ➤ There were no changes to the audit approach outlined in the External Audit Plan.
Significant accounting policies	<ul style="list-style-type: none"> ➤ Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Cockburn including new pronouncements adopted during the year, are described in Note 1 to the financial statements. ➤ There were no significant changes in the application of existing policies during the year ended 30 June 2016. The accounting policies adopted in the financial statements are appropriately disclosed.
Sensitive Accounting Estimates and Disclosures	<ul style="list-style-type: none"> ➤ Refer to Section 3 - Current Year of Audit Focus
Misstatements and significant audit adjustments	<ul style="list-style-type: none"> ➤ We are required to report to you all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature. In the context of the City of Cockburn, we consider that amounts of a value less than \$125,000 should be considered trivial. This represents 5% of materiality. ➤ A number of disclosure adjustments to the financial statements have been discussed and amended during the course of our audit. ➤ All financial adjustments that have been raised through the audit have been adjusted in the financial report.
Significant Weaknesses in Internal Controls	<ul style="list-style-type: none"> ➤ No significant weaknesses in internal control were identified. Refer to our Interim Audit Management Letter.
Disagreements with management	<ul style="list-style-type: none"> ➤ There have been no significant disagreements with management during the course of the audit.
Serious Difficulties Encountered in Dealing with Management	<ul style="list-style-type: none"> ➤ There were no serious difficulties encountered in dealing with management when performing the audit.

<p>when Performing the Audit such as:</p> <ul style="list-style-type: none"> • Significant delays in management providing required information • An unnecessarily brief time within which to complete the audit • Extensive unexpected effort required to obtain sufficient appropriate audit evidence • The unavailability of expected information • Restrictions imposed on the auditor by management 	
Fraud and Illegal Acts	<ul style="list-style-type: none"> ➤ We are not aware of any matters that require communication. ➤ We would request that the Audit Committee members raise with us any areas of risk not addressed in our communications and that they inform us of their knowledge of any actual or suspected fraud.
Compliance with laws and regulations	<ul style="list-style-type: none"> ➤ In performing our audit procedures, we have not become aware of any non-compliance with applicable laws or regulations that would have an impact on the determination of material amounts and disclosures in the financial report. ➤ We await written representations from management confirming that the Council is in compliance with all laws and regulations that impact the Council.
Books and records and conduct of the audit	<ul style="list-style-type: none"> ➤ We have been presented with all the necessary books and explanations requested of management to support the amounts and disclosures contained in the financial statements in a timely and efficient manner.
Other Information in Documents Containing Audited Financial Statements	<ul style="list-style-type: none"> ➤ Our financial statement audit opinion relates only to the financial statements and accompanying notes. <p>Other information in the Annual Report will be reviewed for consistency with the audited financial statements, when available.</p>
Related Party Transactions	<ul style="list-style-type: none"> ➤ None of which we are aware.
Major Issues Discussed with Management in Connection with Initial or Recurring Retention	<ul style="list-style-type: none"> ➤ None.
Going concern	<ul style="list-style-type: none"> ➤ As part of our audit, we have assessed and agreed with the conclusions reached by the management concerning the application of the going concern concept.

Independence	<ul style="list-style-type: none">➤ We confirm that, as the date of this report, we are independent having regard to Macri Partners' policies, professional rules and relevant statutory requirements regarding auditor independence.
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8. Disclaimer

This report has been prepared for the Audit Committee and Management of the City of Cockburn only. It should not be quoted or referred to, in whole or in part, without our prior written consent. No warranty is given to, and no liability will be accepted from, any party other than the City of Cockburn.

9. Appendix 1 - Proposed Audit Opinion

INDEPENDENT AUDITOR'S REPORT

TO: THE RATEPAYERS OF CITY OF COCKBURN

We have audited the financial report of the City of Cockburn, which comprises the Statement of Financial Position as at 30 June 2016 and the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date and a summary of significant accounting policies and other explanatory information and Statement by Chief Executive Officer.

Management's Responsibility for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended) and for such internal controls as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. Our audit has been conducted in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with the relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to management's preparation and fair presentation of the financial report 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 Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Accounting Professional and Ethical Standards Board.

