

The Council of the City of Cockburn

Ordinary Council Meeting
Addendum Agenda

For Thursday, 8 December 2022

The Council of the City Of Cockburn

**Ordinary Council Meeting
Thursday, 8 December 2022 at 7pm**

Addendum Agenda Paper

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The Council of the City Of Cockburn
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19. New Business of an Urgent Nature Introduced by Members or Officers

19.1 Financial Report and Audit Results for City of Cockburn Year Ending 30 June 2022

Responsible Executive	Acting Chief Financial Officer
Author	Acting Chief Financial Officer
Attachments	<ol style="list-style-type: none"> 1. Annual Financial Report 2022 ↓ 2. Auditor's Report 2022 ↓ 3. Draft Audit Opinion for the year ended 30 June 2022 (Confidential) 4. Management Letter (Confidential)

Officer Recommendation/Committee Decision

That Council:

- (1) ADOPTS the Annual Financial Report for the year ended 30 June 2022;
- (2) RECEIVES the Auditor's Report for the year ended 30 June 2022;
- (3) RECEIVES the draft Audit Opinion for the year ended 30 June 2022, as issued by the Office of the Auditor General; and
- (4) RECEIVES the Management Letter for the year ended 30 June 2022.

as attached to the Agenda.

Background

Section 5.54 of the *Local Government Act 1995* requires Council to accept the Annual Report for a financial year no later than 31 December after that financial year.

Section 5.53 requires that the Annual Report contains the Financial Report (prepared under Section 6.4) and the Auditor's Report (prepared under Section 7.9) for that financial year.

Regulation 9 (2) of the *Local Government (Audit) Regulations 1996* states that the principal objective of the external audit is for the auditor to carry out such work as is necessary to form an opinion as to whether: the accounts are properly kept; and that the Annual Financial Report:

- is prepared in accordance with financial records
- 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*.

Section 7.12A of the *Local Government Act 1995* requires Local Governments to meet with the auditor at least once in every year and to:

- examine an Audit Report received by the Local Government
- determine if any matters raised by the audit report require action to be taken by the Local Government
- ensure that appropriate action is taken in respect of those matters.

The Terms of Reference for the Audit, Risk & Compliance Committee (ARC) requires it to examine the City's audited annual financial report and follow up any matters raised by audit to ensure appropriate action is taken in respect of those matters.

The Office of the Auditor General (OAG) has tendered out the performance of the City's audit, with KPMG having been the audit contractor since completing the 2019 audit.

The audit plan for 2022 was presented at the 28 July meeting of this Committee, and the Auditor's Report has been prepared on that basis.

Key aspects of the audit included assessing the effectiveness of management internal controls, and the appropriateness of the City's accounting policies, disclosures, and accounting estimates.

This audit work enables the OAG to express an opinion regarding the City's 2022 financial statements. The auditor is attending the meeting to present their audit report and discuss any issues raised in the report.

Submission

N/A

Report

2022 Annual Financial Report

The Annual Financial Report being presented to the ARC contains a detailed set of financial statements and supporting notes, prepared in accordance with legislation and Australian Accounting Standards. These are discussed and analysed below.

Statement of Comprehensive Income

The City's net result (before other comprehensive income) was \$51.82 million, \$36.20 million higher than the year before. Other comprehensive income from asset revaluations of \$169.21 million increases total comprehensive income to \$221.03 million for the year (+\$183.15 million).

Operating revenue of \$170.62 million was up \$14.88 million (+9.6%) on last year.

The main contributors to this result were:

- Fees and Charges up \$9.90 million (+32.7%) to \$40.18 million, primarily due to landfill revenue up by \$8.69 million (+233.9%) to \$15.18 million.
- Rates revenue was up \$4.58 million (+4.2%) to \$112.88 million, including the annual rates increase of 1.5% and growth in number of rateable properties.

Operating expenditure for the year of \$160.06 million was up \$5.06 million (+3.3%) on the previous year. The main contributors were:

- Employee costs, the City's biggest operational expense, were up \$1.39 million (+2.2%) to \$64.23 million. This reflected annual salary increases (including enterprise agreement increase of 2.0%), as well as growth in the City's workforce (less any savings from vacant positions).
- Materials and contract costs were up by \$0.75 million (+2.1%) to \$36.75 million, representing contract price increases offset by lower costs in some areas (childcare, environmental management).
- Insurance expenses were up \$1.32 million (+78.4%) to \$3.0 million, mostly due to an extra \$1.19 million for prior year workers compensation adjustments relating to outstanding claims.
- Other Expenses were up \$5.01 million on last year to \$13.74 million (+\$57.3%), mainly due to landfill levy payments increasing by \$4.48 million to \$10.08 million (+79.9%) in line with higher tonnage volumes.
- Combined Depreciation & Amortisation expenses (non-cash) of \$35.10 million were down a net \$3.46 million (-9.0%) on the previous year:
 - Depreciation on fixed assets of \$33.24 million was lower by \$2.34 million (-6.6%) on last year, driven by asset revaluations completed at 30 June 2021.
 - Amortisation of landfill related assets was \$1.12 million lower at \$1.86 million, reflecting an adjustment of \$1.23 million to the landfill rehabilitation asset for cell 6 (fully capped and closed off).

Non-operating grants, subsidies, and contributions of \$39.52 million were up \$18.27 million (+85.9%) from last year:

- included an additional \$10.55 million in capital grant funding
- \$5.71 million from a change in treatment for the recognition of POS cash in lieu contributions

- \$4.21 million saving from no ceded land payments, less a \$3.42 million reduction in gifted development assets.

Net profit from asset sales was up \$1.58 million on last year, due to higher profit realised from the sale of land (+\$1.34 million).

Statement of Financial Position

The City's net assets and total equity increased year on year by \$221.03 million to \$1,578 million (+16.3%).

This reflects total assets of \$1,677 million (+\$211.27 million) and total liabilities of \$98.32 million (-\$9.76 million).

Current assets decreased year on year by \$88.03 million to \$126.29 million, primarily due to a reduction in term deposits being placed for periods under one year.

The increase in non-current assets by \$299.30 million to \$1,550.85 million was mostly attributable to:

- \$208.37 million increase in the value of infrastructure assets (mostly due to the revaluation of roads and parks infrastructure).
- an increase in non-current term deposits held (+\$100.96 million).
- Intangible assets of \$19.01 million in last year (landfill rehabilitation asset) were reclassified to infrastructure this year based on audit advice.

Current liabilities of \$37.71 million were little changed from last year (\$37.49 million):

- Trade and other payables were up by \$2.28 million to \$19.48 million, mostly from increased sundry creditors at year end.
- Employee related provisions of \$9.19 million decreased by \$0.31 million on last year (-\$3.3%), reflecting successful leave management strategies.
- Contract liabilities were down \$1.56 million year on year.

Non-current liabilities of \$60.61 million fell by \$9.98 million from last year.

- Other liabilities reduced by \$9.78 million, comprising the change in accounting treatment for Public Open Space cash in lieu contributions of \$5.42 million (now recognised as capital revenue in statement of income), and liabilities associated with unspent development contribution plans reducing by \$4.36 million to \$13.70 million.
- Non-current borrowings were down \$3.94 million to \$7.50 million, reflecting no new loans and the ongoing repayment of existing debt (for the Cockburn ARC facility).

- Other provisions (rehabilitation of landfill site) were up \$4.35 million to \$36.42 million, due to a review of the financial model reflecting updated cost and other assumptions.
- Non-current employee related provisions (LSL) were little changed at \$1.46 million.
- Trade and other payables of \$1.53 million decreased by \$0.47 million (these mostly relating to bonds and deposits held for land developments).

Changes in Equity

The City's retained surplus increased by \$42.17 million over the year to \$597.99 million.

This comprised the net result of \$51.82 million less net transfers to financial reserves of \$9.65 million.

Financial reserves increased from \$171.41 million to \$181.06 million, with a total \$51.92 million transferred into reserves during the year less drawdowns of \$42.26 million needed to fund budgeted capital and operating items.

The Asset Revaluation Surplus increased by a net \$169.21 million to \$799.75 million from the revaluation of road related and parks infrastructure.

Total equity for the City is \$1.578 billion (+\$221.03 million)

Statement of Cash Flows

The City's net cash inflows from operating activities of \$50.84 million were \$4.12 million higher than last year, due to an increase in receipts of \$11.79 million, less an increase in payments of \$7.67 million.

Net cash outflows for investing activities of \$29.0 million were down \$15.6 million for the year.

- Cash outflows for property, plant & equipment (PPE) and infrastructure assets were up by \$21.85 million,
- Net cash outflows reduced by \$31.83 million on term deposit investments.
- Cash inflows from non-operating grants and contributions (including POS contributions) were up \$3.96 million.

Net cash outflows from financing activities of \$5.67 million included the repayment of \$4.03 million in borrowings for the Cockburn ARC and SMRC.

Cash and cash equivalents increased by \$16.17 million to \$20.78 million during the reporting year. This represents the funds held at call and in short-term (less than three months) cash deposits as at 30 June 2022.

Rate Setting Statement

This statement provides the most insightful view of the City's financial performance for 2022 and demonstrates the municipal budget surplus calculation.

The City's closing surplus at 30 June 2022 was \$11.93 million, up \$3.34 million compared to last year's result.

This result includes the \$2.50 million surplus built into the FY23 annual budget and another \$5.56 million for uncompleted capital projects carried forward. This leaves \$3.87 million of additional surplus to be directed in accordance with Council's budget management policy.

The total amount raised from general rates (i.e. not including specified area rates) was up \$4.55 million (+4.2%) to \$112.30 million.

A unique aspect of the rate setting statement is the inclusion of capital works and projects. Capital spending on PPE and infrastructure assets totalled \$65.62 million for the year (+\$18.44 million on last year).

Financial Ratios

The *WA Local Government (Financial Management) Regulations 1996* were amended in June 2022, removing the requirement for local governments to include financial ratios in their annual financial report, and reducing the scope of audit reports, from 1 July 2022.

As a result, the previously prescribed seven financial ratios are no longer included in the Annual Financial Report, removing the need for audit attestation of the ratios.

These ratios were previously used by the Department of Local Government, Sport and Cultural Industries (DLGSC) as a measurement of a Local Government's overall financial health, forming the basis of calculations used for the Financial Health Indicator (FHI) displayed on the MyCouncil website.

The DLGSC planned to engage the Western Australian Treasury Corporation to review methodology for the FHI and consult with the sector. This will be a clean slate approach with the removal of the prescribed ratios.

Proposed 2nd tranche amendments to Local Government (Administration) Regulations 1996 aim to prescribe new ratio reporting requirements in the unaudited section of the Annual Report. These are for the following three asset ratios from the superseded Financial Management Regulations – 50 (1) (b), (c) & (d):

- asset consumption ratio
- asset renewal funding ratio
- asset sustainability ratio.

Auditor's Report to the Committee & Management Letter

The Local Government Act 1995 requires the City to meet with the auditor at least once in every year and representatives from the OAG and KPMG will attend the meeting.

Attached to the agenda is the auditor's report to the Audit Risk & Compliance Committee, prepared by KPMG. This communicates matters of interest required by Australian Accounting Standards and any other matters considered to be of interest, arising during the completion of the audit. These will be presented and discussed at the meeting by the auditors.

The audit management letter contains two issues the auditors identified during audit, together with their findings, implications, and audit recommendations.

One has a 'moderate' rating while the other is rated 'minor'. Management comments have also been provided for these two issues.

The management letter contains sensitive information and is a confidential attachment at the request of the OAG.

Draft Audit Opinion (OAG)

The OAG has issued a draft Independent Auditor's Report showing a clear (unqualified) audit opinion on the City's 2022 financial report (second year in a row).

A clear audit opinion indicates satisfactory financial controls and that the financial report is based on proper accounts, presented fairly, complies with relevant legislation and applicable accounting standards, and fairly represents performance during the year and the financial position at year end.

The independent auditor's report will be signed off and issued by the OAG following this meeting and after receipt of the signed statement by the CEO for the financial report.

The draft independent auditor's report is also attached to the agenda as a confidential item at the request of the OAG.

Strategic Plans/Policy Implications

Listening & Leading

A community focused, sustainable, accountable and progressive organisation.

- Best practice Governance, partnerships and value for money.

Budget/Financial Implications

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

Legal Implications

- *Local Government Act 1995* Sections 5.53, 5.54, 6.4, and Part 7 - *Audit*
- *Local Government (Audit) Regulations 1996* Regulations 9, 9A and 10
- *Local Government (Financial Management) Regulations 1996* Part 4 - Financial Reports

Community Consultation

N/A

Risk Management Implications

It is a requirement under the *Local Government Act 1995* 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.

Advice to Proponent(s)/Submitters

N/A

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

Nil

CITY OF COCKBURN
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

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The City of Cockburn conducts the operations of a local government with the following community vision:

Cockburn the best place to be.

Principal place of business:
Spearwood, WA

CITY OF COCKBURN
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

The attached financial report of the City of Cockburn for the financial year ended 30 June 2022 is based on proper accounts and records to present fairly the financial position of the City of Cockburn at 30 June 2022 and the results of the operations for the financial year then ended in accordance with the Local Government Act 1995 and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the _____ day of _____ 2022

Acting Chief Executive Officer

Anton Lees

CITY OF COCKBURN
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30 JUNE 2022

	NOTE	2022 Actual \$	2022 Revised Budget \$	2021 Actual \$
Revenue				
Rates	27(a),2(a)	112,884,886	112,741,339	108,305,167
Operating grants, subsidies and contributions	2(a)	15,305,806	15,475,921	15,363,201
Fees and charges	26(c),2(a)	40,182,411	37,491,673	30,280,412
Interest earnings	2	2,247,972	1,770,000	1,786,797
		170,621,075	167,478,933	155,735,577
Expenses				
Employee costs		(64,234,698)	(65,776,973)	(62,845,278)
Materials and contracts		(36,755,548)	(39,321,984)	(35,998,197)
Utility charges		(5,937,681)	(6,236,541)	(6,002,003)
Depreciation	10(a)	(35,104,328)	(35,475,161)	(38,568,691)
Finance costs	2(b)	(1,290,813)	(642,341)	(1,174,733)
Insurance		(2,999,469)	(2,325,200)	(1,681,861)
Other expenditure	2(b)	(13,740,358)	(14,073,695)	(8,732,562)
		(160,062,895)	(163,851,895)	(155,003,325)
Capital grants, subsidies and contributions	2	39,525,700	32,332,003	21,254,356
Profit on asset disposals	10(b)	1,744,761	5,117,517	504,360
Loss on asset disposals	10(b)	(17,753)	0	(362,880)
Fair value adjustments to financial assets at fair value through profit or loss		7,993	0	5,172
Adjusted share of former associate loan liability		0	0	(36,683)
Loss on revaluation of Infrastructure - marina	9(a)	0	0	(6,476,864)
		41,260,701	37,449,520	14,887,461
Net result for the period	26(b)	51,818,881	41,076,558	15,619,713
Other comprehensive income for the period				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	18	169,210,702	0	22,254,558
Total other comprehensive income for the period		169,210,702	0	22,254,558
Total comprehensive income for the period		221,029,583	41,076,558	37,874,271

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

**CITY OF COCKBURN
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022**

	NOTE	2022 \$	2021 \$
CURRENT ASSETS			
Cash and cash equivalents	3	20,777,520	4,606,858
Trade and other receivables	5	7,935,622	6,770,687
Other financial assets	4(a)	92,800,000	197,500,000
Inventories	6	49,805	39,896
Other assets	7	4,724,157	5,396,926
TOTAL CURRENT ASSETS		126,287,104	214,314,367
NON-CURRENT ASSETS			
Trade and other receivables	5	1,337,216	1,324,079
Other financial assets	4(b)	102,055,748	1,089,135
Property, plant and equipment	8	348,489,480	339,326,772
Infrastructure	9	1,098,860,378	890,486,978
Right-of-use assets	11(a)	105,540	310,363
Intangible assets	12	0	19,010,399
TOTAL NON-CURRENT ASSETS		1,550,848,362	1,251,547,726
TOTAL ASSETS		1,677,135,466	1,465,862,093
CURRENT LIABILITIES			
Trade and other payables	13	19,478,364	17,194,160
Other liabilities	14	4,994,711	6,552,672
Lease liabilities	11(b)	114,651	218,182
Borrowings	15	3,934,065	4,020,624
Employee related provisions	16	9,186,433	9,499,673
TOTAL CURRENT LIABILITIES		37,708,224	37,485,311
NON-CURRENT LIABILITIES			
Trade and other payables	13	1,535,484	2,010,562
Other liabilities	14	13,698,876	23,478,448
Lease liabilities	11(b)	0	115,739
Borrowings	15	7,500,000	11,445,281
Employee related provisions	16	1,462,504	1,481,992
Other provisions	17	36,418,461	32,062,428
TOTAL NON-CURRENT LIABILITIES		60,615,325	70,594,450
TOTAL LIABILITIES		98,323,549	108,079,761
NET ASSETS		1,578,811,917	1,357,782,332
EQUITY			
Retained surplus		597,992,472	555,827,438
Reserve accounts	30	181,064,488	171,410,638
Revaluation surplus	18	799,754,957	630,544,255
TOTAL EQUITY		1,578,811,917	1,357,782,332

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

CITY OF COCKBURN
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

	NOTE	RETAINED SURPLUS \$	RESERVE ACCOUNTS \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2020		561,835,270	149,783,095	608,289,697	1,319,908,061
Comprehensive income for the period					
Net result for the period		15,619,714	0	0	15,619,714
Other comprehensive income for the period	18	0	0	22,254,558	22,254,558
Total comprehensive income for the period		15,619,714	0	22,254,558	37,874,272
Transfers from reserves	30	40,482,863	(40,482,863)	0	0
Transfers to reserves	30	(62,110,406)	62,110,406	0	0
Balance as at 30 June 2021		555,827,438	171,410,638	630,544,255	1,357,782,331
Comprehensive income for the period					
Net result for the period		51,818,881	0	0	51,818,881
Other comprehensive income for the period	18	0	0	169,210,702	169,210,702
Total comprehensive income for the period		51,818,881	0	169,210,702	221,029,583
Transfers from reserves	30	42,263,801	(42,263,801)	0	0
Transfers to reserves	30	(51,917,651)	51,917,651	0	0
Balance as at 30 June 2022		597,992,472	181,064,488	799,754,957	1,578,811,914

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

CITY OF COCKBURN
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE	2022 Actual \$	2022 Budget \$	2021 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Rates	112,917,969	112,725,000	109,208,389
Operating grants, subsidies and contributions	16,350,957	19,436,638	20,007,151
Fees and charges	40,182,411	30,187,348	30,280,412
Interest received	2,247,972	1,610,000	1,786,797
Goods and services tax received	6,003,543	1,500,000	4,625,722
	177,702,852	165,458,986	165,908,471
Payments			
Employee costs	(64,569,931)	(64,100,946)	(62,131,292)
Materials and contracts	(28,605,215)	(38,067,853)	(36,122,559)
Utility charges	(5,937,681)	(5,977,826)	(6,002,003)
Finance costs	(1,290,813)	(542,341)	(1,174,733)
Insurance paid	(2,999,469)	(1,910,200)	(1,681,861)
Goods and services tax paid	(9,720,586)	(5,500,000)	(3,348,808)
Other expenditure	(13,740,358)	(9,902,212)	(8,732,563)
	(126,864,053)	(126,001,378)	(119,193,819)
Net cash provided by operating activities	19(b) 50,838,799	39,457,608	46,714,652
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchase of property, plant & equipment	8(a) (20,411,979)	(13,632,206)	(19,508,521)
Payments for construction of infrastructure	(37,215,766)	(22,560,974)	(16,264,940)
Non-operating grants, subsidies and contributions	21,747,829	14,083,324	12,369,680
Proceeds from financial assets at amortised cost	3,741,380	0	(28,090,293)
Receipts of Public Open Space payments	0	0	5,419,364
Proceeds from sale of property, plant & equipment	10(b) 3,138,542	1,150,000	1,512,958
Net cash used in investing activities	(28,999,994)	(20,959,856)	(44,561,752)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings	29(a) (4,031,840)	(4,020,624)	(3,969,288)
Net receipts/(refund) of bonds	(1,417,033)	0	1,702,756
Proceeds on disposal of financial assets at amortised cost - term deposits	0	(250,000)	0
Payments for principal portion of lease liabilities	29(b) (219,271)	0	(413,420)
Net cash used in financing activities	(5,668,144)	(4,270,624)	(2,679,952)
Net increase (decrease) in cash held	16,170,661	14,227,128	(527,052)
Cash at beginning of year	4,606,858	5,758,451	5,133,910
Cash and cash equivalents at the end of the year	19(a) 20,777,520	19,985,579	4,606,858

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

CITY OF COCKBURN
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2022

	NOTE	2022 Actual \$	2022 Budget \$	2021 Actual \$
NET CURRENT ASSETS - At start of financial year - surplus	28(c)	8,588,183	0	12,171,050
OPERATING ACTIVITIES				
Revenue from operating activities (excluding general rate)				
Rates (excluding general rate)	27(b)	584,043	555,000	554,196
Operating grants, subsidies and contributions		15,305,806	15,436,638	15,363,201
Fees and charges		40,182,411	30,187,348	30,280,412
Interest earnings		2,247,972	1,610,000	1,786,797
Profit on asset disposals	10(b)	1,744,761	401,770	504,360
Fair value adjustments to financial assets at fair value through profit or loss		7,993	0	5,172
Share of net profit of associates and joint ventures accounted for using the equity method		0	0	(36,683)
		60,072,986	48,190,756	48,457,455
Expenditure from operating activities				
Employee costs		(64,234,698)	(64,100,946)	(62,845,278)
Materials and contracts		(36,755,548)	(38,067,853)	(35,998,197)
Utility charges		(5,937,681)	(5,977,826)	(6,002,003)
Depreciation		(35,104,328)	(36,429,117)	(38,568,690)
Finance costs		(1,290,813)	(542,341)	(1,174,733)
Insurance		(2,999,469)	(1,910,200)	(1,681,861)
Other expenditure		(13,740,358)	(9,902,212)	(8,732,562)
Loss on asset disposals	10(b)	(17,753)	(120,846)	(362,880)
Loss on revaluation of non-current assets		0	0	(6,476,864)
		(160,080,648)	(157,051,341)	(161,843,068)
Non-cash amounts excluded from operating activities	28(a)	27,913,163	37,595,813	52,791,959
Amount attributable to operating activities		(63,506,316)	(71,264,772)	(48,422,604)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		39,525,700	12,635,704	21,254,356
Proceeds from disposal of assets	10(b)	3,138,542	1,150,000	1,512,958
Purchase of property, plant and equipment	8(a)	(20,411,979)	(13,632,206)	(19,508,521)
Purchase and construction of infrastructure	9(a)	(45,214,065)	(22,560,974)	(27,681,546)
Payments for rehabilitation assets	12	0	0	(307,177)
		(22,961,802)	(22,407,476)	(24,729,930)
Amount attributable to investing activities		(22,961,802)	(22,407,476)	(24,729,930)
FINANCING ACTIVITIES				
Repayment of borrowings	29(a)	(4,031,840)	(4,020,624)	(3,969,288)
Payments for principal portion of lease liabilities	29(b)	(219,271)	0	(413,420)
Transfers to reserves (restricted assets)	30	(51,917,651)	(32,572,323)	(62,110,406)
Transfers from reserves (restricted assets)	30	42,263,801	18,255,309	40,482,863
Amount attributable to financing activities		(13,904,961)	(18,337,638)	(26,010,251)
Deficit before imposition of general rates		(100,373,079)	(112,009,886)	(99,162,785)
Total amount raised from general rates	27(a)	112,300,842	112,170,000	107,750,971
Surplus after imposition of general rates	28(c)	11,927,763	160,114	8,588,188

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

**CITY OF COCKBURN
FOR THE YEAR ENDED 30 JUNE 2022
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**CITY OF COCKBURN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

1. BASIS OF PREPARATION

The financial report comprises general purpose financial statements which have been prepared in accordance with the Local Government Act 1995 and accompanying regulations.

Local Government Act 1995 requirements
Section 6.4(2) of the Local Government Act 1995 read with the Local Government (Financial Management) Regulations 1996 prescribe that the financial report be prepared in accordance with the Local Government Act 1995 and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards. The Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and Interpretations of the Australian Accounting Standards Board were applied where no inconsistencies exist.

The Local Government (Financial Management) Regulations 1996 specify that vested land is a right-of-use asset to be measured at cost, and is considered a zero cost concessionary lease. All right-of-use assets under zero cost concessionary leases are measured at zero cost rather than at fair value, except for vested improvements on concessionary land leases such as roads, buildings or other infrastructure which continue to be reported at fair value, as opposed to the vested land which is measured at zero cost. The measurement of vested improvements at fair value is a departure from AASB 16 which would have required the City to measure any vested improvements at zero cost.

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

The local government reporting entity

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

Judgements and estimates

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

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

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

- estimated fair value of certain financial assets
- estimation uncertainties made in relation to lease accounting
- estimation of useful lives of non-current assets

CITY OF COCKBURN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

2. REVENUE AND EXPENSES

(a) Revenue

Contracts with customers

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

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Timing of revenue recognition
Rates	General Rates	Over time	Payment dates adopted by Council during the year	None	When taxable event occurs
Specified area rates	Rates charge for specific defined purpose	Over time	Payment dates adopted by Council during the year	Refund in event monies are unspent	When taxable event occurs
Service charges	Charge for specific service	Over time	Payment dates adopted by Council during the year	Refund in event monies are unspent	When taxable event occurs
Grant contracts with customers	Community events, minor facilities, research, design, planning evaluation and services	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Based on the progress of works to match performance obligations
Grants, subsidies or contributions for the construction of non-financial assets	Construction or acquisition of recognisable non-financial assets to be controlled by the local government	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Based on the progress of works to match performance obligations
Grants with no contractual commitments	General appropriations and contributions with no specific contractual commitments	No obligations	Not applicable	Not applicable	On receipt of funds
Licences/ Registrations/ Approvals	Building, planning, development and animal management, having the same nature as a licence regardless of naming.	Single point in time	Full payment prior to issue	None	Based on timing of issue of the associated rights
Pool inspections	Compliance safety check	Single point in time	Equal proportion based on an equal annually fee	None	Apportioned equally across the inspection cycle
Other inspections	Regulatory Food, Health and Safety	Single point in time	Full payment prior to inspection	None	Applied fully on timing of inspection
Waste management collections	Kerbside collection service	Over time	Payment on an annual basis in advance	None	Apportioned equally across the collection period
Waste management entry fees	Waste treatment, recycling and disposal service at disposal sites	Single point in time	Payment in advance at gate or on normal trading terms if credit provided	None	Based on timing of entry to facility
Property hire and entry	Use of halls and facilities	Single point in time	In full in advance	Refund if event cancelled within 7 days	Based on timing of entry to facility
Memberships	Gym and pool membership	Over time	Payment in full in advance	Refund for unused portion on application	Apportioned equally across the access period
Fees and charges for other goods and services	Cemetery services, library fees, reinstatements and private works	Single point in time	Payment in full in advance	None	Applied fully based on timing of provision
Sale of stock	Kiosk and visitor centre stock	Single point in time	In full in advance, on 15 day credit	Refund for faulty goods	Applied fully based on timing of provision
Commissions	Commissions on licencing and ticket sales	Over time	Payment in full on sale	None	On receipt of funds
Reimbursements	Insurance claims	Single point in time	Payment in arrears for claimable event	None	When claim is agreed

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

CITY OF COCKBURN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

2. REVENUE AND EXPENSES (Continued)

Revenue Recognition

Revenue recognised during the year under each basis of recognition by nature or types of goods or services is provided in the table below:

For the year ended 30 June 2022

Nature or type	Contracts with customers \$	Capital grant/contributions \$	Statutory Requirements \$	Other \$	Total \$
Rates	0	0	112,884,886	0	112,884,886
Operating grants, subsidies and contributions	(1,045,151)	0	0	16,350,957	15,305,806
Fees and charges	0	0	35,844,670	4,337,741	40,182,411
Interest earnings	0	0	257,589	1,990,382	2,247,972
Non-operating grants, subsidies and contributions	9,779,572	21,747,829	0	7,998,299	39,525,700
Total	8,734,421	21,747,829	148,987,145	30,677,379	210,146,774

For the year ended 30 June 2021

Nature or type	Contracts with customers \$	Capital grant/contributions \$	Statutory Requirements \$	Other \$	Total \$
Rates	0	0	108,305,167	0	108,305,167
Operating grants, subsidies and contributions	4,643,950	0	0	10,719,251	15,363,201
Fees and charges	0	0	30,280,412	0	30,280,412
Interest earnings	0	0	(607)	1,787,404	1,786,797
Non-operating grants, subsidies and contributions	2,531,930	7,305,820	0	11,416,606	21,254,356
Total	7,175,880	7,305,820	138,584,972	23,923,261	176,989,933

Note	2022 Actual \$	2022 Revised Budget \$	2021 Actual \$
Assets and services acquired below fair value			
Contributed assets	7,998,299	0	11,416,606
	7,998,299	0	11,416,606
Interest earnings			
Rates instalment and penalty interest (refer Note 27(e))	257,589	185,000	(607)
Other interest earnings	1,990,383	1,585,000	1,787,404
	2,247,972	1,770,000	1,786,797
(b) Expenses			
Auditors remuneration			
- Audit of the Annual Financial Report	70,000	80,000	75,000
- Other assurance services	23,208	56,855	13,014
	93,208	136,855	88,014
Finance costs			
Borrowings	29(a) 537,173	539,500	688,838
Other provisions: unwinding of discount	17 750,261	100,000	478,574
Lease liabilities	29(b) 3,378	2,841	7,321
	1,290,813	642,341	1,174,733
Other expenditure			
Sundry expenses	13,740,358	14,073,695	8,732,562
	13,740,358	14,073,695	8,732,562

**CITY OF COCKBURN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

3. CASH AND CASH EQUIVALENTS

Note	2022	2021
	\$	\$
Cash at bank and on hand	2,777,520	4,606,858
Term deposits	18,000,000	0
Total cash and cash equivalents	20,777,520	4,606,858
Held as		
- Unrestricted cash and cash equivalents	18,009,631	897,014
- Restricted cash and cash equivalents	2,767,889	3,709,844
	20,777,520	4,606,858

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Bank overdrafts are reported as short term borrowings in current liabilities in the statement of financial position.

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours notice with no loss of interest.

Restricted financial assets

Restricted financial asset balances are not available for general use by the local government due to externally imposed restrictions. Restrictions are specified in an agreement, contract or legislation. This applies to reserves, unspent grants, subsidies and contributions and unspent loans that have not been fully expended in the manner specified by the contributor, legislation or loan agreement and for which no liability has been recognised.

Details of restrictions on financial assets can be found at Note 19.

4. OTHER FINANCIAL ASSETS

	2022	2021
	\$	\$
(a) Current assets		
Financial assets at amortised cost	92,800,000	197,500,000
	92,800,000	197,500,000
Other financial assets at amortised cost		
Term deposits	92,800,000	197,500,000
	92,800,000	197,500,000
Held as		
- Unrestricted other financial assets at amortised cost	8,640,942	19,536,690
- Restricted other financial assets at amortised cost	84,159,058	177,963,310
	92,800,000	197,500,000
(b) Non-current assets		
Financial assets at amortised cost	101,900,141	941,521
Financial assets at fair value through profit and loss	155,607	147,614
	102,055,748	1,089,135
Financial assets at amortised cost		
Term deposits	101,900,141	941,521
	101,900,141	941,521
Financial assets at fair value through profit and loss		
Units in Local Government House Trust	155,607	147,614
	155,607	147,614

SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

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

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

Fair values of financial assets at amortised cost are not materially different to their carrying amounts, since the interest receivable on those assets is either close to current market rates or the assets are of a short term nature. Non-current financial assets at amortised cost fair values are based on discounted cash flows using a current market rates. They are classified as level 2 fair values in the fair value hierarchy (see Note 25 (i)) due to the observable market rates.

Interest received is presented under cashflows from operating activities in the Statement of Cash Flows where it is earned from financial assets that are held for cash management purposes.

Financial assets at fair value through profit and loss

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

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

Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 23.

**CITY OF COCKBURN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

5. TRADE AND OTHER RECEIVABLES

Note	2022 \$	2021 \$
Current		
Rates receivable	2,204,257	2,153,253
Trade and other receivables	5,948,590	4,538,533
GST (payable)/receivable	(217,225)	78,901
	7,935,622	6,770,687
Non-current		
Pensioner's rates and ESL deferred	1,069,553	1,056,416
Accrued debtors	267,663	267,663
	1,337,216	1,324,079

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

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

Trade and other receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value.

Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 23.

Classification and subsequent measurement

Receivables which are generally due for settlement within 30 days except rates receivables which are expected to be collected within 12 months are classified as current assets. All other receivables such as, deferred pensioner rates receivable after the end of the reporting period are classified as non-current assets.

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

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

6. INVENTORIES

Note	2022 \$	2021 \$
Current		
Fuel and materials	49,805	39,896
	49,805	39,896

The following movements in inventories occurred during the year:

Balance at beginning of year	39,896	31,107
Additions to inventory	9,909	8,789
Balance at end of year	49,805	39,896

SIGNIFICANT ACCOUNTING POLICIES

General

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

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

**CITY OF COCKBURN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

7. OTHER ASSETS

	2022	2021
	\$	\$
Other assets - current		
Prepayments	437,162	605,421
Accrued income	4,286,995	4,791,505
	<u>4,724,157</u>	<u>5,396,926</u>

SIGNIFICANT ACCOUNTING POLICIES

Other current assets

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

CITY OF COCKBURN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

8. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Balances

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

	Note	Land	Buildings - non-specialised	Total land and buildings	Furniture and equipment	Plant and equipment	Computer equipment	Total property, plant and equipment
		\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2020		82,970,737	230,752,584	313,723,321	1,309,454	13,437,918	4,131,525	332,602,218
Additions*		280,000	14,264,988	14,544,988	0	3,774,304	1,189,229	19,508,521
Disposals		(383,662)	(362,880)	(746,542)	0	(624,936)	0	(1,371,478)
Revaluation increments / (decrements) transferred to revaluation surplus		2,242,125	(1,995,558)	246,567	0	0	0	246,567
Depreciation	10(a)	0	(6,440,036)	(6,440,036)	(349,808)	(3,289,721)	(1,579,491)	(11,659,056)
Balance at 30 June 2021		85,109,200	236,219,098	321,328,298	959,646	13,297,565	3,741,263	339,326,772
Comprises:								
Gross balance amount at 30 June 2021		85,109,200	328,876,864	413,986,064	2,363,780	24,907,560	9,690,899	450,948,303
Accumulated depreciation at 30 June 2021		0	(92,657,766)	(92,657,766)	(1,404,134)	(11,609,995)	(5,949,636)	(111,621,531)
Balance at 30 June 2021		85,109,200	236,219,098	321,328,298	959,646	13,297,565	3,741,263	339,326,772
Additions		840,000	16,327,781	17,167,781	0	2,140,925	1,103,273	20,411,979
Disposals		(990,000)	(17,753)	(1,007,753)	0	(403,781)	0	(1,411,534)
Depreciation	10(a)	0	(4,419,346)	(4,419,346)	(338,180)	(3,340,352)	(1,739,859)	(9,837,737)
Balance at 30 June 2022		84,959,200	248,109,780	333,068,980	621,466	11,694,357	3,104,677	348,489,480
Comprises:								
Gross balance amount at 30 June 2022		84,959,200	345,028,644	429,987,844	2,363,780	24,974,363	10,794,171	468,120,158
Accumulated depreciation at 30 June 2022		0	(96,918,864)	(96,918,864)	(1,742,314)	(13,280,006)	(7,689,494)	(119,630,678)
Balance at 30 June 2022		84,959,200	248,109,780	333,068,980	621,466	11,694,357	3,104,677	348,489,480

* Asset additions included additions received at substantially less than fair value:

During the year ended 30 June 2021	0	46,045	46,045	0	0	0	46,045
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**CITY OF COCKBURN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
(i) Fair Value					
Land and buildings					
Land	Level 2 and 3	Market Approach, Cost Approach using Current Replacement Cost	Independent Registered Valuer	June 2021	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.
Buildings - non-specialised	Level 2 and 3	Market Approach, Cost Approach using Current Replacement Cost	Independent Registered Valuer	June 2021	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

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

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

CITY OF COCKBURN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

9. INFRASTRUCTURE

(a) Movements in Balances

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

	Note	Infrastructure - roads	Infrastructure - drainage	Infrastructure - footpaths	Infrastructure - parks equipment	Infrastructure - landfill	Infrastructure - marina	Infrastructure - coastal	Infrastructure - Rehabilitation asset	Total Infrastructure
		\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2020		453,456,595	241,773,998	60,338,150	53,658,532	19,832,589	12,284,672	29,806,552	0	871,151,088
Additions*		13,494,183	6,750,574	2,227,607	4,608,793	306,972	277,932	15,485	0	27,681,546
Revaluation increments / (decrements) transferred to revaluation surplus		0	0	0	0	(2,558,164)	0	24,566,155	0	22,007,991
Revaluation (loss) / reversals transferred to profit or loss		0	0	0	0	0	(6,476,864)	0	0	(6,476,864)
Depreciation	10(a)	(12,384,835)	(2,988,755)	(1,774,262)	(4,197,319)	(1,054,445)	(517,558)	(1,679,053)	0	(24,596,227)
Transfers		2,668,450	0	0	3,384,225	0	0	(5,333,231)	0	719,444
Balance at 30 June 2021		457,234,393	245,535,817	60,791,495	57,454,231	16,526,952	5,568,182	47,375,908	0	890,486,978
Comprises:										
Gross balance at 30 June 2021		738,739,252	306,045,728	88,514,227	85,796,375	48,680,902	8,827,367	53,103,903	0	1,329,707,754
Accumulated depreciation at 30 June 2021		(281,504,859)	(60,509,911)	(27,722,732)	(28,342,144)	(32,153,950)	(3,259,185)	(5,727,995)	0	(439,220,776)
Balance at 30 June 2021		457,234,393	245,535,817	60,791,495	57,454,231	16,526,952	5,568,182	47,375,908	0	890,486,978
Additions*		23,918,277	3,341,126	2,941,922	4,685,390	139,263	5,674,881	907,434	3,605,772	45,214,065
Revaluation increments / (decrements) transferred to revaluation surplus		86,567,409	1,021,399	50,435,246	31,186,648	0	0	0	0	169,210,702
Depreciation	10(a)	(12,930,514)	(3,057,395)	(1,826,069)	(4,568,854)	(1,464,821)	(221,927)	(594,275)	(397,912)	(25,061,767)
Transfers							(1,120,804)	1,120,804	19,010,399	19,010,399
Balance at 30 June 2022		554,789,565	246,840,947	112,342,594	88,757,415	15,201,394	9,900,332	48,809,872	22,218,259	1,098,860,378
Comprises:										
Gross balance at 30 June 2022		875,773,640	311,999,954	160,164,824	126,071,994	48,820,165	13,381,444	55,132,142	40,700,769	1,632,044,932
Accumulated depreciation at 30 June 2022		(320,984,075)	(65,159,007)	(47,822,230)	(37,314,579)	(33,618,771)	(3,481,112)	(6,322,270)	(18,482,510)	(533,184,554)
Balance at 30 June 2022		554,789,565	246,840,947	112,342,594	88,757,415	15,201,394	9,900,332	48,809,872	22,218,259	1,098,860,378
* Asset additions included additions received at substantially less than fair value:										
During the year ended 30 June 2021		4,138,269	5,858,528	967,256	406,508	0	0	0	0	11,370,561
During the year ended 30 June 2022		3,689,968	2,495,291	762,337	1,050,703	0	0	0	0	7,998,299

**CITY OF COCKBURN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

9. INFRASTRUCTURE (Continued)

(b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
(i) Fair Value					
Infrastructure - roads	3	Cost Approach Using Current Replacement Cost	Management Valuation	June 2022	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
Other infrastructure - drainage	3	Cost Approach Using Current Replacement Cost	Management Valuation	June 2022	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
Other infrastructure - footpaths	3	Cost Approach Using Current Replacement Cost	Management Valuation	June 2022	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
Other infrastructure - parks equipment	3	Cost Approach Using Current Replacement Cost	Management Valuation	June 2022	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
Other infrastructure - landfill	3	Cost Approach Using Current Replacement Cost	Independent Registered Valuer	June 2021	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

Other infrastructure - marina	3	Cost Approach Using Current Replacement Cost	Independent Registered Valuer	June 2021	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
Other infrastructure - coastal	3	Market Approach Cost Approach Using Current Replacement Cost	Independent Registered Valuer	June 2021	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

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

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

**CITY OF COCKBURN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

10. FIXED ASSETS

(a) Depreciation

		2022	2022	2021
	Note	Actual	Revised Budget	Actual
		\$	\$	\$
Buildings - non-specialised	8(a)	4,419,346	4,414,944	6,440,036
Furniture and equipment	8(a)	338,180	356,736	349,808
Plant and equipment	8(a)	3,340,352	3,325,969	3,289,721
Computer equipment	8(a)	1,739,859	1,647,672	1,579,491
Infrastructure - roads	9(a)	12,930,514	12,752,220	12,384,835
Infrastructure - drainage	9(a)	3,057,395	3,077,976	2,988,755
Infrastructure - footpaths	9(a)	1,826,069	1,827,192	1,774,262
Infrastructure - parks equipment	9(a)	4,568,854	4,380,012	4,197,319
Infrastructure - landfill	9(a)	1,464,821	1,116,024	1,054,445
Infrastructure - marina	9(a)	221,927	228,000	517,558
Infrastructure - coastal	9(a)	594,275	506,196	1,679,053
Infrastructure - Rehabilitation asset	9(a)	397,912	1,626,288	0
Right-of-use assets - plant and equipment	11(a)	204,823	215,932	379,943
		35,104,328	35,475,161	36,635,226

Depreciation rates

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

Asset Class	Useful life
Building - Non Specialised	15 to 70 years
Furniture and equipment	4 to 20 years
Plant and equipment	3 to 25 years
Computer equipment	5 years
Infrastructure - roads	14 to 80 years
Infrastructure - drainage	75 to 100 years
Infrastructure - footpaths	30 to 50 years
Infrastructure - parks equipment	10 to 75 years
Infrastructure - landfill	10 to 80 years
Infrastructure - marina	25 to 50 years
Infrastructure - coastal	20 to 100 years
Right of use assets - plant and machinery	Based on the remaining lease
Rehabilitation asset	Based on the remaining life of the Landfill

CITY OF COCKBURN
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2022

10. FIXED ASSETS (Continued)

(b) Disposals of assets

	2022				2022				2021			
	Actual Net Book Value \$	Actual Sale Proceeds \$	2022 Actual Profit \$	2022 Actual Loss \$	Revised Budget Net Book Value \$	Revised Budget Sale Proceeds \$	Revised Budget Profit \$	Revised Budget Loss \$	Actual Net Book Value \$	Actual Sale Proceeds \$	2021 Actual Profit \$	2021 Actual Loss \$
Land - freehold land	990,000	2,427,055	1,437,055	0	990,000	5,510,560	4,520,560	0	383,662	483,147	99,485	0
Buildings - non-specialised	17,753	0	0	(17,753)	0	0	0	0	362,880	0	0	(362,880)
Plant and equipment	403,781	711,487	307,706	0	869,076	1,466,033	596,957	0	624,936	1,029,811	404,875	0
	1,411,534	3,138,542	1,744,761	(17,753)	1,859,076	6,976,593	5,117,517	0	1,371,478	1,512,958	504,360	(362,880)

The following assets were disposed of during the year.

	2022 Actual Net Book Value	2022 Actual Sale Proceeds	2022 Actual Profit	2022 Actual Loss
Plant and Equipment				
Recreation and culture				
Building	17,753	0	0	(17,753)
Transport				
Plant & Machinery	156,742	387,058	230,316	0
Other property and services				
Land	1,237,038	2,751,483	1,514,445	0
	1,411,533	3,138,542	1,744,761	(17,753)

**CITY OF COCKBURN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

10. FIXED ASSETS (Continued)

SIGNIFICANT ACCOUNTING POLICIES

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.

Initial recognition and measurement for assets held at cost

Plant and equipment including furniture and equipment is recognised at cost on acquisition in accordance with *Financial Management Regulation 17A*. Where acquired at no cost the asset is initially recognised at fair value. Assets held at cost are depreciated and assessed for indicators of impairment annually.

Initial recognition and measurement between mandatory revaluation dates for assets held at fair value

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

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

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

Individual assets that are land, buildings, infrastructure and investment properties acquired between scheduled revaluation dates of the asset class in accordance with the mandatory measurement framework, are recognised at cost and disclosed as being at fair value as management believes cost approximates fair value. They are subject to subsequent revaluation at the next revaluation date in accordance with the mandatory measurement framework.

Revaluation

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

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

Revaluation (continued)

For property, plant and equipment and infrastructure, increases in the carrying amount arising on revaluation of assets are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same class of asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss. Subsequent increases are then recognised in profit or loss to the extent they reverse a net revaluation decrease previously recognised in profit or loss for the same class of asset.

Depreciation

The depreciable amount of all property, plant and equipment and infrastructure, are depreciated on a straight-line basis over the individual asset's useful life from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

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

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

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

Depreciation on revaluation

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

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

Amortisation

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

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

Amortisation is included within depreciation in the Statement of Comprehensive Income and in Note 10(a).

**CITY OF COCKBURN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

11. LEASES

(a) Right-of-Use Assets

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

	Note	Right-of-use assets - plant and equipment \$	Right-of-use assets Total \$
Balance at 1 July 2020		708,987	708,987
Remeasurement		(18,681)	(18,681)
Depreciation		(379,943)	(379,943)
Balance at 30 June 2021		310,363	310,363
Depreciation	10(a)	(204,823)	(204,823)
Balance at 30 June 2022		105,540	105,540

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

		2022 Actual \$	2021 Actual \$
Depreciation on right-of-use assets	10(a)	(204,823)	(379,943)
Interest expense on lease liabilities	29(b)	(3,378)	(7,321)
Short-term lease payments recognised as expense		(219,271)	(413,420)
Total amount recognised in the statement of comprehensive income		(427,472)	(800,684)
Total cash outflow from leases		(222,649)	(420,741)

(b) Lease Liabilities

Current		114,651	218,182
Non-current		0	115,739
	29(b)	114,651	333,921

Secured liabilities and assets pledged as security

Lease liabilities are effectively secured, as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

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

Details of individual lease liabilities required by regulations are provided at Note 29(b).

Right-of-use assets - valuation measurement

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

Refer to Note 10 under revaluation for details on the significant accounting policies applying to vested improvements.

Right-of-use assets - depreciation

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

The City leases houses to staff and aged persons with rentals payable monthly. These leases are classified as operating leases as they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. The staff houses are not considered investment property as they are leased for use in the supply of services to the community. The aged persons housing are considered a joint operation and are not considered investment property as the primary purpose is provision of community housing.

Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate. Although the City is exposed to changes in the residual value at the end of the current leases, the City typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

SIGNIFICANT ACCOUNTING POLICIES	
<p>The City as Lessor</p> <p>Upon entering into each contract as a lessor, the City assesses if the lease is a finance or operating lease.</p> <p>The contract is classified as a finance lease when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases not within this definition are classified as operating leases. Rental income received from operating leases is recognised on a straight-line basis over the term of the specific lease.</p>	<p>Initial direct costs incurred in entering into an operating lease (eg legal cost, cost to setup) are included in the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.</p> <p>When a contract is determined to include lease and non-lease components, the City applies AASB 15 to allocate the consideration under the contract to each component.</p>

**CITY OF COCKBURN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

12. INTANGIBLE ASSETS

	2022 Actual	2021 Actual
Note	\$	\$
Intangible assets		
Non-current		
Rehabilitation asset	35,866,621	35,866,621
Less: Accumulated amortisation	(16,856,222)	(16,856,222)
	19,010,399	19,010,399
Transferred to Infrastructure - Rehabilitation Asset	(19,010,399)	0
	(19,010,399)	0
	0	19,010,399
Movements in balances of intangible assets during the financial year are shown as follows:		
Recognition of rehabilitation asset	19,010,399	20,636,687
Amortisation of rehabilitation asset	0	307,177
Transferred to Infrastructure - Rehabilitation Asset	(19,010,399)	
Amortisation expense	0	(1,933,465)
Balance at 30 June	0	19,010,399
TOTAL INTANGIBLE ASSETS	0	19,010,399

SIGNIFICANT ACCOUNTING POLICIES

Rehabilitation asset

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. The provision is recorded at the net present value of expected future costs discounted using the applicable government bond rates.

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 inwinding 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.

Rehabilitation asset has now been transferred to infrastructure and are disclosed under note 9 - Infrastructure

**CITY OF COCKBURN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

13. TRADE AND OTHER PAYABLES

(a) Current

	2022	2021
	\$	\$
Sundry creditors	14,266,920	11,078,563
Prepaid rates	2,169,005	2,071,781
Bonds and deposits held	2,767,889	3,709,844
Other prepaid income	274,550	333,972
	19,478,364	17,194,160

(b) Non-Current

Non-Current Sundry Deposits & Bonds	1,535,484	2,010,562
	1,535,484	2,010,562

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

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

Trade and other payables

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

The amounts are unsecured, are recognised as a current liability and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

Prepaid rates

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

**CITY OF COCKBURN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

14. OTHER LIABILITIES

Current

Contract liabilities

2022	2021
\$	\$
4,994,711	6,552,672
<u>4,994,711</u>	<u>6,552,672</u>

Non-current

Liabilities under transfers to acquire or construct non-financial assets to be controlled by the entity
Public Open Space payments

13,698,876	18,059,084
0	5,419,364
<u>13,698,876</u>	<u>23,478,448</u>

Reconciliation of changes in contract liabilities

Opening balance
Additions
Public Open Space payment transferred to comprehensive income
Revenue from contracts with customers included as a contract liability at the start of the period

30,031,120	16,240,534
23,679,604	35,178,555
(5,419,364)	0
<u>(29,597,772)</u>	<u>(21,387,969)</u>
<u>18,693,588</u>	<u>30,031,120</u>

The City expects to satisfy the performance obligations from contracts with customers unsatisfied at the end of the reporting period to be satisfied within the next 12 months.

Expected satisfaction of capital grant/contribution/contract liabilities

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

4,994,711	6,552,672
200,001	5,531,120
5,000,000	10,000,000
2,500,000	1,500,000
5,000,000	3,000,000
998,875	3,447,328
<u>18,693,588</u>	<u>30,031,120</u>

Performance obligations in relation to capital grant/contribution liabilities are satisfied as project milestones are met or completion of construction or acquisition of the asset.

SIGNIFICANT ACCOUNTING POLICIES

Contract liabilities

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

Contract liabilities represent obligations which are not yet satisfied. Contract liabilities are recognised as revenue when the performance obligations in the contract are satisfied.

Capital grant/contribution liabilities

Capital grant/contribution liabilities represent the City's obligations to construct recognisable non-financial assets to identified specifications to be controlled the City which are yet to be satisfied. Capital grant/contribution liabilities are recognised as revenue when the obligations in the contract are satisfied.

Non-current capital grant/contribution liabilities fair values are based on discounted cash flows of expected cashflows to satisfy the obligations using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 25(i)) due to the unobservable inputs, including own credit risk.

**CITY OF COCKBURN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

15. BORROWINGS

	Note	2022			2021		
		Current	Non-current	Total	Current	Non-current	Total
Secured		\$	\$	\$	\$	\$	\$
Bank loans		3,934,065	7,500,000	11,434,065	4,020,624	11,445,281	15,465,905
Total secured borrowings	29(a)	3,934,065	7,500,000	11,434,065	4,020,624	11,445,281	15,465,905

Secured liabilities and assets pledged as security

Bank loans are secured by a floating charge over the assets of the City of Cockburn. Other loans relate to transferred receivables. Refer to Note 5.

The City of Cockburn has complied with the financial covenants of its borrowing facilities during the 2022 and 2021 years.

SIGNIFICANT ACCOUNTING POLICIES

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.

Fair values of borrowings are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short term nature.

Borrowings fair values are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 25(i)) due to the unobservable inputs, including own credit risk.

Risk

Information regarding exposure to risk can be found at Note 23.

Details of individual borrowings required by regulations are provided at Note 29(a).

**CITY OF COCKBURN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

16. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions

	2022	2021
	\$	\$
Current provisions		
Employee benefit provisions		
Annual Leave	4,812,649	5,078,573
Long Service Leave	4,373,784	4,421,100
	9,186,433	9,499,673
Non-current provisions		
Long Service Leave	1,462,504	1,481,992
	1,462,504	1,481,992
	10,648,937	10,981,665

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave and associated on costs for services rendered up to the reporting date and recorded as an expense during the period the services are delivered.

Annual leave liabilities are classified as current, as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	Note	2022	2021
		\$	\$
Amounts are expected to be settled on the following basis:			
Less than 12 months after the reporting date		9,186,433	9,499,673
More than 12 months from reporting date		1,462,504	1,481,992
		10,648,937	10,981,665

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

The City's obligations for employees' annual leave, long service leave and other employee leave entitlements are recognised as employee related provisions in the Statement of Financial Position.

Short-term employee benefits

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

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

Other long-term employee benefits

Long-term employee benefits provisions 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.

**CITY OF COCKBURN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

17. OTHER PROVISIONS

	Note	Provision for remediation costs	Total
		\$	\$
Opening balance at 1 July 2021			
Non-current provisions		32,062,428	32,062,428
		32,062,428	32,062,428
Additional provision		8,094,843	8,094,843
Amounts used		(4,489,071)	(4,489,071)
Charged to profit or loss			
- unwinding of discount	2(b)	750,261	750,261
Balance at 30 June 2022		36,418,461	36,418,461
Comprises			
Non-current		36,418,461	36,418,461
		36,418,461	36,418,461

Other provisions

Amounts which are reliably expected to be paid out within 12 months of the reporting date are classified as current. Exact timing of payment of non-current obligations is unable to be reliably estimated as it is dependent on factors beyond the control of the local government.

Provision for remediation costs

Under the licence for the operation of the City of Cockburn waste landfill site, the City has a legal obligation to restore the site.

The estimated future obligations include the costs of restoring the affected areas and continued monitoring of the site.

The provision for future remediation costs is the best estimate of the present value of the expenditure required to settle the remediation obligation at the reporting date. Future remediation costs are reviewed annually and any changes in the estimate are reflected in the present value of the remediation provision at each reporting date.

Provisions

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

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

CITY OF COCKBURN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

18. REVALUATION SURPLUS

	2022 Opening Balance	2022 Revaluation Increment	2022 Revaluation (Decrement)	Total Movement on Revaluation	2022 Closing Balance	2021 Opening Balance	2021 Revaluation Increment	2021 Revaluation (Decrement)	Total Movement on Revaluation	2021 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	109,636,919	0	0	0	109,636,919	107,394,794	2,242,125	0	2,242,125	109,636,919
Revaluation surplus - Buildings - non-specialised	20,308,730	0	0	0	20,308,730	22,304,288	0	(1,995,558)	(1,995,558)	20,308,730
Revaluation surplus - Infrastructure - roads	242,583,513	86,567,409	0	86,567,409	329,150,922	242,583,513	0	0	0	242,583,513
Revaluation surplus - Infrastructure - drainage	180,649,687	1,021,399	0	1,021,399	181,671,086	180,649,687	0	0	0	180,649,687
Revaluation surplus - Infrastructure - footpaths	44,505,093	50,435,246	0	50,435,246	94,940,339	44,505,093	0	0	0	44,505,093
Revaluation surplus - Infrastructure - parks equipment	8,253,626	31,186,648	0	31,186,648	39,440,274	8,253,626	0	0	0	8,253,626
Revaluation surplus - Infrastructure - landfill	40,532	0	0	0	40,532	2,598,696	0	(2,558,164)	(2,558,164)	40,532
Revaluation surplus - Infrastructure - coastal	24,566,155	0	0	0	24,566,155	0	24,566,155	0	24,566,155	24,566,155
	630,544,255	169,210,702	0	169,210,702	799,754,957	608,289,697	26,808,280	(4,553,722)	22,254,558	630,544,255

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

**CITY OF COCKBURN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

19. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

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

	Note	2022 Actual \$	2022 Budget \$	2021 Actual \$
Cash and cash equivalents	3	20,777,520	19,985,579	4,606,858
Restrictions				
The following classes of financial assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used:				
- Cash and cash equivalents	3	2,767,889	6,187,785	3,709,844
- Financial assets at amortised cost	4	84,159,058	173,460,699	177,963,310
		86,926,947	179,648,484	181,673,154
The restricted financial assets are a result of the following specific purposes to which the assets may be used:				
Restricted reserve accounts		79,164,347	173,460,700	171,410,638
Contract liabilities from contracts with customers		4,994,711	6,187,784	6,552,672
Bonds & deposits		2,767,889	0	3,709,844
Total restricted financial assets		86,926,947	179,648,484	181,673,154
(b) Reconciliation of Net Result to Net Cash Provided By Operating Activities				
Net result		51,818,881	15,945,119	15,619,713
Non-cash items:				
Adjustments to fair value of financial assets at fair value through profit and loss		(7,993)	0	(5,172)
Depreciation/amortisation		35,104,328	36,429,117	38,568,691
(Profit) on sale of asset		(1,727,008)	(280,924)	(141,480)
Share of profits of associates		0	0	36,683
Loss on revaluation of fixed assets		0	0	6,476,864
Changes in assets and liabilities:				
(Increase)/decrease in trade and other receivables		(1,178,072)	0	907,559
Decrease/(increase) in other assets		672,769	0	(896,275)
(Increase) in inventories		(9,909)	0	(8,789)
Increase in trade and other payables		3,226,159	0	1,265,743
(Decrease)/increase in employee related provisions		(332,728)	0	934,783
Increase/(decrease) in other provisions		4,356,033	0	(628,603)
(Decrease)/increase in other liabilities		(1,557,961)	1,447,620	5,839,290
Non-operating grants, subsidies and contributions		(39,525,700)	(14,083,324)	(21,254,356)
Net cash provided by operating activities		50,838,799	39,457,608	46,714,651
(c) Undrawn Borrowing Facilities				
Credit Standby Arrangements				
Credit card limit		350,000		300,000
Credit card balance at balance date		(90,676)		(83,067)
Total amount of credit unused		259,324		216,933
Loan facilities				
Loan facilities - current		3,934,065		4,020,624
Loan facilities - non-current		7,500,000		11,445,281
Total facilities in use at balance date		11,434,065		15,465,905

**CITY OF COCKBURN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

20. CONTINGENT LIABILITIES

Council resolved to acquire land from landowners abutting Jandakot Road to widen Jandakot Road. Eight of the landowners objected to the acquisition of the land and have progressed a claim for compensation against the City which totals an estimated \$20.5 million more than the compensation determined in accordance with the City's Valuer advice. The land was compulsorily acquired by 30 June 2021 and the compensation determined by the City was paid subsequent to year end. It is likely the claim will be resolved via a court case, but this has not progressed as yet.

21. CAPITAL COMMITMENTS

	2022	2021
	\$	\$
Contracted for:		
- Capital expenditure projects	16,997,675	26,829,616
- Smart LED street lighting	0	10,730,919
- Hammond Road branch to Bartram	8,747,007	0
- Land acquisition - Cockburn Coast Oval	9,433,304	9,308,277
- Plant & equipment purchases	4,051,483	1,055,256
	39,229,469	47,924,068
Payable:		
- not later than one year	5,067,687	35,125,146
- later than one year but not later than five years	34,161,782	12,798,922

**CITY OF COCKBURN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

22. RELATED PARTY TRANSACTIONS

(a) Elected Member Remuneration

Note	2022 Actual \$	2021 Actual \$
Mayor Logan Howlett		
Mayor's annual allowance	89,753	89,753
Meeting attendance fees	47,516	47,516
Other expenses	0	144
Annual allowance for ICT expenses	2,673	3,500
	139,942	140,913
Deputy Mayor Clr Tom Widenbar		
Deputy Mayor's annual allowance	15,573	0
Meeting attendance fees	31,678	31,678
Child care expenses	2,175	5,621
Other expenses	105	224
Annual allowance for ICT expenses	3,500	3,500
Travel and accommodation expenses	237	994
	53,268	42,017
Clr Lara Kirkwood		
Deputy Mayor's annual allowance	6,900	22,438
Meeting attendance fees	31,678	31,678
Child care expenses	1,030	0
Other expenses	86	143
Annual allowance for ICT expenses	3,060	3,500
Travel and accommodation expenses	666	1,107
	43,420	58,866
Clr Lee-Anne Smith		
Meeting attendance fees	6,061	31,678
Annual allowance for ICT expenses	0	3,500
	6,061	35,178
Clr Philip Eva		
Meeting attendance fees	31,678	31,678
Annual allowance for ICT expenses	3,100	3,500
Travel and accommodation expenses	366	0
	35,144	35,178
Clr Chamonix Terblanche		
Meeting attendance fees	24,279	31,678
Child care expenses	1,425	6,944
Annual allowance for ICT expenses	3,500	3,500
Travel and accommodation expenses	368	2,329
	29,572	44,451
Clr Kevin Allen		
Meeting attendance fees	31,678	31,678
Annual allowance for ICT expenses	2,745	3,500
Travel and accommodation expenses	663	489
	35,086	35,667
Clr Michael Separovich		
Meeting attendance fees	31,678	31,678
Annual allowance for ICT expenses	3,500	3,500
	35,178	35,178

**CITY OF COCKBURN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

(a) Elected Member Remuneration (continued)	Note	2022 Actual \$	2021 Actual \$
Clr Chontelle Sands			
Meeting attendance fees		31,678	31,678
Annual allowance for ICT expenses		2,750	3,500
Travel and accommodation expenses		735	0
		35,163	35,178
Clr Phoebe Corke			
Meeting attendance fees		31,678	31,678
Other expenses		0	25
Annual allowance for ICT expenses		3,500	3,500
Travel and accommodation expenses		1,450	1,393
		36,628	36,596
Clr Tarun Dewan			
Meeting attendance fees		22,420	0
Annual allowance for ICT expenses		2,802	0
Travel and accommodation expenses		1,199	0
		26,421	0
Clr Carol Reeve-Fowkes			
Travel and accommodation expenses		3,077	0
		3,077	0
		478,960	499,222
Fees, expenses and allowances to be paid or reimbursed to elected council members.			
		2022 Actual \$	2021 Actual \$
Mayor's annual allowance		89,753	89,753
Deputy Mayor's annual allowance		22,474	22,438
Meeting attendance fees		322,022	332,618
Child care expenses		4,630	12,565
Other expenses		191	536
Annual allowance for ICT expenses		31,129	35,000
Travel and accommodation expenses		8,763	6,311
	22(b)	478,960	499,222
(b) Key Management Personnel (KMP) Compensation			
The total of compensation paid to KMP of the City during the year are as follows:			
		2022 Actual \$	2021 Actual \$
Short-term employee benefits		1,773,385	1,502,817
Post-employment benefits		185,177	150,165
Employee - other long-term benefits		489,629	668,550
Council member costs	22(a)	478,960	499,222
		2,927,150	2,820,752

CITY OF COCKBURN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

Short-term employee benefits

These amounts include all salary and fringe benefits awarded to KMP except for details in respect to fees and benefits paid to council members which may be separately found in the table above.

Post-employment benefits

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

Other long-term benefits

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

Termination benefits

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

Council member costs

These amounts represent payments of member fees, expenses, allowances and reimbursements during the year.

(c) Related Parties

The City's main related parties are as follows:

i. Key management personnel

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

**CITY OF COCKBURN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

23. FINANCIAL RISK MANAGEMENT

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

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

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

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

(a) Interest rate risk

Cash and cash equivalents

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

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

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
2022					
Cash and cash equivalents	0.0056%	20,777,520	18,000,000	2,777,520	0
Financial assets at amortised cost - term deposits	0.0076%	194,700,141	194,700,141	0	0
2021					
Cash and cash equivalents	0.001%	4,606,858	0	4,606,858	0
Financial assets at amortised cost - term deposits	0.0062%	198,441,521	198,441,521	0	0

Sensitivity

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

	2022	2021
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	27,775	46,069

* Holding all other variables constant

Borrowings

Borrowings are subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The City manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation. The City does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 29(a).

CITY OF COCKBURN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

23. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade and Other Receivables

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

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

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

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

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 36 months before 1 July 2021 or 1 July 2022 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of ratepayers and residents to settle the receivables. Housing prices and unemployment rates have been identified as the most relevant factor in repayment rates, and accordingly adjustments are made to the expected credit loss rate based on these factors.

The loss allowance as at 30 June 2022 and 30 June 2021 for rates receivable was determined as follows:

	Less than 1 year past due	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total	Note
30 June 2022						
Rates receivable						
Expected credit loss	0.00%	0.00%	0.00%	0.00%		
Gross carrying amount	2,204,257	165,557	78,580	825,416	3,273,810	
Loss allowance					0	5
30 June 2021						
Rates receivable						
Expected credit loss	0.00%	0.00%	0.00%	0.00%		
Gross carrying amount	2,153,253	206,878	101,475	748,063	3,209,669	
Loss allowance					0	5

The loss allowance as at 30 June 2022 and 30 June 2021 was determined as follows for trade receivables.

	Less than 1 year past due	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total	Note
30 June 2022						
Trade and other receivables						
Expected credit loss	0.00%	0.00%	0.00%	0.00%		
Gross carrying amount	5,947,800	0	0	0	5,947,800	
Loss allowance					0	5
30 June 2021						
Trade and other receivables						
Expected credit loss	0.00%	0.00%	0.00%	0.00%		
Gross carrying amount	4,538,533	0	0	0	4,538,533	
Loss allowance					0	5

CITY OF COCKBURN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

23. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

The loss allowances for trade receivables and contract assets as at 30 June reconcile to the opening loss allowances as follows:

	Rates receivable		Trade and other receivables		Contract Assets	
	2022 Actual	2021 Actual	2022 Actual	2021 Actual	2022 Actual	2021 Actual
Opening loss allowance as at 1 July	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Closing loss allowance at 30 June	0	0	0	0	0	0

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the City, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Contract Assets

The City's contract assets represent work completed, which have not been invoiced at year end. This is due to the City not having met all the performance obligations in the contract which give an unconditional right to receive consideration. The City applies the simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all contract assets. To measure the expected credit losses, contract assets have been grouped based on shared credit risk characteristics and the days past due. Contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. The City has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

**CITY OF COCKBURN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

23. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables and borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The City manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
2022					
Trade and other payables	22,012,696	17,935,989	0	39,948,685	19,478,364
Borrowings	3,934,065	7,500,000	0	11,434,065	11,434,065
Lease liabilities	114,651	0	0	114,651	114,651
	26,061,412	25,435,989	0	51,497,401	31,027,080
2021					
Trade and other payables	17,618,051	28,530,170	0	46,148,221	17,194,160
Borrowings	4,020,624	11,408,598	0	15,429,222	15,465,905
Lease liabilities	218,182	115,739	0	333,921	333,921
	21,856,857	40,054,507	0	61,911,364	32,993,986

**CITY OF COCKBURN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

24. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

There are no subsequent events after the reporting period.

**CITY OF COCKBURN
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FOR THE YEAR ENDED 30 JUNE 2022**

25. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

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

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Interest earnings

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

i) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

j) Impairment of assets

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

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

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

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

k) Initial application of accounting standards

During the current year, no new or revised Australian Accounting Standards and Interpretations were compiled, became mandatory and were applicable to its operations.

New accounting standards for application in future years

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

- AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current
- AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments
- AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies or Definition of Accounting Estimates
- AASB 2021-7 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections

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

**CITY OF COCKBURN
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FOR THE YEAR ENDED 30 JUNE 2022**

26. FUNCTION AND ACTIVITY

(a) Service objectives and descriptions

City operations as disclosed in this financial report encompass the following service orientated functions and activities.

Objective	Description
<p>Governance To provide a decision making process for the efficient allocation of scarce resources.</p>	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.
<p>General purpose funding To collect revenue to allow for the provision of services.</p>	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.
<p>Law, order, public safety To provide services to help ensure a safer and environmentally conscious community.</p>	Provision of community safety services including supervision of various by-laws, animal and dog control, as security patrol service, fire prevention and voluntary emergency services.
<p>Health To provide an operational framework for environmental and community health.</p>	The provision of community health services including the regulation and monitoring of food premises, pollution and noise complaints, pest control and managing contaminated sites.
<p>Education and welfare To provide services to disadvantaged person, the elderly, children and youth.</p>	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.
<p>Community amenities To provide services required by the community.</p>	The provision of a waste and recyclables collection service and disposal and waste recovery services at the Waste Recovery Park. Providing services for the protection and management of the natural environment. The administration of the Town Planning Scheme and all associated land use planning issues.
<p>Recreation and culture To establish and effectively manage infrastructure and resources which will help the social well being of the community.</p>	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.
<p>Transport To provide safe, effective and efficient transport services to the community</p>	All activities relating to road, drainage and footpath construction and maintenance. The creation and maintenance of streetscapes. Provision of and operating the council works depot.
<p>Economic services To help promote the local government and its economic wellbeing.</p>	Activities associated with the control of building activity within the city and the provision of facilities and services that encourage tourism.
<p>Other property and services To monitor and control operating accounts.</p>	Includes private works and engineering overheads and plant operating costs (both of which are allocated to the City's works program). Includes all other unclassified activities.

**CITY OF COCKBURN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

26. FUNCTION AND ACTIVITY (Continued)

(b) Income and expenses

	2022 Actual	2022 Budget	2021 Actual
	\$	\$	\$
Income excluding grants, subsidies and contributions			
Governance	153,316	133,726	47,812
General purpose funding	115,574,380	114,906,889	110,331,302
Law, order, public safety	1,116,992	714,650	1,067,006
Health	336,855	334,300	385,975
Education and welfare	762,167	960,062	441,472
Community amenities	20,042,193	18,344,571	11,097,369
Recreation and culture	11,720,692	11,135,069	11,318,071
Transport	451,422	593,525	514,562
Economic services	2,152,474	2,203,205	2,336,308
Other property and services	4,757,532	7,794,532	3,342,034
	157,068,023	157,120,529	140,881,911
Grants, subsidies and contributions			
Governance	199,316	158,980	103,391
General purpose funding	14,344,928	7,287,700	7,450,943
Law, order, public safety	426,767	335,400	401,052
Health	24,945	47,286	32,901
Education and welfare	9,336,709	10,544,913	7,517,937
Community amenities	1,050,284	1,280,460	1,577,684
Recreation and culture	4,708,384	5,609,308	4,348,386
Transport	23,210,880	20,090,164	14,283,517
Economic services	942	4,000	1,687
Other property and services	1,528,351	2,449,712	900,056
	54,831,506	47,807,923	36,617,554
Total Income	211,899,529	204,928,452	177,499,465
Expenses			
Governance	(12,888,761)	(14,470,635)	(11,176,399)
General purpose funding	(795,375)	(755,115)	(818,805)
Law, order, public safety	(6,743,517)	(7,054,884)	(6,962,857)
Health	(2,535,098)	(2,628,205)	(2,473,411)
Education and welfare	(15,256,592)	(17,335,222)	(15,438,769)
Community amenities	(35,292,728)	(35,128,901)	(33,026,756)
Recreation and culture	(45,485,908)	(44,683,991)	(47,273,685)
Transport	(32,439,850)	(32,662,323)	(31,624,909)
Economic services	(2,769,064)	(3,024,443)	(9,501,460)
Other property and services	(5,873,754)	(6,108,175)	(3,582,700)
Total expenses	(160,080,647)	(163,851,894)	(161,879,751)
Net result for the period	51,818,882	41,076,558	15,619,714

**CITY OF COCKBURN
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26. FUNCTION AND ACTIVITY (Continued)

	2022	2022	2021
	Actual	Revised Budget	Actual
(c) Fees and Charges	\$	\$	\$
Governance	153,316	133,726	47,811
General purpose funding	436,894	395,550	240,393
Law, order, public safety	1,116,992	709,650	1,067,006
Health	336,855	334,300	385,975
Education and welfare	758,803	960,062	435,245
Community amenities	20,042,193	18,344,571	11,097,369
Recreation and culture	11,720,692	11,135,069	11,318,071
Transport	221,106	265,000	240,660
Economic services	2,152,474	2,203,205	2,336,308
Other property and services	3,243,087	3,010,540	3,111,574
	40,182,412	37,491,673	30,280,412
(d) Total Assets	\$	\$	
Governance	37,441,034	35,674,338	
General purpose funding	218,907,078	206,405,663	
Law, order, public safety	678,224	714,829	
Health	940,719	978,316	
Education and welfare	1,179,755	1,240,200	
Community amenities	9,660,124	8,143,494	
Recreation and culture	165,641,369	121,762,433	
Transport	910,345,627	732,518,366	
Economic services	246,641	264,100	
Other property and services	332,094,895	358,160,355	
	1,677,135,466	1,465,862,094	

CITY OF COCKBURN
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27. RATING INFORMATION

(a) General Rates

RATE TYPE		2021/22 Actual Rateable Value *	2021/22 Actual Rate Revenue	2021/22 Actual Interim Rates	2021/22 Actual Back Rates	2021/22 Actual Total Revenue	2021/22 Budget Rate Revenue	2021/22 Budget Interim Rate	2021/22 Budget Back Rate	2021/22 Budget Total Revenue	2020/21 Actual Total Revenue		
Rate Description	Basis of valuation	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
Improved Commercial/Industrial	Gross rental valuation	0.08342	2,693	345,599,580	28,829,917	0	0	28,829,917	28,829,917	0	0	28,829,917	28,279,219
Improved Commercial - Caravan Park	Gross rental valuation	0.11247	2	1,814,384	204,064	0	0	204,064	204,064	0	0	204,064	201,052
Improved Residential	Gross rental valuation	0.08638	30,292	614,801,218	53,106,524	0	0	53,106,524	53,106,529	0	0	53,106,529	52,068,531
Vacant	Gross rental valuation	0.09282	1,757	35,573,086	3,301,894	0	0	3,301,894	3,301,894	0	0	3,301,894	3,259,367
Rural Vacant Land	Unimproved valuation	0.00419	47	56,539,000	236,898	0	0	236,898	236,898	0	0	236,898	253,640
Rural General	Unimproved valuation	0.00272	71	50,730,000	137,986	0	0	137,986	137,986	0	0	137,986	134,625
Improved Commercial / Industrial	Split valuation	0.08342	22	1,345,739	112,262	0	0	112,262	112,262	0	0	112,262	107,867
Rural General	Split valuation	0.00272	0	7,019,444	19,093	0	0	19,093	19,093	0	0	19,093	17,718
Part Year Rating - GRV & UV	Split valuation	0	0	0	0	1,078,587	0	1,078,587	0	1,061,150	0	1,061,150	0
Ex-gratia rates	Split valuation	0	1	47,339,827	3,949,088	(7,277)	0	3,941,811	3,949,088	(136,000)	0	3,813,088	3,779,648
Sub-Total			34,885	1,160,762,278	89,897,726	1,071,310	0	90,969,036	89,897,731	925,150	0	90,822,881	88,101,667
Minimum payment													
			Minimum \$										
Improved Commercial/Industrial	Gross rental valuation	798	203	1,539,291	161,994	0	0	161,994	161,994	0	0	161,994	160,344
Improved Commercial - Caravan Park	Gross rental valuation	798	0	0	0	0	0	0	0	0	0	0	0
Improved Residential	Gross rental valuation	1,373	15,513	213,138,912	21,299,349	0	0	21,299,349	21,299,349	0	0	21,299,349	20,891,673
Vacant	Gross rental valuation	722	1,607	9,656,285	1,160,254	0	0	1,160,254	1,160,254	0	0	1,160,254	1,111,583
Rural Vacant Land	Unimproved valuation	972	1	13,000	972	0	0	972	972	0	0	972	958
Rural General	Unimproved valuation	972	4	11,781	3,888	0	0	3,888	3,888	0	0	3,888	6,706
Sub-Total			17,328	224,359,269	22,626,457	0	0	22,626,457	22,626,457	0	0	22,626,457	22,171,264
			52,213	1,385,121,547	112,524,183	1,071,310	0	113,595,493	112,524,188	925,150	0	113,449,338	110,272,931
Concessions on general rates (Refer note 27(d))								(1,294,651)				(1,279,338)	(2,521,960)
Total amount raised from general rates								112,300,842				112,170,000	107,750,971
* Rateable value is based on the value of properties at the time the rate is raised.													
(b) Rates (excluding general rates)													
			Rate in \$										
Specified Area Rates													
Specified Area Rates - Port Coogee Special Area Maintenance		0.013	1,074	28,967,010	372,747	6,563	0	379,310	360,000	0	0	360,000	361,310
Specified Area Rates - Port Coogee Waterways		0.013	223	7,393,727	95,142	728	0	95,870	95,000	0	0	95,000	93,229
Specified Area Rates - Cockburn Coast Special Maintenance		0.013	146	3,235,840	41,639	3,189	0	44,828	35,000	0	0	35,000	35,623
Specified Area Rates - Bibra Lake Sewer Stage 1		0.020	26	3,169,408	64,035	0	0	64,035	65,000	0	0	65,000	64,034
Sub-Total			1,469	42,765,985	573,563	10,480	0	584,043	555,000	0	0	555,000	554,196
Total amount raised from rates (excluding general rates)								584,043				555,000	554,196
(c) Total Rates													
								112,884,886				112,725,000	108,305,167

The entire balance of rates revenue has been recognised at a point in time in accordance with AASB 1058 *Income for not-for-profit entities*.

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27. RATING INFORMATION (Continued)

(d) Specified Area Rate

Specified Area Rate	Purpose of the rate	Area/properties Rate Imposed	2021/22 Actual Rate Applied to Costs \$	2021/22 Actual Rate Set Aside to Reserve \$	2021/22 Actual Reserve Applied to Costs \$	2021/22 Budget Rate Applied to Costs \$	2021/22 Budget Rate Set Aside to Reserve \$	2021/22 Budget Reserve Applied to Costs \$
Specified Area Rates - Port Coogee Special Area Maintenance	Specialised maintenance of the Port Coogee Development scheme	Properties in the Port Coogee locality which are connected to the scheme.	326,398	52,912	0	200,473	159,527	180,276
Specified Area Rates - Port Coogee Waterways	Specialised maintenance of the Port Coogee waterways and associated infrastructure assets	Properties in the Port Coogee locality which are connected with the waterways.	50,000	45,871	0	90,000	5,000	0
Specified Area Rates - Cockburn Coast Special Maintenance	Specialised maintenance of parks and public areas (including custom street lighting) as per the standard agreed to between the City and the Developer.	Properties in the Cockburn Coast Development area.	10,389	34,439	0	11,429	23,571	10,318
Specified Area Rates - Bibra Lake Sewer Stage 1	Construction of the Bibra Lake Sewer Stage 1 sewerage works as Gazetted under the Health (Miscellaneous Provisions) Act 1911.	Properties within the Bibra Lake southern industrial area from Newton Street Wastewater Pumping Station, Spearwood to the City of Cockburn Operations Centre.	64,035	0	0	65,000	0	64,035
			450,822	133,222	0	366,902	188,098	254,629

CITY OF COCKBURN
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27. RATING INFORMATION (Continued)
 Waivers or Concessions

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Waiver/Concession	Discount %	Discount \$	2022 Actual \$	2022 Budget \$	2021 Actual \$
Improved Residential Rate	Rate	Concession			844,114	821,582	1,706,005
Improved Residential Rate	Rate	Concession			450,537	457,756	0
Improved Commercial / Industrial Rate	Rate	Concession			0	0	709,267
Vacant Rate	Rate	Concession			0	0	106,688
					1,294,651	1,279,338	2,521,960
Total discounts/concessions					1,294,651	1,279,338	2,521,960

Rate or Fee and Charge to which the Waiver or Concession is Granted	Circumstances in which the Waiver or Concession is Granted and to whom it was available	Objects of the Waiver or Concession	Reasons for the Waiver or Concession
Improved Residential	High GRV residential property concession	To ensure year on year rates increases for all GRV residential improved properties do not exceed council's adopted annual increase	This concession is necessary as fixed waste and security charges were previously incorporated into general rates adversely impacting high GRV properties.
Improved Residential	COVID Concession - for ratepayers that would have paid more because of the GRV revaluation.	To ensure year on year rates increases for all GRV residential improved properties do not exceed council's adopted annual increase	The concession for eligible properties effectively reduces the rates payable to the same level as 2019-20. The concession does not apply to properties that will pay the same or lower rates as a result of the GRV revaluation.
Improved Commercial / Industrial	COVID Concession - for ratepayers that would have paid more because of the GRV revaluation.	To ensure year on year rates increases for all GRV residential improved properties do not exceed council's adopted annual increase	The concession for eligible properties effectively reduces the rates payable to the same level as 2019-20. The concession does not apply to properties that will pay the same or lower rates as a result of the GRV revaluation.

**CITY OF COCKBURN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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27. RATING INFORMATION (Continued)

(e) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge	Instalment Plan Interest Rate	Unpaid Rates Interest Rate
		\$	%	%
Option One				
Single full payment	27/08/2021	0.0	0.00%	6.00%
Option Two				
First instalment	27/08/2021	0.0	3.00%	6.00%
Second instalment	29/10/2021	5.0	3.00%	6.00%
Third instalment	7/01/2022	5.0	3.00%	6.00%
Fourth instalment	11/03/2022	5.0	3.00%	6.00%
Option Three				
Smart Rates - Weekly 43 payments	27/8/2021 to 17/06/2022		3.00%	6.00%
Option Four				
Smart Rates - Fortnightly 22 payments	27/8/2021 to 17/06/2022		3.00%	6.00%
Option Five				
Smart Rates - Monthly 11 payments	27/8/2021 to 03/06/2022		3.00%	6.00%

	2022 Actual	2022 Revised Budget	2021 Actual
	\$	\$	\$
Interest on unpaid rates	229,381	150,000	(550)
Interest on unpaid ESL Levy	28,208	35,000	(57)
Interest on instalment plan	474,363	475,000	0
Charges on instalment plan	206,204	206,500	35
	938,156	866,500	(572)

**CITY OF COCKBURN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

28. RATE SETTING STATEMENT INFORMATION

Note	2021/22	2021/22	2020/21		
	(30 June 2022 Carried Forward) \$	Budget (30 June 2022 Carried Forward) \$	(30 June 2021 Carried Forward) \$		
(a) Non-cash amounts excluded from operating activities					
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .					
Adjustments to operating activities					
	Less: Profit on asset disposals	10(b)	(1,744,761)	(280,924)	(504,360)
	Less: Movement in liabilities associated with restricted cash		(4,360,208)	0	2,531,930
	Less: Fair value adjustments to financial assets at fair value through profit and loss		(7,993)	0	(5,172)
	Less: Share of net profit of associates and joint ventures accounted for using the equity method		0	0	36,683
	Add: Loss on disposal of assets	10(b)	17,753	0	362,880
	Add: Loss on revaluation of fixed assets	9(a)	0	0	6,476,864
	Add: Depreciation	10(a)	35,104,328	36,429,117	38,568,691
Non-cash movements in non-current assets and liabilities:					
	Pensioner deferred rates		(13,137)	0	37,693
	Employee benefit provisions		(19,488)	0	(611,188)
	Other provisions		4,356,033	0	478,574
	Contract liabilities		0	1,447,620	0
	Public open space payment		(5,419,364)	0	5,419,364
Non-cash amounts excluded from operating activities					
			27,913,163	37,595,813	52,791,959
(b) Non-cash amounts excluded from investing activities					
The following non-cash revenue or expenditure has been excluded from amounts attributable to investing activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .					
Adjustments to investing activities					
	Property, plant and equipment received for substantially less than fair value	8(a)	0	0	46,045
	Infrastructure received for substantially less than fair value	9(a)	7,998,299	0	11,370,561
	Non cash non-operating grants, subsidies and contributions		(7,998,299)	0	(11,416,606)
(c) Surplus/(deficit) after imposition of general rates					
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.					
Adjustments to net current assets					
	Less: Reserve accounts	30	(181,064,488)	(173,460,700)	(171,410,638)
	- Bonds and deposits		(1,535,484)	(5,735,446)	(2,010,562)
	Add: Current liabilities not expected to be cleared at end of year				
	- Current portion of borrowings	15	3,934,065	0	4,020,624
	- Financial assets - restricted - non current		101,900,141	941,519	941,521
	- Current portion of lease liabilities	11(b)	114,651	272,015	218,182
Total adjustments to net current assets					
			(76,651,115)	(177,982,612)	(168,240,873)
Net current assets used in the Rate Setting Statement					
	Total current assets		126,287,104	204,527,098	214,314,367
	Less: Total current liabilities		(37,708,224)	(26,384,370)	(37,485,311)
	Less: Total adjustments to net current assets		(76,651,115)	(177,982,612)	(168,240,873)
Net current assets used in the Rate Setting Statement					
			11,927,765	160,116	8,588,183

CITY OF COCKBURN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

29. BORROWING AND LEASE LIABILITIES

(a) Borrowings

Purpose	Note	Actual						Budget				
		Principal at 1 July 2020	New Loans During 2020-21	Principal Repayments During 2020-21	Principal at 30 June 2021	New Loans During 2021-22	Principal Repayments During 2021-22	Principal at 30 June 2022	Principal at 1 July 2021	New Loans During 2021-22	Principal Repayments During 2021-22	Principal at 30 June 2022
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Portion of SMRC borrowings for RRRC waste recycling project repayable by the City		4,398,510	0	(1,469,288)	2,929,222	0	(1,531,840)	1,397,382	2,936,284	0	(1,520,624)	1,415,660
To assist fund the Cockburn ARC recreation facility		15,000,000	0	(2,500,000)	12,500,000	0	(2,500,000)	10,000,000	12,500,000	0	(2,500,000)	10,000,000
Total		19,398,510	0	(3,969,288)	15,429,222	0	(4,031,840)	11,397,382	15,436,284	0	(4,020,624)	11,415,660
Total Borrowings	15	19,398,510	0	(3,969,288)	15,429,222	0	(4,031,840)	11,397,382	15,436,284	0	(4,020,624)	11,415,660

* WA Treasury Corporation

Self supporting loans are financed by payments from third parties. These are shown in Note 4 as other financial assets at amortised cost. All other loan repayments were financed by general purpose revenue.

Borrowing Interest Repayments

Purpose	Note	Function and activity	Loan Number	Institution	Interest Rate	Actual for year ending 30 June 2022	Budget for year ending 30 June 2022	Actual for year ending 30 June 2021
						\$	\$	\$
Portion of SMRC borrowings for RRRC waste recycling project repayable by the City		Community amenities	N/A	WATC	various	(102,680)	(105,000)	(162,821)
To assist fund the Cockburn ARC recreation facility		Recreation and culture	8	WATC	2.96%	(434,493)	(434,500)	(526,017)
Total						(537,173)	(539,500)	(688,838)
Total Interest Repayments	2(b)					(537,173)	(539,500)	(688,838)

(b) Lease Liabilities

Purpose	Note	Actual							Budget			
		Principal at 1 July 2020	New Leases During 2020-21	Principal Repayments During 2020-21	Principal at 30 June 2021	New Leases During 2021-22	Principal Repayments During 2021-22	Principal at 30 June 2022	Principal at 1 July 2021	New Leases During 2021-22	Principal Repayments During 2021-22	Principal at 30 June 2022
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cisco Network Switches Unified		107,969	0	(38,751)	69,218	0	(39,332)	29,886	69,128	0	0	69,128
Unified Communications System		74,605	0	(42,399)	32,206	0	(32,206)	0	32,162	0	0	32,162
Rack Mount Servers (5)		9,993	0	(9,993)	0	0	0	0	0	0	0	0
VDI Servers (6)		21,491	0	(21,491)	0	0	0	0	0	0	0	0
SAN Equipment (2)		52,003	0	(52,003)	0	0	0	0	(54)	0	0	(54)
Pure Storage Shelf x 2		38,827	0	(38,827)	0	0	0	0	54	0	0	54
Wifi Equipment		13,479	0	(13,479)	0	0	0	0	0	0	0	0
Firewall Equipment		4,137	0	(4,137)	0	0	0	0	0	0	0	0
LAN Equipment		18,650	0	(18,650)	0	0	0	0	0	0	0	0
LAN Equipment		7,047	0	(7,047)	0	0	0	0	0	0	0	0
Multi Functional devices (MFD's) 47		76,553	0	(25,139)	51,414	0	(26,424)	24,990	55,630	0	0	55,630
Multi Functional Devices (MFD's) - 47		2,823	0	(927)	1,896	0	(941)	955	1,891	0	0	1,891
Multi Functional Devices (MFD's) - 1		4,085	0	(1,342)	2,743	0	(1,361)	1,382	2,740	0	0	2,740
Hyundai I30		6,290	0	(3,956)	2,334	0	(2,334)	0	2,666	0	0	2,666
Multi Functional Devices (MFD's) - 47		21,161	0	(6,949)	14,212	0	(11,064)	3,149	14,200	0	0	14,200
Ford Ranger Vehicle		7,093	0	(7,093)	0	0	0	0	(70)	0	0	(70)
Multi Functional Devices (MFD's) - 47		4,832	0	(1,587)	3,245	0	(1,610)	1,635	3,239	0	0	3,239
Health Club Equipment - Pin Loaded		34,869	0	(19,817)	15,052	0	(15,052)	0	15,032	0	0	15,032
Multi Functional Devices (MFD's) - 47		39,082	0	(12,834)	26,248	0	(9,194)	17,054	26,212	0	0	26,212
ALC Baltic Laminator		4,306	(1,689)	(2,617)	0	0	0	0	1,736	0	0	1,736
Shark Barrier		211,181	(16,992)	(78,835)	115,354	0	(79,753)	35,601	132,634	0	0	132,634
Signage Printer & Cutter		5,547	0	(5,547)	0	0	0	0	0	0	0	0
Total Lease Liabilities	11(b)	766,023	(18,681)	(413,420)	333,922	0	(219,271)	114,652	357,200	0	0	357,200

Lease Interest Repayments

Purpose	Note	Function and activity	Lease Number	Institution	Interest Rate	Actual for year ending 30 June 2022	Budget for year ending 30 June 2022	Actual for year ending 30 June 2021	Lease Term
						\$	\$	\$	
Cisco Network Switches Unified		Governance	E6N0162330	Maia Financial PL	1.49%	(763)	0	(1,345)	45Months
Unified Communications System		Governance	E6N0160636	Maia Financial PL	1.45%	(195)	0	(802)	33 Months
Rack Mount Servers (5)		Governance	E6N0159693	Maia Financial PL	1.40%	0	0	(41)	18 Months
VDI Servers (6)		Governance	E6N0159752	Maia Financial PL	1.40%	0	0	(88)	18 Months
SAN Equipment (2)		Governance	E6N0160532	Maia Financial PL	1.40%	0	0	(213)	18 Months
Pure Storage Shelf x 2		Governance	E6N0162620	Maia Financial PL	1.40%	0	0	(158)	18 Months
Wifi Equipment		Governance	E6N0159943	Maia Financial PL	1.40%	0	0	(79)	21 Months
Firewall Equipment		Governance	E6N0159959	Maia Financial PL	1.40%	0	0	(24)	21 Months

Purpose	Note	Function and activity	Lease Number	Institution	Interest Rate	Actual for year ending 30 June 2022	Budget for year ending 30 June 2022	Actual for year ending 30 June 2021	Lease Term
LAN Equipment		Governance	E6N0159960	Maia Financial PL	1.40%	0	0	(109)	21 Months
LAN Equipment		Governance	E6N0160277	Maia Financial PL	1.40%	0	0	(16)	15 Months
Multi Functional devices (MFD's) 47		Governance	E6N016202	Maia Financial PL	1.49%	(804)	0	(969)	48 Months
Multi Functional Devices (MFD's) - 47		Law, order, public safety	E6N016202	Maia Financial PL	1.49%	0	0	(36)	48 Months
Multi Functional Devices (MFD's) - 1		Education and welfare	E6N0162166	Maia Financial PL	1.49%	(32)	0	(52)	48 Months
Hyundai I30		Education and welfare	6,244,197	Easifleet Management	1.45%	(11)	0	(65)	31 Months
Multi Functional Devices (MFD's) - 47		Education and welfare	E6N016202	Maia Financial PL	1.49%	(245)	0	(268)	48 Months
Ford Ranger Vehicle		Community amenities		Easifleet Management	1.40%	0	0	(41)	21 Months
Multi Functional Devices (MFD's) - 47		Community amenities	E6N016202	Maia Financial PL	1.49%	(22)	0	(61)	48 Months
Health Club Equipment - Pin Loaded		Recreation and culture	E6N0159778	Maia Financial PL	1.45%	(91)	0	(374)	33 Months
Multi Functional Devices (MFD's) - 47		Recreation and culture	E6N016202	Maia Financial PL	1.49%	(55)	0	(477)	48 Months
ALC Baltic Laminator		Other property and services	E6N0162078	Maia Financial PL	1.43%	0	0	(9)	27 Months
Shark Barrier		Other property and services		Eco Shark Barrier	1.47%	(1,160)	(2,841)	(2,071)	41 Months
Signage Printer & Cutter	2(b)	Other property and services	E6N0160864	Maia Financial PL	1.40%	0	0	(23)	18 Months
						(3,378)	(2,841)	(7,321)	

CITY OF COCKBURN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

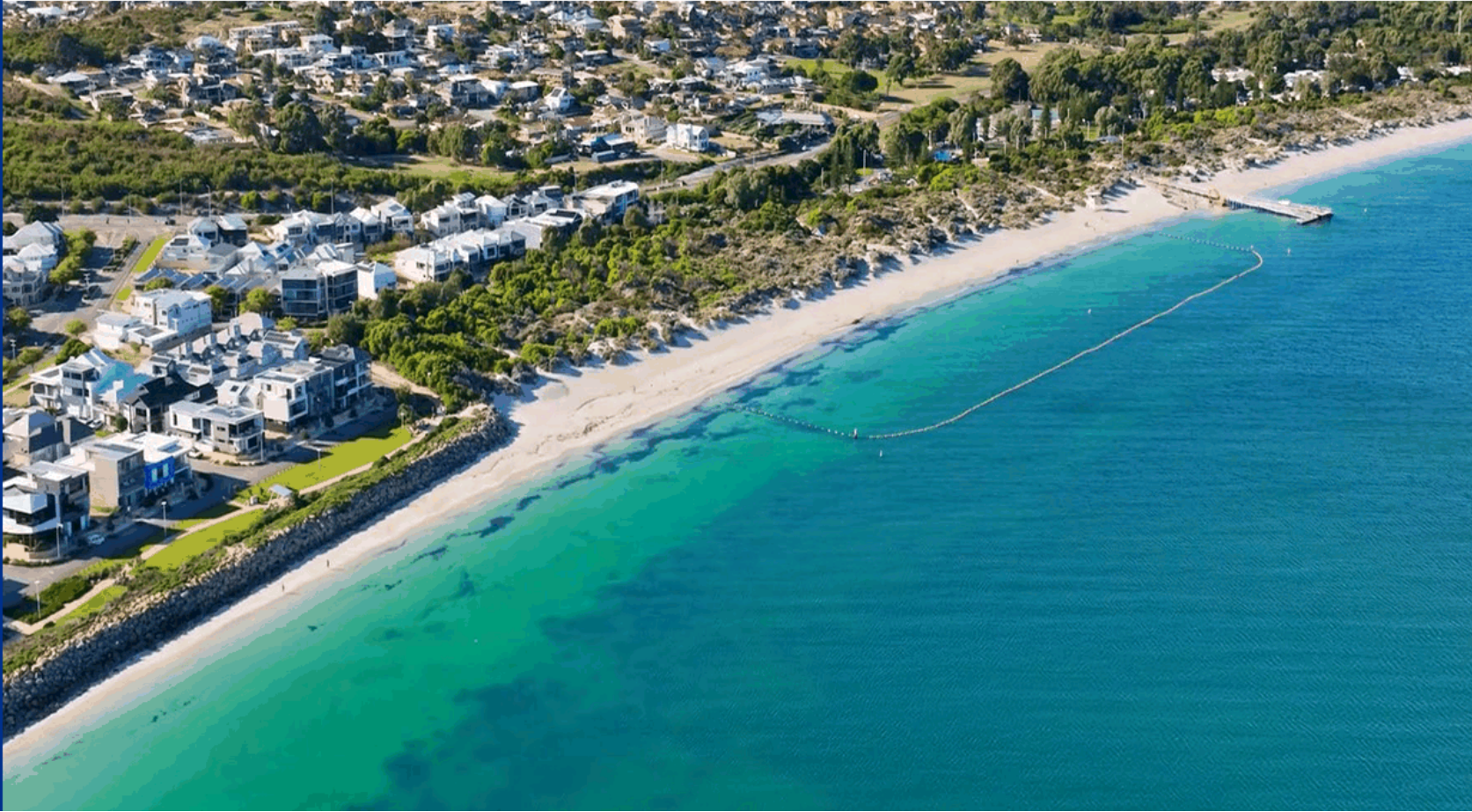
30. RESERVE ACCOUNTS	2022	2022	2022	2022	2022	2022	2022	2021	2021	2021	2021	
	Actual	Actual	Actual	Actual	Budget	Budget	Budget	Actual	Actual	Actual	Actual	
	Opening	Transfer to	Transfer	Closing	Opening	Transfer to	Transfer	Opening	Transfer to	Transfer	Closing	
	Balance		(from)	Balance	Balance		(from)	Balance		(from)	Balance	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Restricted by legislation/agreement												
(a) Staff Payments & Entitlements	1,593,128	0	(831,092)	762,036	1,593,128	0	(40,000)	1,553,128	1,633,128	0	(40,000)	1,593,128
(b) Plant & Vehicle Replacement	11,869,994	2,256,686	(1,936,320)	12,190,360	11,632,212	2,000,000	(3,642,400)	9,989,812	11,400,754	3,117,086	(2,647,846)	11,869,994
(c) Information Technology	926,599	1,000,000	(251,897)	1,674,702	1,017,034	1,000,000	0	2,017,034	501,249	1,200,000	(774,650)	926,599
(d) Major Building Refurbishment	17,341,289	1,500,000	(727,734)	18,113,555	18,288,412	1,500,000	0	19,788,412	16,677,163	3,000,000	(2,335,874)	17,341,289
(e) Waste & Recycling	12,523,659	3,841,934	(139,263)	16,226,330	9,767,308	1,500,000	(560,000)	10,707,308	12,200,267	1,964,254	(1,640,862)	12,523,659
(f) Land Development and Investment Fund	12,863,720	2,696,660	(7,387,208)	8,173,172	13,175,218	268,114	(860,000)	12,583,332	11,002,645	2,211,775	(350,700)	12,863,720
(g) Roads & Drainage Infrastructure	12,203,545	3,789,864	(4,246,392)	11,747,017	11,498,609	3,000,000	(2,977,896)	11,520,713	10,442,059	4,638,533	(2,877,047)	12,203,545
(h) Naval Base Shacks	1,242,899	18,287	0	1,261,186	1,179,926	18,287	0	1,198,213	1,161,639	81,260	0	1,242,899
(i) Community Infrastructure	21,757,381	13,556,124	(3,611,282)	31,702,223	18,788,867	12,027,695	(522,982)	30,293,580	27,777,436	3,500,000	(9,520,055)	21,757,381
(j) Insurance	2,672,674	0	(281,471)	2,391,203	2,659,263	300,000	0	2,959,263	2,235,907	500,000	(63,233)	2,672,674
(k) Greenhouse Action Fund	708,938	200,000	0	908,938	889,034	200,000	0	1,089,034	741,641	200,000	(232,703)	708,938
(l) Aged and Disabled Asset Replacement	422,872	78,121	(35,159)	465,834	417,500	80,853	0	498,353	391,623	40,711	(9,462)	422,872
(m) Welfare Projects Employee Entitlements	1,850,773	1,800	(799,115)	1,053,458	2,290,271	675,716	0	2,965,987	1,611,878	903,894	(664,999)	1,850,773
(n) HWRP Post Closure Management & Contaminated Sites	2,915,674	500,000	(29,905)	3,385,769	3,439,276	500,000	(70,000)	3,869,276	3,501,513	250,000	(835,839)	2,915,674
(o) Municipal Elections	151,420	150,000	(150,000)	151,420	151,420	150,000	(150,000)	151,420	1,420	150,000	0	151,420
(p) Port Coogee Special Maintenance - SAR	1,980,900	386,476	(326,398)	2,040,979	1,651,371	382,245	(383,473)	1,650,143	1,820,480	374,034	(213,614)	1,980,900
(q) Port Coogee Waterways - SAR	146,257	98,508	(50,000)	194,765	102,931	96,291	(50,000)	149,222	102,267	93,989	(50,000)	146,257
(r) Community Surveillance	932,870	200,000	(145,000)	987,870	954,480	200,000	(365,000)	789,480	864,697	200,000	(131,827)	932,870
(s) Waste Collection	6,512,856	1,800,000	0	8,312,856	6,173,528	1,073,123	0	7,246,651	4,199,528	2,339,328	(26,000)	6,512,856
(t) Family Day Care Accumulation Fund	11,560	40	0	11,600	11,549	0	0	11,549	11,475	85	0	11,560
(u) Community Infrastructure (DCA 13)	6,832,991	1,385,122	(7,434,531)	783,582	5,612,666	3,017,282	(3,137,613)	5,492,335	4,782,645	5,125,095	(3,074,748)	6,832,991
(v) Naval Base Shack Removal	792,815	33,315	0	826,130	687,220	38,475	0	725,695	652,448	140,367	0	792,815
(w) Environmental Offset	248,759	0	0	248,759	308,011	0	0	308,011	308,011	0	(59,252)	248,759
(x) Bibra Lake Management Plan	192,968	0	(177,701)	15,267	353,125	0	0	353,125	521,086	0	(328,118)	192,968
(y) Restricted Grants & Contributions	5,174,134	4,576,396	(4,361,922)	5,388,608	1,017,085	0	(18,182)	998,903	5,786,772	2,805,355	(3,417,993)	5,174,134
(z) CIHCF Building Maintenance	10,688,137	1,044,840	(26,231)	11,706,747	10,401,720	720,779	(300,000)	10,822,499	9,327,472	1,360,665	0	10,688,137
(i) Cockburn ARC Building Maintenance	5,218,365	1,500,000	(43,317)	6,675,048	5,218,365	1,500,000	0	6,718,365	3,718,365	1,500,000	0	5,218,365
(l) Carry Forward Projects	11,867,222	8,523,422	(8,068,476)	12,322,168	10,782,677	0	(4,567,567)	6,215,110	2,850,851	17,918,715	(8,902,343)	11,867,222
(j) Port Coogee Marina Assets Replacement	1,784,887	300,000	0	2,084,887	1,484,887	300,000	(174,000)	1,610,887	1,484,887	300,000	0	1,784,887
(~) Port Coogee Waterways - WEMP	1,246,537	4,270	(175,623)	1,075,185	1,310,536	15,831	(200,000)	1,126,367	1,302,071	9,711	(65,245)	1,246,537
(i) Cockburn Coast SAR	50,644	45,151	(10,389)	85,406	15,007	35,465	(11,429)	39,043	25,209	35,753	(10,318)	50,644
(€) Developer Contribution Plans	11,226,093	2,240,245	(551,045)	12,915,294	10,753,580	1,972,167	(224,767)	12,500,980	10,744,509	2,365,468	(1,883,884)	11,226,093
(i) POS Reserve	5,458,078	190,389	(466,332)	5,182,134	5,517,470	0	0	5,517,470	0	5,784,328	(326,251)	5,458,078
	171,410,638	51,917,651	(42,263,801)	181,064,488	159,143,686	32,572,323	(18,255,309)	173,460,700	149,783,095	62,110,406	(40,482,863)	171,410,638

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

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
(a) Staff Payments & Entitlements	ongoing	This Reserve provides for payment of various staff entitlements including separation, bonus, awards and other payments made to Staff either through contractual or statutory entitlement, other than leave liabilities already provided for within the City's net asset position.
(b) Plant & Vehicle Replacement	ongoing	This Reserve provides for the orderly replacement of plant and vehicles. Annual transfers into this Reserve are based on the estimated depreciation charge for plant each year.
(c) Information Technology	ongoing	Funds are drawn as required to meet annual plant replacement costs.
(d) Major Building Refurbishment	ongoing	This Reserve is used to provide for the capital cost of upgrading/replacement of Council's computer hardware and software.
(e) Waste & Recycling	majority by 2040	This Reserve 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.
(f) Land Development and Investment Fund	ongoing	This Reserve provides funding for capital costs associated with the development and management of a waste disposal site. Transfers to this Reserve are made based on planned future capital funding requirements for waste management.
(g) Roads & Drainage Infrastructure	ongoing	This Reserve 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 accounts of the City.
(h) Naval Base Shacks	ongoing	The purpose of this Reserve 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.
(i) Community Infrastructure	ongoing	This Reserve provides funds for the development & refurbishment of the Naval Base shacks site. It will also fund rehabilitation costs 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 shacks.
(j) Insurance	ongoing	This Reserve funds 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.
(k) Greenhouse Action Fund	ongoing	This Reserve is used to minimise and smooth annual budgetary impacts from the City's performance based insurance schemes, including deductibility levels.
(l) Aged and Disabled Asset Replacement	ongoing	This Reserve will be used to purchase carbon offsets and fund projects to support energy efficiency, waste management and renewable energy installations.
(m) Welfare Projects Employee Entitlements	ongoing	This Reserve is fully funded from the operating government grants received by the services and has no budgetary impact on Municipal funds.
(n) HWRP Post Closure Management & Contaminated Sites	ongoing	This Reserve is fully funded from the operating government grants received by the services and has no budgetary impact on Municipal funds.
(o) Municipal Elections	ongoing	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.
(p) Port Coogee Special Maintenance - SAR	ongoing	This Reserve provides funding to cover election expenses during election years to smooth out annual budgetary impacts.
(q) Port Coogee Waterways - SAR	ongoing	This Reserve is used to manage funds raised through the specified area rate (SAR) for the Port Coogee development. These funds are required for the specialised maintenance requirements of the development.
(r) Community Surveillance	ongoing	This Reserve is used to manage funds raised through the specified area rate (SAR) for the Port Coogee development on land directly adjacent to the waterways. These funds are required for the maintenance of the waterways surrounding Port Coogee marina and associated infrastructure.
(s) Waste Collection	ongoing	This Reserve funds activities in relation to Community Surveillance.
(t) Family Day Care Accumulation Fund	ongoing	This reserve provides funding for future capital requirements related to the Waste Collection service.
(u) Community Infrastructure (DCA 13)	ongoing	This Reserve is fully funded from the operating government grants received by the services and has no budgetary impact on Municipal funds.
(v) Naval Base Shack Removal	uncertain	This reserve is used to account for funds generated from the Community Infrastructure Development Contributions Scheme (DCP13) established under the City's Town Planning Scheme No. 3.
(w) Environmental Offset	ongoing	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.
(x) Bibra Lake Management Plan	ongoing	This Reserve is used to manage funds required to undertake environmental rehabilitation of land associated with road construction as approved by the relevant government agency.
(y) Restricted Grants & Contributions	ongoing	This Reserve is used to manage funding to implement the Bibra Lake Management Plan as adopted by Council.
(z) CIHCF Building Maintenance	ongoing	This Reserve is used to quarantine monies received for restricted purposes across financial years.
(1) Cockburn ARC Building Maintenance	ongoing	This Reserve is used to manage funding for major building maintenance of the Cockburn Integrated Health and Community Facility (CIHCF).
(2) Carry Forward Projects	ongoing	This Reserve is used to manage funding for the major building maintenance of the Cockburn ARC recreation facility.
(3) Port Coogee Marina Assets Replacement	ongoing	This reserve is used to manage municipal funding for incomplete projects carried forward to the following financial year.
(~) Port Coogee Waterways - WEMP	ongoing	This Reserve provides for the replacement of marina infrastructure assets. Funding is provided from pen fees to reflect estimated depreciation costs.
(∩) Cockburn Coast SAR	ongoing	This Reserve is used 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 waterways.
(€) Developer Contribution Plans	ongoing	This Reserve is used to manage funds raised through the specified area rate (SAR) providing funding to ensure that the parks and public areas (including custom street lighting) within the Cockburn Coast Development are maintained in accordance with the higher standards agreed to between the City and the Developer.
(∩) POS Reserve	ongoing	This Reserve is used for the management of contributions and costs with respect to Development Contribution Areas as established by and in accordance with Town Planning Scheme 3.
	ongoing	This Reserve is used to manage Public Open Space payments received from developers.

City of Cockburn
Report to the Audit, Risk & Compliance Committee
For the year ended 30 June 2022



Introduction

To the Audit, Risk & Compliance Committee of the City of Cockburn

We are pleased to have the opportunity to meet with you on 7 December 2022 to discuss the results of our audit of the City of Cockburn ("the City"), as at and for the year ended 30 June 2022.

We are providing this report in advance of our meeting to enable you to consider our findings and hence enhance the quality of our discussions. This report should be read in conjunction with our audit plan for the year ended 30 June 2022. We will be pleased to elaborate on the matters covered in this report when we meet.

Our audit is substantially complete. Subject to the Committee's approval, the OAG expects to be in a position to recommend an unmodified audit opinion on the City's financial report, provided that the outstanding matters noted on page 3 of this report are satisfactorily resolved.

We draw your attention to the important notice on page 16 of this report, which explains:

- the purpose of this report; and
- limitations on work performed;
- restrictions on distribution of this report.

We would like to thank management for their assistance during the audit process.





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	<h1>4</h1> <p>Auditor's independence</p> <p>Page 13</p>	<h1>5</h1> <p>Appendices</p> <p>Page 14</p>	



Executive summary

Key focus areas

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Existence and valuation of Infrastructure Assets	4
Existence and valuation of Fixed Assets	5
Revenue – rates, fees, charges, operating grants and subsidies, developer contributions plan	6
Landfill site – Rehabilitation Provision	7
Contracts and procurement	8
Personnel costs and related liabilities	9
Cash and cash equivalents and term deposits	10

Audit misstatements

Please refer to page [11](#) for details on the corrected and uncorrected audit misstatements identified.

Outstanding matters

- In order to finalise our work, we require the following:
- Final review of the updated financial statements
 - Receipt of signed financial statements declaration and certification
 - Receipt of signed management representation letters
 - Subsequent events procedures
 - Final clearance comments of the Audit, Risk & Compliance Committee of matters contained in this report.

Fraud

We have not identified any instances of material fraud through our audit procedures.



Audit Focus Areas

01 Existence and valuation of Infrastructure Assets

Summary

Our audit response to the existence and valuation of infrastructure assets comprises primarily of fully substantive approach.

We consider this an audit focus area due to:

- Valuation methodology and assumptions can be complex and judgmental
- Significant volume of individual assets
- ASA 540 (Revised) Auditing Accounting Estimates and Related Disclosures is now effective

Balance	FY22	FY21
Infrastructure	\$1,098,860,378	\$890,486,978

Our substantive approach

- Considered the internally prepared valuations for the City’s infrastructure assets (Roads & Footpaths, Drainage and Parks & Equipment Infrastructure Assets).
- Assessed the competence and capabilities of the City’s Asset Services Team who performed the valuation, as well as the valuation methods and assumptions used.
- Performed an infrastructure asset roll forward from 1 July 2021 to 30 June 2022.
- On a sample basis, selected and tested asset additions to confirm existence and accuracy thereof.
- Performed substantive analytical procedures over depreciation expense to assess reasonableness thereof.
- Recalculated any revaluation gain/loss arising from the revaluation and ensured this has been appropriately recorded.
- Considered management’s impairment assessment for reasonableness and compliance with the Accounting Standards.
- Assessed the completeness and accuracy of capital WIP at year end, and for a sample selected, ensured the asset was capitalized at the correct date.
- A significant finding relating to the absence of a robust review to assess the fair value of the City’s infrastructure assets in a non-revaluation year was included in the management letter.

Conclusion

During the audit, management brought to our attention the omission of depreciation of drainage assets in the revaluation process. Noting that two years of depreciation has not been factored into the initial revaluation when calculating the depreciated replacement cost of drainage assets, this resulted in an incorrect revaluation surplus. Management corrected the error during the audit.

Based on the audit procedures performed, there were no reportable misstatements noted.



Audit Focus Areas

02 Existence of Fixed Assets

Summary

Our audit response to the existence of fixed assets comprises a fully substantive approach.

We consider this an audit focus area due to:

- Significant volume of individual assets
- ASA 540 (Revised) Auditing Accounting Estimates and Related Disclosures is now effective

Balance	FY22	FY21
Fixed assets	\$348,489,480	\$339,326,772

Our substantive approach

- Performed a fixed asset roll forward from 1 July 2021 to 30 June 2022.
- On a sample basis, selected and tested fixed asset additions to confirm existence and accuracy thereof.
- Assessed management’s impairment assessment for fixed assets carried at cost for reasonableness.
- Perform substantive analytical procedures over depreciation expense to assess reasonableness thereof.
- Assessed the appropriateness of the assets’ fair value recorded as at 30 June 2022.
- Assessed the completeness and accuracy of capital WIP at year end, and for a sample selected, ensured the asset was capitalized at the correct date.

Conclusion

Based on the audit procedures performed, no reportable misstatements are noted.



Audit Focus Areas

03 Revenue - rates, fees, charges, operating grants and subsidies

Summary

Our audit response to the revenue – rates, fees, charges, operating grants and subsidies comprises controls and substantive testing.

We consider this an audit focus area due to:

- High volume of transactions that management are required to process accurately
- Heightened area of focus for stakeholders

Balance	FY22	FY21
Rates	\$112,884,886	\$108,305,167
Operating grants and subsidies	\$15,305,806	\$15,363,201
Fees and charges	\$40,182,411	\$30,280,412
Non-operating grants and subsidies	\$39,525,700	\$21,254,356

Our controls approach

- Approval of rates, fees & charges by the Council for the 2022 financial year

Our substantive approach

- For a statistical sample selected, recalculated the rates revenue for the year ensuring the correct rates were used and verified the accuracy thereof.
- Focused testing around financial year ends to ensure revenue was recorded in the correct period.
- For a statistical sample selected, verified a sample of fees and charges to invoices, bank statements and other relevant supporting information.
- Vouched grants received to relevant grant agreement and bank statement.
- Tested the completeness and accuracy of contract liabilities relating to developer contributions.
- Reviewed management’s disclosures in relation to the relevant Accounting Standards (AASB 15 Revenue from Contracts with Customers and AASB 1058 Income for Not-For-Profit entities).
- Reviewed and assessed the accounting for Public Open Space contributions is appropriate.

Conclusion

Based on the audit procedures performed, no reportable misstatements noted.



Audit Focus Areas

04 Landfill site - Rehabilitation provision

Summary

Our audit response to Landfill site – Rehabilitation provision comprises a fully substantive approach.

We consider this an audit focus area due to:

- Accounting for rehabilitation provisions is complex
- Accounting treatment can involve high levels of judgement and estimation uncertainty
- ASA 540 (Revised) Auditing Accounting Estimates and Related Disclosures is now effective

Balance	FY22	FY21
Rehabilitation asset	\$22,218,259	\$19,010,399
Provision for rehabilitation liability	\$36,418,461	\$32,062,428

Our substantive approach

- Tested management’s landfill site rehabilitation provision and asset calculations.
- Verified the mathematical accuracy of the calculations received.
- Assessed the competence and capabilities of the experts engaged by the City, including valuation method and assumptions used.
- Tested and critically assessed the assumptions and inputs (such as discount rate, inflation rate) used in the model by management.
- Assessed the accuracy of component accounting for the rehabilitation asset, including related amortisation..
- Assessed the accuracy of the change in classification of the landfill asset transferred from Intangible Assets to Infrastructure assets in FY22 in line with the OAG’s technical guidance.

Conclusion

Based on the audit procedures performed, other than the error which has been corrected (refer to page 11) in relation to the change in assumptions used in the provision for Cell 6, no reportable misstatements are noted.



Audit Focus Areas

05 Contracts and Procurement

Summary

Our audit response to the contracts and procurement comprises controls and substantive testing.

We consider this an audit focus area due to:

- High volume of transactions that management are required to process accurately
- Heightened area of focus for stakeholders

Balance	FY22	FY21
Total operating expenditure (excluding employee costs)	\$95,828,197	\$92,158,046

Our controls approach

- Testing of authorisation of purchases orders in line with the City’s Delegation of Authority
- Testing of authorisation of purchases orders in line with the City’s Procurement Policy

Our substantive approach

- On a statistical sample basis for expenditure, agreed payments made to supporting documentation and confirmed authorisation of such payments was in line with the City’s Delegation of Authority and Procurement Policy.
- For a sample of new contracts awarded during the year, reviewed the procurement process to ensure the City’s Procurement Policy was adhered to.
- Performed a search for unrecorded liabilities at year end.
- Assessed the completeness and accuracy of leases disclosed by the City.

Conclusion

Based on the audit procedures performed, no reportable misstatements are noted.



Audit Focus Areas

06 Personnel costs and related liabilities

Summary

Our audit response to the personnel costs and related liabilities comprises a largely substantive approach.

We consider this an audit focus area due to:

- High volume of transactions that management are required to process accurately
- Existence and accuracy of payroll related costs

Balance	FY22	FY21
Employee costs	\$64,234,698	\$62,845,278

Our controls approach

- Authorisation and approval of pay run payments.

Our substantive approach

- Reconciled the payroll report transactions and trial balance as at 30 June 2022, including related payroll liabilities.
- Vouched a sample of employees included in the payroll report at 30 June 2022 to employment contracts
- Substantive analytical procedures were performed over payroll expenses.
- Substantive analytical procedures were performed over annual leave and long service leave provisions as at 30 June 2022.

Conclusion

Based on the audit procedures performed, no reportable misstatements are noted.



Audit Focus Areas

07 Cash and cash equivalents and term deposits

Summary

Our audit response to cash and cash equivalents comprises a fully substantive approach.

We consider this an audit focus area due to:

- High volume of transactions of significant value
- Significant value of term deposits

Balance	FY22	FY21
Cash and cash equivalents	\$20,777,520	\$4,606,858
Term deposits	\$92,800,000	\$197,500,000

Our substantive approach

- Obtained independent bank confirmations at year end.
- Reviewed the year end bank reconciliations and agreed to bank confirmations received.
- On a sample basis, vouched term deposits to confirmations and consider appropriateness of classification.
- Verified that movements of restricted cash to and from reserves were appropriately approved.

Conclusion

Based on the audit procedures performed, no reportable misstatements are noted.

CITY OF COCKBURN | ARCC REPORT



Audit Misstatements

We assess audit misstatements under the income statement method.

The income statement method considers the effect of uncorrected prior-period misstatements from an income statement perspective and uncorrected misstatements are quantified as the amount by which the current period income statement is misstated, after considering the reversing and correcting effects of uncorrected prior-period misstatements.

Corrected misstatements

We noted and corrected the following errors, including the current year impact:

Accounts	SOPF adjustment Debit/ (Credit) (\$)	SOCI adjustment Debit/ (Credit) (\$)	Comment
1. Correction of erroneous recognition of changes in assumptions used for provision			
Rehabilitation assets	1,228,376		Management's assessment in current year, on the provision to rehabilitate Cell 6 resulted in a reduction of the provision amount by \$1,228,376 which has been recognized against the provision and the asset. As Cell 6 had been capped in the prior period, the carrying value of the asset was nil (having been fully amortized). This recognition has resulted in Cell 6 having a negative written down value (WDV) and hence the adjustment required to correct this.
Other expenditure		(1,228,376)	

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Audit Misstatements (continued)

Corrected misstatements continued

Accounts	SOPF adjustment Debit/ (Credit) (\$)	SOCI adjustment Debit/ (Credit) (\$)	Comment
2. Overstatement of unspent liability relating to developer's contribution			
Non-operating grants – developer contributions		(348,916)	Overstatement of the DCP liability noted from the reconciliation of movement in the DCP liability as at 30 June 2022.
Other liabilities – liabilities under transfer	348,916		
Total aggregate effect (corrected and uncorrected)	1,577,292	(1,577,292)	

Uncorrected misstatements

There were no uncorrected audit misstatements.

Omissions and Errors in Presentation and Disclosures

We have not identified any material omissions or errors in presentation and disclosures in the financial report.

In the course of our review of the financial statements we made a number of recommendations in relation to presentation matters, including the disclosure of the corrected adjustments as detailed above.

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Auditor's Independence

We have strict rules and protocols to maintain our independence from City of Cockburn, including annual training and an annual staff declaration.

Safeguard

Non-audit services did not involve partners or staff acting in a managerial or decision making capacity, or involve the processing or originating of transactions.

Non-audit services were only provided where we were satisfied that they did not impact on our auditor independence.

Partners and staff involved in the provision of non-audit services obtained approval from the lead engagement partner to deliver the service.

Breaches

The APESB Code of Ethics for Professional Accountants ("the Code") requires us to communicate to you any breaches of the independence requirements of the Code.

On the rare instance of a significant breach of the Code, we will report our conclusions to you on the actions to be taken, or already taken within three working days. We will report less significant breaches in the Year-end Report to the Audit, Risk & Compliance Committee.

We confirm that as at the date of this report, no such breaches have been identified.

Non audit services

No non-audit services have been performed during or subsequent to the year ended 30 June 2022, other than approved Grant Acquittals in our capacity as external auditor.

Conclusion

We confirm that, as at the date of this report, we have complied with the ethical requirements regarding independence.



Appendices

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**Required
Communications**

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**Important
notice**

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Required communications with the Committee

Type	Response
Our draft management representation letter	We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 30 June 2022.
Related parties	There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by those charged with governance	There were no matters to report arising from the audit that, in our professional judgement, are significant to the oversight of the financial reporting process.
Control deficiencies	Refer to management letter issued for control deficiencies noted.
Modifications to auditor's report	None.
Actual or suspected fraud, non-compliance with laws or regulations or illegal acts	No actual or suspected fraud management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements was identified during the audit.

Type	Response
Significant difficulties	No significant difficulties were encountered during the audit.
Disagreements with management or scope limitations	The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
Other information	This is to be completed once the preparation of the annual report is completed.
Breaches of independence	No matters to report. The engagement team and the firm have complied with relevant ethical requirements regarding independence.
Accounting practices	Over the course of our audit, we have evaluated the appropriateness of City of Cockburn's accounting policies, accounting estimates and financial statement disclosures. In general, we believe that these are appropriate.
Significant matters discussed or subject to correspondence with management	The significant matters arising from the audit were discussed with management and included within this Report.

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Important notice



This report is presented under the terms of our audit contract with the OAG.

- Circulation of this report is restricted.
- The content of this report is based solely on the procedures necessary for our audit.

Purpose of this report

This Report has been prepared in connection of our audit of the financial statements of the City of Cockburn (the "City"), prepared in accordance with the Australian Accounting Standards ('AASBs') as at and for the year ended 30 June 2022.

This Report has been prepared for those charged with governance, whom we consider to be the Audit, Risk & Compliance Committee, in order to communicate matters of interest as required by ASAs (including ASA 260 Communication with Those Charged with Governance), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. The Audit, Risk & Compliance Committee should not assume that reports from us indicate that there are no additional matters they should be aware of in meeting their responsibilities.

This report summarizes the key issues identified during our audit but does not repeat matters previously communicated to you.

Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the City's financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors.

We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

Restrictions on distribution

The report is provided on the basis that it is only for the information of those charged with governance of the City's; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.

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