

## Audit Committee

**Note:** *Prior to the meeting Mr John Pearson, Director Corporate Services had provided a memorandum to elected members indicating that as was advised at the Corporate and Community Development Committee Meeting on Tuesday 16 November 2021, the City was advised by the Auditor General of a delay in the receipt of the signed audit opinion. The memorandum indicated that this has now been received and forwarded to Council Members for consideration of Item AC-005/21 Adoption of the Annual Financial Report for 2020-2021. Changes to the financial statements were merely formatting and none of the financial information has changed from that which was adopted by the Audit Committee. The signed Independent Auditors Report and signed Financial Statements that have been provided will now form an attachment to the minutes of this meeting.*

<h2>Audit Committee</h2>		
<b>Reference No &amp; Subject:</b>	AC-005/21	<b>Adoption of the Annual Financial Report for 2020/2021</b>
File No:	CPM/109-02	
Proponent/s:		
Author:	Mr Hitesh Hans, Acting Financial Accountant	
Other Contributors:	Mr Alvin Santiago, Financial Controller Mr Allan Moles, Manager Financial Services Mr John Pearson, Director, Corporate Services	
Date of Council Meeting:	23 November 2021	
Previously before Council:		
Disclosure of Interest:		
Nature of Council's Role in this Matter:	Executive	
Site:		
Lot Area:		
Attachments:	<ol style="list-style-type: none"><li>1. Minutes of the Audit Committee meeting held 9 November 2021</li><li>2. Audited Financial Report 2020/2021</li><li>3. Draft Independent Auditor's Report</li><li>4. Draft Management Report (Closing Audit Report)</li></ol>	
Maps/Diagrams:		

## Purpose of Report

To present to Council the Audited Financial Report, Independent Auditor's Report and Management Report for the year ended 30 June 2021.

## Background

Council is required to accept the Audited Financial Report which will be included as part of the City's Annual Report.

The City's auditors have now completed the audit and have provided their draft Independent Auditor's Report and Management Report which they will present to the Audit Committee.

## Details

### Independent Auditor's Report

The draft Independent Auditor's Report includes the following statement:

*"In my opinion the annual financial report of the City of Rockingham:*

- (i) is based on proper accounts and records; and*
- (ii) fairly represents, in all material respects, the results of the operations of the City for the year ended 30 June 2021 and its financial position at the end of that period in accordance with the Local Government Act 1995 (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards."*

The audit report states the following matters under the other legal and regulatory requirements:

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

- (i) In my opinion, the following material matters indicate a significant adverse trend in the financial position of the City:
  - a) The Operating Surplus Ratio as reported in Note 37 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries' standard for the past two financial years and the current year is below the previous year.*
  - b) The Asset Sustainability Ratio as reported in Note 37 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries' standard for the past three financial years.**
- (ii) All required information and explanations were obtained by me.*
- (iii) All audit procedures were satisfactorily completed.*
- (iv) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the financial report were supported by verifiable information and reasonable assumptions."*

Officer comment to this is included in the comments section of this report.

### Audit Management Report

The draft Management Report includes two findings and these have been addressed by management in the report.

Some of the key indicators included in the Annual Financial Report for 2020/2021 are:

- The City has net assets of \$2.19 billion.
- Total operating revenue for the year was \$146.49 million.
- Total rate revenue for the year was \$91.65 million.
- The outstanding borrowings as at 30 June 2021 was \$7.84 million.

The closing surplus reported in the Rate Setting Statement for the year was \$52.65 million. However this amount includes unspent funds, outstanding commitments and funds received but restricted for specific purposes as of 30 June 2021. The impact of the surplus on the current budget will be analysed and presented to Council in conjunction with the first Budget Review.

## Implications to Consider

### a. Consultation with the Community

Nil

**b. Consultation with Government Agencies**

Nil

**c. Strategic**

Community Plan

This item addresses the Community's Vision for the future and specifically the following Aspiration and Strategic Objective(s) contained in the Strategic Community Plan 2019-2029:

**Aspiration 4:** *Deliver Quality Leadership and Business Expertise*

**Strategic Objective:** *Effective Governance – Apply systems of governance which empower the Council to make considered and informed decisions within a transparent, accountable, ethical compliant environment.*

**d. Policy**

Nil

**e. Financial**

The Annual Financial Report presents historical information and therefore there is no budget implication. However, the adoption of the audited Annual Financial Report requires the current year budget to be amended for events and transactions that occurred as of the end of 30 June 2021 that impact the judgement and estimates used to develop the 2021-2022 budget.

**f. Legal and Statutory**

Section 6.4(1) and 6.4(2) of the Local Government Act 1995 (the Act) requires a Local Government to prepare an Annual Financial Report for the preceding financial year which is to be presented in the manner and form prescribed.

Section 6.4(3) of the Act requires a Local Government to submit to its auditor the accounts balanced up to the last day of the preceding financial year, and to submit the Annual Financial Report by 30 September.

Section 7.9(1) of the Act requires an audit to be conducted to examine the accounts and Annual Financial Report submitted for audit; and to prepare a report thereon, which is required to be forwarded to the Mayor, Chief Executive Officer and the Minister for Local Government.

Regulation 51(2) of the Local Government (Financial Management) Regulations 1996 requires a local government to submit a copy of the Annual Financial Report to the Department within 30 days of Local Government receiving the auditor's opinion on the financial position and the results of the operations of the local government.

Regulation 10(1) of the Local Government (Audit) Regulations 1996 requires the auditors to submit an audit report to the persons specified in section 7.9(1) of the LGA within 30 days of completing the audit.

Section 7.12A(4) of the Local Government Act 1995 requires that a local government:

- a) prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and
- b) give a copy of that report to the Minister within 3 months after the audit report is received by the local government.
- c) Section 7.12A(5) requires that within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government's official website.

**g. Risk**

**All Council decisions are subject to risk assessment according to the City's Risk Framework.**

Implications and comment will only be provided for the following assessed risks.

*Customer Service / Project management / Environment : High and Extreme Risks*

*Finance / Personal Health and Safety : Medium, High and Extreme Risks*

Nil

## Comments

The information below is provided in response to the significant matters raised by the Auditor.

The local government industry acknowledges that the current financial ratios are flawed and that changes are required to ensure that they are relevant and a review has commenced. This includes representatives from the Department of Local Government, Sport and Cultural Industries (DLGSC), Western Australian Local Government Association (WALGA) and senior local government financial management practitioners.

The Western Australian Auditor General's Report – Audit Results Report – Annual 2019-20 Financial Audits of Local Government Entities contained the following recommendation:

*“The Department of Local Government, Sport and Cultural Industries (DLGSC) should assess whether the current financial ratios in the FM Regulations remain valid criteria for fairly measuring and reporting the performance of each LG entity. This could also include a simplification of LG entity reporting requirements for financial ratios, and review of the requirement under the FM Regulations for the auditor to report on any adverse trends in the ratios as part of the annual financial audit.”*

Despite the ongoing review, the Office of the Auditor General has to report on these financial ratios until they are amended.

Given the above information, the relevance of the adverse finding related to trends in ratios is very difficult to respond to objectively.

### 1. Operating Surplus Ratio

The operating surplus ratio is calculated as follows:

$$\frac{\text{(Operating Revenue MINUS Operating Expense)}}{\text{Own Source Operating Revenue (i.e. rates, fees and charges)}}$$

The benchmark ratio is at least 0.1.

A positive ratio indicates the percentage of total own source revenue available to help fund proposed capital expenditure, transfer to cash reserves or to reduce debt. A negative ratio indicates the percentage increase in total own source revenue (principally rates) that would have been required to achieve a break-even operating result.

For the past two years the City's own source operating revenue has been impacted by COVID-19. In 2019/2020 the City experienced a revenue shortfall of over \$10 million as a result of COVID-19 lock-downs. In 2020/2021 the City's own source operating revenue was impacted due to COVID-19 relief measures including zero increases in rates and fees and charges, not charging rate instalment fees and interest and reduced penalty interest. Western Australia remains under a State of Emergency. It is very difficult for a local government to have a positive operating surplus ratio when the consistent state message was to not increase self-generated revenue and perpetual mandated facility shutdowns.

### 2. Asset Sustainability Ratio

The asset sustainability ratio is calculated as follows:

$$\frac{\text{Capital Renewal and Replacement Expenditure}}{\text{Depreciation Expense}}$$

This ratio is an approximation of the extent to which assets managed by a local government are being replaced as these reach the end of their useful lives. It is calculated by measuring capital expenditure on renewal or replacement of assets, relative to depreciation expense. Expenditure on new or additional assets is excluded.

The benchmark ratio is at least 0.9.

A low percentage may indicate that asset base is relatively new. The City is growing due to new developments in recent years and has added significant amounts to the new asset base which do not require renewal and replacement in the early years of asset life cycle. The City receives significant gifted assets all of which need to be accounted for and depreciated accordingly. To correct a ratio of this nature, the City either needs to reduce its asset creation, much of which is beyond City control, or reduce its depreciation rates. Depreciation rates will again be reviewed. Notwithstanding the Officer of the Auditor General opinion reviewing the reportable ratios, interpretation of this ratio should also be considered together with the asset ratios which are positive.

### Voting Requirements

Simple Majority

### Officer Recommendation

That Council:

1. **ADOPTS** the Audited Financial Report for the year ended 30 June 2021.
2. **NOTES** the Management Report for year ended 30 June 2021.
3. **ENDORSES** the following report addressing the significant matters raised in the Independent Auditor's Report.

#### **Report on the significant matters raised in the Independent Auditor's Report**

The Independent Auditor's Report included the following:

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

- (i) *In my opinion, the following material matters indicate a significant adverse trend in the financial position of the City:*
  - a) *The Operating Surplus Ratio as reported in Note 37 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries' standard for the past two financial years and the current year is below the previous year.*
  - b) *The Asset Sustainability Ratio as reported in Note 37 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries' standard for the past three financial years."*

#### Operating Surplus Ratio

The operating surplus ratio is calculated as follows:

(Operating Revenue MINUS Operating Expense)

Own Source Operating Revenue (i.e. rates, fees and charges)

The benchmark ratio is at least 0.01.

A positive ratio indicates the percentage of total own source revenue available to help fund proposed capital expenditure, transfer to cash reserves or to reduce debt. A negative ratio indicates the percentage increase in total own source revenue (principally rates) that would have been required to achieve a break-even operating result.

For the past two years the City's own source operating revenue has been impacted by COVID-19. In 2019/2020 the City experienced a revenue shortfall of over \$10 million as a result of COVID-19 lock-downs. In 2020/2021 the City's own source operating revenue was impacted due to COVID-19 relief measures including zero increases in rates and fees and charges, not charging rate instalment fees and interest and reduced penalty interest. Western Australia remains under a State of Emergency. It is very difficult for a local government to have a positive operating surplus ratio when the consistent state message was to not increase self-generated revenue and perpetual mandated facility shutdowns.

Asset Sustainability Ratio

The asset sustainability ratio is calculated as follows:

Capital Renewal and Replacement Expenditure

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Depreciation Expense

This ratio is an approximation of the extent to which assets managed by a local government are being replaced as these reach the end of their useful lives. It is calculated by measuring capital expenditure on renewal or replacement of assets, relative to depreciation expense. Expenditure on new or additional assets is excluded.

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**Committee Recommendation**

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Operating Surplus Ratio

The operating surplus ratio is calculated as follows:

(Operating Revenue MINUS Operating Expense)

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Own Source Operating Revenue (i.e. rates, fees and charges)

The benchmark ratio is at least 0.01. **The City's ratio for the past three years are as follows:**

<b>2018/2019</b>	<b>0.02</b>
<b>2019/2020</b>	<b>(0.07)</b>
<b>2020/2021</b>	<b>(0.08)</b>

A positive ratio indicates the percentage of total own source revenue available to help fund proposed capital expenditure, transfer to cash reserves or to reduce debt. A negative ratio indicates the percentage increase in total own source revenue (principally rates) that would have been required to achieve a break-even operating result.

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The benchmark ratio is at least 0.9. **The City's ratio for the past three years are as follows:**

<b>2018/2019</b>	<b>0.77</b>
<b>2019/2020</b>	<b>0.70</b>
<b>2020/2021</b>	<b>0.66</b>

A low percentage may indicate that asset base is relatively new. The City is growing due to new developments in recent years and has added significant amounts to the new asset base which do not require renewal and replacement in the early years of asset life cycle. The City receives significant gifted assets all of which need to be accounted for and depreciated accordingly. To correct a ratio of this nature, the City either needs to reduce its asset creation, much of which is beyond City control, or reduce its depreciation rates. Depreciation rates will again be reviewed. Notwithstanding the Officer of the Auditor General opinion reviewing the reportable ratios, interpretation of this ratio should also be considered together with the asset ratios which are positive.

Committee Voting – 3/0

### **The Committee's Reason for Varying the Officer's Recommendation**

To provide the City's actual ratios as a comparison to the benchmark ratio.

### **Implications of the Changes to the Officer's Recommendation**

Nil

**Note: The Chief Executive Officer for clarity, confirmed the signed Independent Auditors Report and Financial Statements being adopted had been provided to Council prior to this meeting.**

### **Council Resolution**

**Moved Cr Buchan, seconded Cr Edwards:**

That Council:

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2. **NOTES** the Management Report for year ended 30 June 2021.

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Operating Surplus Ratio

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2018/2019	0.02
2019/2020	(0.07)
2020/2021	(0.08)

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2018/2019	0.77
2019/2020	0.70
2020/2021	0.66

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**Carried – 12/0**

**The Council's Reason for Varying the Committee's Recommendation**

Not Applicable

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

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Principal place of business:

Civic Boulevard  
Rockingham WA 6168

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

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

**STATEMENT BY CHIEF EXECUTIVE OFFICER**

The attached financial report of the City of Rockingham for the financial year ended 30 June 2021 is based on proper accounts and records to present fairly the financial position of the City of Rockingham at 30 June 2021 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 22<sup>ND</sup> day of NOVEMBER 2021



\_\_\_\_\_  
Chief Executive Officer

MICHAEL PARKER

\_\_\_\_\_  
Name of Chief Executive Officer

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

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
<b>Revenue</b>				
Rates	30(a)	91,654,021	92,209,240	91,549,962
Operating grants, subsidies and contributions	2(a)	7,884,432	10,019,502	8,416,764
Fees and charges	2(a)	42,765,941	38,432,619	39,522,758
Interest earnings	2(a)	1,115,753	1,655,000	3,392,725
Other revenue	2(a)	3,048,867	15,682,011	4,298,149
		<u>146,469,014</u>	<u>157,998,372</u>	<u>147,180,358</u>
<b>Expenses</b>				
Employee costs		(59,450,085)	(59,907,868)	(58,039,696)
Materials and contracts		(37,574,607)	(52,369,140)	(39,324,888)
Utility charges		(6,064,377)	(6,049,756)	(6,015,624)
Depreciation on non-current assets	11(b)	(40,276,020)	(37,786,319)	(40,210,485)
Interest expenses	2(b)	(626,686)	(613,294)	(700,430)
Insurance expenses		(1,192,804)	(1,572,656)	(1,169,609)
Other expenditure		(10,662,240)	(23,027,258)	(9,637,216)
		<u>(155,846,819)</u>	<u>(181,326,291)</u>	<u>(155,097,948)</u>
		(9,377,805)	(23,327,919)	(7,917,590)
Non-operating grants, subsidies and contributions	2(a)	22,791,250	7,910,253	26,605,960
Profit on asset disposals	11(a)	172,867	3,575,616	308,965
(Loss) on asset disposals	11(a)	(495,413)	(389,813)	(982,412)
Impairment Loss	11(b)	(991,505)	0	(1,579,010)
Fair value adjustments to financial assets at fair value through profit or loss	5(b)	4,525	0	2,017
Share of net profit of associates accounted for using the equity method	27(a)	(19,392)	0	(5,964)
		<u>21,462,332</u>	<u>11,096,056</u>	<u>24,349,556</u>
Net result from discontinued operations	8	(316,124)	0	122,460
<b>Net result for the period</b>		<u><b>11,768,403</b></u>	<u><b>(12,231,863)</b></u>	<u><b>16,554,426</b></u>
<b>Total other comprehensive income for the period</b>		<u><b>0</b></u>	<u><b>0</b></u>	<u><b>0</b></u>
<b>Total comprehensive income for the period</b>		<u><u><b>11,768,403</b></u></u>	<u><u><b>(12,231,863)</b></u></u>	<u><u><b>16,554,426</b></u></u>

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



**CITY OF ROCKINGHAM**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**BY PROGRAM**  
**FOR THE YEAR ENDED 30 JUNE 2021**

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
<b>Revenue</b>				
	2(a)			
Governance		349,306	310,732	2,686,207
General purpose funding		98,770,710	101,009,282	100,639,698
Law, order, public safety		2,409,488	821,300	2,254,523
Health		324,546	237,290	266,980
Education and welfare		1,613,747	1,573,100	459,345
Housing		459,899	3,900,064	404,238
Community amenities		32,671,006	41,057,134	31,280,607
Recreation and culture		7,200,900	7,149,034	6,314,988
Transport		438,109	705,444	280,697
Economic services		1,206,087	701,132	725,702
Other property and services		1,025,216	533,860	1,867,373
		<u>146,469,014</u>	<u>157,998,372</u>	<u>147,180,358</u>
<b>Expenses</b>				
	2(b)			
Governance		(7,708,344)	(10,211,030)	(5,007,610)
General purpose funding		(584,091)	(1,585,000)	(1,128,350)
Law, order, public safety		(7,301,885)	(8,301,876)	(7,866,429)
Health		(2,540,736)	(2,274,510)	(2,272,932)
Education and welfare		(6,202,007)	(7,783,063)	(6,276,310)
Housing		(394,438)	(4,132,460)	(654,695)
Community amenities		(35,515,675)	(46,887,120)	(35,292,191)
Recreation and culture		(53,606,057)	(54,189,499)	(54,336,102)
Transport		(37,340,720)	(40,266,220)	(37,022,363)
Economic services		(2,892,066)	(3,701,971)	(2,742,569)
Other property and services		(1,134,114)	(1,380,248)	(1,797,967)
		<u>(155,220,133)</u>	<u>(180,712,997)</u>	<u>(154,397,518)</u>
<b>Finance Costs</b>				
	2(b)			
Law, order, public safety		(33,361)	(33,495)	(36,470)
Recreation and culture		(593,325)	(579,799)	(663,960)
		<u>(626,686)</u>	<u>(613,294)</u>	<u>(700,430)</u>
		<u>(9,377,805)</u>	<u>(23,327,919)</u>	<u>(7,917,590)</u>
Non-operating grants, subsidies and contributions	2(a)	22,791,250	7,910,253	26,605,960
Profit on disposal of assets	11(a)	172,867	3,575,616	308,965
(Loss) on disposal of assets	11(a)	(495,413)	(389,813)	(982,412)
Impairment Loss	11(b)	(991,505)	0	(1,579,010)
Fair value adjustments to financial assets at fair value through profit or loss	5(b)	4,525	0	2,017
Share of net profit of associates accounted for using the equity method	27(a)	(19,392)	0	(5,964)
		<u>21,462,332</u>	<u>11,096,056</u>	<u>24,349,556</u>
Net result from discontinued operations	8	(316,124)	0	122,460
<b>Net result for the period</b>		<b>11,768,403</b>	<b>(12,231,863)</b>	<b>16,554,426</b>
<b>Total other comprehensive income for the period</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>Total comprehensive income for the period</b>		<b>11,768,403</b>	<b>(12,231,863)</b>	<b>16,554,426</b>

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

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

	NOTE	2021	2020
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	45,903,393	9,456,787
Trade and other receivables	6	9,011,298	10,966,701
Other financial assets	5(a)	66,653,718	85,207,513
Inventories	7	210,447	241,131
Contract assets	2(a)	807,418	0
Assets held for sale	8	10,522,887	12,960,250
<b>TOTAL CURRENT ASSETS</b>		<u>133,109,161</u>	<u>118,832,382</u>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	6	2,044,928	1,941,665
Other financial assets at amortised costs	5(b)	22,853	31,083
Financial assets at fair value through profit and loss	5(b)	129,162	124,637
Property, plant and equipment	9	287,338,420	289,677,125
Infrastructure	10	1,831,973,086	1,822,395,891
Intangible assets	13	7,295,317	7,875,492
Right-of-use assets	12(a)	623,898	831,864
<b>TOTAL NON-CURRENT ASSETS</b>		<u>2,129,427,664</u>	<u>2,122,877,757</u>
<b>TOTAL ASSETS</b>		<u>2,262,536,825</u>	<u>2,241,710,139</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	27,240,527	21,213,542
Contract liabilities	16	4,456,814	818,692
Lease liabilities	17(a)	226,872	226,872
Borrowings	18(a)	1,217,508	1,146,109
Employee related provisions	19	11,020,845	9,584,749
Liabilities - held for sale	8	4,605,726	5,252,333
<b>TOTAL CURRENT LIABILITIES</b>		<u>48,768,292</u>	<u>38,242,297</u>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	17(a)	378,120	604,992
Borrowings	18(a)	6,627,393	7,844,901
Employee related provisions	19	1,209,472	1,501,064
Other provisions	20	9,872,907	9,604,647
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>18,087,892</u>	<u>19,555,604</u>
<b>TOTAL LIABILITIES</b>		<u>66,856,184</u>	<u>57,797,901</u>
<b>NET ASSETS</b>		<u>2,195,680,641</u>	<u>2,183,912,238</u>
<b>EQUITY</b>			
Retained surplus		457,569,713	438,741,378
Reserves - cash backed	4	48,587,419	48,647,351
Revaluation surplus	14	1,689,523,509	1,696,523,509
<b>TOTAL EQUITY</b>		<u>2,195,680,641</u>	<u>2,183,912,238</u>

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

**CITY OF ROCKINGHAM**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2021**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
<b>Balance as at 1 July 2019</b>		<b>425,157,121</b>	<b>45,677,182</b>	<b>1,696,523,509</b>	<b>2,167,357,812</b>
Comprehensive income					
Net result for the period		16,554,426	0	0	16,554,426
Total comprehensive income		16,554,426	0	0	16,554,426
Transfers from reserves	4	1,728,589	(1,728,589)	0	0
Transfers to reserves	4	(4,698,758)	4,698,758	0	0
<b>Balance as at 30 June 2020</b>		<b>438,741,378</b>	<b>48,647,351</b>	<b>1,696,523,509</b>	<b>2,183,912,238</b>
Comprehensive income					
Net result for the period		11,768,403	0	0	11,768,403
Total comprehensive income		11,768,403	0	0	11,768,403
Reclassification	14	7,000,000	0	(7,000,000)	0
Transfers from reserves	4	3,351,929	(3,351,929)	0	0
Transfers to reserves	4	(3,291,997)	3,291,997	0	0
<b>Balance as at 30 June 2021</b>		<b>457,569,713</b>	<b>48,587,419</b>	<b>1,689,523,509</b>	<b>2,195,680,641</b>

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

**CITY OF ROCKINGHAM**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Rates		93,129,925	92,036,038	92,129,705
Operating grants, subsidies and contributions		10,749,846	5,337,718	3,090,640
Fees and charges		43,783,888	38,432,619	40,076,723
Interest received		1,115,753	1,655,000	3,392,725
Goods and services tax received		5,172,890	44,361	5,738,248
Other revenue		6,578,355	15,582,011	5,813,685
		<u>160,530,657</u>	<u>153,087,747</u>	<u>150,241,726</u>
<b>Payments</b>				
Employee costs		(58,045,597)	(60,082,895)	(57,272,211)
Materials and contracts		(35,998,241)	(52,261,229)	(33,812,894)
Utility charges		(6,156,890)	(6,049,756)	(6,015,624)
Interest expenses		(634,961)	(613,294)	(700,430)
Insurance expenses		(1,197,786)	(1,572,656)	(1,169,609)
Goods and services tax paid		(5,162,577)	0	(5,795,363)
Other expenditure		(10,706,118)	(23,027,258)	(4,384,879)
		<u>(117,902,170)</u>	<u>(143,607,088)</u>	<u>(109,151,010)</u>
<b>Net cash provided by (used in) operating activities</b>	21	<u>42,628,487</u>	<u>9,480,659</u>	<u>41,090,716</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for purchase of property, plant & equipment		(11,089,295)	(42,920,090)	(13,148,846)
Payments for construction of infrastructure		(27,811,494)	(45,184,641)	(21,226,750)
Non-operating grants, subsidies and contributions		11,563,958	7,910,253	971,100
Net proceeds/(payments) for financial assets at amortised cost		18,554,272		(10,012,789)
Proceeds from sale of property, plant & equipment	11(a)	890,317	1,418,300	1,589,842
<b>Net cash provided by (used in) investment activities</b>		<u>(7,892,242)</u>	<u>(78,776,178)</u>	<u>(41,827,443)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of borrowings	18(b)	(1,146,109)	(1,146,109)	(1,070,955)
Payments for principal portion of lease liabilities	17(b)	(226,872)	(226,872)	(207,966)
Proceeds from new borrowings	18(b)	0	30,500,000	0
Proceeds from self supporting loans	18(b)	7,754	0	7,307
<b>Net cash provided by (used in) financing activities</b>		<u>(1,365,227)</u>	<u>29,127,019</u>	<u>(1,271,614)</u>
<b>Net increase (decrease) in cash held</b>		<u>33,371,018</u>	<u>(40,168,500)</u>	<u>(2,008,341)</u>
Cash at beginning of year		17,372,492	90,408,662	19,380,833
<b>Cash and cash equivalents at the end of the year</b>		<u>50,743,510</u>	<u>50,240,162</u>	<u>17,372,492</u>
Cash and cash equivalent		45,903,393	50,240,162	9,456,787
Cash classified as held for sale	8(b)	4,840,117	0	7,915,705
<b>Cash and cash equivalents at the end of the year</b>	21	<u>50,743,510</u>	<u>50,240,162</u>	<u>17,372,492</u>

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

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

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
<b>OPERATING ACTIVITIES</b>				
<b>Net current assets at start of financial year - surplus/(deficit)</b>	31 (b)	48,838,303	32,431,464	49,801,766
		<u>48,838,303</u>	<u>32,431,464</u>	<u>49,801,766</u>
<b>Revenue from operating activities (excluding rates)</b>				
Governance		367,609	310,732	2,690,578
General purpose funding		7,116,689	8,800,042	9,089,736
Law, order, public safety		2,491,116	887,496	2,254,523
Health		332,731	241,054	267,711
Education and welfare		1,613,747	1,602,726	508,389
Housing		459,899	3,900,064	404,238
Community amenities		34,233,264	44,247,300	32,123,353
Recreation and culture		12,835,592	8,592,042	20,814,576
Transport		16,045,474	5,702,341	11,576,848
Economic services		1,194,733	701,132	733,993
Other property and services		1,073,389	2,290,072	2,083,393
		<u>77,764,243</u>	<u>77,275,001</u>	<u>82,547,338</u>
<b>Expenditure from operating activities</b>				
Governance		(7,708,344)	(10,227,263)	(5,040,030)
General purpose funding		(584,091)	(1,585,000)	(1,128,350)
Law, order, public safety		(7,335,246)	(8,347,838)	(7,942,340)
Health		(2,540,736)	(2,274,510)	(2,272,932)
Education and welfare		(6,212,163)	(7,783,063)	(6,324,310)
Housing		(394,438)	(4,132,460)	(654,695)
Community amenities		(36,030,607)	(47,152,735)	(35,893,701)
Recreation and culture		(55,112,331)	(54,812,131)	(56,209,155)
Transport		(37,389,601)	(40,266,220)	(37,522,396)
Economic services		(2,892,066)	(3,703,310)	(2,748,533)
Other property and services		(1,134,114)	(1,431,574)	(1,928,892)
		<u>(157,333,737)</u>	<u>(181,716,104)</u>	<u>(157,665,334)</u>
<b>Net result from discontinued operations</b>		(316,124)	0	122,460
Non-cash amounts excluded from operating activities	31(a)	31,362,558	34,829,532	19,509,648
<b>Amount attributable to operating activities</b>		<u>315,242</u>	<u>(37,180,107)</u>	<u>(5,684,123)</u>
<b>INVESTING ACTIVITIES</b>				
Proceeds from disposal of assets	11(a)	890,317	1,418,300	1,589,842
Purchase of property, plant and equipment	9(a)	(11,089,295)	(42,920,090)	(13,148,846)
Purchase and construction of infrastructure		(27,811,494)	(45,184,641)	(21,226,750)
		<u>(38,010,472)</u>	<u>(86,686,431)</u>	<u>(32,785,754)</u>
<b>Amount attributable to investing activities</b>		<u>(38,010,472)</u>	<u>(86,686,431)</u>	<u>(32,785,754)</u>
<b>FINANCING ACTIVITIES</b>				
Repayment of borrowings	18(b)	(1,146,109)	(1,146,109)	(1,070,955)
Proceeds from borrowings	18(c)	0	30,500,000	0
Payments for principal portion of lease liabilities	17(b)	(226,872)	0	(207,966)
Proceeds from self supporting loans	18(b)	7,754		7,307
Transfers to reserves (restricted assets)	4	(3,291,997)	(3,158,708)	(4,698,758)
Transfers from reserves (restricted assets)	4	3,351,929	10,172,642	1,728,589
<b>Amount attributable to financing activities</b>		<u>(1,305,295)</u>	<u>36,367,825</u>	<u>(4,241,783)</u>
<b>Surplus/(deficit) before imposition of general rates</b>		<u>(39,000,525)</u>	<u>(87,498,712)</u>	<u>(42,711,660)</u>
<b>Total amount raised from general rates</b>	30(a)	91,654,021	92,209,240	91,549,962
<b>Surplus/(deficit) after imposition of general rates</b>	31(b)	<u><b>52,653,496</b></u>	<u><b>4,710,528</b></u>	<u><b>48,838,303</b></u>

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

**CITY OF ROCKINGHAM**  
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**FOR THE YEAR ENDED 30 JUNE 2021**

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

**1. BASIS OF PREPARATION**

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

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

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

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

**THE LOCAL GOVERNMENT REPORTING ENTITY**

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 38 to these financial statements.

**INITIAL APPLICATION OF ACCOUNTING STANDARDS**

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

These were:

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

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

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

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

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

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

**CRITICAL ACCOUNTING ESTIMATES**

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

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

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

**2. REVENUE AND EXPENSES**

**REVENUE RECOGNITION POLICY**

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

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

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

**2. REVENUE AND EXPENSES**

**(a) Grant revenue**

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

	2021 Actual \$	2021 Budget \$	2020 Actual \$
<b>Operating grants, subsidies and contributions</b>			
Governance	5,678	16,300	6,494
General purpose funding	5,418,265	6,472,042	7,040,788
Law, order, public safety	504,667	222,400	577,270
Health	5,896	7,050	6,246
Education and welfare	1,256,076	1,337,100	172,492
Housing	180	0	630
Community amenities	125,741	11,320	31,116
Recreation and culture	310,465	1,185,200	261,265
Transport	7,589	500,000	18,026
Economic services	3,549	4,230	3,305
Other property and services	246,326	263,860	299,132
	<u>7,884,432</u>	<u>10,019,502</u>	<u>8,416,764</u>
<b>Non-operating grants, subsidies and contributions</b>			
Community amenities	1,562,258	1,528,356	819,947
Recreation and culture	5,621,627	1,385,000	14,489,862
Transport	15,607,365	4,996,897	11,296,151
	<u>22,791,250</u>	<u>7,910,253</u>	<u>26,605,960</u>
<b>Total grants, subsidies and contributions</b>	<u>30,675,682</u>	<u>17,929,755</u>	<u>35,022,724</u>
<b>Fees and charges</b>			
Governance	323,636	233,932	203,133
General purpose funding	356,612	138,000	290,530
Law, order, public safety	1,863,139	591,900	1,638,723
Health	276,391	209,340	259,690
Education and welfare	281,727	225,800	267,845
Housing	459,719	456,438	399,931
Community amenities	31,280,582	30,054,000	30,128,842
Recreation and culture	6,409,200	5,634,363	5,410,254
Transport	332,936	205,444	204,889
Economic services	1,181,999	683,402	718,921
	<u>42,765,941</u>	<u>38,432,619</u>	<u>39,522,758</u>

The comparative figures had been re-presented to conform with the current year classification and presentation.

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

**SIGNIFICANT ACCOUNTING POLICIES**

**Grants, subsidies and contributions**

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

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

**Fees and Charges**

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

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

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

**(a) Revenue (Continued)**

	2021 Actual \$	2021 Budget \$	2020 Actual \$
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**Contracts with customers and transfers  
for recognisable non-financial assets**

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

Grants, subsidies and contribution	30,675,682	0	35,022,724
	<u>30,675,682</u>	<u>0</u>	<u>35,022,724</u>

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

Revenue from contracts with customers included as a contract liability at the start of the period	818,692	0	0
Revenue from contracts with customers recognised during the year	29,856,990	0	35,022,724
	<u>30,675,682</u>	<u>0</u>	<u>35,022,724</u>

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

Contract assets	807,418	0	0
Contract liabilities from contracts with customers	(4,456,814)	0	(818,692)

Contract assets primarily relate to the City's right to consideration for work completed but not billed at 30 June 2021.

Assets associated with contracts with customers were not subject to an impairment charge.

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

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

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

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

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

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

**(a) Revenue (Continued)**

	2021 Actual \$	2021 Budget \$	2020 Actual \$
<b>Revenue from statutory requirements</b>			
Revenue from statutory requirements was recognised during the year for the following nature or types of goods or services:			
General rates	91,654,021	92,209,240	91,549,962
	<u>91,654,021</u>	<u>92,209,240</u>	<u>91,549,962</u>
<b>Assets and services acquired below fair value</b>			
Grants, subsidies and contributions	1,483,940	1,518,356	819,947
	<u>1,483,940</u>	<u>1,518,356</u>	<u>819,947</u>
<b>Other revenue</b>			
Reimbursements and recoveries	1,621,086	929,801	1,756,838
Other	1,427,781	14,752,210	2,541,312
	<u>3,048,867</u>	<u>15,682,011</u>	<u>4,298,150</u>
<b>Interest earnings</b>			
Reserve Funds	366,154	1,250,000	869,366
Rates instalment and penalty interest (refer Note 30(b))	189,168	325,000	1,233,123
Other interest earnings	560,431	80,000	1,290,236
	<u>1,115,753</u>	<u>1,655,000</u>	<u>3,392,725</u>

**SIGNIFICANT ACCOUNTING POLICIES**

**Interest earnings**

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

**Interest earnings (continued)**

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

**(b) Expenses**

Note	2021 Actual \$	2021 Budget \$	2020 Actual \$
<b>Auditors remuneration</b>			
Audit Services	89,278	105,000	118,817
	<u>89,278</u>	<u>105,000</u>	<u>118,817</u>
<b>Interest expenses (finance costs)</b>			
Borrowings	18(b) 605,020	613,294	680,569
Lease liabilities	17(b) 21,666	0	19,861
	<u>626,686</u>	<u>613,294</u>	<u>700,430</u>
<b>Significant expense</b>			
Depreciation	40,276,020	37,786,319	40,210,485
Operating expense - Millar Road Landfill Facility - Landfill Levy	7,410,308	8,000,000	6,953,353
	<u>47,686,328</u>	<u>45,786,319</u>	<u>47,163,838</u>

**COVID-19 Pandemic impact on Revenue & Expenses of City:**

The COVID-19 pandemic impacted the City of Rockingham from March 2020. A Business Continuity Team was implemented to provide support to the Executive Leadership team in planning for the response to the pandemic. In accordance with the restrictions from the Australian Government and State Governments, all City of Rockingham leisure and community facilities and libraries were closed for around 3 weeks during the 2020-21 financial year and reopened with restrictions. The financial impact on the City was primarily due to the loss of operating revenue from fees and charges, with only a minor impact on operating expenditure as a result of these closures. During this period the City maintained essential and other services to the community by adopting different operating arrangements as required.

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**3. CASH AND CASH EQUIVALENTS**

	<u>NOTE</u>	<u>2021</u>	<u>2020</u>
		\$	\$
Unrestricted		38,550,652	7,651,698
Restricted		7,352,741	1,805,089
<b>Total Cash and Cash equivalents</b>		<u>45,903,393</u>	<u>9,456,787</u>
Term deposits - Unrestricted		18,058,068	33,169,801
Term deposits - Restricted		48,587,419	52,029,957
<b>Total Term Deposits</b>		<u>66,645,487</u>	<u>85,199,758</u>
<b>Total Cash &amp; Cash Equivalents and Term Deposits</b>		<u>112,548,880</u>	<u>94,656,545</u>

**Restrictions**

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

Total Unrestricted cash and term deposits	56,608,720	40,821,499
Total Restricted cash and term desposits	55,940,160	53,835,046
	<u>112,548,880</u>	<u>94,656,545</u>

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

Reserves - cash backed	4	48,587,419	48,647,351
Unspent grants, subsidies and contributions	16	4,456,814	3,382,606
Bond Liabilities - Municipal Bonds	15	2,895,927	1,805,089
<b>Total restricted assets</b>		<u>55,940,160</u>	<u>53,835,046</u>

**SIGNIFICANT ACCOUNTING POLICIES**

**Cash and cash equivalents**

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

**Restricted assets**

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

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4. RESERVES - CASH BACKED	2021	2021	2021	2021	2021	2021	2021	2021	2020	2020	2020	2020
	Actual	Actual	Actual	Actual	Budget	Budget	Budget	Budget	Actual	Actual	Actual	Actual
	Opening	Transfer to	Transfer (from)	Closing	Opening	Transfer to	Transfer (from)	Closing	Opening	Transfer to	Transfer (from)	Closing
	Balance			Balance	Balance			Balance	Balance			Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Town Planning Scheme Review	453,434	2,144	(455,578)	0	453,062	0	(453,062)	0	444,824	8,610	0	453,434
(b) Public Car Park Reserve - Cash in Lieu Contributions	2,382,305	21,637	0	2,403,942	2,380,352	24,810	0	2,405,162	2,337,069	45,236	0	2,382,305
(c) Waste & Landfill Preservation	18,169,203	165,021	0	18,334,224	18,139,174	189,060	0	18,328,234	15,845,711	2,323,492	0	18,169,203
(d) CLAG - Peel Mosquito Control	24,450	222	0	24,672	24,430	255	0	24,685	23,986	464	0	24,450
(e) Administration and Community Building	1,137,202	9,927	(92,708)	1,054,421	1,136,269	5,006	(1,141,275)	0	1,115,608	21,594	0	1,137,202
(f) City Centre Carpark Reserve - Cash in Lieu	262,628	2,385	0	265,013	262,413	2,735	0	265,148	257,641	4,987	0	262,628
(g) City Centre Development	2,774,346	25,198	0	2,799,544	2,772,070	28,892	0	2,800,962	2,721,665	52,681	0	2,774,346
(h) Workers Compensation	784,649	7,127	0	791,776	784,006	8,171	0	792,177	769,750	14,899	0	784,649
(i) Anstey Park Shared Costs	1,264,941	11,489	0	1,276,430	1,263,904	13,173	0	1,277,077	1,240,922	24,019	0	1,264,941
(j) Legal Fees	987,244	8,967	0	996,211	986,435	10,281	0	996,716	968,498	18,746	0	987,244
(k) Strategic Master Planning	687,854	3,252	(691,106)	0	687,290	0	(687,290)	0	674,793	13,061	0	687,854
(l) Active Aging Development	192,737	1,751	0	194,488	192,579	2,007	0	194,586	189,079	3,660	0	192,738
(m) Bert England Lodge Capital Works	3,463,051	31,453	0	3,494,504	3,437,987	35,833	0	3,473,820	2,197,293	1,265,758	0	3,463,051
(n) Capital Works	4,920,843	1,196,348	0	6,117,191	4,916,808	1,203,484	(3,693,903)	2,426,389	4,827,404	93,439	0	4,920,843
(o) Employee Leave	6,066,264	55,097	0	6,121,361	6,061,648	63,179	0	6,124,827	5,951,073	115,189	0	6,066,263
(p) Developer Contributions Scheme	4,333,162	1,743,722	(2,034,037)	4,042,847	4,418,810	1,564,412	(3,857,112)	2,126,110	5,325,548	677,703	(1,670,089)	4,333,162
(q) Challenger Court	214,379	1,947	0	216,326	496,678	5,177	(340,000)	161,855	261,730	11,149	(58,500)	214,379
(r) Life Long Learning	528,659	4,310	(78,500)	454,469	214,203	2,233	0	216,436	524,588	4,071	0	528,659
	48,647,351	3,291,997	(3,351,929)	48,587,419	48,628,115	3,158,708	(10,172,642)	41,614,181	45,677,182	4,698,758	(1,728,589)	48,647,351

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

In accordance with Council resolutions in relation to each reserve account, the purpose for which the reserves are set aside are as follows:

Name of Reserve	Purpose of the reserve
(a) Town Planning Scheme Review	these funds are no longer required to fund the preparation of town planning schemes and were transferred to the Capital Works Reserve.
(b) Public Car Park Reserve - Cash in Lieu Contributions	to be used to fund the provision of public car parking facilities.
(c) Waste & Landfill Preservation	to be used to fund expenditure associated with providing a refuse disposal service.
(d) CLAG - Peel Mosquito Control	to be used to fund the controlling of mosquitos through the Peel Mosquito Management Group.
(e) Administration and Community Building	to be used to fund capital expenditure on administration and community buildings.
(f) City Centre Carpark Reserve - Cash in Lieu	to be used to fund the provision of public car parking facilities.
(g) City Centre Development	to be used to fund the development of the City Centre.
(h) Workers Compensation	to be used to fund expenditure associated with workers compensation premiums.
(i) Anstey Park Shared Costs	to be used to receive developers funds in advance to meet future project costs.
(j) Legal Fees	to be used to fund expenditure incurred by the City on legal fees.
(k) Strategic Master Planning	these funds are no longer required to fund strategic planning expenses and will be transferred to the Capital Works Reserve.
(l) Active Aging Development	to be used to fund expenditure on active aging programs and initiatives.
(m) Bert England Lodge Capital Works	to be used to fund capital expenditure at Bert England Lodge. This will be transferred upon disposal of the facility.
(n) Capital Works	to be used to fund capital works and COVID-19 stimulus projects.
(o) Employee Leave	to be used to fund employee leave entitlements.
(p) Developer Contributions Scheme	to be used to fund Capital Works & Administration of Scheme.
(q) Challenger Court	to meet future capital expenditure
(r) Life Long Learning	to increase tertiary education opportunities for Rockingham residents as per the City's Learning City Strategy

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**5. OTHER FINANCIAL ASSETS**

	<u>2021</u>	<u>2020</u>
	\$	\$
<b>(a) Current assets</b>		
Financial assets at amortised cost	66,653,718	85,207,513
	<u>66,653,718</u>	<u>85,207,513</u>
<b>Other financial assets at amortised cost</b>		
Term deposits	66,645,487	85,199,758
Self supporting loans	8,231	7,755
	<u>66,653,718</u>	<u>85,207,513</u>
<b>(b) Non-current assets</b>		
Financial assets at amortised cost	22,853	31,083
Financial assets at fair value through profit and loss	129,162	124,637
	<u>152,015</u>	<u>155,720</u>
<b>Financial assets at amortised cost</b>		
Self supporting loans	22,853	31,083
	<u>22,853</u>	<u>31,083</u>

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

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

*- Unlisted equity investments*

Financial assets at fair value through profit and loss - WALGA Housing Trust	129,162	124,637
	<u>129,162</u>	<u>124,637</u>

The movement in the financial assets at fair value through profit and loss of \$ 4,525 and has been recognised in statement of comprehensive income.

**SIGNIFICANT ACCOUNTING POLICIES**

**Other financial assets at amortised cost**

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

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

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

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

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

**Impairment and risk**

Information regarding impairment and exposure to risk can be found at Note 32.

**CITY OF ROCKINGHAM**  
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**6. TRADE AND OTHER RECEIVABLES**

**Current**

Rates receivable	
Trade and other receivables	
GST receivable	
Less: Allowance for impairment of receivables	

**Non-current**

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

	2021	2020
	\$	\$
	5,099,284	5,972,325
	3,864,169	4,931,636
	718,188	728,501
	9,681,641	11,632,462
	(670,343)	(665,761)
	9,011,298	10,966,701
	2,044,928	1,941,665
	2,044,928	1,941,665

**SIGNIFICANT ACCOUNTING POLICIES**

**Trade and other receivables**

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

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

**Impairment and risk exposure**

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 32.

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Classification and subsequent measurement**

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

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

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

**7. INVENTORIES**

**Current**

Fuel and materials	
--------------------	--

The following movements in inventories occurred during the year:

**Balance at beginning of year**

Additions to inventory

**Balance at end of year**

	2021	2020
	\$	\$
	210,447	241,131
	210,447	241,131
	241,131	241,131
	(30,684)	0
	210,447	241,131

**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.

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**8. DISCONTINUED OPERATION AND NON-CURRENT ASSETS HELD FOR SALE**

The City has commenced the process of disposing of Lot 57 on Diagram 77101 (111) Woodbridge Drive, Cooloongup (Bert England Lodge, consisting of the facility, land and business) to an aged care provider. Included is the transfer of the 44 Bert England Lodge aged care places to the successful aged care provider conditional on Federal Government Secretary of Health approval. There has been a delay in the sale, at this stage it is expected that this sale will conclude within the next 12 months.

**a) OPERATING STATEMENT**

The results of the discontinued operations, which have been included in the net results for the year were as follows:

	<u>2021</u>	<u>2020</u>
	\$	\$
Revenue	3,529,488	3,433,420
Expenses	(3,845,611)	(3,310,960)
Net result from discontinued operations	(316,123)	122,460

**b) ASSETS AND LIABILITIES**

The major classes of assets and liabilities comprising operations classified as held for sale are as follows:

	<u>2021</u>	<u>2020</u>
	\$	\$
<b>Current Assets</b>		
Cash and advances - Bert England Lodge	4,840,117	7,915,705
Debtors - Bert England Lodge	841,397	1,393,076
Inventories - Bert England Lodge	0	7,438
Property plant and equipment - Bert England Lodge	3,644,031	3,644,031
	<u>9,325,545</u>	<u>12,960,250</u>
<b>Current Liabilities</b>		
Sundry Creditors - Bert England Lodge	(4,605,726)	(5,252,333)
	<u>(4,605,726)</u>	<u>(5,252,333)</u>

City has also commenced disposal of the following leased properties.

Lot 716 Centaurus Street, Rockingham – Rockingham Park Kindergarden  
 Lot 35 Council Avenue – Rockingham Child Care Centre  
 Lot 393 Hefron Street – Rockingham Youth Station and Youth Health Services Clinic

The assets and liabilities of these leased properties classified as held for sale are as follows:

	<u>2021</u>
	\$
<b>Current Assets</b>	
Property Plant and Equipment - Rockingham Park Kindergarden	212,303
Property Plant and Equipmen - Rockingham Child Care Centre	698,020
Property Plant and Equipmen - Rockingham Youth Station and Youth Health Services Clinic	247,426
Miscellaneous Infrastructure - Rockingham Park Kindergarden	39,593
	<u>1,197,342</u>
Total Assets - Held for sale	10,522,887
Total Liabilities - Held for Sale	(4,605,726)

**SIGNIFICANT ACCOUNTING POLICIES**

**Non-current assets held for sale**

Assets are classified as held for sale where the carrying amount will be recovered through a sale rather than continuing use and the asset is available for immediate sale with a sale being highly probable.

Non-current assets classified as held for sale are valued at the lower of the carrying amount and fair value less costs to sell.

**Non-current assets held for sale (Continued)**

The fair value of land and buildings was determined using the sales comparison approach using comparable properties in the area. This is a level 2 measurement as per the fair value heirachy set out in Note 35(h).

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**9. PROPERTY, PLANT AND EQUIPMENT**

**(a) Movements in Balances**

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

	Land	Land Infrastructure	Buildings	Furniture and equipment	Plant and equipment	Miscellaneous Assets	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2019</b>	95,279,769	10,537,365	172,188,172	1,647,703	11,623,207	579,096	291,855,312
Additions	0	599,987	4,441,156	1,353,124	7,887,714	68,390	14,350,371
(Disposals)	0	0	(310,652)	(13,730)	(1,938,907)	0	(2,263,289)
Impairment (losses) / reversals	0	0	(180,897)	0	0	0	(180,897)
Depreciation (expense)	0	(1,301,370)	(6,085,571)	(344,783)	(2,696,735)	(11,882)	(10,440,341)
Assets held for sale - Bert England Lodge	(300,000)	0	(3,344,031)	0	0	0	(3,644,031)
Transfers	(534,700)	0	534,700	0	0	0	0
<b>Balance at 30 June 2020</b>	<b>94,445,069</b>	<b>9,835,982</b>	<b>167,242,877</b>	<b>2,642,314</b>	<b>14,875,279</b>	<b>635,604</b>	<b>289,677,125</b>
<b>Comprises:</b>							
Gross balance amount at 30 June 2020	94,445,069	15,054,172	186,154,575	4,428,040	22,528,930	657,838	323,268,624
Accumulated depreciation at 30 June 2020	0	(5,218,190)	(18,671,711)	(1,785,726)	(7,653,651)	(22,234)	(33,351,512)
Accumulated impairment loss at 30 June 2020	0	0	(239,987)	0	0	0	(239,987)
<b>Balance at 30 June 2020</b>	<b>94,445,069</b>	<b>9,835,982</b>	<b>167,242,877</b>	<b>2,642,314</b>	<b>14,875,279</b>	<b>635,604</b>	<b>289,677,125</b>
Additions	0	51,478	6,058,039	1,375,816	3,505,087	98,875	11,089,295
(Disposals)	0	0	0	0	(1,212,863)	0	(1,212,863)
Impairment (losses) / reversals	0	0	(227,609)	0	0	0	(227,609)
Depreciation (expense)	0	(1,301,368)	(6,086,020)	(597,552)	(2,810,638)	(12,362)	(10,807,940)
Assets held for sale	(270,000)	0	(887,750)	0	0	0	(1,157,750)
Transfers	0	0	(21,838)	0	0	0	(21,838)
<b>Balance at 30 June 2021</b>	<b>94,175,069</b>	<b>8,586,092</b>	<b>166,077,699</b>	<b>3,420,578</b>	<b>14,356,865</b>	<b>722,117</b>	<b>287,338,420</b>
<b>Comprises:</b>							
Gross balance amount at 30 June 2021	94,175,069	16,758,144	191,050,566	5,803,856	23,216,435	756,717	331,760,787
Accumulated depreciation at 30 June 2021	0	(8,172,052)	(24,505,271)	(2,383,278)	(8,859,570)	(34,600)	(43,954,771)
Accumulated impairment loss at 30 June 2021	0	0	(467,596)	0	0	0	(467,596)
<b>Balance at 30 June 2021</b>	<b>94,175,069</b>	<b>8,586,092</b>	<b>166,077,699</b>	<b>3,420,578</b>	<b>14,356,865</b>	<b>722,117</b>	<b>287,338,420</b>

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

**(b) Fair Value Measurements**

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
<b>(i) Fair Value</b>					
<b>Land and buildings</b>					
Land					
- Independent valuation 2017	2	Market approach using recent observable market data for similar properties	Independent valuers	June 2017	Purchase costs and residual values
Land Infrastructure					
- Independent valuation 2018	3	Cost Approach. Current replacement cost calculating depreciated value	Independent valuers	July 2018	Unit rates obtained by using cost guides & through the prices supplied by the COR Useful life estimated using condition, known age and estimated age
Buildings					
- Management valuation 2017	2	Market approach using recent observable market data for similar properties	Management valuation	June 2017	Purchase costs and residual values
- Independent valuation 2017	2	Market approach using recent observable market data for similar properties	Independent valuers	June 2017	Purchase costs and residual values
<b>(ii) Cost</b>					
<b>Furniture and equipment</b>					
- Management valuation 2016	2	Market approach using recent observable market data for similar properties	Management valuation	June 2016	Purchase costs and current condition

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

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.

All buildings are identified as non-specialised.

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 ROCKINGHAM**  
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**10. INFRASTRUCTURE**

**(a) Movements in carrying amounts**

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

	<b>Infrastructure - Roads, Footpaths and Drainage</b>	<b>Other Infrastructure</b>	<b>Total Infrastructure</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance at 1 July 2019</b>	1,686,961,674	124,348,849	1,811,310,523
Additions	19,503,382	21,991,074	41,494,456
Impairment (losses) / reversals	(487,726)	(910,387)	(1,398,113)
Depreciation (expense)	(20,801,173)	(8,209,802)	(29,010,975)
<b>Balance at 30 June 2020</b>	<u>1,685,176,157</u>	<u>137,219,734</u>	<u>1,822,395,891</u>
<b>Comprises:</b>			
Gross balance at 30 June 2020	1,726,910,023	153,933,736	1,880,843,759
Accumulated depreciation at 30 June 2020	(41,207,722)	(15,143,438)	(56,351,160)
Accumulated impairment loss at 30 June 2020	(526,144)	(1,570,564)	(2,096,708)
<b>Balance at 30 June 2020</b>	<u>1,685,176,157</u>	<u>137,219,734</u>	<u>1,822,395,891</u>
Additions	23,617,657	15,421,129	39,038,786
Impairment (losses) / reversals	(48,881)	(715,015)	(763,896)
Depreciation (expense)	(20,991,228)	(7,688,711)	(28,679,939)
Assets held for sale - Various Leased Properties	0	(39,594)	(39,594)
Transfers	0	21,838	21,838
<b>Balance at 30 June 2021</b>	<u>1,687,753,705</u>	<u>144,219,381</u>	<u>1,831,973,086</u>
<b>Comprises:</b>			
Gross balance at 30 June 2021	1,750,527,678	169,327,496	1,919,855,174
Accumulated depreciation at 30 June 2021	(62,198,948)	(22,822,537)	(85,021,485)
Accumulated impairment loss at 30 June 2021	(575,025)	(2,285,578)	(2,860,603)
<b>Balance at 30 June 2021</b>	<u>1,687,753,705</u>	<u>144,219,381</u>	<u>1,831,973,086</u>

**CITY OF ROCKINGHAM**  
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**10. INFRASTRUCTURE (Continued)**

**(b) Carrying Value Measurements**

<b>Asset Class</b>	<b>Fair Value Hierarchy</b>	<b>Valuation Technique</b>	<b>Basis of Valuation</b>	<b>Date of Last Valuation</b>	<b>Inputs Used</b>
<b>(i) Fair Value</b>					
Management valuation 2018	3	Cost Approach - Depreciated replacement cost	Management valuation	30 June 2018	Current condition and remaining useful life assessments
<b>Footpaths &amp; Crossovers</b>					
Management valuation 2018	3	Cost Approach - Depreciated replacement cost	Management valuation	30 June 2018	Inspections are carried out by City's Asset Inspector as per IPWEA guidelines under grading system. All Boardwalks inspections were carried out by external consultant under similar guidelines.
<b>Drainage</b>					
Management valuation 2018	3	Cost Approach - Depreciated replacement cost	Management valuation	30 June 2018	All the pits and pipes condition assessments were carried out by external consultant where quantity and condition data are uncertain.
Management valuation 2018	2	Cost Approach - Depreciated replacement cost	Management valuation	30 June 2018	Unit rates are derived from the City's Tender rates.
Independent valuation 2018	2	1) Market price for comparable artworks by the same artist 2) Cost approach - Replacement/Reproduction method	Independent valuers	30 June 2018	Market price for comparable public artworks by the same artist and comparative market analysis for subjective and objective adjustments includes reputation of the artist and a condition of the artwork In cases where Mkt price is not available: Cost approach used on a judgement made on methodology 'reproduction method' or 'replacement method'
Management valuation 2018	3	Cost Approach - Depreciated replacement cost	Management valuation	30 June 2018	All inspections were carried out by the City Asset Management Officers as per IPWEA grading system and WALGA guidelines for asphalt and binder condition Quantity, condition and cost data are reliable.

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 2 and 3 inputs.

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

**SIGNIFICANT ACCOUNTING POLICIES**

**Fixed assets**

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

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

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

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

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

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

**Revaluation**

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

**AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY Revaluation (Continued)**

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

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

**Land under roads from 1 July 2019**

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

**Vested improvements from 1 July 2019**

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

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

**CITY OF ROCKINGHAM**  
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**11. FIXED ASSETS**

**(a) Disposals of Assets**

	2021 Actual Net Book Value	2021 Actual Sale Proceeds	2021 Actual Profit	2021 Actual Loss	2021 Budget Net Book Value	2021 Budget Sale Proceeds	2021 Budget Profit	2021 Budget Loss	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss
Buildings	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 310,652	\$ 0	\$ 0	\$ (310,652)
Furniture and equipment	0	0	0	0	0	0	0	0	13,730	0	0	(13,730)
Plant and equipment	1,212,863	890,317	172,867	(495,413)	(1,767,503)	1,418,300	3,575,616	(389,813)	1,938,907	1,589,842	308,965	(658,030)
	<u>1,212,863</u>	<u>890,317</u>	<u>172,867</u>	<u>(495,413)</u>	<u>(1,767,503)</u>	<u>1,418,300</u>	<u>3,575,616</u>	<u>(389,813)</u>	<u>2,263,289</u>	<u>1,589,842</u>	<u>308,965</u>	<u>(982,412)</u>

The following assets were disposed of during the year.

	2021 Actual Net Book Value	2021 Actual Sale Proceeds	2021 Actual Profit	2021 Actual Loss
<b>Plant and Equipment</b>				
<b>Governance</b>	\$ 29,916	\$ 48,219	\$ 18,303	\$ 0
<b>Law, order, public safety</b>	91,303	172,931	81,628	0
<b>Health</b>	24,938	33,123	8,185	0
<b>Community amenities</b>	858,303	362,890	0	(495,413)
<b>Recreation and culture</b>	2,968	11,508	8,540	0
<b>Economic services</b>	6,185	14,223	8,038	0
<b>Other property and services</b>	199,250	247,423	48,173	0
	<u>1,212,863</u>	<u>890,317</u>	<u>172,867</u>	<u>(495,413)</u>
	<u>1,212,863</u>	<u>890,317</u>	<u>172,867</u>	<u>(495,413)</u>

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

**(b) Depreciation**

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Land Infrastructure	1,301,368	6,408,172	1,301,370
Buildings	6,086,020	1,569,522	6,085,571
Furniture and equipment	597,552	85,492	344,783
Plant and equipment	2,810,638	2,648,336	2,696,735
Miscellaneous Assets	12,362	0	11,882
Computer Equipment	0	568,025	0
Infrastructure - Roads, Footpaths and Drainage	20,991,228	20,680,921	20,801,173
Other Infrastructure	7,688,711	5,825,851	8,209,802
Intangible Assets	580,175	0	580,175
Right-of-use assets - buildings	207,966	0	207,966
	40,276,020	37,786,319	40,239,457
Assets Held for Sale - Discontinued Operations	0	0	(28,972)
	40,276,020	37,786,319	40,210,485

**Impairment**

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Buildings	227,609	0	180,898
Drainage	5,053	0	20,424
Footpaths & Crossovers	6,669	0	246,820
Miscellaneous Infrastructure	0	0	129,231
Parks Reserves and Foreshore	715,015	0	781,156
Roads	37,159	0	220,481
	991,505	0	1,579,010

**(c) SIGNIFICANT ACCOUNTING POLICIES**

**Depreciation**

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

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

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

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

**Depreciation rates**

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

Asset Class	Useful life
Land Infrastructure	5 to 40 years
Buildings	20 to 50 years
Furniture and Equipment	3 to 10 years
Plant and Equipment	4 to 10 years
Miscellaneous Assets	50 to 80 years
Infrastructure- Roads Footpaths and Drainage	10 to 100 years
Other Infrastructure	10 to 80 years
Amortisation rates	
Computer software	4 to 5 years
Landfill assets	28 years

**Depreciation on revaluation**

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

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

**Amortisation**

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

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

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

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## 12. LEASES

### (a) Right-of-Use Assets

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

**Balance at 1 July 2019**

Depreciation (expense)

**Balance at 30 June 2020**

Depreciation (expense)

**Balance at 30 June 2021**

<b>Right-of-use assets - buildings</b>	<b>Right-of-use assets Total</b>
\$	
1,039,830	1,039,830
(207,966)	(207,966)
831,864	831,864
(207,966)	(207,966)
623,898	623,898

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

Interest expense on lease liabilities

Lease principal expense

**Total cash outflow from leases**

<b>2021 Actual</b>	<b>2020 Actual</b>
\$	\$
21,666	19,861
226,872	207,966
248,538	227,827

Total cash outflow from leases

(248,538) (227,827)

The right of use assets relates to library lease which is for 5 years term from Murdoch University, the Lessor. There is no provision under the lease for purchase of assets at the end of lease term. This lease asset is un-secured.

### SIGNIFICANT ACCOUNTING POLICIES

#### Leases

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

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

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

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

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

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

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

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

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

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**13. INTANGIBLE ASSETS**

**(a) Rehabilitation Assets**

	<b>2021 Actual</b>	<b>2020 Actual</b>
<b>Non-current</b>		
Waste landfill	\$ 7,240,101	\$ 7,240,101
Less: accumulated depreciation	(536,304)	(268,152)
	<u>6,703,797</u>	<u>6,971,949</u>
Movements in carrying amounts of waste landfill assets during the financial year are shown as follows:		
<b>Carrying amount at 30 June</b>	6,971,949	7,240,101
Amortisation expense	(268,152)	(268,152)
<b>Carrying amount at 30 June</b>	<u>6,703,797</u>	<u>6,971,949</u>

**(a) Computer Software**

	<b>2021 Actual</b>	<b>2020 Actual</b>
<b>Non-current</b>		
Computer software	\$ 1,215,566	\$ 1,215,566
Less: accumulated depreciation	(624,046)	(312,023)
	<u>591,520</u>	<u>903,543</u>

Movements in balances of computer software during the financial year are shown as follows:

<b>Balance at 30 June</b>	903,543	1,215,566
Amortisation expense	(312,023)	(312,023)
<b>Balance at 30 June</b>	<u>591,520</u>	<u>903,543</u>
<b>TOTAL INTANGIBLE ASSETS</b>	<u>7,295,317</u>	<u>7,875,492</u>

**SIGNIFICANT ACCOUNTING POLICIES**

**Computer software**

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the the City are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software.
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

**Computer software (continued)**

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

**Landfill assets**

The establishment of a landfill facility will result in the acquisition/construction of a range of site improvements that are necessary for the appropriate functioning and control of the facility. This includes cost incurred directly in relation to the construction of individual landfill cells.

Upon commencement of a landfill these assets are to be recognised in accordance with council's asset recognition policy. Assets are to be depreciated over the life of the asset to council, or the life of the landfill site, whichever is the shorter.

**CITY OF ROCKINGHAM**  
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## 14. REVALUATION SURPLUS

	2021 Opening Balance	2021 Reclassification	2021 Closing Balance	2020 Opening Balance	2020 Closing Balance
	\$	\$	\$	\$	\$
Revaluation surplus - Land & Land Infrastructure	63,707,098	(7,000,000)	56,707,098	63,707,098	63,707,098
Revaluation surplus - Buildings	85,343,086	0	85,343,086	85,343,086	85,343,086
Revaluation surplus - Furniture and equipment	3,554,563	0	3,554,563	3,554,563	3,554,563
Revaluation surplus - Plant and equipment	2,311,533	0	2,311,533	2,311,533	2,311,533
Revaluation surplus - Miscellaneous Assets	160,428	0	160,428	160,428	160,428
Revaluation surplus - Intangible PPE	1,491,971,187	0	1,491,971,187	1,491,971,187	1,491,971,187
Revaluation surplus - Other Infrastructure	49,475,614	0	49,475,614	49,475,614	49,475,614
	<u>1,696,523,509</u>	<u>(7,000,000)</u>	<u>1,689,523,509</u>	<u>1,696,523,509</u>	<u>1,696,523,509</u>

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.

Revaluation Surplus of \$7M had been reclassified to Retained Surplus. This amount relates to transfer of Challenger Facility (Aged Care) assets at the time of original recognition that had, at that time, been inadvertently recognised in Revaluation Surplus.

**CITY OF ROCKINGHAM**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**15. TRADE AND OTHER PAYABLES**

	<u>2021</u>	<u>2020</u>
	\$	\$
<b>Current</b>		
Sundry creditors	12,249,253	8,012,230
Rates received in advance	4,251,848	3,545,722
Accrued salaries and wages	1,352,599	1,082,648
Bonds and deposits held	2,895,927	1,805,089
Accrued interest on long term liabilities	44,111	52,386
Capital grant liabilities	6,446,789	6,715,467
	<u>27,240,527</u>	<u>21,213,542</u>

Capital grants liabilities comprises of developer contribution \$4,042,847 and cash in lieu of parking \$2,403,942.

**SIGNIFICANT ACCOUNTING POLICIES**

**Trade and other payables**

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

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

**Prepaid rates**

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

**CITY OF ROCKINGHAM**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**16. CONTRACT LIABILITIES**

**Current**

Contract liabilities from contracts with customers unspent grants, contributions and reimbursements

<u>2021</u>	<u>2020</u>
\$	\$
4,456,814	818,692
<u>4,456,814</u>	<u>818,692</u>

**SIGNIFICANT ACCOUNTING POLICIES**

**Contract liabilities**

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

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

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

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

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

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

**Service concession liabilities**

Service concession liabilities relate to the grant of right to an operator in respect of an asset controlled by the City. They represent the unearned revenue related to the grant of right, and is recognised as revenue according to the economic substance of the service concession arrangement.

**CITY OF ROCKINGHAM**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**17. LEASE LIABILITIES**

(a) Lease Liabilities	2021	2020
	\$	\$
Current	226,872	226,872
Non-current	378,120	604,992
	604,992	831,864

**(b) Movements in Carrying Amounts**

Purpose	Lease Number	Institution	Lease Interest Rate	Lease Term	Actual Lease Principal 1 July 2020	30 June 2021 Actual Lease Principal Repayments	30 June 2021 Actual Lease Principal Outstanding	30 June 2021 Actual Lease Interest Repayments	Budget Lease Principal 1 July 2020	30 June 2021 Budget Lease Principal Repayments	30 June 2021 Budget Lease Principal Outstanding	30 June 2021 Budget Lease Interest Repayments	Actual Lease Principal 1 July 2019	30 June 2020 Actual Lease Principal Repayments	30 June 2020 Actual Lease Principal Outstanding	30 June 2020 Actual Lease Interest Repayments
					\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Recreation and culture</b>																
Rockingham Library Lease	#1	Murdoch University	2.00%	55 years	831,864	(226,872)	604,992	(21,666)	812,958	(226,872)	586,086	0	1,039,830	(207,966)	831,864	(19,861)
					831,864	(226,872)	604,992	(21,666)	812,958	(226,872)	586,086	0	1,039,830	(207,966)	831,864	(19,861)

**CITY OF ROCKINGHAM**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**18. INFORMATION ON BORROWINGS**

**(a) Borrowings**

	2021	2020
	\$	\$
Current	1,217,508	1,146,109
Non-current	6,627,393	7,844,901
	<u>7,844,901</u>	<u>8,991,010</u>

**(b) Repayments - Borrowings**

Particulars	Institution	Actual	30 June 2021	30 June 2021	30 June 2021	Budget	30 June 2021	30 June 2021	30 June 2021	30 June 2021	Actual	30 June 2020	30 June 2020	30 June 2020
		Principal	Actual	Actual	Actual	Principal	Budget	Budget	Budget	Budget	Principal	Actual	Actual	Actual
		1 July 2020	Principal	Interest	Principal	1 July 2020	New	Principal	Interest	Principal	1 July 2019	Principal	Interest	Principal
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Law, order, public safety</b>														
Loan No. 263 - Dog Pound	WATC	461,000	(44,006)	(33,361)	416,994	461,000	0	(44,006)	(33,495)	416,994	501,906	(40,906)	(35,065)	461,000
<b>Recreation and culture</b>														
Loan No. 242 - Rockingham Bowling Club	WATC	25,554	(16,766)	(1,090)	8,788	25,554	0	(16,766)	(1,350)	8,788	41,296	(15,742)	(1,718)	25,554
Loan No. 244J - Warnbro Recreation Centre	WATC	319,356	(121,091)	(19,629)	198,265	319,356	0	(121,091)	(20,302)	198,265	432,276	(112,920)	(25,957)	319,356
Loan No. 245 (1) - Waterfront Village	WATC	183,497	(32,561)	(9,516)	150,936	183,497	0	(32,560)	(10,353)	150,937	214,218	(30,721)	(6,711)	183,497
Loan No. 245 (2) - Waterfront Village	WATC	185,334	(32,765)	(10,155)	152,569	185,334	0	(32,765)	(10,778)	152,569	216,194	(30,860)	(8,575)	185,334
Loan No. 245 (3) - Waterfront Village	WATC	187,580	(33,012)	(10,811)	154,568	187,580	0	(33,012)	(11,306)	154,568	218,606	(31,026)	(10,017)	187,580
Loan No. 245 (4) - Waterfront Village	WATC	184,011	(32,618)	(10,159)	151,393	184,011	0	(32,617)	(10,470)	151,394	214,771	(30,760)	(10,279)	184,011
Loan No. 252 (1) - Larkhill Development	WATC	183,497	(32,561)	(9,516)	150,936	183,497	0	(32,560)	(10,353)	150,937	214,218	(30,721)	(6,711)	183,497
Loan No. 252 (2) - Larkhill Development	WATC	278,002	(49,148)	(15,233)	228,854	278,002	0	(49,147)	(16,167)	228,855	324,292	(46,290)	(12,862)	278,002
Loan No. 252 (3) - Larkhill Development	WATC	187,581	(33,012)	(10,811)	154,569	187,581	0	(33,012)	(11,306)	154,569	218,607	(31,026)	(10,017)	187,581
Loan No. 264 (1) - Larkhill Regional Sporting C	WATC	368,015	(65,234)	(20,319)	302,781	368,015	0	(65,235)	(20,941)	302,780	429,535	(61,520)	(20,558)	368,015
Loan No. 270B - Larkhill Development	WATC	219,483	(31,086)	(13,499)	188,397	219,483	0	(31,086)	(13,515)	188,397	248,677	(29,194)	(15,277)	219,483
Loan No. 274 - Larkhill Development	WATC	1,271,123	(146,937)	(84,404)	1,124,186	1,271,123	0	(146,936)	(84,845)	1,124,187	1,408,462	(137,339)	(90,212)	1,271,123
Loan No. 275 - Larkhill Development	WATC	1,440,630	(137,516)	(104,252)	1,303,114	1,440,630	0	(137,518)	(104,672)	1,303,112	1,568,460	(127,830)	(109,577)	1,440,630
Loan No. 276 - Larkhill Development	WATC	3,457,508	(330,041)	(250,207)	3,127,467	3,457,510	0	(330,043)	(251,212)	3,127,467	3,764,303	(306,795)	(262,984)	3,457,508
Loan - Baldivis District Sporting Complex Stage 1		0	0	0	0	0	10,000,000	0	0	10,000,000	0	0	0	0
Loan - Baldivis Indoor Recreation Centre		0	0	0	0	0	17,000,000	0	0	17,000,000	0	0	0	0
Loan - Koorana Reserve		0	0	0	0	0	3,500,000	0	0	3,500,000	0	0	0	0
<b>Economic services</b>														
Loan No.280 - Shoalwater Underground Power		0	0	0	0	0	0	0	0	0	(2)	(2)		0
		<u>8,952,171</u>	<u>(1,138,354)</u>	<u>(602,962)</u>	<u>7,813,817</u>	<u>8,952,173</u>	<u>30,500,000</u>	<u>(1,138,354)</u>	<u>(611,064)</u>	<u>38,313,819</u>	<u>10,015,819</u>	<u>(1,063,648)</u>	<u>(626,521)</u>	<u>8,952,171</u>
<b>Self Supporting Loans</b>														
<b>Recreation and culture</b>														
Loan No. 212 (1) - R'ham Entertainers	WATC	38,839	(7,755)	(2,058)	31,084	38,839	0	(7,755)	(2,230)	31,084	46,146	(7,307)	(1,662)	38,839
		<u>38,839</u>	<u>(7,755)</u>	<u>(2,058)</u>	<u>31,084</u>	<u>38,839</u>	<u>0</u>	<u>(7,755)</u>	<u>(2,230)</u>	<u>31,084</u>	<u>46,146</u>	<u>(7,307)</u>	<u>(1,662)</u>	<u>38,839</u>
Loan Interest Accrued (included in current liabilities)		0	0	0	0	0	0		0	0	0	0	(52,386)	52,386
		<u>8,991,010</u>	<u>(1,146,109)</u>	<u>(605,020)</u>	<u>7,844,901</u>	<u>8,991,012</u>	<u>30,500,000</u>	<u>(1,146,109)</u>	<u>(613,294)</u>	<u>38,344,903</u>	<u>10,061,965</u>	<u>(1,070,955)</u>	<u>(680,569)</u>	<u>9,043,396</u>

\* WA Treasury Corporation

Self supporting loans are financed by payments from third parties. These are shown in Note 5 as other financial assets at amortised cost.  
All other loan repayments were financed by general purpose revenue.

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

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

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

There were no new borrowings during the year 2021. (2020 - NIL)

**(d) Unspent Borrowings**

There are no unspent borrowings as at 30 June 2021. (30 June 2020 - NIL)

	2021	2020
	\$	\$
<b>(e) Undrawn Borrowing Facilities</b>		
<b>Credit Standby Arrangements</b>		
Bank overdraft limit	250,000	250,000
Bank overdraft at balance date		0
Credit card limit	500,000	500,000
Credit card balance at balance date	<u>(138,795)</u>	<u>(121,082)</u>
<b>Total amount of credit unused</b>	<b>611,205</b>	<b>628,918</b>
<b>Loan facilities</b>		
Loan facilities - current	1,217,508	1,146,109
Loan facilities - non-current	6,627,393	7,844,901
Lease liabilities - current	226,872	226,872
Lease liabilities - non-current	<u>378,120</u>	<u>604,992</u>
<b>Total facilities in use at balance date</b>	<b>8,449,893</b>	<b>9,822,874</b>
<b>Unused loan facilities at balance date</b>	NIL	NIL

**SIGNIFICANT ACCOUNTING POLICIES**

**Financial liabilities**

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

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

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

**Borrowing costs**

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

**Risk**

Information regarding exposure to risk can be found at Note 32.

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

**19. EMPLOYEE RELATED PROVISIONS**

(a) Employee Related Provisions

**Opening balance at 1 July 2020**

Current provisions

Non-current provisions

Additional provision

**Balance at 30 June 2021**

**Comprises**

Current

Non-current

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Provision for Sick Leave	Total \$
Current provisions	4,471,344	3,524,840	1,588,565	9,584,749
Non-current provisions	0	1,501,064		1,501,064
	<u>4,471,344</u>	<u>5,025,904</u>	<u>1,588,565</u>	<u>11,085,813</u>
Additional provision	111,584	1,002,307	30,613	1,144,504
<b>Balance at 30 June 2021</b>	<u>4,582,928</u>	<u>6,028,211</u>	<u>1,619,178</u>	<u>12,230,317</u>
<b>Comprises</b>				
Current	4,582,928	4,818,739	1,619,178	11,020,845
Non-current	0	1,209,472	0	1,209,472
	<u>4,582,928</u>	<u>6,028,211</u>	<u>1,619,178</u>	<u>12,230,317</u>

**Amounts are expected to be settled on the following basis:**

Less than 12 months after the reporting date

More than 12 months from reporting date

	2021 \$	2020 \$
Less than 12 months after the reporting date	11,020,845	9,584,749
More than 12 months from reporting date	1,209,472	1,501,064
	<u>12,230,317</u>	<u>11,085,813</u>

Timing of the payment of current leave liabilities is difficult to determine as it is dependent on future decisions of employees.

Expected settlement timings are based on information obtained from employees and historical leave trends and assumes no events will occur to impact on these historical trends.

**SIGNIFICANT ACCOUNTING POLICIES**

**Employee benefits**

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

**Short-term employee benefits**

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

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

**Other long-term employee benefits**

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

**Other long-term employee benefits (Continued)**

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

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

**Provisions**

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

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

**CITY OF ROCKINGHAM**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**20. OTHER PROVISIONS**

	<b>Provision for Millar Road Facility</b>	<b>Total</b>
	<u>\$</u>	<u>\$</u>
<b>Opening balance at 1 July 2020</b>		
Non-current provisions	9,604,647	9,604,647
	<u>9,604,647</u>	<u>9,604,647</u>
Additional provision	268,260	268,260
<b>Balance at 30 June 2021</b>	<u>9,872,907</u>	<u>9,872,907</u>
<b>Comprises</b>		
Non-current	9,872,907	9,872,907
	<u>9,872,907</u>	<u>9,872,907</u>

**Provision for Millar Road Facility**

The Millar Road Landfill Facility was granted approval under the Environmental Protection Act 1986 on 1 July 1992 subject to conditions that the City is responsible for construction, operation, decommissioning and post-closure management of the site until such time as the waste has fully degraded, to the satisfaction of the Environmental Protection Authority. The Provision for Rehabilitation has been calculated based on an anticipated operational life of 30 years with a 30 year post-closure management period. The expected requirements for the final decommissioning and post-closure management plan are based on current regulatory and industry experience.

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

**21. NOTES TO THE STATEMENT OF CASH FLOWS**

**Reconciliation of Cash**

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

	<b>2021</b> <b>Actual</b>	<b>2021</b> <b>Budget</b>	<b>2020</b> <b>Actual</b>
	\$	\$	\$
Cash and cash equivalents	50,743,510	50,240,162	17,372,492

**Reconciliation of Net Cash Provided By  
Operating Activities to Net Result**

Net result	11,768,403	(12,231,863)	16,554,426
Less Non Cash Contribution	(11,227,292)	0	(21,469,231)
Non-cash flows in Net result:			
Adjustments to fair value of financial assets at fair value through profit and loss	(4,525)	0	(2,017)
Depreciation on non-current assets	40,276,020	37,786,319	40,239,457
(Profit)/loss on sale of asset	322,546	(3,185,803)	673,447
Loss on Impairment	991,505	0	1,579,010
Share of profits of associates	19,392	0	5,964
Changes in assets and liabilities:			
(Increase)/decrease in other liability	(646,607)	0	0
(Increase)/decrease in GST			
(Increase)/decrease in receivables	1,832,747	(49,746)	(10,942,020)
(Increase)/decrease in other assets	559,119	0	0
(Increase)/decrease in inventories	30,684	(21,466)	(50,538)
(Increase)/decrease in contract assets	(807,418)	0	
Increase/(decrease) in payables	6,026,985	118,370	18,483,155
Increase/(decrease) in employee provisions	1,144,504	0	0
Increase/(decrease) in provisions	268,260	(164,020)	337,100
Increase/(decrease) in contract liabilities	3,638,122	(4,860,879)	818,692
Non-operating grants, subsidies and contributions	(11,563,958)	(7,910,253)	(5,136,729)
Net cash from operating activities	42,628,487	9,480,659	41,090,716

**CITY OF ROCKINGHAM**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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## 22. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	<u>2021</u>	<u>2020</u>
	\$	\$
Governance	22,899,475	23,518,747
Law, order, public safety	7,487,121	7,599,110
Health	1,345,652	1,399,630
Education and welfare	25,788,095	26,087,689
Housing	12,606,915	12,779,805
Community amenities	29,330,066	32,041,121
Recreation and culture	280,427,179	280,639,468
Transport	1,684,290,057	1,683,794,630
Economic services	4,704,970	4,877,082
Other property and services	37,113,464	36,740,775
Unallocated	156,543,831	132,232,082
	<u>2,262,536,825</u>	<u>2,241,710,139</u>

## 23. CONTINGENT LIABILITIES

The City of Rockingham has no contingent liabilities as at 30 June 2021. (2020; NIL)

## 24. CAPITAL AND LEASING COMMITMENTS

	<u>2021</u>	<u>2020</u>
	\$	\$
<b>(a) Capital Expenditure Commitments</b>		
Contracted for:		
- capital expenditure projects		
Road Construction	2,032,234	1,902,644
Building Land and Fixed Equipment	21,214,395	2,724,666
Reserve and Infrastructure	6,957,832	1,454,918
Plant, Machinery and Equipment - Various	401,047	1,784,081
Computer and Furniture Equipment	140,697	93,185
Footpath and Crossovers	127,583	381,965
Miscellaneous Infrastructure	2,958,005	562,834
- Plant & Equipment purchases		
<b>Total</b>	<u>33,831,793</u>	<u>8,904,293</u>
Payable:		
- not later than one year	33,831,793	8,904,293

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

**25. ELECTED MEMBERS REMUNERATION**

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
<b>Elected member Mayor Barry Sammels (retired 16 October 2021)</b>			
Mayor's annual allowance	87,550	90,000	87,550
Meeting attendance fees	46,350	47,500	46,350
Other expenses	0	500	0
Telecommunications & ICT Allowance	3,500	5,000	3,500
Travel and accommodation expenses	3,481	5,000	4,055
	140,881	148,000	141,455
<b>Elected member Deputy Mayor Deb Hamblin</b>			
Deputy Mayor's annual allowance	21,888	23,000	21,888
Meeting attendance fees	30,900	31,500	30,900
Other expenses	0	450	75
Telecommunications & ICT Allowance	3,500	3,500	3,500
Travel and accommodation expenses	1,258	2,500	1,627
	57,546	60,950	57,990
Deputy Mayor's annual allowance			
<b>Elected member Sally Davies</b>			
Meeting attendance fees	30,900	31,500	21,461
Other expenses	0	450	0
Telecommunications & ICT Allowance	3,500	3,500	2,431
Travel and accommodation expenses	0	2,500	0
	34,400	37,950	23,892
<b>Elected member Hayley Edwards</b>			
Meeting attendance fees	30,900	31,500	21,461
Other expenses	0	450	0
Telecommunications & ICT Allowance	3,500	3,500	2,431
Travel and accommodation expenses	1,310	2,500	916
	35,710	37,950	24,808
<b>Elected member Lorna Buchan</b>			
Meeting attendance fees	30,900	31,500	21,461
Other expenses	0	450	77
Telecommunications & ICT Allowance	3,500	3,500	2,431
Travel and accommodation expenses	2,955	2,500	1,366
	37,355	37,950	25,335
<b>Elected member Mark Jones (retired 16 October 2021)</b>			
Meeting attendance fees	30,900	31,500	30,900
Other expenses	205	450	414
Telecommunications & ICT Allowance	3,500	3,500	3,500
Travel and accommodation expenses	749	2,500	727
	35,354	37,950	35,542
<b>Elected member Joy Stewart</b>			
Meeting attendance fees	30,900	31,500	29,950
Other expenses	0	450	0
Telecommunications & ICT Allowance	3,500	3,500	3,488
Travel and accommodation expenses	509	2,500	0
	34,909	37,950	33,438

**CITY OF ROCKINGHAM**  
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**25. ELECTED MEMBERS REMUNERATION**

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
<b>Elected member Leigh Liley (retired 16 October 2021)</b>			
Meeting attendance fees	30,900	31,500	30,900
Other expenses	0	450	0
Telecommunications & ICT Allowance	3,500	3,500	3,500
Travel and accommodation expenses	0	2,500	0
	34,400	37,950	34,400
<b>Elected member Craig Buchanan</b>			
Meeting attendance fees	30,900	31,500	21,461
Other expenses	0	450	0
Telecommunications & ICT Allowance	3,500	3,500	2,431
Travel and accommodation expenses	409	2,500	472
	34,809	37,950	24,364
<b>Elected member Rae Cottam</b>			
Meeting attendance fees	30,900	31,500	21,461
Other expenses	0	450	469
Telecommunications & ICT Allowance	3,500	3,500	2,431
Travel and accommodation expenses	804	2,500	1,051
	35,204	37,950	25,412
<b>Elected member Matthew Whitfield (resigned 31 March 2021)</b>			
Meeting attendance fees	23,175	31,500	30,900
Other expenses	0	450	0
Telecommunications & ICT Allowance	2,625	3,500	3,500
Travel and accommodation expenses	0	2,500	264
	25,800	37,950	34,664
<b>Elected member Andrew Burns (to 19 September 2019)</b>			
Meeting attendance fees	0	0	9,333
Telecommunications & ICT Allowance	0	0	1,057
Travel and accommodation expenses	0	0	1,546
	0	0	11,936
<b>Elected member Lee Downham (to 19 September 2019)</b>			
Meeting attendance fees	0	0	9,333
Telecommunications & ICT Allowance	0	0	1,057
	0	0	10,391
<b>Elected member Chris Elliott (to 19 September 2019)</b>			
Meeting attendance fees	0	0	9,333
Telecommunications & ICT Allowance	0	0	1,057
Travel and accommodation expenses	0	0	1,037
	0	0	11,427
<b>Elected member Katherine Summers (to 19 September 2019)</b>			
Meeting attendance fees	0	0	9,333
Telecommunications & ICT Allowance	0	0	1,057
	0	0	10,390
	506,369	550,500	505,440

**CITY OF ROCKINGHAM**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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## 26. RELATED PARTY TRANSACTIONS

### Elected Members Remuneration

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Mayor's allowance	87,550	90,000	87,550
Deputy Mayor's allowance	21,888	23,000	21,888
Meeting attendance fees	347,625	362,500	344,537
Child care expenses	0	0	0
Other expenses	205	5,000	1,034
Telecommunications & ICT Allowance	37,625	40,000	37,371
Annual allowance for ICT expenses	0	0	0
Travel and accommodation expenses	11,476	30,000	13,060
	<u>506,369</u>	<u>550,500</u>	<u>505,440</u>

### Key Management Personnel (KMP) Compensation Disclosure

	2021 Actual	2020 Actual
	\$	\$
The total of remuneration paid to KMP of the City during the year are as follows:		
Short-term employee benefits	6,147,239	6,643,438
Post-employment benefits	716,768	770,456
Other long-term benefits	108,343	134,696
Termination benefits	47,413	72,632
	<u>7,019,763</u>	<u>7,621,222</u>

#### *Short-term employee benefits*

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

#### *Post-employment benefits*

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

#### *Other long-term benefits*

These amounts represent long service benefits accruing during the year.

#### *Termination benefits*

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

**CITY OF ROCKINGHAM**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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## 26. RELATED PARTY TRANSACTIONS (Continued)

### Transactions with related parties

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

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

The following transactions occurred with related parties:	2021 Actual \$	2020 Actual \$
Sale of goods and services	0	0
Purchase of goods and services	2,141,872	2,395,054
Short term employee benefits -other related parties	0	0
User defined		
<b>Joint venture entities:</b>		
Distributions received from joint venture entities	0	0
<b>Amounts outstanding from related parties:</b>		
Trade and other receivables	0	0
Loans to associated entities	0	0
Loans to key management personnel	0	0
<b>Amounts payable to related parties:</b>		
Trade and other payables	0	0
Loans from associated entities	0	0

### Related Parties

#### The City's main related parties are as follows:

##### *i. Key management personnel*

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

##### *ii. Other Related Parties*

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

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

##### *iii. Entities subject to significant influence by the City*

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

##### *iv. Joint venture entities accounted for under the proportionate consolidation method*

The City has a interest in South West Group. The City's share in the net assets of the group joint venture entity is accounted for in these financial statements using the proportionate consolidation method of accounting. For details of interests held in joint venture entities, refer to Note 27.

**CITY OF ROCKINGHAM**  
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## 27. INVESTMENT IN ASSOCIATE AND JOINT ARRANGEMENTS

### (a) Joint Venture Arrangements

The Council is a member participant in a project for the South West Group with the Cities of Cockburn, Fremantle, Kwinana, Melville and Town of East Fremantle. The purpose of the joint arrangement is to facilitate and promote economic and community development of the South West Metropolitan Region. The City's share in the net assets of the South West Group was:

	<u>2021</u>	<u>2020</u>
	\$	\$
Amount of Interest	55,473	74,865
Cost/Project Sharing Ratio	23.86%	23.86%

The interest amount consist of unspent monies at end of year. The movement of the interest value during the year is \$19,392 which has been recognised in statement of comprehensive income.

### SIGNIFICANT ACCOUNTING POLICIES

#### Interests in joint arrangements

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

Separate joint arrangements providing joint ventures with an interest to net assets are classified as a joint venture and accounted for using the equity method. The equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the City's share of net assets of the associate. In addition, the City's share of the profit or loss of the associate is included in the City's profit or loss.

#### Interests in joint arrangements (Continued)

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

**CITY OF ROCKINGHAM**  
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## 28. MAJOR LAND TRANSACTIONS

There were no major land transactions during the year 2021. (2020-NIL)

## 29. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The Millar Road Landfill Facility based at Lot 2170 Millar Road West in Baldivis provides an essential waste disposal service and makes significant ongoing financial contributions to the City. The City has a separate trading undertaking for the Millar Road Landfill Facility.

	<b>2021 Actual \$</b>	<b>2021 Budget \$</b>	<b>2020 Actual \$</b>
<b>Operating</b>			
<b>Operating Revenue</b>			
Landfill Operations	16,323,783	15,540,314	15,084,508
Transfer Station	4,009,051	3,320,000	3,717,476
Recycling Operations	455,153	522,000	603,131
	<u>20,787,987</u>	<u>19,382,314</u>	<u>19,405,115</u>
<b>Operating Expenditure</b>			
Landfill Operations	(13,372,696)	(11,201,460)	(13,757,511)
Transfer Station	(1,717,337)	(1,872,534)	(1,723,664)
Recycling Operations	(503,497)	(596,646)	(501,529)
	<u>(15,593,530)</u>	<u>(13,670,640)</u>	<u>(15,982,704)</u>
<b>Net Operating Result</b>	<u>5,194,457</u>	<u>5,711,674</u>	<u>3,422,411</u>
<b>Non Operating</b>			
<b>Non Operating Revenue</b>			
Landfill Operations	80,421	300,200	302,114
Transfer Station	0	0	0
Recycling Operations	0	0	0
	<u>80,421</u>	<u>300,200</u>	<u>302,114</u>
<b>Non Operating Expenditure</b>			
Landfill Operations	(440,355)	(3,454,549)	(4,184,469)
Transfer Station	0	0	0
Recycling Operations	0	0	0
	<u>(440,355)</u>	<u>(3,454,549)</u>	<u>(4,184,469)</u>
<b>Net Capital Movement</b>	<u>(359,934)</u>	<u>(3,154,349)</u>	<u>(3,882,355)</u>
<b>Net Overall Result</b>	<u><u>4,834,523</u></u>	<u><u>2,557,325</u></u>	<u><u>(459,944)</u></u>

**CITY OF ROCKINGHAM**  
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**30. RATING INFORMATION**

**(a) Rates**

<b>RATE TYPE</b>	<b>Rate in \$</b>	<b>Number of Properties</b>	<b>2020/21 Actual Rateable Value \$</b>	<b>2020/21 Actual Rate Revenue \$</b>	<b>2020/21 Actual Interim Rates \$</b>	<b>2020/21 Actual Total Revenue \$</b>	<b>2020/21 Budget Rate Revenue \$</b>	<b>2020/21 Budget Interim Rate \$</b>	<b>2020/21 Budget Total Revenue \$</b>	<b>2019/20 Actual Total Revenue \$</b>
<b>Differential general rate / general rate</b>										
<b>Gross rental valuations</b>										
Residential	8.497	32,828	560,891,121	47,658,925	632,899	48,291,824	47,636,558	400,000	48,036,558	49,120,917
Non Residential	9.307	1,326	188,954,893	17,586,032	172,403	17,758,435	17,535,776	150,000	17,685,776	17,467,460
<b>Unimproved valuations</b>										
Unimproved properties	0.1035	156	350,320,000	362,581	(9,346)	353,235	362,581	0	362,581	363,586
<b>Sub-Total</b>		34,310	1,100,166,014	65,607,538	795,956	66,403,494	65,534,915	550,000	66,084,915	66,951,963
<b>Minimum payment</b>	<b>Minimum \$</b>									
<b>Gross rental valuations</b>										
Residential	1,200	21,413	250,947,547	25,695,600	0	25,695,600	25,722,000	0	25,722,000	24,187,200
Non Residential	1,200	266	770,622	319,200	0	319,200	319,200	0	319,200	332,400
<b>Unimproved valuations</b>										
Unimproved properties	625	132	52,481,483	82,500	0	82,500	83,125	0	83,125	83,750
<b>Sub-Total</b>		21,811	304,199,652	26,097,300	0	26,097,300	26,124,325	0	26,124,325	24,603,350
		56,121	1,404,365,666	91,704,838	795,956	92,500,794	91,659,240	550,000	92,209,240	91,555,313
Written off (Note 30(b))						(846,773)			0	(5,351)
<b>Total amount raised from general rate</b>						91,654,021			92,209,240	91,549,962

**SIGNIFICANT ACCOUNTING POLICIES**

**Rates**

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

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

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

**CITY OF ROCKINGHAM**  
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**30. RATING INFORMATION (Continued)**

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

**Rates Discounts**

Rate or Fee Discount Granted	Discount	2021 Actual	2021 Budget	2020 Actual	Circumstances in which Discount is Granted
	%	\$	\$	\$	
Rates written off	N/A	11,452	0	5,351	Small balances of unclaimed interest.
		11,452	0	5,351	

**Waivers or Concessions**

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Discount	2021 Actual	2021 Budget	2020 Actual
		%	\$	\$	\$
GRV - Residential Rates	Concession	N/A	835,321	840,000	0
			835,321	840,000	0
Total discounts/concessions (Note 30(a))			846,773	840,000	5,351

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	Reasons for the Waiver or Concession
GRV - Residential Rates	That Council applies a concession on properties rated on the Gross Rental Value – Residential differential general rate, where the 2020/2021 rates are more than would have applied on 30 June 2020 based on the 2019/2020 Gross Rental Value – Residential differential general rate, to the value of the calculated rates increase.	The City committed to a rates freeze for 2020/2021 due to the COVID-19 pandemic. The concession is to ensure that residential properties are not charged more rates than they would have paid in 2019/2020.

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**30. RATING INFORMATION (Continued)**

**(b) Interest Charges & Instalments**

<u>Instalment Options</u>	<u>Date Due</u>	<u>Instalment Plan Admin Charge</u> \$	<u>Instalment Plan Interest Rate</u> %	<u>Unpaid Rates Interest Rate</u> %
<b>Option One</b>				
To pay the total amount of rates and charges included on the rate notice in full by 21 August 2021, the 38th day after the rates notice issue date.				
<b>Option Two</b>				
First instalment	21-Aug-20	NIL	NIL	8%
Second instalment	21-Dec-20	NIL	NIL	8%
<b>Option Three</b>				
First instalment	21-Aug-20	NIL	NIL	8%
Second instalment	21-Oct-20	NIL	NIL	8%
Third instalment	21-Dec-20	NIL	NIL	8%
Fourth instalment	22-Feb-21	NIL	NIL	8%
		<u>2021 Actual</u> \$	<u>2021 Budget</u> \$	<u>2020 Actual</u> \$
Unpaid rates, ESL and service charge interest earned		189,168	325,000	644,436
Interest on instalment plan		0	0	588,687
Charges on instalment plan		0	0	146,748
Pensioner Deferred Rate interest		0	0	34,698
		<u>189,168</u>	<u>325,000</u>	<u>1,414,570</u>

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

**31. RATE SETTING STATEMENT INFORMATION**

	2020/21 (30 June 2021)	2020/21 (1 July 2020)
Note	Carried Forward)	Brought Forward)
	\$	\$
<b>(a) Non-cash amounts excluded from operating activities</b>		
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .		
<b>Adjustments to operating activities</b>		
Less: Profit on asset disposals	11(a) (172,867)	(308,965)
Less: Fair value adjustments to financial assets at fair value through profit and loss	(4,525)	(2,017)
Less: Share of net profit of associates and joint ventures accounted for using the equity method	19,392	5,964
Movement in pensioner deferred rates (non-current)	(103,263)	(189,832)
Movement in employee benefit provisions (non-current)	(291,592)	(260,184)
Add: Movement in provision for rehabilitation (non current)	268,259	349,344
Add: Loss on disposal of assets	11(a) 495,413	982,412
Add: Depreciation on non-current assets	11(b) 40,276,020	40,239,457
Add: Movement in employee benefit provisions (current)	1,436,096	247,940
Add: Impairment of Assets	991,505	1,579,010
Less: Purchase/Construction of Non Cash Assets	(11,227,292)	(22,509,061)
Less: Movement in other provisions and accruals	(324,588)	(624,420)
<b>Non cash amounts excluded from operating activities</b>	<u>31,362,558</u>	<u>19,509,648</u>
<b>(b) Surplus/(deficit) after imposition of general rates</b>		
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.		
<b>Adjustments to net current assets</b>		
Less: Reserves - cash backed	4 (48,587,419)	(48,647,351)
Less: Financial assets at amortised cost - self supporting loans	5(a) (8,231)	(7,755)
Less: Current assets not expected to be received at end of year - Assets Held For Sale	(4,841,373)	0
Add: Current liabilities not expected to be cleared at end of year - Current portion of borrowings	18(a) 1,217,508	1,146,109
- Current portion of lease liabilities	226,872	226,872
- Employee benefit provisions	9,401,667	7,996,184
- Capital Grant Liabilities	6,446,789	6,715,467
- Contract Liability - current portion	4,456,814	818,692
- Other current liabilities not expected to be cleared at end of year		
<b>Total adjustments to net current assets</b>	<u>(31,687,373)</u>	<u>(31,751,782)</u>
<b>Net current assets used in the Rate Setting Statement</b>		
Total current assets	133,109,161	118,832,382
Less: Total current liabilities	(48,768,292)	(38,242,297)
Less: Total adjustments to net current assets	<u>(31,687,373)</u>	<u>(31,751,782)</u>
<b>Net current assets used in the Rate Setting Statement</b>	52,653,496	48,838,303

**CITY OF ROCKINGHAM**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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## 32. FINANCIAL RISK MANAGEMENT

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

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

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

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

### (a) Interest rate risk

#### Cash and cash equivalents

The City's main interest rate risk arises from cash and cash equivalents with variable interest rates, which exposes the City to cash flow interest rate risk. City is not utilising any short term overdraft facility.

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

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
<b>2021</b>					
Cash and cash equivalents	0.50%	45,903,393	0	44,929,561	973,832
Financial assets at amortised cost - term deposits	0.75%	66,645,487	66,645,487	0	0
<b>2020</b>					
Cash and cash equivalents	0.50%	9,456,787	0	7,487,000	1,969,787
Financial assets at amortised cost	1.17%	85,199,757	85,199,757	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.

	2021	2020
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	1,125,571	946,565

\* Holding all other variables constant

#### Borrowings

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

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**32. FINANCIAL RISK MANAGEMENT (Continued)**

**(b) Credit risk**

**Trade and Other Receivables**

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

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

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

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

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

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

	<b>Total</b>
<b>30 June 2021</b>	
Rates receivable	
Expected credit loss	
Gross carrying amount	7,144,212
Loss allowance	(62,345)

**30 June 2020**

Rates receivable	
Expected credit loss	
Gross carrying amount	7,913,990
Loss allowance	(62,345)

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

	<b>Current</b>	<b>More than 30 days past due</b>	<b>More than 60 days past due</b>	<b>More than 90 days past due</b>	<b>Total</b>
<b>30 June 2021</b>					
Trade and other receivables					
Expected credit loss					
Gross carrying amount	1,915,717	186,756	210,000	1,551,696	3,864,169
ECL	(15,341)	(5,489)	(4,110)	(142,174)	(167,114)
Time factor Loss	0	(694)	(1,368)	(24,007)	(26,069)
Loss allowance	0	0	0	0	(414,815)
<b>30 June 2020</b>					
Trade and other receivables					
Expected credit loss					
Gross carrying amount	2,735,559	441,755	199,651	1,554,671	4,931,636
ECL	(5,929)	(3,782)	(1,978)	(106,304)	(117,993)
Time factor Loss	0	(2,015)	(1,363)	(38,719)	(42,097)
Loss allowance	0	0	0	0	(443,525)

**CITY OF ROCKINGHAM**  
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**32. FINANCIAL RISK MANAGEMENT (Continued)**

**(b) Credit risk (Continued)**

**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.

**(c) Liquidity risk**

**Payables and borrowings**

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

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
<b><u>2021</u></b>					
Payables	27,240,527	0	0	27,240,527	27,240,527
Borrowings	1,750,474	6,042,824	2,033,671	9,826,969	7,844,901
Contract liabilities	4,456,814	0	0	4,456,814	4,456,814
Lease liabilities	226,872	378,120	0	604,992	604,992
	33,954,474	6,420,944	2,033,671	42,129,302	40,147,234
<b><u>2020</u></b>					
Payables	16,889,835	4,323,707	0	21,213,542	21,213,542
Borrowings	1,146,109	5,978,522	1,866,379	8,991,010	11,190,476
Contract liabilities	818,692	0	0	818,692	818,692
Lease liabilities	226,872	604,992	0	831,864	831,864
	19,081,508	10,907,221	1,866,379	31,855,108	34,054,574

**CITY OF ROCKINGHAM**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**33. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD**

No significant events occurred after the end of the reporting period, which may adversely affect the financial position of City of Rockingham.

**34. TRUST FUNDS**

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

	<u>1 July 2020</u>	<u>Amounts Received</u>	<u>Amounts Paid</u>	<u>30 June 2021</u>
	\$	\$	\$	\$
Cash in Lieu POS Contributions	833,719	86,096	0	919,815
Lease Agreement Bond Deposit	15,000	0	(5,000)	10,000
	<u>848,719</u>	<u>86,096</u>	<u>(5,000)</u>	<u>929,815</u>

**CITY OF ROCKINGHAM**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**35. OTHER SIGNIFICANT ACCOUNTING POLICIES**

**a) Goods and services tax (GST)**

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

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

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

**b) Current and non-current classification**

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

**c) Rounding off figures**

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

**d) Comparative figures**

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

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

**e) Budget comparative figures**

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

**f) Superannuation**

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

**g) Fair value of assets and liabilities**

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

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

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

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

**h) Fair value hierarchy**

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

**Level 1**

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

**Level 2**

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

**Level 3**

Measurements based on unobservable inputs for the asset or liability.

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

**Valuation techniques**

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

**Market approach**

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

**Income approach**

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

**Cost approach**

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

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

**i) Impairment of assets**

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

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

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

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

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

**36. ACTIVITIES/PROGRAMS**

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

<b>PROGRAM NAME AND OBJECTIVES</b>	<b>ACTIVITIES</b>
GOVERNANCE	Members of Council, Executive Services, Information Technology, Human Resources, Records, Legal Services and Finance
GENERAL PURPOSE FUNDING	All Rates Revenue and Penalties, General Purpose grant, Pensioners Deferred Rates Grant, Investment Revenue and Emergency Services Levy.
LAW, ORDER, PUBLIC SAFETY	Fire Emergency Services, Animal Control/Ranger General and Other Law, Order & Public Safety.
HEALTH	Maternal & Infant Health, Preventative Services (Immunisation), Inspections and Pest Control.
EDUCATION AND WELFARE	Care of Families and Children, Aged and Disabled Senior Citizens and Other Welfare.
HOUSING	Administration and operations of housing programs other than those for the benefit of council staff. These included housing for aged persons.
COMMUNITY AMENITIES	Sanitations Household Refuse, Sanitation Other, Protection of Environment and town Planning & Regional Development.
RECREATION AND CULTURE	Swimming Areas & Beaches, Other Recreation & Sport, Libraries and Other Culture.
TRANSPORT	Construction and Maintenance of Streets, Roads and Bridges.
ECONOMIC SERVICES	Economic Development & Area Promotion, Building Control and Other Economic Services.
OTHER PROPERTY AND SERVICES	Other Property and Services, Public Works Overheads and Unclassified.

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

### 37. FINANCIAL RATIOS

	<u>2021</u> <u>Actual</u>	<u>2020</u> <u>Actual</u>	<u>2019</u> <u>Actual</u>
Current ratio	1.58	1.70	2.27
Asset consumption ratio	0.94	0.96	0.87
Asset renewal funding ratio	0.94	0.99	0.98
Asset sustainability ratio*	0.66	0.70	0.77
Debt service cover ratio	17.06	18.18	18.32
Operating surplus ratio	(0.08)	(0.07)	0.02
Own source revenue coverage ratio	0.88	0.89	0.94

The above ratios are calculated as follows:

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

\*Sustainability ratio for the years 2020 and 2019 has been recalculated to conform with the 2021 calculation methodology.

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

**38 AGED CARE REPORTING NOTE**

**a) Bert England Lodge**

This note discloses the revenue, expenditure, assets and liabilities of Bert England Lodge in accordance with paragraph 63-1 (1)m of the Aged Care Act 1997.

The City has commenced the process of disposing of aged care facility and it is expected that this sale will conclude within the next 12 months. This has been disclosed as held for sale/disposal group at 30 June 2021.

	<u>2021</u>	<u>2020</u>
	\$	\$
<b>Revenue</b>		
Other Revenue	3,529,488	3,433,420
<b>Operating Expenditure</b>		
Other Expenses	(8,139)	(40,661)
Building Maintenance	(1,279)	(3,502)
Operating Expenses	(18,253)	(7,931)
Salaries	(9,967)	(12,169)
Utility Charges	(92,512)	(92,579)
Contractor Expense	(2,726,015)	(2,342,057)
Consultancy Costs	(466,163)	(265,855)
Minor Capital Expenditure	(20,691)	(26,518)
Property Expense	(192,077)	(206,869)
Food Expense	(153,910)	(153,896)
Advertising Costs	(13,881)	0
Training Costs	(2,300)	(522)
Stationery	(5,906)	(5,673)
Transport	(366)	(2,324)
Residential care expense	(127,792)	(110,878)
Interest Expenses	(6,360)	(10,555)
Total Operating Expenditure	<u>(3,845,611)</u>	<u>(3,281,989)</u>
<b>Non Cash Expenditure</b>		
Depreciation- Building & Fixed Equipment	0	(28,877)
Depreciation- Furniture & Equipment	0	(94)
Profit/Loss on Sale of Assets	0	0
Total Non Cash Expenditure	<u>0</u>	<u>(28,971)</u>
Operating Result	<u>(316,123)</u>	<u>122,460</u>
Total Assets	<u>9,325,545</u>	<u>12,960,250</u>
Total Liabilities	<u>4,605,726</u>	<u>5,252,333</u>
Net Assets	<u><u>4,719,819</u></u>	<u><u>7,707,917</u></u>

Revenues and expenses are those directly attributable to Bert England Lodge and include any joint revenue and expenses where a reasonable basis of allocation exists. Assets include all assets used by Bert England Lodge and consist principally of cash, receivables and inventory. Bert England lodge liabilities consist principally of payables and provisions.

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

**38 AGED CARE REPORTING NOTE (Continued)**

b) Challenger Precinct

This note discloses the revenue, expenditure, assets and liabilities of the Challenger Facilities in accordance with paragraph 63-1 (1)m of the Aged Care Act 1997.

The City has commenced the process of disposing of aged care facility and it is expected that this transfer will conclude within the next 6 months. Due to the consideration of \$10 expected from the transfer, the transaction was deemed outside scope of AASB 5 until its actually disposed.

Therefore, this has not been disclosed as held for sale assets/disposal group at 30 June 2021.

	2021 \$	2020 \$
<b>Revenue</b>		
Other Revenue	459,899	404,238
<b>Operating Expenditure</b>		
Other Expenses	(63,791)	(88,273)
Building Maintenance	(111,543)	(208,051)
Surrounds Maintenance	(13,520)	(17,823)
Consultancy Costs	0	(53,714)
Minor Expenditure	(436)	(459)
Telephone	(2,050)	(2,381)
Salaries	(12,547)	(30,545)
Total Operating Expenditure	(203,887)	(401,246)
<b>Non Cash Expenditure</b>		
Depreciation - Buildings & Fixed Equipment	(113,443)	(150,291)
Depreciation - Buildings & Fixed Equipment	(77,108)	(103,158)
Total Non Cash Expenditure	(190,551)	(253,449)
<b>Operating Result</b>	65,461	(250,457)
<b>Total Assets</b>	8,997,591	9,169,368
<b>Total Liabilities</b>	0	0
<b>Net Assets</b>	8,997,591	9,169,368

Revenues and expenses are those directly attributable to Challenger Court and include any joint revenue and expenses where a reasonable basis of allocation exists. Assets include all assets used by Challenger Court and consist principally of receivables and inventory.



## Auditor General

### INDEPENDENT AUDITOR'S REPORT 2021 City of Rockingham

To the Councillors of the City of Rockingham

## Report on the audit of the annual financial report

### Opinion

I have audited the financial report of the City of Rockingham (City) which comprises:

- the Statement of Financial Position at 30 June 2021, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended
- Notes comprising a summary of significant accounting policies and other explanatory information
- the Statement by the Chief Executive Officer.

In my opinion the financial report of the City of Rockingham:

- is based on proper accounts and records
- fairly represents, in all material respects, the results of the operations of the City for the year ended 30 June 2021 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

### Basis for opinion

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

## Responsibilities of the Chief Executive Officer and Council for the financial report

The Chief Executive Officer (CEO) of the City is responsible for the preparation and fair presentation of the financial report in accordance with the requirements of the Act, the Regulations and Australian Accounting Standards. The CEO is also responsible for managing internal control (as required by the CEO) to ensure the financial report is free from material misstatement, whether due to fraud or error.

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

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

## Auditor's responsibility for the audit of the financial report

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial report. The objectives of my audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

A further description of my responsibilities for the audit of the financial report is located on the Auditing and Assurance Standards Board website. This description forms part of my auditor's report and can be found at [https://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf).

## Report on other legal and regulatory requirements

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

- (i) In my opinion, the following material matters indicate a significant adverse trend in the financial position of the City:
  - a) The Operating Surplus Ratio as reported in Note 37 of the financial report is below the Department of Local Government, Sport and Cultural Industries' standard for the past two financial years and the current year is below the previous year.
  - b) The Asset Sustainability Ratio as reported in Note 37 of the financial report is below the Department of Local Government, Sport and Cultural Industries' standard for the past three financial years.
- (ii) All required information and explanations were obtained by me.
- (iii) All audit procedures were satisfactorily completed.
- (iv) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the financial report were supported by verifiable information and reasonable assumptions.

### **Other information**

The other information is the information in the entity's annual report for the year ended 30 June 2021, but not the financial report and my auditor's report. The CEO is responsible for the preparation and the Council for overseeing the other information.

My opinion does not cover the other information and, accordingly, I do not express any form of assurance conclusion thereon.

### **Matters relating to the electronic publication of the audited financial report**

This auditor's report relates to the financial report of the City of Rockingham for the year ended 30 June 2021 included on the City's website. The City's management is responsible for the integrity of the City's website. This audit does not provide assurance on the integrity of the City's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.



Caroline Spencer  
Auditor General for Western Australia  
Perth, Western Australia  
23 November 2021