

Annual REPORT

2022/23 PART 2
Financial Statements



Introduction

The City of Kwinana's Annual Report 2022/23 comprises two parts, **Part 1 – Community** and **Part 2 – Annual Financial Report**. This Annual Report (Part 2 – Annual Financial Report), together with the Annual Report (Part 1 – Community) complies with the requirements of Section 5.53(1) of the *Local Government Act 1995*.

The **Annual Report 2022/23 (Part 1 – Community)** is available to download from the City's website at www.kwinana.wa.gov.au or in hard copy, on request, by contacting the City of Kwinana on 9439 0200 or visiting the City of Kwinana Administration Building at the corner of Gilmore Avenue and Sulphur Road, Kwinana.



CITY OF KWINANA
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

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

A unique and liveable City, celebrated for and connected by its diverse community, natural beauty and economic opportunities.

Principal place of business:
Corner Gilmore Avenue and Sulphur Road
Kwinana WA 6167



**CITY OF KWINANA
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

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

STATEMENT BY CEO

The accompanying financial report of the City of Kwinana has been prepared in compliance with the provisions of the *Local Government Act 1995* from proper accounts and records to present fairly the financial transactions for the reporting period ended 30 June 2023 and the financial position as at 30 June 2023.

At the date of signing this statement the particulars included in the financial report are not misleading or inaccurate.

Signed on the 5th of December 2023



Chief Executive Officer

Wayne Jack

Name of Chief Executive Officer

CITY OF KWINANA
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

	NOTE	2023 Actual	2023 Budget	Restated* 2022 Actual
		\$	\$	\$
Revenue				
Rates	4(a),26	45,658,708	45,798,279	43,057,672
Grants, subsidies and contributions	4(a)	5,560,733	5,465,252	7,199,269
Fees and charges	4(a)	13,020,355	13,349,224	13,064,811
Interest revenue	4(a)	3,266,442	646,927	713,719
Other revenue	4(a)	1,349,103	368,046	2,176,411
		68,855,341	65,627,728	66,211,882
Expenses				
Employee costs	4(b)	(28,499,746)	(28,003,938)	(28,680,343)
Materials and contracts		(25,021,397)	(28,005,688)	(27,978,695)
Utility charges		(2,632,807)	(2,488,413)	(2,571,352)
Depreciation		(18,504,993)	(16,582,989)	(15,742,374)
Finance costs	4(b)	(715,653)	(698,484)	(838,885)
Insurance		(696,698)	(646,682)	(593,412)
Other expenditure	4(b)	(2,285,929)	(298,146)	(47,440)
		(78,357,223)	(76,724,340)	(76,452,501)
		(9,501,882)	(11,096,612)	(10,240,619)
Capital grants, subsidies and contributions	4(a)	12,790,322	5,648,463	18,102,348
Profit on asset disposals		132,518	143,250	186,850
Loss on asset disposals		(2,923,420)	(10,425)	(5,165)
Fair value adjustments to financial assets at fair value through profit or loss		410,264	0	(628,518)
Fair value adjustments to investment property	11	442,000	0	0
Share of net profit of associates accounted for using the equity method		0	0	(127,220)
Reversal of prior year loss on revaluation of Infrastructure - Street Lights	8(a)	0	0	2,780,113
		10,851,684	5,781,288	20,308,408
Net result for the period	25(b)	1,349,802	(5,315,324)	10,067,789
Other comprehensive income for the period				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	18	38,583,807	0	238,390,872
Total other comprehensive income for the period	18	38,583,807	0	238,390,872
Total comprehensive income for the period		39,933,609	(5,315,324)	248,458,661

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

* Restated - Refer to Note 31



CITY OF KWINANA
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	NOTE	2023	Restated* 2022	Restated* 2021
		\$	\$	\$
CURRENT ASSETS				
Cash and cash equivalents	2	6,451,840	10,482,138	6,968,593
Trade and other receivables	5	3,861,200	3,595,676	5,717,945
Other financial assets	3(a)	69,729,213	62,204,865	59,941,739
Other assets	6	1,827,785	507,512	944,913
TOTAL CURRENT ASSETS		81,870,038	76,790,191	74,071,190
NON-CURRENT ASSETS				
Trade and other receivables	5	971,005	907,498	846,399
Other financial assets	3(b)	3,600,706	3,239,795	3,920,502
Investment in associate		0	0	535,835
Property, plant and equipment	7	177,464,654	139,096,047	137,825,552
Infrastructure	8	613,099,347	615,006,235	366,485,766
Right-of-use assets	10(a)	267,889	391,339	566,184
Investment property	11	1,012,000	570,000	570,000
Intangible assets	12	276,532	347,437	299,153
TOTAL NON-CURRENT ASSETS		796,692,133	759,558,351	511,049,391
TOTAL ASSETS		878,562,171	836,348,542	585,120,581
CURRENT LIABILITIES				
Trade and other payables	13	25,977,250	24,536,347	22,889,779
Other liabilities	14	1,475,543	2,612,654	6,615,769
Lease liabilities	10(b)	146,163	10,110	174,595
Borrowings	15	2,208,899	2,696,235	2,537,530
Employee related provisions	17	4,813,269	5,147,863	5,706,854
TOTAL CURRENT LIABILITIES		34,621,124	35,003,209	37,924,527
NON-CURRENT LIABILITIES				
Other liabilities	14	41,010,766	36,327,921	28,097,678
Lease liabilities	10(b)	105,667	371,179	371,179
Borrowings	15	11,383,241	13,156,542	15,851,996
Employee related provisions	17	618,902	600,829	445,000
TOTAL NON-CURRENT LIABILITIES		53,118,576	50,456,471	44,765,853
TOTAL LIABILITIES		87,739,700	85,459,680	82,690,380
NET ASSETS		790,822,471	750,888,862	502,430,201
EQUITY				
Retained surplus		216,771,564	219,967,545	212,232,114
Reserve accounts	29	69,260,960	64,715,177	62,382,819
Revaluation surplus	18	504,789,947	466,206,140	227,815,268
TOTAL EQUITY		790,822,471	750,888,862	502,430,201

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

* Restated - Refer to Note 31



**CITY OF KWINANA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023**

	NOTE	RETAINED SURPLUS \$	RESERVE ACCOUNTS \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2021		213,378,682	62,382,819	227,815,268	503,576,769
Correction of prior period errors	31	(1,146,568)	0	0	(1,146,568)
Restated balance as at 1 July 2021		212,232,114	62,382,819	227,815,268	502,430,201
Comprehensive income for the period					
Net result for the period*		10,067,789	0	0	10,067,789
Other comprehensive income for the period	18	0	0	238,390,872	238,390,872
Total comprehensive income for the period		10,067,789	0	238,390,872	248,458,661
Transfers from reserve accounts	29	12,863,426	(12,863,426)	0	0
Transfers to reserve accounts	29	(15,195,784)	15,195,784	0	0
Balance as at 30 June 2022		219,967,545	64,715,177	466,206,140	750,888,862
Comprehensive income for the period					
Net result for the period		1,349,802	0	0	1349802
Other comprehensive income for the period	18	0	0	38,583,807	38,583,807
Total comprehensive income for the period		1,349,802	0	38,583,807	39,933,609
Transfers from reserve accounts	29	9,009,573	(9,009,573)	0	0
Transfers to reserve accounts	29	(13,555,356)	13,555,356	0	0
Balance as at 30 June 2023		216,771,564	69,260,960	504,789,947	790,822,471

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

* Restated - Refer to Note 31



**CITY OF KWINANA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023**

		2023	Restated*
	NOTE	Actual	2022
		\$	Actual
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Rates		46,375,918	43,962,581
Grants, subsidies and contributions		7,180,146	8,636,841
Fees and charges		13,000,317	13,048,607
Interest revenue		3,266,442	713,719
Goods and services tax received		0	(217,238)
Other revenue		1,349,103	2,176,411
		71,171,926	68,320,921
Payments			
Employee costs		(29,644,372)	(28,156,374)
Materials and contracts		(24,160,252)	(26,907,661)
Utility charges		(2,632,807)	(2,571,352)
Finance costs		(715,653)	(838,885)
Insurance paid		(696,698)	(593,412)
Goods and services tax paid		22,925	0
Other expenditure		(5,954)	(74,425)
		(57,832,811)	(59,142,109)
Net cash provided by (used in) operating activities	16(b)	13,339,115	9,178,812
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchase of property, plant & equipment		(4,782,812)	(6,359,452)
Payments for construction of infrastructure		(7,268,591)	(2,030,912)
Payments for intangible assets	12	0	(55,375)
Capital grants, subsidies and contributions		3,921,805	6,662,287
Proceeds for financial assets at amortised cost		(7,493,439)	(2,228,784)
Proceeds from financial assets at amortised cost - self supporting loans		18,444	17,847
Proceeds from sale of property, plant & equipment		647,664	594,756
Net cash provided by (used in) investing activities		(14,956,929)	(3,399,633)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings	28(a)	(2,260,637)	(4,601,149)
Payments for principal portion of lease liabilities	28(b)	(151,847)	(164,485)
Proceeds from new borrowings	28(a)	0	2,500,000
Net cash provided by (used In) financing activities		(2,412,484)	(2,265,634)
Net increase (decrease) in cash held		(4,030,298)	3,513,545
Cash at beginning of year		10,482,138	6,968,593
Cash and cash equivalents at the end of the year	16(a)	6,451,840	10,482,138

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

* Restated - Refer to Note 31



**CITY OF KWINANA
STATEMENT OF FINANCIAL ACTIVITY
FOR THE YEAR ENDED 30 JUNE 2023**

		2023	2023	Restated*
	NOTE	Actual	Budget	2022
		\$	\$	Actual
				\$
OPERATING ACTIVITIES				
Revenue from operating activities				
General rates	26	45,430,755	45,623,279	42,851,850
Rates excluding general rates	26	227,953	175,000	205,822
Grants, subsidies and contributions		5,560,733	5,465,252	7,199,269
Fees and charges		13,020,355	13,349,224	13,064,811
Interest revenue		3,266,442	646,927	713,719
Other revenue		1,349,103	368,046	2,176,411
Profit on asset disposals		132,518	143,250	186,850
Fair value adjustments to financial assets at fair value through profit or loss		410,264	0	(628,518)
Fair value adjustments to investment property	11	442,000	0	0
Share of net profit of associates accounted for using the equity method		0	0	(127,220)
		69,840,123	65,770,978	65,642,994
Expenditure from operating activities				
Employee costs		(28,499,746)	(28,003,938)	(28,680,343)
Materials and contracts		(25,021,397)	(28,005,688)	(27,978,695)
Utility charges		(2,632,807)	(2,488,413)	(2,571,352)
Depreciation		(18,504,993)	(16,582,989)	(15,742,374)
Finance costs		(715,653)	(698,484)	(838,885)
Insurance		(696,698)	(646,682)	(593,412)
Other expenditure		(2,285,929)	(298,146)	(47,440)
Loss on asset disposals		(2,923,420)	(10,425)	(5,165)
Reversal of prior year loss on revaluation of assets		0	0	2,780,113
		(81,280,643)	(76,734,765)	(73,677,553)
Non-cash amounts excluded from operating activities	27(a)	22,419,282	16,450,164	12,351,874
Amount attributable to operating activities		10,978,762	5,486,377	4,317,315
INVESTING ACTIVITIES				
Inflows from investing activities				
Capital grants, subsidies and contributions		12,790,322	5,648,463	18,102,348
Proceeds from disposal of assets		647,664	872,500	594,756
Proceeds from financial assets at amortised cost - self supporting loans	28(a)	18,444	18,444	17,847
		13,456,430	6,539,407	18,714,951
Outflows from investing activities				
Purchase of property, plant and equipment	7(a)	(5,269,470)	(6,585,577)	(6,359,452)
Purchase and construction of infrastructure	8(a)	(14,335,258)	(8,658,468)	(17,736,036)
Payments for intangible assets	12	0	(545,557)	(55,375)
		(19,604,728)	(15,789,602)	(24,150,863)
Non-cash amounts excluded from investing activities	27(b)	3,276,344	(698,494)	5,508,990
Amount attributable to investing activities		(2,871,954)	(9,948,689)	73,078
FINANCING ACTIVITIES				
Inflows from financing activities				
Proceeds from borrowings	28(a)	0	0	2,500,000
Transfers from reserve accounts	29	9,009,573	10,519,853	12,863,426
		9,009,573	10,519,853	15,363,426
Outflows from financing activities				
Repayment of borrowings	28(a)	(2,260,637)	(2,261,960)	(4,601,149)
Payments for principal portion of lease liabilities	28(b)	(151,847)	(139,257)	(164,485)
Transfers to reserve accounts	29	(13,555,356)	(5,995,349)	(15,195,784)
		(15,967,840)	(8,396,566)	(19,961,418)
Amount attributable to financing activities		(6,958,267)	2,123,287	(4,597,992)
MOVEMENT IN SURPLUS OR DEFICIT				
Surplus or deficit at the start of the financial year	27(c)	3,166,736	2,339,025	3,374,335
Amount attributable to operating activities		10,978,762	5,486,377	4,317,315
Amount attributable to investing activities		(2,871,954)	(9,948,689)	73,078
Amount attributable to financing activities		(6,958,267)	2,123,287	(4,597,992)
Surplus or deficit after imposition of general rates	27(c)	4,315,277	0	3,166,736

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

* Restated - Refer to Note 31



CITY OF KWINANA
FOR THE YEAR ENDED 30 JUNE 2023
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CITY OF KWINANA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

1. BASIS OF PREPARATION

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

Local Government Act 1995 requirements

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

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

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

The local government reporting entity

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 30 of the financial report.

Judgements and estimates

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

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

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

- estimated fair value of certain financial assets
- impairment of financial assets
- estimation of fair values of land and buildings, infrastructure and investment property
- estimation uncertainties made in relation to lease accounting
- estimated useful life of intangible assets

Initial application of accounting standards

During the current year, the following new or revised Australian Accounting Standards and Interpretations were applied for the first time.

- AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments
- AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date
- AASB 2021-7a Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections [general editorials]
- AASB 2022-3 Amendments to Australian Accounting Standards - Illustrative Examples for Not-for-Profit Entities accompanying AASB 15

These amendments have no material impact on the current annual 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 2014-10 Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current
- AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies or Definition of Accounting Estimates
- AASB 2021-7c Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections [deferred AASB 10 and AASB 128 amendments in AASB 2014-10 apply]
- AASB 2022-5 Amendments to Australian Accounting Standards - Lease Liability in a Sale and Leaseback
- AASB 2022-6 Amendments to Australian Accounting Standards - Non-current Liabilities with Covenants
- AASB 2022-7 Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards
- AASB 2022-10 Amendments to Australian Accounting Standards - Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities

The amendment may result in changes to the fair value of non-financial assets. The impact is yet to be quantified.

Except as described above these amendments are not expected to have any material impact on the financial report on initial application.

CITY OF KWINANA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

2. CASH AND CASH EQUIVALENTS

Note	2023	2022
	\$	\$
Cash at bank and on hand	6,451,840	10,482,138
Total cash and cash equivalents	6,451,840	10,482,138
Held as		
- Unrestricted cash and cash equivalents	3,583,271	5,576,581
- Restricted cash and cash equivalents	2,868,569	4,905,557
	6,451,840	10,482,138

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

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

Restricted financial assets

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

3. OTHER FINANCIAL ASSETS

(a) Current assets

Financial assets at amortised cost	69,452,908	61,958,851
Financial assets at fair value through profit and loss	276,305	246,014
	69,729,213	62,204,865

Other financial assets at amortised cost

Self supporting loans receivable	19,062	18,444
Term deposits	69,433,846	61,940,407
	69,452,908	61,958,851

Financial assets at fair value through profit and loss

Banksia Park Deferred Management fee	276,305	246,014
	276,305	246,014

Held as

- Unrestricted other financial assets at amortised cost	295,367	264,458
- Restricted other financial assets at amortised cost	69,433,846	61,940,407
	69,729,213	62,204,865

(b) Non-current assets

Financial assets at amortised cost	177,351	196,413
Financial assets at fair value through profit or loss	3,423,355	3,043,382
	3,600,706	3,239,795

Financial assets at amortised cost

Self supporting loans receivable	177,351	196,413
	177,351	196,413

Financial assets at fair value through profit or loss

Units in Local Government House Trust and Banksia Management fee opening balance	3,043,382	3,705,645
Movement attributable to fair value increment	379,973	(662,263)
Units in Local Government House Trust and banksia Management fee - closing balance	3,423,355	3,043,382

Loans receivable from clubs/institutions have the same terms and conditions as the related borrowing disclosed in Note 28(a) as self supporting loans. Fair value of financial assets at fair value through profit or loss is determined from the net asset value of the units held in the Trust at balance date as compiled by WALGA.

SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

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

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

Fair values of financial assets at amortised cost are not materially different to their carrying amounts, since the interest receivable on those assets is either close to current market rates or the assets are of a short term nature. Non-current financial assets at amortised cost fair values are based on discounted cash flows using a current market rates. They are classified as level 2 fair values in the fair value hierarchy (see Note 24 (i)) due to the observable market rates).

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

Financial assets at fair value through profit or loss

The City has elected to classify the following financial assets at fair value through profit or 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 elected to recognise as fair value gains and losses through profit or loss.

Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 22.

CITY OF KWINANA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

4. REVENUE AND EXPENSES

(a) Revenue

Contracts with customers

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

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Timing of revenue recognition
Rates	General Rates	Single point in time	Payment dates adopted by Council during the year	None	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	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	Obligation if project not complete	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared
Grants with no contract commitments	General appropriations and contributions with no reciprocal commitment	No obligations	Not applicable	Not applicable	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	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	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	Revenue recognised after inspection event occurs
Waste management collections	Kerbside collection service	Over time	Payment on an annual basis in advance	None	Output method based on regular weekly and fortnightly period as proportionate to collection service
Property hire and entry	Use of halls and facilities	Single point in time	In full in advance	Refund if event cancelled within terms	On entry or at conclusion of hire
Memberships	Gym and pool membership	Over time	Payment in full in advance or by instalments	Refund as per terms and conditions	Output method over 12 months matched to access right
Fees and charges for other goods and services	Library fees and reinstatements and private works	Single point in time	Payment in full in advance	None	Output method based on provision of service or completion of works
Sale of stock	Café and resource centre stock	Single point in time	In full in advance, on 15 day credit	Refund for faulty goods	Output method based on goods
Commissions	Commissions on licencing and ticket sales	Over time	Payment in full on sale	None	When assets are controlled
Reimbursements	Insurance claims	Single point in time	Payment in arrears for claimable event	None	When claim is agreed

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

Revenue Recognition

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

CITY OF KWINANA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

4. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

For the year ended 30 June 2023

Nature	Contracts with customers	Capital grant/contributions	Statutory Requirements	Other	Total
	\$	\$	\$	\$	\$
Rates	0	0	45,658,708	0	45,658,708
Grants, subsidies and contributions	5,560,733	0	0	0	5,560,733
Fees and charges	12,258,623	0	719,106	42,626	13,020,355
Interest revenue	0	0	369,112	2,897,330	3,266,442
Other revenue	0	0	0	1,349,103	1,349,103
Capital grants, subsidies and contributions	0	12,790,322	0	0	12,790,322
Total	17,819,356	12,790,322	46,746,926	4,289,059	81,645,663

For the year ended 30 June 2022

Nature	Contracts with customers	Capital grant/contributions	Statutory Requirements	Other	Total
	\$	\$	\$	\$	\$
Rates	0	0	43,057,672	0	43,057,672
Grants, subsidies and contributions	7,199,269	0	0	0	7,199,269
Fees and charges	12,127,689	0	835,779	101,343	13,064,811
Interest revenue	0	0	424,617	289,102	713,719
Other revenue	0	0	0	2,176,411	2,176,411
Capital grants, subsidies and contributions	0	18,102,348	0	0	18,102,348
Total	19,326,958	18,102,348	44,318,068	2,566,856	84,314,230

Note	2023 Actual	2022 Actual
	\$	\$
Assets and services acquired below fair value		
Contributed assets	7,553,325	10,685,621
	7,553,325	10,685,621
Interest revenue		
Financial assets at amortised cost - self supporting loans	8,405	9,130
Interest on reserve account funds	2,233,556	238,819
Rates instalment and penalty interest	369,112	424,617
Other interest revenue	655,369	41,153
	3,266,442	713,719
Fees and charges relating to rates receivable		
Charges on instalment plan	124,919	126,756
The 2023 original budget estimate in relation to: Charges on instalment plan was \$82,384		
(b) Expenses		
Auditors remuneration		
- Audit of the Annual Financial Report	92,000	65,400
- Other services – grant acquittals	5,000	2,000
	97,000	67,400
Employee Costs		
Employee benefit costs	27,784,788	27,889,116
Other employee costs	714,958	791,227
	28,499,746	28,680,343
Finance costs		
Borrowings	711,268	832,988
Lease liabilities	4,385	5,897
	715,653	838,885
Other expenditure		
Adjustment to Banksia Park liability	2,279,975	635,512
Sundry expenses	5,954	(588,072)
	2,285,929	47,440

CITY OF KWINANA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

5. TRADE AND OTHER RECEIVABLES

Note	2023	2022
	\$	\$
Current		
Rates and statutory receivables	1,898,345	2,591,472
Trade and other receivables	1,531,338	572,177
GST receivable	521,227	544,152
Allowance for credit losses of trade and other receivables	22(b) (89,710)	(112,125)
	3,861,200	3,595,676
Non-current		
Rates and statutory receivables	971,005	907,498
	971,005	907,498

SIGNIFICANT ACCOUNTING POLICIES

Rates and statutory receivables

Rates and statutory receivables are non-contractual receivables arising from statutory requirements and include amounts due from ratepayers for unpaid rates and service charges and other statutory charges or fines.

Rates and statutory receivables are recognised when the taxable event has occurred and can be measured reliably.

Trade receivables

Trade receivables are amounts receivable from contractual arrangements with customers for goods sold, services performed or grants or contributions with sufficiently specific performance obligations as part of the ordinary course of business.

Other receivables

Other receivables are amounts receivable from contractual arrangements with third parties other than contracts with customers including grants for the construction of recognisable non financial assets.

Measurement

Trade and other receivables are recognised initially at the amount of the transaction price, unless they contain a significant financing component, and are to be recognised at fair value.

Classification and subsequent measurement

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

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

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

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 22.

CITY OF KWINANA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

6. OTHER ASSETS

	2023	2022
	\$	\$
Other assets - current		
Prepayments	492,775	90,686
Accrued income	903,723	288,619
Contract assets	431,287	128,207
	<u>1,827,785</u>	<u>507,512</u>

SIGNIFICANT ACCOUNTING POLICIES

Other current assets

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

Contract assets

Contract assets primarily relate to the City's right to . consideration for work completed but not billed at the end of the period.

Impairment of assets associated with contracts with customers are detailed at Note 2(b).

CITY OF KWINANA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

7. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Balances

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

	Land	Buildings - specialised	Total land and buildings not subject to operating lease	Total land and buildings	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$	\$		\$	\$	\$
Balance at 1 July 2021	38,089,500	93,943,688	132,033,188	132,033,188	615,046	5,177,318	137,825,552
Additions*	0	4,725,154	4,725,154	4,725,154	60,672	1,573,626	6,359,452
Disposals	0	(3,932)	(3,932)	(3,932)	0	(409,139)	(413,071)
Depreciation		(4,234,051)	(4,234,051)	(4,234,051)	(146,476)	(793,359)	(5,173,886)
Transfers	498,000		498,000	498,000			498,000
Balance at 30 June 2022	38,587,500	94,430,859	133,018,359	133,018,359	529,242	5,548,446	139,096,047
Comprises:							
Gross balance amount at 30 June 2022	38,587,500	98,655,364	137,242,864	137,242,864	2,619,366	7,100,816	146,963,046
Accumulated depreciation at 30 June 2022	0	(4,224,505)	(4,224,505)	(4,224,505)	(2,090,124)	(1,552,370)	(7,866,999)
Balance at 30 June 2022	38,587,500	94,430,859	133,018,359	133,018,359	529,242	5,548,446	139,096,047
Additions*	0	3,332,634	3,332,634	3,332,634	71,138	1,843,541	5,247,313
Disposals	0	(104,496)	(104,496)	(104,496)	0	(539,239)	(643,735)
Revaluation increments / (decrements) transferred to revaluation surplus	10,220,501	28,363,306	38,583,807	38,583,807	0	0	38,583,807
Assets classified as held for sale	0	0	0	0	0	0	0
Depreciation	0	(3,506,211)	(3,506,211)	(3,506,211)	(147,272)	(1,187,452)	(4,840,935)
Balance at 30 June 2023	48,808,001	122,516,092	171,324,093	171,324,093	453,108	5,665,296	177,442,497
Work in Progress	0	22,157	22,157	22,157	0	0	22,157
Balance at 30 June 2023	48,808,001	122,538,249	171,346,250	171,346,250	453,108	5,665,296	177,464,654
Comprises:							
Gross balance amount at 30 June 2023	48,808,001	122,658,379	171,466,380	171,466,380	2,690,504	8,183,015	182,339,899
Accumulated depreciation at 30 June 2023	0	(120,130)	(120,130)	(120,130)	(2,237,396)	(2,517,719)	(4,875,245)
Balance at 30 June 2023	48,808,001	122,538,249	171,346,250	171,346,250	453,108	5,665,296	177,464,654

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

During the year ended 30 June 2022	0	0	0	0	0	706,168	706,168
During the year ended 30 June 2023	0	0	0	0	0	486,658	486,658

CITY OF KWINANA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
(i) Fair Value					
Land and buildings					
- Independent valuation	2	Market approach using recent observable open market values as evidenced by sales transactions of similar property types	Independent registered valuer	June 2023	Price per square metre
- Independent valuation	3	Market approach using recent observable open market values as evidenced by sales transactions of similar property types, adjusted for condition and comparability, at their current use as highest and best use.	Independent registered valuer	June 2023	Price per square metre adjusted for zoning restrictions
Buildings - specialised	2	Market approach using recent observable open market values as evidenced by sales transactions of similar property types	Independent registered valuer	June 2023	Price per square metre
	3	Market approach using recent observable open market values as evidenced by sales transactions of similar property types, adjusted for condition and comparability, at their current use as highest and best use.	Independent registered valuer	June 2023	Construction costs and current condition, residual values and remaining useful life assessments input

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.

CITY OF KWINANA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

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.

	Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
(ii)	Cost					
	Furniture and equipment		Cost	Cost		Purchase Cost
	Plant and equipment		Cost	Cost		Purchase Cost

CITY OF KWINANA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

8. INFRASTRUCTURE

(a) Movements in Balances

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

	Infrastructure - Roads	Infrastructure - Footpaths	Infrastructure - Drainage	Infrastructure - Carparks	Infrastructure - Bus Shelters	Infrastructure - Street Lights	Infrastructure - Parks & Ovals	Infrastructure - Other	Total Infrastructure
	\$	\$	\$	\$	\$	\$	\$	\$	\$
*Restated Balance at 1 July 2021	239,010,544	39,338,395	50,923,342	2,110,690	553,279	1,264,139	33,052,549	232,828	366,485,766
Additions*	10,616,998	2,745,310	2,909,672	273,356	23,097	142,454	1,025,149	0	17,736,036
Revaluation increments / (decrements) transferred to revaluation surplus	138,054,119	(1,753,671)	67,199,359	7,341,739	264,389	1,318,543	24,850,321	1,116,073	238,390,872
Revaluation (loss) / reversals transferred to profit or loss	0	0	0	0	0	2,780,113	0	0	2,780,113
Depreciation	(6,470,062)	(628,731)	(625,100)	(349,297)	(47,288)	(71,581)	(2,096,471)	(98,022)	(10,386,552)
*Restated Balance at 30 June 2022	381,211,599	39,701,303	120,407,273	9,376,488	793,477	5,433,668	56,831,548	1,250,879	615,006,235
Comprises:									
Gross balance at 30 June 2022	381,211,599	39,701,303	120,407,273	9,376,488	793,477	5,433,668	56,831,548	1,250,879	615,006,235
Accumulated depreciation at 30 June 2022	0	0	0	0	0	0	0	0	0
*Restated Balance at 30 June 2022	381,211,599	39,701,303	120,407,273	9,376,488	793,477	5,433,668	56,831,548	1,250,879	615,006,235
Additions	6,397,776	1,391,209	2,183,078	387,557	0	61,952	2,206,711	0	12,628,283
(Disposals)	(2,055,010)	(104,681)	(8,493)	(20,288)	0	(178,865)	(427,494)	0	(2,794,831)
Depreciation	(8,501,106)	(851,362)	(1,321,074)	(331,555)	(31,737)	(177,005)	(2,197,833)	(35,643)	(13,447,315)
Total	377,053,259	40,136,469	121,260,784	9,412,202	761,740	5,139,750	56,412,932	1,215,236	611,392,372
Work in Progress	723,075	73,742	130,527	20,855	9,529	36,159	570,355	142,733	1,706,975
Balance at 30 June 2023	377,776,334	40,210,211	121,391,311	9,433,057	771,269	5,175,909	56,983,287	1,357,969	613,099,347
Comprises:									
Gross balance at 30 June 2023	386,244,257	41,082,678	122,713,196	9,764,760	803,006	5,348,997	59,138,194	1,393,612	626,488,700
Accumulated depreciation at 30 June 2023	(8,467,923)	(872,467)	(1,321,885)	(331,703)	(31,737)	(173,088)	(2,154,907)	(35,643)	(13,389,353)
Total	377,776,334	40,210,211	121,391,311	9,433,057	771,269	5,175,909	56,983,287	1,357,969	613,099,347

* Asset additions included additions received from contributed assets:

During the year ended 30 June 2022	6,863,225	1,137,146	2,411,894	273,356	0	0	0	0	10,685,621
During the year ended 30 June 2023	3,656,046	757,790	1,894,088	90,666	0	0	668,077	0	7,066,667

* Restated - Refer to Note 31

**CITY OF KWINANA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

8. INFRASTRUCTURE (Continued)

(b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
(i) Fair Value					
Infrastructure - Roads	3	Cost approach using depreciated replacement cost	Management Valuation	June 2022	Construction costs and current condition, non-depreciable components and remaining useful life assessments (Level 3 inputs)
Infrastructure - Footpaths	3	Cost approach using depreciated replacement cost	Management Valuation	June 2022	Construction costs and current condition, non-depreciable components and remaining useful life assessments (Level 3 inputs)
Infrastructure - Drainage	3	Cost approach using depreciated replacement cost	Management Valuation	June 2022	Construction costs and current condition, non-depreciable components and remaining useful life assessments (Level 3 inputs)
Infrastructure - Carparks	3	Cost approach using depreciated replacement cost	Management Valuation	June 2022	Construction costs and current condition, non-depreciable components and remaining useful life assessments (Level 3 inputs)
Infrastructure - Bus Shelters	3	Cost approach using depreciated replacement cost	Management Valuation	June 2022	Construction costs and current condition, non-depreciable components and remaining useful life assessments (Level 3 inputs)
Infrastructure - Street Lights	3	Cost approach using depreciated replacement cost	Management Valuation	June 2022	Construction costs and current condition, non-depreciable components and remaining useful life assessments (Level 3 inputs)
Infrastructure - Parks & Ovals	3	Cost approach using depreciated replacement cost	Management Valuation	June 2022	Construction costs and current condition, non-depreciable components and remaining useful life assessments (Level 3 inputs)
Infrastructure - Other	3	Cost approach using depreciated replacement cost	Management Valuation	June 2022	Construction costs and current condition, non-depreciable components and remaining useful life assessments (Level 3 inputs)

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

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

CITY OF KWINANA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

9. FIXED ASSETS

(a) Depreciation

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 - freehold land	
Buildings - non-specialised	
Buildings - specialised	2 to 100 years
Furniture and equipment	2 to 15 years
Plant and equipment	3 to 20 years
Land and buildings subject to operating lease	Based on the remaining lease
Infrastructure - Roads	12 to 80 years
Infrastructure - Footpaths	40 to 80 years
Infrastructure - Drainage	80 years
Infrastructure - Carparks	5 to 20 years
Infrastructure - Bus Shelters	20 to 25 Years
Infrastructure - Street Lights	15 to 30 Years
Infrastructure - Parks & Ovals	10 to 50 Years
Infrastructure - Other	30 to 40 Years
Right of use - plant and equipment	Based on the remaining lease term

CITY OF KWINANA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

9. FIXED ASSETS (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement for assets held at cost

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

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

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

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

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

Individual assets that are land, buildings, infrastructure and investment properties acquired between scheduled revaluation dates of the asset class in accordance with the City's revaluation policy, are recognised at cost and disclosed as being at fair value as management believes cost approximates fair. They are subject to subsequent revaluation at the next revaluation consistent with *Financial Management Regulation 17A(4)*.

Revaluation

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

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

Revaluation (continued)

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

Depreciation

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

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

Depreciation on revaluation

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

- (i) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset.
- (ii) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Amortisation

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

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

Amortisation is included within depreciation in the Statement of Comprehensive Income and in Note 9(a).

Impairment

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 or losses on disposal

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.

CITY OF KWINANA
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FOR THE YEAR ENDED 30 JUNE 2023

10. LEASES

(a) Right-of-Use Assets

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

Note	Right-of-use assets - plant and equipment	Right-of-use assets Total
	\$	\$
Balance at 1 July 2021	566,184	566,184
Depreciation	(174,845)	(174,845)
Balance at 30 June 2022	391,339	391,339
Gross balance amount at 30 June 2022	566,184	566,184
Accumulated depreciation at 30 June 2022	(174,845)	(174,845)
Balance at 30 June 2022	391,339	391,339
Additions	22,388	22,388
Depreciation	(145,838)	(145,838)
Balance at 30 June 2023	267,889	267,889
Gross balance amount at 30 June 2023	811,006	811,006
Accumulated depreciation at 30 June 2023	(543,117)	(543,117)
Balance at 30 June 2023	267,889	267,889

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

	2023 Actual	2022 Actual
	\$	\$
Depreciation on right-of-use assets	(145,838)	(174,845)
Finance charge on lease liabilities	(4,385)	(5,897)
Short-term lease payments recognised as expense	0	(223,617)
Low-value asset lease payments recognised as expense	(206,178)	(274,804)
Total amount recognised in the statement of comprehensive income	(356,401)	(679,163)
Total cash outflow from leases	(156,232)	(170,382)
(b) Lease Liabilities		
Current	146,163	10,110
Non-current	105,667	371,179
	251,830	381,289

Secured liabilities and assets pledged as security

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

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

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

Details of individual lease liabilities required by regulations are provided at Note 28(b).

Right-of-use assets - measurement

Right-of-use assets are measured at cost. All right-of-use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not recognised 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 9 under revaluation for details on the significant accounting policies applying to vested improvements.

Right-of-use assets - depreciation

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

CITY OF KWINANA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

11. INVESTMENT PROPERTY

Non-current assets - at fair value

Carrying balance at 1 July
 Net gain/(loss) from fair value adjustment
 Closing balance at 30 June

2023	2022
Actual	Actual
\$	\$
570,000	570,000
442,000	0
1,012,000	570,000

Amounts recognised in profit or loss for investment properties

Rental income
 Direct operating expenses from property that generated rental income
 Fair value gain recognised in profit or loss

20,372	52,089
(26,523)	(40,221)
442,000	0

Leasing arrangements

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

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

Less than 1 year

2,937	20,373
2,937	20,373

The investment properties are leased to tenants under operating leases with rentals payable monthly. The property has been vacant since December 2022.

Lease income from operating leases where the City is a lessor is recognised in income on a straightline basis over the lease term.

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

Expectations about the future residual values are reflected in the fair value of the properties.

SIGNIFICANT ACCOUNTING POLICIES

Investment properties

Investment properties are principally freehold buildings, held for long-term rental yields and not occupied by the City. Investment properties are carried at fair value in accordance with the significant accounting policies disclosed at note 9.

Fair value of investment properties

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

CITY OF KWINANA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

12. INTANGIBLE ASSETS

	2023 Actual	Restated* 2022 Actual
Intangible assets	\$	\$
Non-current		
Computer software development	354,528	354,528
Less: Accumulated amortisation	(77,996)	(7,091)
	<u>276,532</u>	<u>347,437</u>
 Movements in balances of computer software during the financial year are shown as follows:		
Balance at 1 July	347,437	299,153
Recognition of computer software	0	55,375
Amortisation	(70,905)	(7,091)
Balance at 30 June	<u>276,532</u>	<u>347,437</u>
 TOTAL INTANGIBLE ASSETS	<u>276,532</u>	<u>347,437</u>

* Restated - Refer to Note 31

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;

Computer software (continued)

- 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.

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.

Information on useful life, amortisation rates and amortisation methods can be found in Note 9.

CITY OF KWINANA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

13. TRADE AND OTHER PAYABLES

Current

	2023	2022
	\$	\$
Sundry creditors	285,125	3,328,458
Prepaid rates	1,228,667	1,141,077
Accrued payroll liabilities	576,134	1,404,239
Bonds and deposits held	2,831,605	1,923,314
Accrued expenses	2,760,213	621,128
Accrued interest on long term borrowings	15,531	18,131
Unit contribution - Banksia Park	18,279,975	16,100,000
	25,977,250	24,536,347

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

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

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

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the City prior to the end of the financial year that are unpaid and arise when the City becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

Prepaid rates

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

CITY OF KWINANA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

14. OTHER LIABILITIES

Current

Contract Liability - Operating Grant
Contract liabilities - Other
Capital grant/contributions liabilities

2023	2022
\$	\$
225,350	49,646
209,850	207,473
1,040,343	2,355,535
1,475,543	2,612,654

Non-current

Capital grant/contributions liabilities

41,010,766	36,327,921
41,010,766	36,327,921

Reconciliation of changes in contract liabilities

Opening balance
Additions
Revenue from contracts with customers included as a contract liability at the start of the period

257,119	295,054
435,200	257,119
(257,119)	(295,054)
435,200	257,119

The aggregate amount of the performance obligations unsatisfied (or partially unsatisfied) in relation to these contract liabilities was \$435,200 (2022: \$257,119)

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

Reconciliation of changes in capital grant/contribution liabilities

Opening balance
Additions
Revenue from capital grant/contributions held as a liability at the start of the period

38,683,456	34,418,393
5,523,162	7,300,288
(2,155,509)	(3,035,225)
42,051,109	38,683,456

Expected satisfaction of capital grant/contribution liabilities

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

1,040,343	2,355,535
6,102,880	153,000
26,077,185	6,102,879
8,830,701	26,077,184
0	3,994,858
0	0
42,051,109	38,683,456

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

SIGNIFICANT ACCOUNTING POLICIES

Contract liabilities

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

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

Capital grant/contribution liabilities

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

Fair values for non-current capital grant/contribution liabilities, not expected to be extinguished within 12 months, are based on discounted cash flows of expected cashflows to satisfy the obligations using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 24(i)) due to the unobservable inputs, including own credit risk.

**CITY OF KWINANA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

15. BORROWINGS

	Note	2023			2022		
		Current	Non-current	Total	Current	Non-current	Total
Secured		\$	\$	\$	\$	\$	\$
Bank loans		2,208,899	11,383,241	13,592,140	2,696,235	13,156,542	15,852,777
Total secured borrowings	28(a)	2,208,899	11,383,241	13,592,140	2,696,235	13,156,542	15,852,777

All borrowings are from the Western Australian Treasury Corporation and are unsecured.

SIGNIFICANT ACCOUNTING POLICIES

Borrowing costs

The City has elected to recognise borrowing costs as an expense when incurred regardless of how the borrowings are applied.

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

Borrowings fair values are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 24(i)) due to the unobservable inputs, including own credit risk.

Risk

Details of individual borrowings required by regulations are provided at Note 28(a).

Information regarding exposure to risk can be found at Note 22.

CITY OF KWINANA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

16. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

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

	Note	2023 Actual \$	2022 Actual \$
Cash and cash equivalents	2	6,451,840	10,482,138
Restrictions			
The following classes of financial assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used:			
- Cash and cash equivalents	2	2,868,569	4,905,557
- Financial assets at amortised cost	3	69,433,846	61,940,407
		<u>72,302,415</u>	<u>66,845,964</u>
The restricted financial assets are a result of the following specific purposes to which the assets may be used:			
Restricted reserve accounts	29	69,260,960	64,715,177
Contract liabilities	14	435,200	257,119
Capital grant liabilities	14	42,051,109	38,683,456
Deposits and bonds held		2,831,605	1,923,314
Less contract and other liabilities - reserved backed		(42,276,459)	(38,733,102)
Total restricted financial assets		<u>72,302,415</u>	<u>66,845,964</u>

(b) Reconciliation of Net Result to Net Cash Provided By Operating Activities

Net result		1,349,802	10,067,789
Non-cash items:			
Adjustments to fair value of financial assets at fair value through profit or loss		(410,264)	628,518
Adjustments to fair value of investment property		(442,000)	0
Depreciation/amortisation		18,504,993	15,742,374
(Profit)/loss on sale of asset		2,790,902	(181,685)
Share of profits of associates		0	100,235
Contributed assets		(7,553,325)	(10,685,621)
Reversal of loss on revaluation of fixed assets		0	(2,780,113)
Changes in assets and liabilities:			
(Increase)/decrease in trade and other receivables		(329,031)	2,061,170
(Increase)/decrease in other assets		(1,320,273)	437,401
Increase/(decrease) in trade and other payables		1,440,903	1,646,568
Increase/(decrease) in employee related provisions		(316,521)	(403,162)
Increase/(decrease) in other liabilities		3,545,734	4,227,128
Capital grants, subsidies and contributions		(3,921,805)	(11,681,790)
Net cash provided by/(used in) operating activities		<u>13,339,115</u>	<u>9,178,812</u>

(c) Undrawn Borrowing Facilities

Credit Standby Arrangements

Bank overdraft limit	0	0
Bank overdraft at balance date	0	0
Credit card limit	100,000	100,000
Credit card balance at balance date	(37,743)	(44,278)
Total amount of credit unused	<u>62,257</u>	<u>55,722</u>

Loan facilities

Loan facilities - current	2,208,899	2,696,235
Loan facilities - non-current	11,383,241	13,156,542
Total facilities in use at balance date	<u>13,592,140</u>	<u>15,852,777</u>

Unused loan facilities at balance date	<u>0</u>	<u>0</u>
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CITY OF KWINANA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

17. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions

Current provisions

Employee benefit provisions

	2023	2022
	\$	\$
Annual leave	2,002,461	2,150,036
Long service leave	2,331,217	2,600,166
Other employee leave	44,539	0
Other leave provisions	435,052	397,661
	4,813,269	5,147,863

Total current employee related provisions

4,813,269 **5,147,863**

Non-current provisions

Employee benefit provisions

Long service leave	618,902	600,829
	618,902	600,829

Total non-current employee related provisions

618,902 **600,829**

Total employee related provisions

5,432,171 **5,748,692**

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

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

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

Note	2023	2022
	\$	\$
	4,813,269	5,147,863
	618,902	600,829
	5,432,171	5,748,692

Expected reimbursements of employee related provisions from other WA local governments included within other receivables

5 0 0

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

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

Short-term employee benefits

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

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

Other long-term employee benefits

Long-term employee benefits provisions are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

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

CITY OF KWINANA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

18. REVALUATION SURPLUS

	2023 Opening Balance	Total Movement on Revaluation	2023 Closing Balance	2022 Opening Balance	Total Movement on Revaluation	2022 Closing Balance
	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	37,847,644	10,220,501	48,068,145	37,847,644	0	37,847,644
Revaluation surplus - Buildings - non-specialised	35,970,755	28,363,306	64,334,061	35,970,755	0	35,970,755
Revaluation surplus - Furniture and equipment	257,497	0	257,497	257,497	0	257,497
Revaluation surplus - Plant and equipment	1,954,408	0	1,954,408	1,954,408	0	1,954,408
Revaluation surplus - Infrastructure - Roads	250,471,296	0	250,471,296	112,417,177	138,054,119	250,471,296
Revaluation surplus - Infrastructure - Footpaths	13,164,155	0	13,164,155	14,917,826	(1,753,671)	13,164,155
Revaluation surplus - Infrastructure - Drainage	84,384,960	0	84,384,960	17,185,601	67,199,359	84,384,960
Revaluation surplus - Infrastructure - Carparks	9,178,766	0	9,178,766	1,837,027	7,341,739	9,178,766
Revaluation surplus - Infrastructure - Bus Shelters	644,180	0	644,180	379,791	264,389	644,180
Revaluation surplus - Infrastructure - Street Lights	1,318,543	0	1,318,543	0	1,318,543	1,318,543
Revaluation surplus - Infrastructure - Parks & Ovals	29,719,785	0	29,719,785	4,869,464	24,850,321	29,719,785
Revaluation surplus - Infrastructure - Other	1,294,151	0	1,294,151	178,078	1,116,073	1,294,151
	466,206,140	38,583,807	504,789,947	227,815,268	238,390,872	466,206,140

CITY OF KWINANA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

19. CONTINGENT LIABILITIES

The City did not have any contingent liabilities as at 30 June 2023.

The City is currently monitoring the following potentially contaminated sites:

Peace Park - the site has been assessed as low risk.

Kwinana Golf Course - Ground water monitoring has concluded with the site assessed as low risk.

Banksia Road (Reserve R24784) - site assessed as low risk. The property is currently subject to a mining lease, should mining proceed the risk is expected to be reduced further as removal of contaminants and rehabilitation of the site is conditioned within the mining lease.

Lot 434 & 304 Thomas Road Landfill - both sites are leased by the City to Waste Stream Management . The lease provides that the lessee is responsible for post operation rehabilitation and management.

City Depot , ground water monitoring occurred May 2020 and sample results were below the practical quantification limits and well below the adopted assessment criteria for Total Recoverable Hydrocarbons suggesting a low risk to ground water regimes at the site.

The above sites have been reported to DWER. Currently, Lot 304 Thomas Road is listed as Contaminated remediation required (this is typical of a landfill) and the Kwinana Golf Course and Peace Park are classified as possibly contaminated investigation required.

As the obligation and cost to remediate the sites remain uncertain and is not expected to be material, the City has not recognised a liability as at 30 June 2023.

20. CAPITAL COMMITMENTS

	2023	2022
	\$	\$
Contracted for:		
- capital expenditure projects	2,329,858	2,316,946
- plant & equipment purchases	300,817	0
	2,630,675	2,316,946
Payable:		
- not later than one year	2,630,675	2,316,946

The capital expenditure projects outstanding at the end of the current reporting period represent the construction of the Wellard West Community Centre, Harrison Way Road Renewal, Parmelia Avenue Black Spot, Streetscape strategy, Urban tree planting, Calista Oval bike track, purchase of a new truck, two mowers and seven light fleet vehicles, and various minor capital projects (the prior year commitment was for the construction of the Kwinana South Volunteer Fire Brigade, Ngook Boorn Mia Mia/Honeywood Pavilion and various minor capital projects).

CITY OF KWINANA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

21. RELATED PARTY TRANSACTIONS

(a) Elected Member Remuneration

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

Note	2023 Actual \$	2023 Budget \$	2022 Actual \$
Mayor's annual allowance	91,997	91,997	89,753
Mayor's meeting attendance fees	48,704	48,704	47,516
Mayor's other expenses	772	1,125	217
Mayor's annual allowance for ICT expenses	3,065	3,500	3,500
Mayor's travel and accommodation expenses	746	750	589
	145,284	146,076	141,575
Deputy Mayor's annual allowance	22,999	22,999	22,438
Deputy Mayor's meeting attendance fees	32,470	32,470	31,678
Deputy Mayor's other expenses	0	1,125	0
Deputy Mayor's annual allowance for ICT expenses	3,065	3,500	3,500
Deputy Mayor's travel and accommodation expenses	0	750	0
	58,534	60,844	57,616
All other council member's meeting attendance fees	194,820	194,820	190,068
All other council member's All other council member expenses	0	6,750	3,059
All other council member's annual allowance for ICT expenses	18,390	21,000	21,000
All other council member's travel and accommodation expenses		4,500	241
	213,210	227,070	214,368
21(b)	417,028	433,990	413,559

(b) Key Management Personnel (KMP) Compensation

The total of compensation paid to KMP of the City during the year are as follows:

Note	2023 Actual \$	2022 Actual \$
Short-term employee benefits	990,165	930,430
Post-employment benefits	109,958	116,203
Employee - other long-term benefits	23,373	22,500
Employee - termination benefits	0	131,403
Council member costs	417,028	413,559
	1,540,524	1,614,095

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

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

Termination benefits

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

Council member costs

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

CITY OF KWINANA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

21. 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 guarantees exist in relation to related parties at year end.

In addition to KMP compensation above the following transactions occurred with related parties:

	2023 Actual	2022 Actual
	\$	\$
Sale of goods and services	111,080	136,725
Purchase of goods and services	32,546	7,508

Related Parties

The City's main related parties are as follows:

i. Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any council member, are considered key management personnel and are detailed in Notes 21(a) and 21(b)

ii. Other Related Parties

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.

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

iii. Entities subject to significant influence by the City

There were no such entities requiring disclosure during the current or previous year.

CITY OF KWINANA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

22. FINANCIAL RISK MANAGEMENT

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

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

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

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

(a) Interest rate risk

Cash and cash equivalents

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

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

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
2023					
Cash and cash equivalents	4.12%	6,451,840	0	6,448,435	3,405
Financial assets at amortised cost - term deposits	4.54%	69,433,846	69,433,846	0	0
2022					
Cash and cash equivalents	0.89%	10,482,138	0	10,478,568	3,570
Financial assets at amortised cost - term deposits	1.83%	61,940,407	61,940,407	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.

	2023	2022
	\$	\$
Impact of a 1% movement in interest rates on profit or loss and equity*	758,857	724,225

* 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 28(a).

CITY OF KWINANA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

22. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade and Other Receivables

The City's major trade and other receivables comprise contractual non-statutory user fees and charges, grants, contributions and reimbursements. 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.

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 and other receivables. To measure the expected credit losses, receivables from grants, contributions and reimbursements are separated from other trade receivables due to the difference in payment terms and security.

The expected loss rates are based on the payment profiles of trade and other receivables over a period of 36 months before 1 July 2022 or 1 July 2023 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 users to settle the receivables.

The loss allowance as at 30 June 2023 and 30 June 2022 was determined as follows for trade and other receivables.

	Less than 1 month past due	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2023					
Trade and other receivables					
Expected credit loss	0.00%	0.40%	0.00%	0.23%	
Gross carrying amount	1,670,764	2,577	6,112	373,113	2,052,566
Loss allowance	3,550	1,025	0	85,135	89,710
	Less than 1 year past due	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
Rates and statutory receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	0	1,898,345	0	0	1,898,345
Loss allowance	0	0	0	0	0
30 June 2022					
Trade and other receivables					
Expected credit loss	0.76%	7.45%	13.51%	25.60%	
Gross carrying amount	683,201	20,318	2,436	410,373	1,116,328
Loss allowance	5,207	1,513	329	105,076	112,125
	Less than 1 year past due	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
Rates Receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount		2,591,472	0	0	2,591,472
Loss allowance	0	0	0	0	0

CITY OF KWINANA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

22. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

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

	Rates receivables		Trade and Other receivables		Contract Assets	
	2023 Actual	2022 Actual	2023 Actual	2022 Actual	2023 Actual	2022 Actual
	\$	\$	\$	\$	\$	\$
Opening loss allowance as at 1 July	0	0	112,125	128,329	0	0
Increase in loss allowance recognised in profit or loss during the year	0	0			0	0
Receivables written off during the year as uncollectible						
Unused amount reversed	0	0	(22,415)	(16,204)	0	0
Closing loss allowance at 30 June	0	0	89,710	112,125	0	0

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

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

Contract Assets

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

CITY OF KWINANA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

22. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables and borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The City manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required and disclosed in Note 16(c).

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
	\$	\$	\$	\$	\$
2023					
Trade and other payables	25,977,250	0	0	25,977,250	25,977,250
Borrowings	2,208,899	9,868,643	1,514,598	13,592,140	13,592,140
Contract liabilities	435,200	0	0	435,200	435,200
Other liabilities	1,040,343	41,010,766	0	42,051,109	42,051,109
Lease liabilities	146,163	105,667	0	251,830	251,830
	29,807,855	50,985,076	1,514,598	82,307,529	82,307,529
2022					
Trade and other payables	24,536,347	0	0	24,536,347	24,536,347
Borrowings	2,696,235	8,279,772	4,876,770	15,852,777	15,852,777
Contract liabilities	257,119	0	0	257,119	257,119
Other liabilities	2,355,535	36,327,921	0	38,683,456	38,683,456
Lease liabilities	10,110	371,179	0	381,289	381,289
	29,855,346	44,978,872	4,876,770	79,710,988	79,710,988

**CITY OF KWINANA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

23. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

No subsequent significant event has occurred

CITY OF KWINANA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

24. 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 report is presented.

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Interest revenue

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

i) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

j) Impairment of assets

In accordance with Australian Accounting Standards the City's 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.

**CITY OF KWINANA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

25. FUNCTION AND ACTIVITY

(a) Service objectives and descriptions

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

Objective	Description
Governance To provide a decision making process for the efficient allocation of scarce resources.	Members of Council & Governance (includes Audit & other costs associated with reporting to council). Administration, Financial and Information Technology Services are included.
Law, order, public safety To provide services to help ensure a safer and environmentally conscious community.	Supervision of various local laws, fire prevention and animal control.
Health To provide an operational framework for environmental and community health.	Prevention and treatment of human illnesses, including inspection of premises/food control, immunisation and child health services.
Education and welfare To provide services to disadvantaged persons, the elderly, children and youth.	Provision, management and support of services for families, children and the aged and disabled within the community; including pre-school playgroups, day and after school care, assistance to schools, and senior citizens support groups.
Community amenities To provide services required by the community.	City planning and development, rubbish collection services, storm water drainage, the provision of public conveniences, bus shelters, roadside furniture and litter control.
Recreation and culture To establish and effectively manage infrastructure and resources which will help the social wellbeing of the community.	Provision of facilities and support for organisations concerned with leisure time activities and sport, support for the performing and creative arts and the preservation of the national estate. This includes maintenance of halls, aquatic centre, recreation and community centres, parks, gardens, sports grounds and the operation of Libraries.
Transport To provide safe, effective and efficient transport services to the community.	Construction, maintenance and cleaning of streets, roads, bridges, drainage works, footpaths, parking facilities, traffic signs and the City depot, including plant purchase and maintenance.
Economic services To help promote the City and its economic wellbeing.	Tourism and area promotion, rural services and pest control and the implementation of building controls.
Other property and services To monitor and control the City's overhead operating accounts.	Private works, public works overheads, City plant operations, materials, salaries and wages. With the exception of private works, the above activities listed are mainly summaries of costs that are allocated to all works and services undertaken by the City.

CITY OF KWINANA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

25. FUNCTION AND ACTIVITY (Continued)

(b) Income and expenses

	2023 Actual	Restated* 2022 Actual
	\$	\$
Income excluding grants, subsidies and contributions and capital grants, subsidies and contributions		
Governance	1,476,184	206,756
General purpose funding	46,422,373	44,089,639
Law, order, public safety	183,112	324,909
Health	152,911	146,610
Education and welfare	1,644,979	2,455,967
Community amenities	2,305,317	6,339,555
Recreation and culture	3,761,394	3,035,960
Transport	0	2,855,966
Economic services	20,054	1,996,219
Other property and services	8,313,066	527,995
	64,279,390	61,979,576
Operating grants, subsidies and contributions and capital grants, subsidies and contributions		
Governance	2,921,247	0
General purpose funding	0	2,237,311
Law, order, public safety	2,179,611	1,532,284
Health	28,092	28,779
Education and welfare	1,700,252	3,830,872
Community amenities	1,368,092	2,098,584
Recreation and culture	1,967,270	838,760
Transport	8,186,491	14,735,027
	18,351,055	25,301,617
Total Income	82,630,445	87,281,193
Expenses		
Governance	(2,135,497)	(5,818,220)
General purpose funding	(1,341,183)	(1,107,576)
Law, order, public safety	(3,402,527)	(3,306,781)
Health	(1,077,854)	(995,568)
Education and welfare	(8,256,075)	(10,782,032)
Community amenities	(7,744,832)	(9,900,033)
Recreation and culture	(28,624,614)	(24,424,973)
Transport	(17,586,839)	(15,459,094)
Economic services	(536,708)	(1,898,923)
Other property and services	(10,574,514)	(3,520,204)
Total Expenses	(81,280,643)	(77,213,404)
Net result for the period	1,349,802	10,067,789
(c) Total Assets		
Governance	96,216,110	98,411,655
General purpose funding	3,509	9,344
Law, order, public safety	2,312,137	2,728,071
Health	75,287	58,445
Education and welfare	34,996,313	31,481,764
Community amenities	119,282,713	1,061,125
Recreation and culture	134,014,387	113,275,184
Transport	434,939,583	542,117,264
Economic services	51,948,569	42,819,737
Other property and services	4,773,561	4,385,953
	878,562,171	836,348,542

* Restated - Refer to Note 31

CITY OF KWINANA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

26. RATING INFORMATION

(a) General Rates

RATE TYPE				2022/23 Actual Rateable Value*	2022/23 Actual Rate Revenue	2022/23 Actual Interim Rates	2022/23 Actual Total Revenue	2022/23 Budget Rate Revenue	2022/23 Budget Interim Rate	2022/23 Budget Total Revenue	2021/22 Actual Total Revenue
Rate Description	Basis of valuation	Rate in \$	Number of Properties	\$	\$	\$	\$	\$	\$	\$	\$
Improved Residential	Gross rental valuation	0.10247	14,219	213,286,432	21,265,077	492,951	21,758,028	21,266,353	800,000	22,066,353	20,382,410
Improved Special Residential	Gross rental valuation	0.09927	827	16,918,684	1,687,439	7,106	1,694,545	1,687,439	0	1,687,439	1,561,837
Improved Commercial & Industrial	Gross rental valuation	0.10222	513	118,451,410	11,470,820	367,884	11,838,704	11,470,820	0	11,470,820	10,976,637
Vacant Residential	Gross rental valuation	0.18392	464	5,982,290	1,284,343	(165,485)	1,118,858	1,284,343	0	1,284,343	1,276,373
Vacant Non Residential	Gross rental valuation	0.16825	61	5,374,700	895,040	(29,061)	865,979	895,040	0	895,040	777,288
General Industrial	Unimproved valuation	0.01912	3	121,200,000	2,317,344	0	2,317,344	2,317,344	0	2,317,344	2,228,868
Mining and Industrial	Unimproved valuation	0.00920	32	49,552,000	470,387	(16,937)	453,450	470,387	0	470,387	335,316
Rural	Unimproved valuation	0.00551	128	203,151,000	1,260,143	16,970	1,277,113	1,260,143	0	1,260,143	1,163,906
Total general rates			16,247	733,916,516	40,650,593	673,428	41,324,021	40,651,869	800,000	41,451,869	38,702,635
Minimum payment		Minimum Payment \$									
Improved Residential	Gross rental valuation	1,126	2,475	24,293,100	2,789,255	(1,095)	2,788,160	2,787,976	0	2,787,976	2,683,010
Improved Special Residential	Gross rental valuation	1,126	4	42,848	4,504	0	4,504	4,504	0	4,504	5,415
Improved Commercial & Industrial	Gross rental valuation	1,466	66	608,487	93,824	1,217	95,041	93,824	0	93,824	93,060
Vacant Residential	Gross rental valuation	1,126	1,022	4,859,195	1,249,860	(87,975)	1,161,885	1,249,860	0	1,249,860	1,252,716
Vacant Non Residential	Gross rental valuation	1,126	9	16,320	23,646	0	23,646	23,646	0	23,646	19,194
General Industrial	Unimproved valuation	1,466	0	0	0	0	0	0	0	0	0
Mining and Industrial	Unimproved valuation	1,466	14	100,196	1,466	16,126	17,592	1,466	0	1,466	36,660
Rural	Unimproved valuation	1,126	11	853,300	10,134	5,772	15,906	10,134	0	10,134	59,160
Total minimum payments			3,601	30,773,446	4,172,689	(65,955)	4,106,734	4,171,410	0	4,171,410	4,149,215
Total general rates and minimum payments			19,848	764,689,962	44,823,282	607,473	45,430,755	44,823,279	800,000	45,623,279	42,851,850
Ex-gratia Rates		Rate in \$									
Dampier to Bunbury Natural Gas Pipeline					227,953	0	227,953	175,000	0	175,000	205,822
Total amount raised from rates (excluding general rates)					227,953	0	227,953	175,000	0	175,000	205,822
Total Rates							45,658,708			45,798,279	43,057,672
Rate instalment interest							193,278			181,163	181,499
Rate overdue interest							175,834			220,569	243,118

The rate revenue was recognised from the rate record as soon as practicable after the City resolved to impose rates in the financial year as well as when the rate record was amended to ensure the information in the record was current and correct.

*Rateable Value at time of raising of rate.

CITY OF KWINANA
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FOR THE YEAR ENDED 30 JUNE 2023

27. DETERMINATION OF SURPLUS OR DEFICIT

Note	2022/23			
	2022/23 (30 June 2023 Carried Forward)	Budget (30 June 2023 Carried Forward)	2022/23 (1 July 2022 Brought Forward)	2021/22 (30 June 2022 Carried Forward)
	\$	\$	\$	\$
(a) Non-cash amounts excluded from operating activities				
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Statement of Financial Activity in accordance with <i>Financial Management Regulation 32</i> .				
Adjustments to operating activities				
Less: Profit on asset disposals	(132,518)	(143,250)	(186,850)	(186,850)
Less: Reversal of prior year loss on revaluation of fixed assets	0	0	(2,780,113)	(2,780,113)
Less: Movement in liabilities associated with restricted cash	175,704		(59,559)	(59,559)
Less: Fair value adjustments to financial assets at fair value through profit or loss	(410,264)		628,518	628,518
Less: Share of net profit of associates and joint ventures accounted for using the equity method	0	0	100,235	127,220
Add: Loss on disposal of assets	2,923,420	10,425	5,165	5,165
Add: Depreciation	9(a) 18,504,993	16,582,989	15,742,374	15,742,374
Non-cash movements in non-current assets and liabilities:				
Financial assets at amortised cost	0			
Investment property	11 (442,000)	0	0	0
Pensioner deferred rates	(63,507)		(61,099)	(61,099)
Assets held for sale	6 0			
Employee benefit provisions	(316,521)		(403,162)	(403,162)
Other provisions	2,179,975		(633,635)	(633,635)
Non-cash amounts excluded from operating activities	22,419,282	16,450,164	12,351,874	12,378,859
(b) Non-cash amounts excluded from investing activities				
The following non-cash revenue or expenditure has been excluded from amounts attributable to investing activities within the Statement of Financial Activity in accordance with <i>Financial Management Regulation 32</i> .				
Adjustments to investing activities				
Movement in non-current capital grant/contribution liability	4,682,845		8,230,243	
Movement in current unspent non-operating grants associated with restricted cash	(1,406,501)	(348,744)	(2,721,253)	(2,721,253)
Movement in current capital expenditure provision associated with restricted cash		(349,750)		
Non-cash amounts excluded from investing activities	3,276,344	(698,494)	5,508,990	(2,721,253)
(c) Surplus or deficit after imposition of general rates				
The following current assets and liabilities have been excluded from the net current assets used in the Statement of Financial Activity in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.				
Adjustments to net current assets				
Less: Reserve accounts	29 (69,260,960)	(58,000,800)	(64,715,177)	(64,715,177)
Less: Financial assets at amortised cost - self supporting loans	3(a) (19,062)	(19,062)	(18,444)	(18,444)
Less: Current assets not expected to be received at end of year				
- Banksia Park DMF Receivable	(276,305)	(212,269)	(246,014)	
Add: Current liabilities not expected to be cleared at end of year				
- Current portion of borrowings	15 2,208,899	2,241,044	2,696,235	2,696,235
- Current portion of unspent non-operating grants, subsidies and contributions held in reserve	949,034	1,250,000	2,355,535	
- Current portion of contract liability held in reserve	225,350	52,067	49,646	49,646
- Current portion of lease liabilities	10(b) 146,163	138,194	10,110	10,110
- Banksia Park unit contribution	18,279,975	16,733,635	16,100,000	
- Employee benefit provisions	4,813,269	5,706,854	5,147,863	5,147,863
Total adjustments to net current assets	(42,933,637)	(32,110,337)	(38,620,246)	(56,829,767)
Net current assets used in the Statement of Financial Activity				
Total current assets	81,870,038	63,388,275	76,790,191	76,790,191
Less: Total current liabilities	(34,621,124)	(31,277,938)	(35,003,209)	(35,003,209)
Less: Total adjustments to net current assets	(42,933,637)	(32,110,337)	(38,620,246)	(56,829,767)
Surplus or deficit after imposition of general rates	4,315,277	0	3,166,736	(15,042,785)

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28. BORROWING AND LEASE LIABILITIES

(a) Borrowings

Purpose	Note	Actual						Budget			
		Principal at 1 July	New Loans	Principal	Principal at 30	New Loans	Principal	Principal at 1	New Loans	Principal	Principal at 30
		2021	During 2021-22	Repayments During 2021-22	June 2022	During 2022-23	Repayments During 2022-23	July 2022	During 2022-23	Repayments During 2022-23	June 2023
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Governance											0
Loan 99 - Administration Building Renovations		474,796		(107,976)	366,820		(114,830)	366,820		(114,831)	251,989
Education and welfare											0
Loan 96 - Youth Specific Space		65,755		(31,663)	34,092		(34,092)	34,092		(34,092)	0
Loan 100 - Youth Specific Space		1,136,128		(140,713)	995,415		(147,361)	995,415		(147,360)	848,055
Recreation and culture											0
Loan 94 - Wellard Sports Pavilion		56,126		(56,126)	0		0	0		0	0
Loan 95 - Orelia Oval Pavilion		157,813		(75,990)	81,823		(81,823)	81,822		(81,822)	0
Loan 97 - Orelia Oval Pavilion Extension		1,050,587		(238,920)	811,667		(254,086)	811,667		(254,085)	557,582
Loan 102 - Library & Resource Centre		6,191,172		(657,885)	5,533,287		(688,094)	5,533,287		(688,091)	4,845,196
Loan 104 - Recquatic Refurbishment		3,072,151		(289,216)	2,782,935		(301,048)	2,782,935		(301,048)	2,481,887
Loan 105 - Bertram Community Centre		1,156,743		(116,232)	1,040,511		(120,055)	1,040,511		(120,054)	920,457
Loan 106 - Destination Park - Calista		1,218,976		(105,528)	1,113,448		(108,868)	1,113,448		(108,868)	1,004,580
Transport											0
Loan 98 - Streetscape Beautification		640,975		(145,768)	495,207		(155,020)	495,207		(155,019)	340,188
Loan 101 - City Centre Redevelopment		2,500,000		(2,500,000)	0		0	0		0	0
Loan 101B - City Centre Redevelopment		0	2,500,000	(117,285)	2,382,715		(236,916)	2,381,935		(238,246)	2,143,689
Total		17,721,222	2,500,000	(4,583,302)	15,637,920	0	(2,242,193)	15,637,139	0	(2,243,516)	13,393,623
Self Supporting Loans											0
Recreation and culture					0						0
Loan 103B - Golf Club Refurbishment		232,704		(17,847)	214,857		(18,444)	214,857		(18,444)	196,413
Total Self Supporting Loans		232,704	0	(17,847)	214,857	0	(18,444)	214,857	0	(18,444)	196,413
*Share of RRG Loan		435,600		(435,600)	0						
Total Borrowings	15	17,953,926	2,500,000	(4,601,149)	15,852,777	0	(2,260,637)	15,851,996	0	(2,261,960)	13,590,036

Self supporting loans are financed by payments from third parties. These are shown in Note 4 as other financial assets at amortised cost.

All other loan repayments were financed through WATC

*The City exited the Resource Recovery Group as at 1 July 2021 and paid the principal debt of \$435,600.

Borrowing Finance Cost Payments

Purpose	Note	Loan Number	Institution	Interest Rate	Date final payment is due	Actual for year ending 30 June 2023	Budget for year ending 30 June 2023	Actual for year ending 30 June 2022
						\$	\$	\$
Governance								
Loan 99 - Administration Building Renovations		99	WATC	6.25%	25-Jun-25	(23,783)	(23,900)	(31,759)
Education and welfare								
Loan 96 - Youth Specific Space		96	WATC	7.53%	19-Jun-23	(2,135)	(2,227)	(5,055)
Loan 100 - Youth Specific Space		100	WATC	4.67%	25-Jun-28	(51,495)	(51,606)	(62,361)
Recreation and culture								
Loan 94 - Wellard Sports Pavilion		94	WATC	6.38%	04-May-22	0	0	(2,764)
Loan 95 - Orelia Oval Pavilion		95	WATC	7.53%	19-Jun-23	(5,125)	(5,344)	(11,321)
Loan 97 - Orelia Oval Pavilion Extension		97	WATC	6.25%	25-Jun-25	(52,625)	(52,884)	(68,942)

CITY OF KWINANA
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FOR THE YEAR ENDED 30 JUNE 2023

28. BORROWING AND LEASE LIABILITIES (Continued)

Borrowing Finance Cost Payments

Purpose	Note	Loan Number	Institution	Interest Rate	Date final payment is due	Actual for year ending 30 June 2023	Budget for year ending 30 June 2023	Actual for year ending 30 June 2022
Loan 102 - Library & Resource Centre		102	WATC	4.54%	25-Jun-29	(280,366)	(280,877)	(310,848)
Loan 104 - Recquatic Refurbishment		104	WATC	4.05%	26-Jun-30	(128,462)	(128,628)	(141,481)
Loan 105 - Bertram Community Centre		105	WATC	3.25%	27-Mar-30	(39,187)	(39,229)	(44,892)
Loan 106 - Destination Park - Calista		106	WATC	3.14%	24-Jun-31	(41,646)	(41,711)	(53,240)
Transport								
Loan 98 - Streetscape Beautification		98	WATC	6.25%	25-Jun-25	(32,107)	(32,264)	(42,515)
Loan 101 - City Centre Redevelopment		101	WATC	4.67%	28-Sep-31		0	(14,766)
Loan 101B - City Centre Redevelopment		101B	WATC	1.33%	07-Jun-32	(45,933)	(27,706)	(33,914)
Total						(702,863)	(686,376)	(823,858)
Self Supporting Loans Finance Cost								
Recreation and culture								
Loan 103B - Golf Club Refurbishment		103B	WATC	3.32%		(8,405)	(8,446)	(9,130)
Total Self Supporting Loans Finance Cost Payments						(8,405)	(8,446)	(9,130)
Total Finance Cost Payments						(711,268)	(694,822)	(832,988)

* Western Australian Treasury Corporation

CITY OF KWINANA
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FOR THE YEAR ENDED 30 JUNE 2023

28. BORROWING AND LEASE LIABILITIES (Continued)

(b) Lease Liabilities

Purpose	Note	Actual				Budget			
		Principal at 1 July 2021	New Leases During 2021-22	Principal Repayments During 2021-22	Principal at 30 June 2022	New Leases During 2022-23	Principal Repayments During 2022-23	Principal at 30 June 2023	Principal at 1 July 2022
Other Property & Services									
ELB 4x Proline84 Interactive		10,604	0	(7,933)	2,671	0	(2,671)	0	0
Kyocera Equipment		21,765	0	(17,754)	4,011	0	(4,011)	0	0
Photocopier/Printers		34,707	0	(8,344)	26,363	0	(11,301)	15,062	23,570
Kodak Scanners		15,706	0	(5,878)	9,828	0	(6,130)	3,698	9,826
Education and welfare									
Vehicle Lease - Youth		30,818	0	(6,572)	24,246	0	(6,661)	17,585	23,698
Recreation and culture									
Gym equipment		422,103	0	(110,922)	311,181	0	(112,125)	199,056	311,111
Nilfisk floor scrubber		10,071	0	(7,082)	2,989	0	(2,989)	0	2,987
Columbus Floor Scrubber		0	0	0	0	22,388	(5,959)	16,429	0
Total Lease Liabilities	10(b)	545,774	0	(164,485)	381,289	22,388	(151,847)	251,830	371,192

Lease Finance Cost Payments

Purpose	Note	Lease Number	Institution	Interest Rate	Date final payment is due	Actual for year ending 30 June 2023	Budget for year ending 30 June 2023	Actual for year ending 30 June 2022	Lease Term(months)
ELB 4x Proline84 Interactive		E6N0160185	All Leasing	2.00%	Jun-22	\$ (13)	\$ 0	\$ 0	20
Kyocera Equipment		5389066248AUS1	Kyocera	3.70%	Jun-22	(18)	0	(381)	48
Photocopier/Printers		E6N0162743	Maia	1.80%	Oct-24	(399)	(348)	(551)	60
Kodak Scanners		5389066248AUS3	HP Financial Se	4.17%	Feb-24	(294)	(294)	(546)	36
Education and welfare									
Vehicle Lease - Youth		1HFE114	Toyota Finance	2.20%	Jan-26	(268)	(268)	(357)	60
Recreation and culture									
Gym equipment		E6N0163618-1	Maia	2.79%	Jun-25	(2,739)	(2,739)	(3,944)	48
Nilfisk floor scrubber		3510183300688	Nilfisk	1.70%	Dec-22	(13)	(13)	(118)	36
Columbus Floor Scrubber		TBA	ABCO	3.90%	Sep-25	(641)	0	0	36
Total Finance Cost Payments						(4,385)	(3,662)	(5,897)	

CITY OF KWINANA
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29. RESERVE ACCOUNTS

	2023 Actual Opening Balance	2023 Actual Transfer to	2023 Actual Transfer (from)	2023 Actual Closing Balance	2023 Budget Opening Balance	2023 Budget Transfer to	2023 Budget Transfer (from)	2023 Budget Closing Balance	2022 Actual Opening Balance	2022 Actual Transfer to	2022 Actual Transfer (from)	2022 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Restricted by legislation/agreement												
(a) Public Open Space	322,116	10,265	0	332,381	320,613	0	0	320,613	320,613	1,503	0	322,116
(b) DCA 1 - Hard Infrastructure - Bertram	1,455,449	524,812	(22,983)	1,957,278	1,119,353	32,206	(12,299)	1,139,260	738,950	793,445	(76,946)	1,455,449
(c) DCA 2 - Hard Infrastructure - Wellard	1,727,291	64,730	0	1,792,021	1,813,809	32,764	(12,299)	1,834,274	1,720,913	6,378	0	1,727,291
(d) DCA 3 - Hard Infrastructure - Casuarina	0	101,472	(8,431)	93,041	3,940	201,950	(12,299)	193,591	0	0	0	0
(e) DCA 4 - Hard Infrastructure - Anketell	2,029,392	746,553	(13,090)	2,762,855	2,018,903	28,797	(12,299)	2,035,401	1,194,025	851,964	(16,597)	2,029,392
(f) DCA 5 - Hard Infrastructure - Wandi	1,858,311	378,639	(16,739)	2,220,211	3,707,115	31,182	(12,299)	3,725,998	972,058	909,066	(22,813)	1,858,311
(g) DCA 6 - Hard Infrastructure - Mandogalup	3,912,473	1,969,408	(13,090)	5,868,791	993,210	28,995	(12,299)	1,009,906	753,954	3,175,276	(16,757)	3,912,473
(h) DCA 7 - Hard Infrastructure - Wellard West	78,402	32,058	(5,401)	105,059	58,234	200,131	(12,299)	246,066	52,702	31,654	(5,954)	78,402
(i) DCA 8 - Soft Infrastructure - Mandogalup	2,953,938	1,220,032	(12,174)	4,161,796	2,470,156	31,279	(12,303)	2,489,132	1,418,989	1,550,554	(15,605)	2,953,938
(j) DCA 9 - Soft Infrastructure - Wandi/Anketell	11,832,280	696,592	(1,038,923)	11,489,949	11,602,387	65,451	(12,299)	11,655,539	12,810,629	915,025	(1,893,374)	11,832,280
(k) DCA 10 - Soft Infrastructure - Casuarina/Anketell	182,425	6,579	(12,174)	176,830	172,082	25,786	(12,299)	185,569	197,222	808	(15,605)	182,425
(l) DCA 11 - Soft Infrastructure - Wellard East	5,862,382	210,381	(12,707)	6,060,056	6,498,531	52,337	(12,299)	6,538,569	6,478,479	39,925	(656,022)	5,862,382
(m) DCA 12 - Soft Infrastructure - Wellard West	10,466,540	880,755	(34,329)	11,312,966	9,841,499	64,981	(816,167)	9,090,313	9,488,144	993,920	(15,524)	10,466,540
(n) DCA 13 - Soft Infrastructure - Bertram	254,648	9,089	(12,174)	251,563	244,199	26,037	(12,299)	257,937	269,075	1,097	(15,524)	254,648
(o) DCA 14 - Soft Infrastructure - Wellard/Leda	903,395	107,747	(12,174)	998,968	845,899	53,418	(12,299)	887,018	813,783	105,136	(15,524)	903,395
(p) DCA 15 - Soft Infrastructure - City Site	325,573	20,177	(12,174)	333,576	310,733	26,227	(12,299)	324,661	306,909	34,188	(15,524)	325,573
	44,164,615	6,979,289	(1,226,563)	49,917,341	42,020,663	901,541	(988,357)	41,933,847	37,536,445	9,409,939	(2,781,769)	44,164,615
Restricted by council												
(q) Aged Persons Units Reserve	845,043	30,795	(54,357)	821,481	783,699	181,078	(190,000)	774,777	772,745	228,166	(155,868)	845,043
(r) Asset Management Reserve	4,617,620	2,176,486	(3,828,086)	2,966,020	4,241,258	1,724,417	(4,902,128)	1,063,547	5,190,293	1,865,616	(2,438,289)	4,617,620
(s) Banksia Park Reserve	244,242	87,055	0	331,297	207,841	79,813	(90,000)	197,654	209,270	205,549	(170,577)	244,242
(t) City Infrastructure Reserve	941,685	40,046	0	981,731	940,590	3,950	0	944,540	1,360,526	6,159	(425,000)	941,685
(u) Community Services & Emergency Relief Reserve	335,592	10,926	(2,500)	344,018	330,883	1,400	0	332,283	334,163	1,429	0	335,592
(v) Contiguous Local Authorities Group Reserve	270,118	34,128	(38,136)	266,110	265,181	27,214	(38,000)	254,395	278,785	25,805	(34,472)	270,118
(w) Employee Leave Reserve	2,955,674	0	0	2,955,674	2,946,683	12,376	0	2,959,059	2,946,683	8,991	0	2,955,674
(x) Employee Vacancy Reserve	504,796	371,887	0	876,683	505,192	2,122	0	507,314	502,648	2,148	0	504,796
(y) Family Day Care Reserve	0	9,889	(9,889)	0	1,235,450	(3,638)	0	1,231,812	1,040,526	5,288	(1,045,814)	0
(z) Golf Course Cottage Reserve	29,683	1,096	0	30,779	29,705	125	0	29,830	29,557	126	0	29,683
(f) Golf Club Maintenance Reserve	27,183	5,851	(1,836)	31,198	17,189	5,082	(5,044)	17,227	17,145	10,038	0	27,183
(l) Information Technology Reserve	94,521	1,017,225	(702,088)	409,658	532,088	1,004,941	(532,088)	1,004,941	2,546,175	500,848	(2,952,502)	94,521
(j) Plant and Equipment Replacement Reserve	593,784	1,767,143	(1,368,338)	992,589	317,268	1,895,941	(1,890,900)	322,309	378,327	742,743	(527,286)	593,784
(-) Public Art Reserve	300,420	66,292	0	366,712	300,052	126	0	300,178	29,900	270,520	0	300,420
() Refuse Reserve	5,379,039	0	(137,902)	5,241,137	5,025,665	22,570	(311,544)	4,736,691	5,524,521	10,981	(156,463)	5,379,039
(€) Renewable Energy Efficiency Reserve	51,096	50,929	(14,545)	87,480	42,026	49,212	(49,035)	42,203	34,354	16,742	0	51,096

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29. RESERVE ACCOUNTS (Continued)

	2023 Actual Opening Balance	2023 Actual Transfer to	2023 Actual Transfer (from)	2023 Actual Closing Balance	2023 Budget Opening Balance	2023 Budget Transfer to	2023 Budget Transfer (from)	2023 Budget Closing Balance	2022 Actual Opening Balance	2022 Actual Transfer to	2022 Actual Transfer (from)	2022 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(i) Restricted Grants & Contributions Reserve	2,182,902	575,321	(1,371,926)	1,386,297	1,564,824	85,000	(1,252,757)	397,067	3,157,387	1,200,901	(2,175,386)	2,182,902
(.) Settlement Agreement Reserve	169,350	169,654	(31,576)	307,428	169,526	712	0	170,238	168,670	680	0	169,350
(f) Strategic Property Reserve	455,369	18,670	0	474,039	498,000	0	(270,000)	228,000	0	455,369	0	455,369
(u) Workers Compensation Reserve	552,445	142,674	(221,831)	473,288	551,521	1,367	0	552,888	324,699	227,746	0	552,445
	20,550,562	6,576,067	(7,783,010)	19,343,619	20,504,641	5,093,808	(9,531,496)	16,066,953	24,846,374	5,785,845	(10,081,657)	20,550,562
	64,715,177	13,555,356	(9,009,573)	69,260,960	62,525,304	5,995,349	(10,519,853)	58,000,800	62,382,819	15,195,784	(12,863,426)	64,715,177

All reserves are supported by cash and cash equivalents and financial assets at amortised cost and are restricted within equity as Reserve accounts.

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

Name of reserve account Restricted by legislation/agreement	Purpose of the reserve account
(a) Public Open Space	to be used to restrict funds that have been paid in lieu of open space as specified in the Western Australia Planning and Development Act 2005.
(b) DCA 1 - Hard Infrastructure - Bertram	to be used to restrict funds received from Developers for contributions towards future infrastructure costs and administrative costs for DCA 1 - Hard Infrastructure Bertram.
(c) DCA 2 - Hard Infrastructure - Wellard	to be used to restrict funds received from Developers for contributions towards future infrastructure costs and administrative costs for DCA 2 - Hard Infrastructure Wellard.
(d) DCA 3 - Hard Infrastructure - Casuarina	to be used to restrict funds received from Developers for contributions towards future infrastructure costs and administrative costs for DCA 3 - Hard Infrastructure Casuarina.
(e) DCA 4 - Hard Infrastructure - Anketell	to be used to restrict funds received from Developers for contributions towards future infrastructure costs and administrative costs for DCA 4 - Hard Infrastructure Anketell.
(f) DCA 5 - Hard Infrastructure - Wandí	to be used to restrict funds received from Developers for contributions towards future infrastructure costs and administrative costs for DCA 5 - Hard Infrastructure Wandí.
(g) DCA 6 - Hard Infrastructure - Mandogalup	to be used to restrict funds received from Developers for contributions towards future infrastructure costs and administrative costs for DCA 6 - Hard Infrastructure Mandogalup.
(h) DCA 7 - Hard Infrastructure - Wellard West	to be used to restrict funds received from Developers for contributions towards future infrastructure costs and administrative costs for DCA 7 - Hard Infrastructure Mandogalup West.
(i) DCA 8 - Soft Infrastructure - Mandogalup	to be used to restrict funds received from Developers for contributions towards future infrastructure costs and administrative costs for DCA 8 - Soft Infrastructure Mandogalup.
(j) DCA 9 - Soft Infrastructure - Wandí/Anketell	to be used to restrict funds received from Developers for contributions towards future infrastructure costs and administrative costs for DCA 9 - Soft Infrastructure Wandí/Anketell.
(k) DCA 10 - Soft Infrastructure - Casuarina/Anketell	to be used to restrict funds received from Developers for contributions towards future infrastructure costs and administrative costs for DCA 10 - Soft Infrastructure Casuarina/Anketell.
(l) DCA 11 - Soft Infrastructure - Wellard East	to be used to restrict funds received from Developers for contributions towards future infrastructure costs and administrative costs for DCA 11 - Soft Infrastructure Wellard East.

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29. RESERVE ACCOUNTS (Continued)

(m) DCA 12 - Soft Infrastructure - Wellard West	to be used to restrict funds received from Developers for contributions towards future infrastructure costs and administrative costs for DCA 12 - Soft Infrastructure Wellard West.
(n) DCA 13 - Soft Infrastructure - Bertram	to be used to restrict funds received from Developers for contributions towards future infrastructure costs and administrative costs for DCA 13 - Soft Infrastructure Bertram.
(o) DCA 14 - Soft Infrastructure - Wellard/Leda	to be used to restrict funds received from Developers for contributions towards future infrastructure costs and administrative costs for DCA 14 - Soft Infrastructure Wellard/Leda.
(p) DCA 15 - Soft Infrastructure - City Site	to be used to restrict funds received from Developers for contributions towards future infrastructure costs and administrative costs for DCA 15 - Soft Infrastructure City Site.
Restricted by council	
(q) Aged Persons Units Reserve	to be used to provide funds for the capital acquisition and maintenance of the Aged Persons Units, Callistemon Court.
(r) Asset Management Reserve	to be used to provide funds for renewal projects for the City's building and infrastructure assets, thereby extending the useful economic life of such assets.
(s) Banksia Park Reserve	to be used to provide funds for the capital acquisitions and maintenance of the Banksia Park Retirement Village.
(t) City Infrastructure Reserve	to be used to fund the City's contributions to community infrastructure projects.
(u) Community Services & Emergency Relief Reserve	to be used to provide funding to alleviate the effect of any disaster within the City of Kwinana boundaries and to provide funds to develop community services.
(v) Contiguous Local Authorities Group Reserve	to be used to restrict funds received for the prevention, control and education of mosquito management.
(w) Employee Leave Reserve	to be used to ensure that adequate funds are available to finance employee leave entitlements.
(x) Employee Vacancy Reserve	to be used to ensure that adequate funds are available to finance employee costs.
(y) Family Day Care Reserve	to be used to provide for the capital acquisitions and maintenance of this facility
(z) Golf Course Cottage Reserve	to be used to provide funds for the maintenance of this building.
({) Golf Club Maintenance Reserve	to be used to provide funds for the maintenance of this building.
() Information Technology Reserve	to be used for the implementation and maintainance of the City's software requirements.
(}) Plant and Equipment Replacement Reserve	to be used to replace existing fleet, plant and other City assets.
(~) Public Art Reserve	to be used to receive monies paid as cash in lieu for public art and the provision of public art expenditure under the Local Planning Policy 5.
() Refuse Reserve	to be used to provide funds for the costs and subsidy of Waste Management in the City.
(€) Renewable Energy Efficiency Reserve	to be used to provide funds for renewable energy and water efficiency initiatives.
() Restricted Grants & Contributions Reserve	to be used to restrict funds, being city funds, grants and contributions, required to complete projects from prior financial years.
(,) Settlement Agreement Reserve	to be used to provide funds to account for future negotiated settlement agreement payments.
(f) Strategic Property Reserve	to be used to provide funds for future investment opportunities.
(,) Workers Compensation Reserve	to be used to fund workers compensation costs incurred by the City where the maximum contribution amount for a previous year has been reached and there is a claim which remains open and requires the City to pay costs relating to the open claims in the current and future years.

CITY OF KWINANA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

30. TRUST FUNDS

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

	1 July 2022	Amounts Received	Amounts Paid	30 June 2023
	\$	\$	\$	\$
APU Security Bonds	22,854	2,500	(3,960)	21,394
Contiguous Local Authorities Group (CLAG)	5,707	1,973	0	7,680
Uncollected Vehicles	6,845	13,945	0	20,790
	35,406	18,418	(3,960)	49,864

CITY OF KWINANA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

31. CORRECTION OF PRIOR PERIOD ERROR

During the year ended 30 June 2023, the following misstatement were identified relating to prior year financial periods.
The misstatements have been corrected by restating each of the affected financial statement line items for the prior period.

(a) Correction of treatment of Software as a Service (SaaS) configuration costs

The City has implemented Technology One ERP system effective 1 July 2022 and incurred implementation costs during 2020-21 and 2021-22. The system has been implemented in the cloud as Software As A Service (Saas) arrangement. SaaS configuration costs amounting to \$4,492,065 (at 30 June 2022) and \$1,565,010 (at 30 June 2021) were treated as intangible assets within work in progress. This accounting treatment is not in accordance with the requirements of AASB 138 Intangible Assets, as the City does not have any control of the system. Accordingly, the costs should have been treated as operating expense in the year in which they were incurred.

As a consequence, the City has determined that:

- Operating expenses were understated by \$2,927,055 for the year ended 30 June 2022;
- Intangible assets were overstated by \$1,565,010 at 30 June 2021 and \$4,492,065 at 30 June 2022.
- Retained surplus was overstated by \$1,565,010 at 30 June 2021 and \$4,492,065 at 30 June 2022.

The City has retrospectively applied the corrections and adjustments to the impacted financial statement line items.

(b) Correction of recognition of Developer Contributed assets from prior financial years.

The City routinely acquires infrastructure assets as part of its business. Due to a communication gap between the infrastructure team and the finance teams, assets amounting to \$6,095,089 which were transferred to the City prior to 1 July 2022 were not recognised.

As a consequence, the City has determined that:

- Non-operating contributions were understated by \$428,971 and \$5,666,118 for the year ended 30 June 2021 and 30 June 2022 respectively;
- Depreciation was understated by \$10,529 and \$24,618 for the year ended 30 June 2021 and 30 June 2022 respectively;
- Infrastructure assets was understated by \$418,442 at 30 June 2021 and \$6,059,942 at 30 June 2022.
- Retained surplus was understated by \$418,442 at 30 June 2021 and \$6,059,942 at 30 June 2022.

The City has retrospectively applied the corrections and adjustments to the impacted financial statement line items.

The financial impact of this correction of errors is indicated below:

Statement of Financial Position (Extract)	30 June 2022 \$	Increase/ (Decrease) \$	30 June 2022 (Restated) \$	01 July 2021 \$	Increase/ (Decrease) \$	01 July 2021 (Restated) \$
Intangible Assets	4,839,502	(4,492,065)	347,437	1,864,163	(1,565,010)	299,153
Infrastructure	608,946,293	6,059,942	615,006,235	366,067,324	418,442	366,485,766
Total assets	834,780,665	1,567,877	836,348,542	586,267,149	(1,146,568)	585,120,581
Net assets	749,320,985	1,567,877	750,888,862	503,576,769	(1,146,568)	502,430,201
Retained surplus	218,399,668	1,567,877	219,967,545	213,378,682	(1,146,568)	212,232,114
Total equity	749,320,985	1,567,877	750,888,862	503,576,769	(1,146,568)	502,430,201

Statement of Comprehensive Income (Extract)	2022 \$	Increase/ (Decrease) \$	2022 (Restated) \$
Materials and Contracts	25,051,640	2,927,055	27,978,695
Depreciation	15,717,756	24,618	15,742,374
Capital Grants, subsidies and contribution	12,436,230	5,666,118	18,102,348
Net result for the period	7,353,344	2,714,445	10,067,789
Total comprehensive income for the period	245,744,216	2,714,445	248,458,661

CITY OF KWINANA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

31. CORRECTION OF PRIOR PERIOD ERROR (Continued)

Statement of Cash Flows (Extract)	2022	Increase/ (Decrease)	2022 (Restated)
	\$	\$	\$
Materials and contracts	23,980,606	2,927,055	26,907,661
Net cash provided by (used in) operating activities	12,105,867	(2,927,055)	9,178,812
Payments for intangible assets	2,982,430	(2,927,055)	55,375
Net cash provided by (used in) investing activities	(6,326,688)	2,927,055	(3,399,633)

Statement of Financial Activity (Extract)	2022	Increase/ (Decrease)	2022 (Restated)
	\$	\$	\$
Materials and contracts	25,051,640	2,927,055	27,978,695
Depreciation	15,717,756	24,618	15,742,374
Non-cash amounts excluded from operating activities	12,327,256	24,618	12,351,874
Amount attributable to operating activities (Note a)	7,244,370	(2,927,055)	4,317,315
Capital grants, subsidies and contributions	12,436,230	5,666,118	18,102,348
Purchase and construction of infrastructure	12,069,918	5,666,118	17,736,036
Payments for intangible assets	2,982,430	(2,927,055)	55,375
Amount attributable to investing activities	(2,853,977)	2,927,055	73,078

Note (a) - The balance of the 'Amount attributable to operating activities' of \$7,244,370 stated in the Statement of Financial Activity is after the effect of change in presentation in 2023 with regard to General rates, following the change from presenting the Rate Setting Statement to presenting the Statement of Financial Activity.



Auditor General

INDEPENDENT AUDITOR'S REPORT

2023

City of Kwinana

To the Council of the City of Kwinana

Opinion

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

- the Statement of Financial Position as at 30 June 2023, and the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Statement of Financial Activity for the year then ended
- Notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial report is:

- based on proper accounts and records
- presents fairly, in all material respects, the results of the operations of the City for the year ended 30 June 2023 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, the Australian Accounting Standards.

Basis for opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial report section below.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter – Restatement of comparative figures

I draw attention to Note 31 to the financial report which states that the amounts reported in the previously issued 30 June 2022 financial report have been restated and disclosed as comparatives in this financial report. My opinion is not modified in respect of this matter.

Other information

The Chief Executive Officer (CEO) is responsible for the preparation and the Council for overseeing the other information. The other information is the information in the entity's annual report for the year ended 30 June 2023, but not the financial report and my auditor's report.

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

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report, or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I did not receive the other information prior to the date of this auditor's report. When I do receive it, I will read it and if I conclude that there is a material misstatement in this information, I am required to communicate the matter to the CEO and Council and request them to correct the misstated information. If the misstated information is not corrected, I may need to retract this auditor's report and re-issue an amended report.

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

The Chief Executive Officer (CEO) of the City is responsible for:

- keeping proper accounts and records
- preparation and fair presentation of the financial report in accordance with the requirements of the Act and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards
- 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
- 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 responsibilities 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.

My independence and quality management relating to the report on the financial report

I have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*, the Office of the Auditor General maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Matters relating to the electronic publication of the audited financial report

This auditor's report relates to the financial report of the City of Kwinana for the year ended 30 June 2023 included in the annual report 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. It does not provide an opinion on any other information which may have been hyperlinked to/from the annual report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to contact the City to confirm the information contained in the website version.

Sandra Labuschagne
Deputy Auditor General
Delegate of the Auditor General for Western Australia
Perth, Western Australia
6 December 2023





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