Supplementary Items

Council Agenda

28 November 2018

ALL INFORMATION AVAILABLE IN VARIOUS FORMATS ON REQUEST

city@busselton.wa.gov.au

CITY OF BUSSELTON

SUPPLEMENTARY ITEMS FOR THE COUNCIL MEETING TO BE HELD ON 28 NOVEMBER 2018

TABLE OF CONTENTS

ITEM NO.	SUBJECT	PAGE NO.
8.	**CONFIRMATION AND RECEIPT OF MINUTES**	**3**
8.4	Minutes of the Audit Committee Meeting held 21 November 2018	3
12.	**REPORTS OF COMMITTEE**	**4**
12.5	Audit Committee - 21/11/2018 - CITY OF BUSSELTON 2017/2018 ANNUAL FINANCIAL REPORT, AUDITORS REPORT AND MANAGEMENT LETTER	4

8. CONFIRMATION AND RECEIPT OF MINUTES

Committee Meetings

8.4 Minutes of the Audit Committee Meeting held 21 November 2018

RECOMMENDATION

That the Minutes of the Audit Committee Meeting held 21 November 2018 be noted

12. REPORTS OF COMMITTEE

12.5 Audit Committee - 21/11/2018 - CITY OF BUSSELTON 2017/2018 ANNUAL FINANCIAL REPORT, AUDITORS REPORT AND MANAGEMENT LETTER

SUBJECT INDEX:	Financial Operations
STRATEGIC OBJECTIVE:	Governance systems, process and practices are responsible, ethical and transparent.
BUSINESS UNIT:	Finance and Corporate Services
ACTIVITY UNIT:	Financial Services
REPORTING OFFICER:	Manager Financial Services - Kim Dolzadelli
AUTHORISING OFFICER:	Director Finance and Corporate Services - Tony Nottle
VOTING REQUIREMENT:	Simple Majority
ATTACHMENTS:	Attachment A 2017/2018 Annual Financial Report Including Auditors Report⇩ Attachment B 2017/2018 Management Letter⇩

This item was considered by the Audit Committee at its meeting on 21 November 2018, the recommendations from which have been included in this report.

PRÉCIS

The 2017/18 Annual Financial Statement, Auditors Report and Management Letter was received from Council's appointed Auditor, Mr Tim Partridge from AMD Chartered Accountants on 26 October 2018, and is provided to Committee Members as attachments to this report.

Pursuant to its Instrument of Appointment, it is relevant that the Audit Committee considers the 2017/18 Annual Financial Statement, Auditors Report and Management Letter and where appropriate, makes recommendation/s in respect of these reports.

BACKGROUND

Pursuant to Section 7.9 of the Local Government Act (the 'Act'), an Auditor is required to examine the accounts and annual financial report submitted by a local government for audit. The Auditor is also required, by 31 December following the financial year to which the accounts and report relate, to prepare a report thereon and forward a copy of that report to:

(a) The Mayor or President
(b) The Chief Executive Officer; and
(c) The Minister

Furthermore, in accordance with Regulation 10 (4) of the Local Government (Audit) Regulations, where it is considered appropriate to do so, the Auditor may prepare a Management Report to accompany the Auditor's Report, which is also to be forwarded to the persons specified in Section 7.9 of the Act.

The Management Report provides an overview of the audit process and outcomes, whilst also identifying any matters that, whilst generally not material in relation to the overall audit of the financial report, are nonetheless considered relevant to the day to day operations of the City.

STATUTORY ENVIRONMENT

Matters pertaining to the financial audit of a local government authority are detailed within:

- Local Government Act 1995 Section 7.9 and Section 7.12A.
- Local Government (Financial Management) Regulations 1996.
- Local Government (Audit) Regulations 1996 – Regulation 16.

RELEVANT PLANS AND POLICIES

There are no plans or policies relevant to this matter

FINANCIAL IMPLICATIONS

There are no financial implications associated with the officer recommendation.

LONG-TERM FINANCIAL PLAN IMPLICATIONS

There are no long term financial plan implications associated with the officer recommendation

STRATEGIC COMMUNITY OBJECTIVES

This matter principally aligns with Key Goal Area 6 –Leadership of the City's Strategic Community Plan 2017 and more specifically Community Objective 6.1: Governance systems, process and practices are responsible, ethical and transparent.

RISK ASSESSMENT

There are no identified risks of a medium or greater level.

CONSULTATION

No external consultation was considered necessary in relation to this matter.

OFFICER COMMENT

The Audit Committee should note the following Auditors comments:

*"**Opinion***

We have audited the annual financial report of the City of Busselton which comprises the Statement of Financial Position as at 30 June 2018, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

In our opinion the annual financial report of the City of Busselton:

(i) is based on proper accounts and records; and

(ii) fairly represents, in all material respects, the results of the operations of the City of Busselton for the year ended 30 June 2018 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.

Report on Other Legal and Regulatory Requirements

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

(i) In our opinion, there are no significant adverse trends in the financial statements of the City of Busselton;

(ii) The following instance of non-compliance with Part 6 of the Local Government Act 1995, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law were identified during the course of my audit:

- *The monthly financial statements for July 2017 and August 2017 were not presented at an ordinary council meeting within two months after the end of the month to which the financial statements relate; as required by Regulation 34(4) of the Local Government (Financial Management) Regulations 1996.*

(iii) All required information and explanations were obtained by us.
(iv) All audit procedures were satisfactorily completed.
(v) In our opinion, the asset consumption ratio and the asset renewal funding ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

The Auditor's Management Report provides an overview of the approach undertaken in respect of the annual audit process, and the associated outcomes of the audit. The Management Report also identifies any findings that, whilst not material in relation to the overall audit of the financial report, are considered relevant to the day to day operations of the City.

As part of the 2017/18 Financial Audit, the Auditor made 5 findings as follows, full details and City of Busselton Management comments can be seen in Attachment B 2017/2018 Management Letter:

a) Compliance Audit Return,
b) Condition Assessment of Infrastructure Assets,
c) Liability for Time Off in Lieu,
d) A finding relating to excessive leave balances, and
e) Terminated Employee Checklist

Comments on Findings

a) The Compliance Audit Return (CAR) was considered by the Audit Committee at its meeting on 14 March 2018 and adopted by Council at its meeting held 28 March 2018. The CAR was subsequently signed and lodged with the Department 9 April 2017; this late lodgment was as a result of illness of a staff member and further complicated by the Easter Public holidays of Friday 30 March and Monday 2 April 2018.

b) Regulation 17A (4)(b) of the Local Government (Financial Management) Regulations 1996 has since been amended to allow for Fair Value of Assets to be undertaken within a period of at least 3 years but no more than 5 years after the day on which the asset was last valued or revalued. Officers believe that this amendment supports the actions of the City with respect to re-assessment of asset conditions.

c) New processes will be put into place to ensure entitlement balances are regularly reconciled and updated for any change to pay rates.

d) The finding in relation to excessive leave balances for some employees is acknowledged and a process has been put in place following similar findings over the last few years.

The City continues to adopt an approach of endeavoring to achieve an overall reduction in long outstanding leave balances while still meeting the needs of the organisation. It should be noted this is an issue in relation to a few employees only; and the City does not generally have a problem with excessive leave balances.

This issue will obviously be the subject of continual review prior to and at next year's financial audit.

e) The City endeavors to ensure that termination checklists are completed following the departure of employees, this instance is believed to be of minor consequence and removal of building and IT access rights, amendment of payroll records indeed did occur, albeit a checklist could not be located.

CONCLUSION

The City achieved a clear audit for the financial year ending 30 June 2018 with only 5 findings reported in the Management Report.

OPTIONS

The Audit Committee may determine to make specific recommendations in relation to the audit findings and the actions identified by management in addressing these. Given the relatively minor nature of the issues that have arisen and the actions which are proposed or are underway, officers do not think specific resolutions are necessary.

TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

Not applicable.

COMMITTEE RECOMMENDATION AND OFFICER RECOMMENDATION

That the Council accept the 2017/18 Annual Financial Report including Auditors Report and Audit Management Report.

City of Busselton
Geographe Bay

Financial Report

For the year ended

30 June 2018

City of Busselton

Financial Report

For the Year Ended 30th June 2018

TABLE OF CONTENTS

Statement by Chief Executive Officer	3
Statement of Comprehensive Income by Nature or Type	4
Statement of Comprehensive Income by Program	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Rate Setting Statement	9 to 10
Notes to and Forming Part of the Financial Report	11 to 67
Independent Audit Report	68 to 70

Community Vision
The City of Busselton's vision is "A vibrant and cohesive community that protects its natural environment, meets the needs of its population and ensures that future development maintains the City's unique character, lifestyle and community values - The best place to be". In order to support its vision the City is committed to the values of honesty and integrity, a 'can do' attitude, openness, transparency and accountability, mutual respect in everything we do, and striving for excellence.

Principal place of business:
2 Southern Drive
Busselton WA 6280

City of Busselton

Financial Report

For the Year Ended 30th June 2018

LOCAL GOVERNMENT ACT 1995

LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the City of Busselton for the financial year ended 30th June 2018 is based on proper accounts and records to present fairly the financial position of the City of Busselton at 30th June 2018 and the results of the operations for the financial year then ended in accordance with the Local Government Act 1995 and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the 26th day of October 2018

Mike Archer
Chief Executive Officer

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Statement of Comprehensive Income by Nature or Type

	Note	2018 Actual $	2018 Budget $	2017 Actual $
Revenue				
Rates	21	45,094,369	44,860,841	41,988,600
Operating Grants, Subsidies and Contributions	2(a)	4,736,243	3,454,904	6,364,207
Fees and Charges	2(a)	15,517,916	15,175,277	15,562,634
Interest Earnings	2(a)	2,453,556	2,262,996	3,330,887
Other Revenue		519,958	403,838	404,611
		68,322,042	66,157,856	67,650,939
Expenses				
Employee Costs		(28,746,867)	(29,186,308)	(27,458,800)
Materials and Contracts		(15,686,046)	(16,639,971)	(14,621,223)
Utility Charges		(2,478,776)	(2,580,822)	(2,252,433)
Depreciation on Non-Current Assets	9(b)	(18,581,517)	(18,003,380)	(16,767,081)
Interest Expenses	2(b)	(1,250,420)	(1,410,971)	(1,278,501)
Insurance Expenses		(651,943)	(655,677)	(650,427)
Other Expenditure		(2,812,207)	(1,468,265)	(613,788)
		(70,207,776)	(69,945,394)	(63,642,253)
		(1,885,734)	**(3,787,538)**	**4,008,686**
Non-Operating Grants, Subsidies and Contributions	2(a)	24,793,990	42,079,630	17,605,379
Profit on Asset Disposals	9(a)	55,551	22,400	47,614
Loss on Asset Disposals	9(a)	(681,441)	(6,252)	(460,824)
		24,168,100	42,095,778	17,192,169
NET RESULT		**22,282,366**	**38,308,240**	**21,200,855**
Other Comprehensive Income				
Items that will not be reclassified subsequently to profit or loss				
Changes on revaluation of non-current assets	10	31,925,811	0	12,701,372
Total Other Comprehensive Income		31,925,811	0	12,701,372
TOTAL COMPREHENSIVE INCOME		**54,208,177**	**38,308,240**	**33,902,227**

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

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Statement of Comprehensive Income by Program

	Note	2018 Actual	2018 Budget	2017 Actual
Revenue	2(a)	$	$	$
General Purpose Funding		49,873,924	48,368,383	49,097,898
Governance		218,957	316,881	235,396
Law, Order & Public Safety		775,115	653,855	725,861
Health		720,928	547,215	426,456
Education and Welfare		4,940	5,737	6,235
Housing		473,969	463,160	470,928
Community Amenities		8,830,636	8,469,339	8,980,203
Recreation and Culture		3,672,339	3,429,885	3,664,189
Transport		1,389,329	1,295,050	1,612,936
Economic Services		1,925,645	2,122,574	1,972,674
Other Property and Services		436,260	485,777	458,163
		68,322,042	66,157,856	67,650,939
Expenses Excluding Finance Costs	2(a)			
General Purpose Funding		(1,309,152)	(1,337,076)	(978,115)
Governance		(5,572,139)	(6,410,290)	(4,816,650)
Law, Order & Public Safety		(2,919,132)	(2,826,987)	(2,722,998)
Health		(1,450,108)	(1,400,564)	(1,209,853)
Education and Welfare		(161,830)	(142,867)	(153,906)
Housing		(1,259,456)	(1,085,049)	(1,002,744)
Community Amenities		(12,134,184)	(11,885,020)	(10,889,372)
Recreation and Culture		(19,631,596)	(20,064,316)	(17,726,799)
Transport		(20,043,293)	(18,915,095)	(18,330,378)
Economic Services		(3,249,317)	(3,536,980)	(3,431,003)
Other Property and Services		(1,227,149)	(930,179)	(1,101,934)
		(68,957,356)	(68,534,423)	(62,363,752)
Finance Costs	2(a)			
Governance		(717,170)	(717,249)	(747,630)
Recreation and Culture		(441,480)	(561,975)	(456,621)
Transport		(58,985)	(98,961)	(40,892)
Economic Services		(2,100)	(2,101)	(2,590)
Other Property and Services		(30,685)	(30,685)	(30,768)
		(1,250,420)	(1,410,971)	(1,278,501)
Non-Operating Grants, Subsidies & Contributions	2(a)	24,793,990	42,079,630	17,605,379
Profit on Disposal of Assets	9(a)	55,551	22,400	47,614
Loss on Disposal of Assets	9(a)	(681,441)	(6,252)	(460,824)
		24,168,100	42,095,778	17,192,169
NET RESULT		**22,282,366**	**38,308,240**	**21,200,855**
Other Comprehensive Income				
Items that will not be reclassified subsequently to profit or loss				
Changes on revaluation of non-current assets	10	31,925,811	0	12,701,372
Total Other Comprehensive Income		**31,925,811**	**0**	**12,701,372**
TOTAL COMPREHENSIVE INCOME		**54,208,177**	**38,308,240**	**33,902,227**

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

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Statement of Financial Position

	Note	2018 Actual $	2017 Actual $
Current Assets			
Cash and Cash Equivalents	3	72,413,338	86,589,475
Trade and Other Receivables	5	4,416,239	4,163,787
Inventories	6	23,672	24,457
Total Current Assets		76,853,249	90,777,719
Non-current Assets			
Other Receivables	5	633,389	581,047
Property, Plant and Equipment	7	142,307,532	137,089,861
Infrastructure	8	553,230,968	485,023,784
Total Non-current Assets		696,171,889	622,694,692
Total Assets		**773,025,138**	**713,472,411**
Current Liabilities			
Trade and Other Payables	11	9,382,351	9,036,971
Current Portion of Long Term Borrowings	12	3,055,609	2,355,987
Provisions	13	4,492,008	4,204,045
Total Current Liabilities		16,929,968	15,597,003
Non-current Liabilities			
Long Term Borrowings	12	31,672,304	27,771,067
Provisions	13	753,327	642,979
Total Non-current Liabilities		32,425,631	28,414,046
Total Liabilities		**49,355,599**	**44,011,049**
Net Assets		**723,669,539**	**669,461,362**
Equity			
Retained Surplus		440,549,926	422,707,022
Reserves – Cash Backed	4	47,978,517	43,539,055
Revaluation Surplus	10	235,141,096	203,215,285
Total Equity		**723,669,539**	**669,461,362**

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

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Statement of Changes in Equity

	Note	Retained Surplus $	Reserves Cash Backed $	Revaluation Surplus $	Total Equity $
Balance as at 1 July 2016		399,021,159	46,024,063	190,513,913	635,559,135
Changes in Accounting Policy		0	0	0	0
Correction of Errors		0	0	0	0
Restated Balance		**399,021,159**	**46,024,063**	**190,513,913**	**635,559,135**
Comprehensive Income					
Net Result		21,200,855	0	0	21,200,855
Changes on Revaluation of Non-Current Assets	10	0	0	12,701,372	12,701,372
Total Comprehensive Income		21,200,855	0	12,701,372	33,902,227
Transfer from / (to) Reserves		2,485,008	(2,485,008)	0	0
Balance as at 30 June 2017		**422,707,022**	**43,539,055**	**203,215,285**	**669,461,362**
Comprehensive Income					
Net Result		22,282,366	0	0	22,282,366
Changes on Revaluation of Non-Current Assets	10	0	0	31,925,811	31,925,811
Total Comprehensive Income		22,282,366	0	31,925,811	54,208,177
Transfer from / (to) Reserves		(4,439,462)	4,439,462	0	0
Balance as at 30 June 2018		**440,549,926**	**47,978,517**	**235,141,096**	**723,669,539**

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

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Statement of Cash Flows

	Note	2018 Actual $	2018 Budget $	2017 Actual $
Cash Flows from Operating Activities				
Receipts				
Rates		44,652,865	45,158,093	41,739,664
Operating Grants, Subsidies and Contributions		5,064,099	3,453,942	6,527,785
Fees & Charges		15,631,005	15,171,934	15,621,793
Interest Earnings		2,453,556	2,262,998	3,330,887
Goods and Services Tax		8,718,038	5,089,341	8,211,638
Other Revenue		2,024,835	403,035	1,051,072
		78,544,398	71,539,343	76,482,839
Payments				
Employee Costs		(28,358,888)	(29,183,170)	(27,361,342)
Materials and Contracts		(15,737,513)	(17,098,749)	(15,835,602)
Utility Charges		(2,478,776)	(2,580,822)	(2,252,433)
Insurance Expenses		(651,943)	(655,677)	(650,427)
Interest Expenses		(1,195,451)	(1,410,971)	(1,262,108)
Goods and Services Tax		(8,396,273)	(4,000,000)	(8,878,327)
Other Expenditure		(4,650,634)	(1,457,494)	(1,546,481)
		(61,469,478)	(56,386,883)	(57,786,720)
Net Cash Provided by (used in) Operating Activities	14	17,074,920	15,152,460	18,696,119
Cash Flows from Investing Activities				
Payment for Purchase of Property, Plant & Equipment		(9,944,612)	(21,396,210)	(26,209,460)
Payment for Construction of Infrastructure		(42,255,717)	(59,905,821)	(33,049,989)
Non-Operating Grants, Subsidies and Contributions		15,969,176	26,071,023	9,867,359
Proceeds from Sale of Assets		424,075	635,150	466,912
Net Cash Provided by (used In) Investing Activities		(35,807,078)	(54,595,858)	(48,925,178)
Cash Flows from Financing Activities				
Repayment of Debentures		(2,359,142)	(2,780,982)	(2,110,790)
Proceeds from Self Supporting Loans		65,163	73,466	79,168
Advances to Community Groups		(110,000)	(260,000)	(214,000)
Proceeds from New Debentures		6,960,000	11,110,000	3,214,000
Net Cash Provided By (used In) Financing Activities		4,556,021	8,142,484	968,378
Net Increase (Decrease) in Cash Held		(14,176,137)	(31,300,914)	(29,260,681)
Cash at Beginning of Year		86,589,475	86,589,475	115,850,156
Cash and Cash Equivalents at the End of the Year	14	**72,413,338**	**55,288,561**	**86,589,475**

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

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Rate Setting Statement

	Note	2018 Actual $	2018 Budget $	2017 Actual $
Net current assets at start of financial year – surplus / (deficit)		1,839,640	1,839,640	1,178,089
		1,839,640	1,839,640	1,178,089
Revenue from operating activities (excluding rates)				
General Purpose Funding		5,295,742	4,011,324	7,593,296
Governance		220,184	316,881	247,398
Law, Order & Public Safety		787,726	655,355	726,358
Health		721,791	548,065	426,456
Education and Welfare		4,940	5,737	6,235
Housing		473,969	463,160	470,928
Community Amenities		8,834,948	8,472,639	8,980,203
Recreation and Culture		3,673,904	3,435,385	3,691,030
Transport		1,420,970	1,297,450	1,619,122
Economic Services		1,925,645	2,124,574	1,972,674
Other Property and Services		439,592	492,627	460,251
		23,799,411	21,823,197	26,193,951
Expenditure from operating activities				
General Purpose Funding		(1,309,152)	(1,337,076)	(978,115)
Governance		(6,293,694)	(7,127,539)	(5,591,134)
Law, Order & Public Safety		(2,919,632)	(2,826,987)	(2,728,973)
Health		(1,450,483)	(1,400,664)	(1,210,693)
Education and Welfare		(161,830)	(142,867)	(153,906)
Housing		(1,259,628)	(1,085,049)	(1,003,417)
Community Amenities		(12,137,697)	(11,890,170)	(10,897,928)
Recreation and Culture		(20,158,847)	(20,627,293)	(18,268,395)
Transport		(20,688,838)	(19,014,056)	(18,679,478)
Economic Services		(3,251,478)	(3,539,081)	(3,440,923)
Other Property and Services		(1,257,938)	(960,864)	(1,150,115)
		(70,889,217)	(69,951,646)	(64,103,077)
Operating activities excluded				
(Profit) on disposal of assets	9(a)	(55,551)	(22,400)	(47,614)
Loss on disposal of assets	9(a)	681,441	6,252	460,824
Movement in deferred pensioner rates		(19,965)	0	(46,639)
Movement in employee benefit provisions		398,311	0	103,105
Depreciation and amortisation on assets	9(b)	18,581,517	18,003,380	16,767,081
Movement in non-cash contributions		(8,935,865)	(16,000,000)	(7,774,560)
Movement Deposits and Bonds		1,604,382	0	(214,949)
		12,254,270	1,987,232	9,247,248
Amount Attributable to Operating Activities		**(32,995,896)**	**(44,301,577)**	**(27,483,789)**
Investing Activities				
Non-operating grants, subsidies and contributions	2(a)	24,793,990	42,079,630	17,605,379
Proceeds from disposal of assets	9(a)	424,075	635,150	466,912
Purchase of property, plant and equipment	7(b)	(10,733,956)	(21,391,305)	(26,337,635)
Purchase and construction of infrastructure	8(b)	(41,460,704)	(59,905,821)	(35,665,309)
Amount attributable to investing activities		**(26,976,595)**	**(38,582,346)**	**(43,930,653)**

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

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Rate Setting Statement (Continued)

	Note	2018 Actual $	2018 Budget $	2017 Actual $
Financing Activities				
Advances to community groups	12(a)	(110,000)	(260,000)	(214,000)
Repayment of advances to community groups	12(a)	65,163	73,466	79,168
Repayment of debentures	12(a)	(2,359,142)	(2,780,982)	(2,110,790)
Proceeds from new debentures	12(a)	6,850,000	10,850,000	3,000,000
Proceeds from self-supporting loans	12(a)	110,000	260,000	214,000
Transfers to reserves (restricted assets)		(20,908,023)	(16,911,323)	(34,281,862)
Transfers from reserves (restricted assets)		35,257,602	47,295,703	65,062,964
Amount attributable to financing activities		18,905,600	38,526,864	31,749,480
Surplus(deficiency) before general rates		(41,066,891)	(44,357,059)	(39,664,962)
Total amount raised from general rates	21(a)	44,578,182	44,357,059	41,504,602
Net current assets at 30 June c/fwd. – surplus / (deficit)	22	**3,511,291**	**0**	**1,839,640**

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

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

1. BASIS OF PREPARATION

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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 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.

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY (Continued)

CRITICAL ACCOUNTING ESTIMATES (Continued)

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 24 to these financial statements.

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

		2018 Actual $	2017 Actual $
2.	**Revenue and Expenses**		
(a)	**Revenue**		
	Significant Revenue		
	Reimbursements and Recoveries	1,038,730	1,027,888
		1,038,730	**1,027,888**
	Fees & Charges		
	General Purpose Funding	86,114	87,754
	Governance	35,135	1,350
	Law, Order & Public Safety	175,969	209,007
	Health	538,610	417,892
	Education and Welfare	159	158
	Housing	470,205	467,268
	Community Amenities	8,445,631	8,616,904
	Recreation and Culture	2,567,867	2,559,229
	Transport	1,148,716	1,102,045
	Economic Services	1,877,143	1,908,715
	Other Property and Services	172,367	192,312
		15,517,916	**15,562,634**

There were no changes during the year to the amount of the fees or charges detailed in the original budget.

Grant Revenue

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

Operating Grants, Subsidies and Contributions	2018 Actual $	2017 Actual $
General Purpose Funding	2,232,364	3,682,913
Governance	145,015	205,840
Law, Order & Public Safety	527,153	447,108
Health	132,937	8,564
Education and Welfare	4,781	6,077
Housing	3,764	3,661
Community Amenities	186,209	244,448
Recreation and Culture	1,088,464	1,092,463
Transport	151,635	384,092
Economic Services	5,817	29,397
Other Property and Services	258,104	259,644
	4,736,243	**6,364,207**

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

		2018 Actual $	2017 Actual $
2.	**Revenue and Expenses (Continued)**		
(a)	**Revenue (Continued)**		
	Non- operating Grants, Subsidies and Contributions		
	Law, Order & Public Safety	580,964	790,260
	Health	8,397	11,862
	Community Amenities	1,863	77,500
	Recreation and Culture	5,305,642	4,198,666
	Transport	18,897,124	12,527,091
		24,793,990	**17,605,379**

SIGNIFICANT ACCOUNTING POLICIES
Grants, Donations and Other Contributions

Grants, donations and other contributions are recognised as revenues when the local government obtains control over the assets comprising the contributions.

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 20.

That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current period.

Grants, Donations and Other Contributions (Continued)

	2018 Actual $	2018 Budget $	2017 Actual $
Interest Earnings			
- Reserve Funds	1,130,739	1,000,000	1,334,027
- Restricted Funds	651,630	500,000	1,297,471
- Other Funds	213,287	369,000	291,909
- Other Interest Revenue (refer note 21(e))	457,900	393,996	407,480
	2,453,556	2,262,996	3,330,887
Operating Grants			
Financial Assistance Grants - Untied	378,410	0	377,452
Financial Assistance Grants - Roads	791,516	0	769,207
	1,169,926	0	1,146,659

Note: The above Operating Grants were paid as an advanced payment on income that normally would have been received in the 2018/19 financial year. The grant amounts by nature are not restricted funds. This note is to inform the reader of this significant sum of revenue that was not included in the 2017/18 Budget and the fact that it has added to the carried forward surplus available for the 2018/19 Budget Year.

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

		2018 Actual $	2017 Actual $
2.	**Revenue and Expenses (Continued)**		
(b)	**Expenses**		
	Significant Expenses		
	Repayment of Royalties for Regions Project Grant relating to the Busselton-Margaret River Airport Development.	1,400,000	0
		1,400,000	0
	Auditors Remuneration		
	- Audit of Financial Report	23,300	23,000
	- Other Services	5,183	730
		28,483	23,730
	Interest Expenses (Finance Costs)		
	Overdraft Interest	0	0
	Long Term Borrowings (refer Note 12(a))	1,250,420	1,278,501
		1,250,420	1,278,501

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

		Note	2018 Actual $	2017 Actual $
3.	**Cash and Cash Equivalents**			
	Unrestricted		4,885,287	4,815,096
	Restricted		67,528,051	81,774,379
			72,413,338	86,589,475
	The following restrictions have been imposed by regulations or other externally imposed requirements:			
	Airport Infrastructure Renewal & Replacement Reserve	4	1,325,501	1,428,768
	Asset Depreciation Reserve	4	0	0
	Climate Adaptation Reserve	4	2,472,424	1,900,993
	Building Reserve	4	1,380,651	1,335,119
	Corporate IT System Programme Reserve	4	78,625	125,981
	Jetty Maintenance Reserve	4	4,193,451	3,158,775
	Legal Expenses Reserve	4	557,904	544,832
	Long Service Leave Reserve	4	0	0
	City Car Parking and Access Reserve	4	875,925	623,502
	Plant Replacement Reserve	4	2,185,396	2,325,778
	Professional Development Reserve	4	0	0
	Road Asset Renewal	4	0	0
	Sick Pay Incentive Reserve	4	0	0
	Strategic Projects Reserve	4	226,213	230,337
	Waste Management Facility and Plant Reserve	4	7,881,068	7,578,592
	Port Geographe Development Reserve	4	1,455,441	1,534,671
	Port Geographe Waterways Management Reserve	4	3,387,485	3,422,821
	Workers Compensation Contingency Reserve	4	356,227	322,008
	Provence Landscape Maintenance Reserve	4	1,101,708	1,001,808
	New Infrastructure Development Reserve	4	1,834,715	2,033,639
	Vasse Newtown Landscape Maintenance Reserve	4	535,722	485,466
	Untied Grants Reserve	4	0	1,146,659
	Locke Estate Reserve	4	0	129,971
	Busselton Community Centre Reserve	4	156,654	123,722
	CBD Enhancement Reserve	4	122,490	84,898
	Election, Valuation and Corporate Expenses Reserve	4	149,558	331,553
	Civic and Administration Centre Construction Reserve	4	0	444,863
	Airport Marketing and Incentive Reserve	4	1,583,014	912,986
	Busselton Traffic Study Implementation Reserve	4	432,138	0
	CPA Bushfire Facilities Reserve	4	55,862	0
	CPA Community Facilities Dunsborough Lakes South Reserve	4	70,848	0
	CPA Community Facilities South Biddle Precinct Reserve	4	1,030,368	0
	CPA Infrastructure Road Upgrade Reserve	4	225,575	0
	Emergency Disaster Recovery Reserve	4	50,000	0
	Energy Sustainability Reserve	4	100,000	0
	Cemetery Reserve	4	100,000	0
	Employee Entitlements Reserve	4	3,400,658	3,005,077
	Infrastructure Asset Renewal Reserve	4	1,863,178	1,076,330
	Community Development Contribution Reserve	4	7,013,358	6,650,295
	Busselton Area Drainage and Waterways Improvement Reserve	4	548,821	609,789
	Joint Venture Aged Housing Reserve	4	997,855	874,987

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

3. Cash and Cash Equivalents (Continued)	Note	2018 Actual $	2017 Actual $
Public Art Reserve	4	229,684	94,836
Less Accrued Interest on Restricted Assets	4	(177,115)	(280,365)
Cash set aside in Lieu of Parking		275,602	273,102
Cash set aside for Roadwork within specific areas, being funds given as a condition of subdivision/development		2,034,699	1,960,140
Cash set aside, being unspent specific purpose Government Grants		10,518,573	31,080,208
Cash set aside, being Unspent Loan Funds		2,686,903	1,263,598
Cash set aside for Commonage Precinct Infrastructure and roads		0	1,351,054
Cash set aside for Sundry Restricted		392,310	373,407
Cash set aside for Deposits & Bonds		3,818,562	2,214,179
		67,528,051	81,774,379

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 that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value

Cash and cash equivalents (Continued)

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

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

4. Reserves – Cash Backed

	2017/18 Actual				2017/18 Budget				2016/17 Actual			
	Opening Balance $	Transfers To $	Transfers From $	Closing Balance $	Opening Balance $	Transfers To $	Transfers From $	Closing Balance $	Opening Balance $	Transfers To $	Transfers From $	Closing Balance $
Airport Infrastructure Renewal & Replacement Reserve	1,428,768	489,363	(592,630)	1,325,501	1,428,768	429,661	(42,630)	1,815,799	940,036	531,362	(42,630)	1,428,768
Asset Depreciation Reserve	0	0	(0)	0	0	0	(0)	0	2,573,604	0	(2,573,604)	0
Climate Adaptation Reserve	1,900,993	700,755	(129,324)	2,472,424	1,900,993	694,815	(195,000)	2,400,808	1,768,390	508,641	(376,038)	1,900,993
Building Asset Renewal Reserve	1,335,119	68,207	(22,675)	1,380,651	1,335,119	73,927	(40,000)	1,369,046	1,493,038	210,103	(368,022)	1,335,119
Corporate IT System Programme Reserve	125,981	2,967	(50,323)	78,625	125,981	2,928	(53,276)	75,633	132,062	3,543	(9,624)	125,981
Jetty Maintenance Reserve	3,158,775	1,283,471	(248,795)	4,193,451	3,158,775	1,268,301	(989,438)	3,437,638	2,306,653	1,244,203	(392,081)	3,158,775
Legal Expenses Reserve	544,832	13,072	(0)	557,904	544,832	12,648	(0)	557,480	530,593	14,239	0	544,832
Long Service Leave Reserve	0	0	(0)	0	0	0	(0)	0	2,604,471	0	(2,604,471)	0
City Car Parking and Access Reserve	623,502	459,269	(206,846)	875,925	623,502	454,522	(887,057)	190,967	427,857	426,362	(230,717)	623,502
Plant Replacement Reserve	2,325,778	808,669	(949,051)	2,185,396	2,325,778	826,245	(1,658,950)	1,493,073	2,810,579	634,998	(1,119,799)	2,325,778
Professional Development Reserve	0	0	(0)	0	0	0	(0)	0	77,905	0	(77,905)	0
Road Asset Renewal	0	0	(0)	0	0	0	(0)	0	328,823	0	(328,823)	0
Sick Pay Incentive Reserve	0	0	(0)	0	0	0	(0)	0	144,553	0	(144,553)	0

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

4. Reserves – Cash Backed (Continued)

	2017/18 Actual				2017/18 Budget				2016/17 Actual			
	Opening Balance $	Transfers To $	Transfers From $	Closing Balance $	Opening Balance $	Transfers To $	Transfers From $	Closing Balance $	Opening Balance $	Transfers To $	Transfers From $	Closing Balance $
Strategic Projects Reserve	230,337	30,792	(34,916)	226,213	230,337	30,340	(25,000)	235,677	216,612	31,272	(17,547)	230,337
Waste Management Facility and Plant Reserve	7,578,592	2,208,861	(1,906,385)	7,881,068	7,578,592	2,082,280	(4,002,300)	5,658,572	7,613,254	2,703,200	(2,737,862)	7,578,592
Port Geographe Development Reserve	1,534,671	35,864	(115,094)	1,455,441	1,534,671	35,616	(989,718)	580,569	1,654,121	44,375	(163,825)	1,534,671
Port Geographe Waterways Management Reserve	3,422,821	264,664	(300,000)	3,387,485	3,422,821	259,548	(310,000)	3,372,369	3,454,443	268,378	(300,000)	3,422,821
Workers Compensation Contingency Reserve	322,008	59,219	(25,000)	356,227	322,008	58,226	(25,000)	355,234	273,142	48,866	(0)	322,008
Provence Landscape Maintenance Reserve	1,001,808	190,129	(90,229)	1,101,708	1,001,808	179,359	(162,369)	1,018,798	835,856	174,505	(8,553)	1,001,808
New Infrastructure Development Reserve	2,033,639	704,113	(903,037)	1,834,715	2,033,639	700,301	(1,195,674)	1,538,266	2,007,645	606,874	(580,880)	2,033,639
Vasse Newtown Landscape Maintenance Reserve	485,466	182,106	(131,850)	535,722	485,466	178,815	(207,566)	456,715	470,760	177,054	(162,348)	485,466
Untied Grants Reserve	1,146,659	0	(1,146,659)	0	1,146,659	0	(1,146,659)	0	0	1,146,659	(0)	1,146,659
Locke Estate Reserve	129,971	66,963	(196,934)	0	129,971	67,012	(196,983)	0	64,000	65,971	(0)	129,971
Busselton Community Resource Centre Reserve	123,722	32,932	(0)	156,654	123,722	30,448	(0)	154,170	92,178	31,544	(0)	123,722
CBD Enhancement Reserve	84,898	37,592	(0)	122,490	84,898	36,968	(120,000)	1,866	50,404	34,494	(0)	84,898
Election, Valuation and Corporate Expenses Reserve	331,553	187,425	(369,420)	149,558	331,553	185,596	(395,300)	121,849	174,169	182,317	(24,933)	331,553

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

4. Reserves – Cash Backed (Continued)

	2017/18 Actual				2017/18 Budget				2016/17 Actual			
	Opening Balance $	Transfers To $	Transfers From $	Closing Balance $	Opening Balance $	Transfers To $	Transfers From $	Closing Balance $	Opening Balance $	Transfers To $	Transfers From $	Closing Balance $
Civic and Administration Centre Construction Reserve	444,863	0	(444,863)	0	444,863	0	(444,863)	0	12,782,915	161,948	(12,500,000)	444,863
Airport Marketing and Incentive Reserve	912,986	670,028	(0)	1,583,014	912,986	321,181	(0)	1,234,167	196,000	716,986	(0)	912,986
Busselton Traffic Study Implementation Reserve	0	509,105	(76,967)	432,138	0	3,028,578	(2,660,917)	367,661	0	0	(0)	0
CPA Bushfire Facilities Reserve	0	55,862	(0)	55,862	0	54,672	(0)	54,672	0	0	(0)	0
CPA Community Facilities Dunsborough Lakes South Reserve	0	70,848	(0)	70,848	0	69,339	(0)	69,339	0	0	(0)	0
CPA Community Facilities South Biddle Precinct Reserve	0	1,030,368	(0)	1,030,368	0	1,020,273	(175,000)	845,273	0	0	(0)	0
CPA Infrastructure Road Upgrade Reserve	0	225,575	(0)	225,575	0	220,770	(0)	220,770	0	0	(0)	0
Emergency Disaster Recovery Reserve	0	50,000	(0)	50,000	0	0	(0)	0	0	0	(0)	0
Energy Sustainability Reserve	0	100,000	(0)	100,000	0	0	(0)	0	0	0	(0)	0
Cemetery Reserve	0	100,000	(0)	100,000	0	0	(0)	0	0	0	(0)	0
Employee Entitlements Reserve	3,005,077	894,391	(498,810)	3,400,658	3,005,077	276,212	(404,840)	2,876,449	0	3,555,252	(550,175)	3,005,077
Infrastructure Asset Renewal Reserve	1,076,330	2,247,690	(1,460,842)	1,863,178	1,076,330	2,225,242	(2,142,278)	1,159,294	0	4,500,725	(3,424,395)	1,076,330
Community Development Contribution Reserve	6,650,295	1,011,025	(647,962)	7,013,358	6,650,295	1,253,100	(844,145)	7,059,250	0	8,563,465	(1,913,170)	6,650,295

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

4. Reserves – Cash Backed (Continued)

	2017/18 Actual				2017/18 Budget				2016/17 Actual			
	Opening Balance $	Transfers To $	Transfers From $	Closing Balance $	Opening Balance $	Transfers To $	Transfers From $	Closing Balance $	Opening Balance $	Transfers To $	Transfers From $	Closing Balance $
Busselton Area Drainage and Waterways Improvement Reserve	609,789	14,631	(75,599)	548,821	609,789	14,148	(120,000)	503,937	0	609,789	(0)	609,789
Joint Venture Aged Housing Reserve	874,987	147,868	(25,000)	997,855	874,987	140,304	(0)	1,015,291	0	874,987	(0)	874,987
Public Art Reserve	94,836	148,848	(14,000)	229,684	94,836	54,196	(52,000)	97,032	0	94,836	(0)	94,836
	43,539,056	**15,102,672**	**(10,663,211)**	**47,978,517**	**43,539,056**	**16,285,571**	**(19,486,963)**	**40,337,664**	**46,024,063**	**28,166,950**	**(30,651,957)**	**43,539,056**

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

4. Reserves – Cash Backed (continued)

All of the reserve accounts are supported by money held in financial institutions and match the amount shown as restricted cash in Note 3 to this report.

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

Airport Infrastructure Renewal and Replacement Reserve

To provide funding for the renewal, replacement, upgrading and installation of Airport Infrastructure; and to facilitate the implementation of the Noise Management Plan and related activities.

Assets Depreciation Reserve

To assist the City in funding capital expenditure on renewal, replacement and improvements of infrastructure assets as determined by Council, and as specifically identified in relevant Asset Management Plans.

Climate Adaptation Reserve

To cover repairs or preventative measures necessary to protect the beach or land based assets, as well as specific capital projects designed to protect the shoreline, e.g. construction of a sea wall.

Building Asset Renewal Reserve

To provide funding for future building requirements for assets that do not have their own reserve account or loan funding.

Corporate IT Systems Programme

To assist the City in funding expenditure required in relation to the ongoing development and enhancement of the City's corporate systems.

Jetty Maintenance Reserve

As a contingency fund to rectify damage caused by the demise of the Busselton jetty or part of the jetty or for large unbudgeted extraordinary jetty repairs.

Legal Expenses Reserve

To provide for any legal expenses or contingency involving the City of Busselton.

Long Service Leave Reserve

To provide funding to meet Council's future long service leave obligations.

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

4. Reserves – Cash Backed (Continued)

City Car Parking and Access Reserve

To provide adequate public car parking in the City for the future, and can be used for the purchase of land and/or development of public car parking and access thereto, the development of infrastructure to provide for the management of public car parking and providing improved public transport to and within the City.

Plant Replacement Reserve

For funding and the purchase of new plant and equipment as may be required to mitigate growth needs or improvements to service levels as agreed by the Council; or plant and equipment as identified in the 10 year plant replacement program by using the basis of plant depreciation earnings and subsidisation by annual budgets as required.

Professional Development Reserve

To provide funding to meet the City's ongoing contractual professional development obligations.

Road Asset Renewal Reserve

To meet the needs of the Long Term Financial Plan road asset management plan requirements.

Sick Pay Incentive Reserve

To provide funding to meet Council's obligations under the City of Busselton's Enterprise Bargaining Agreement.

Strategic Projects Reserve

To finance activities which will create a revenue stream for the City and reduce reliance on rate revenue.

Waste Management Facility and Plant Reserve

To fund the acquisition of additional waste plant, waste facility infrastructure, waste related expenditure and post closure management.

Port Geographe Development Reserve

To provide for costs associated with the Port Geographe development.

Port Geographe Waterways Management Reserve

To provide funds for Council to fulfil its obligations under a Waterways Management Deed with Pindan Constructions for the future maintenance of waterways and associated facilities within the Port Geographe subdivision area.

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

4. Reserves – Cash Backed (Continued)

Workers Compensation Contingency Reserve

A contingency fund to assist Council in meeting its Workers Compensation Contribution obligations when claim costs exceed the "Deposit" amount allocated to claims, to fund any shortfall with respect to insurance premiums and to enable periods of extended Sick Leave to be funded where a replacement officer is required for any period of absence.

Provence Landscape Maintenance Reserve

For the purpose of holding funds for the maintenance of the approved higher standard of landscaping within the Provence subdivision in accordance with Policy 185/3 including future capital replacement of landscaping structures as may be required.

New Infrastructure Development Reserve

For the purpose of setting aside funds to facilitate the identification, design and development of new infrastructure and other capital projects.

Vasse Newtown Landscape Maintenance Reserve

For the purpose of holding funds for the maintenance of the approved higher standard of landscaping.

Untied Grants Reserve

To hold untied grants monies received in advance.

Locke Estate Reserve

To provide funding for the protection of the Locke Estate (Reserve 22674) coastline.

Busselton Community Resource Centre Reserve

To hold funds for costs associated with asset management (as well as a contingency for annual depreciation) of the building located on Reserve 41445, and known as the Busselton Community Resource Centre.

CBD Enhancement Reserve

Financing works and improvements within the Busselton Central Business District', including both capital and maintenance works which enhance the old fire station and / or the CBD generally.

Election, Valuation and Corporate Expenses Reserve

To provide funding for Council elections, rating valuations, fair value valuations and other legislative and corporate governance requirements.

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

4. Reserves – Cash Backed (Continued)

Civic and Administration Centre Construction Reserve

To provide funding for the construction and fit-out of a Civic and Administration Centre, plus associated costs.

Airport Marketing and Incentive Reserve

The purpose for promoting the Busselton Regional Airport.

Busselton Traffic Study Implementation Reserve

To be utilised for the provision of the progressive upgrade of the local road network to reduce congestion, increase traffic flow and ease of access.

CPA Bushfire Facilities Reserve

For the purpose of the provision of fire protection facilities in accordance with the Commonage Contributions Area policy provisions.

CPA Community Facilities Dunsborough Lakes South Reserve

For the purpose of the provision of future recreational facilities at Dunsborough Lakes South (Lot 10 Commonage Road) in accordance with the Commonage Contributions Area policy provisions.

CPA Community Facilities South Biddle Precinct Reserve

To be utilised for the provision of community facilities within the South Biddle Precinct.

CPA Infrastructure Road Upgrades Reserve

To be utilised For the purpose of road upgrades towards road safety upgrades within the Commonage contribution area in accordance with the Commonage Contributions Area policy provisions.

Emergency Disaster Recovery Reserve

To provide funding for Disaster Recovery activities including natural and man-made events.

Energy Sustainability Reserve

To provide funding for the investigation, implementation and optimisation of Energy Sustainability initiatives within the District.

Cemetery Reserve

To provide funding for the renewal, expansion and establishment of Cemeteries within the district.

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

4. Reserves – Cash Backed (Continued)

Employee Entitlements Reserve

To provide funding to meet Council's future long service leave obligations. To provide funding to meet Council's obligations under the City of Busselton's Enterprise Bargaining Agreement (Sick Pay Incentive). To provide funding to meet the City's ongoing contractual professional development obligations.

Infrastructure Asset Renewal Reserve

To assist the City in funding capital expenditure on renewal, replacement and improvements of infrastructure assets as determined by Council, and as specifically identified in relevant asset management plans.

To meet the need of the Long Term Financial Plan Road Asset Management plan requirements.

Community Development Contribution Reserve

To hold development contributions received by the City for the provision of new or upgraded community infrastructure.

Busselton Area Drainage and Waterways Improvement Reserve

To hold development contributions received by the City for the provision of drainage works and the management and improvement of waterways within the Busselton area including the lower Vasse River.

Joint Venture Aged Housing Reserve

To hold funds to meet future expenses, including capital, maintenance, operational and administrative costs associated with the provision of community aged housing at Winderlup Villas and Harris Road pursuant to the relevant joint venture agreements with the Department of Housing.

Public Art Reserve

To hold restricted development contributions received by the City for the commissioning, purchase and enhancement of public art works.

Performing Arts Centre Reserve

To provide for the planning and construction of a future Performing Arts Centre for the district. (Balance Nil as at 30 June 2017 and 2018).

Railway House Asset Renewal Reserve

To be utilised For the purpose of major maintenance and renewal of the Railway House facility. (Balance Nil as at 30 June 2017 and 2018).

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

4. Reserves – Cash Backed (Continued)

Airport Noise Mitigation Reserve

To be utilised For the purpose of noise mitigation at the Airport precinct. (Balance Nil as at 30 June 2017 and 2018).

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

		2018 Actual $	2017 Actual $
5.	**Trade and Other Receivables**		
	Current		
	Rates Outstanding	1,149,432	838,886
	Rates Outstanding – Pensioners	112,940	111,882
	Sundry Debtors	2,313,289	2,063,136
	GST Receivable	767,576	1,089,341
	Loans – Clubs / Institutions	73,002	60,542
		4,416,239	4,163,787
	Non-Current		
	Rates Outstanding – Pensioners	275,514	255,550
	Sundry Debtors	5,000	5,000
	Loans – Clubs / Institutions)	352,875	320,497
		633,389	581,047

SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

		2018 Actual $	2017 Actual $
6.	**Inventories**		
	Current		
	Materials	23,672	24,457
		23,672	24,457

SIGNIFICANT ACCOUNTING POLICIES

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

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

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

		2018 Actual $	2017 Actual $
7 (a).	**Property, Plant and Equipment**		
	Land & Buildings		
	Freehold Land – Fair Value	52,772,291	51,033,120
		52,772,291	51,033,120
	Buildings – Fair Value	75,220,950	69,920,726
	Less Accumulated Depreciation	(3,039,620)	0
		72,181,330	69,920,726
	Total Land and Buildings	124,953,621	120,953,846
	Furniture and Fittings – Fair Value	4,588,187	3,891,240
	Less Accumulated Depreciation	(1,258,524)	(531,494)
		3,329,663	3,359,746
	Plant and Equipment – Fair Value	17,948,506	14,919,309
	Less Accumulated Depreciation	(3,924,258)	(2,143,040)
		14,024,248	12,776,269
	Total Property, Plant and Equipment	142,307,532	137,089,861

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

7. Property, Plant and Equipment (Continued)

(b) Movements in Carrying Amounts

The following represents the movement in the carrying amounts of each class of property, plant and equipment between the beginning and the end of the current financial year.

	Land (Level 2)	Buildings Non-Specialised (Level 2)	Buildings Specialised (Level 3)	Furniture and Fittings (Level 3)	Plant and Equipment (Level 3)	Total
Balance as at 1 July 2017	51,033,120	45,849,040	24,071,686	3,359,746	12,776,269	137,089,861
Additions	1,739,171	2,867,492	2,285,160	670,125	3,172,008	10,733,956
(Disposals)	0	0	(31,862)	(1,814)	(406,445)	(440,121)
Revaluation - Increments	0	0	0	0	0	0
- (Decrements)	0	0	0	0	0	0
Impairment - (Losses)	0	0	0	0	0	0
- Reversals	0	0	0	0	0	0
Depreciation - (Expense)	0	(1,901,697)	(1,138,489)	(730,640)	(2,082,745)	(5,853,571)
Donated Assets	0	0	180,000	32,246	565,161	777,407
Other Movements	0	0	0	0	0	0
Balance as at 30 June 2018	**52,772,291**	**46,814,835**	**25,366,495**	**3,329,663**	**14,024,248**	**142,307,532**

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

7. **Property, Plant and Equipment (Continued)**

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of last Valuation	Inputs Used
Land & Buildings					
Freehold land	2	Market approach using recent observable market data for similar properties.	Independent Registered Valuer.	June 2017	Price per hectare / market borrowing rate.
Non-Specialised Buildings	3	Cost approach using depreciated replacement cost.	Independent Registered Valuer.	June 2017	Construction costs (level 2) and current condition (level 3), residual values and remaining useful life assessment's (level 3) inputs.
Specialised Buildings	2	Market approach using recent observable market data for similar properties.	Independent Registered Valuer.	June 2017	Price per square meter / market borrowing rate
Furniture & Equipment					
Furniture & Equipment	3	Cost approach using depreciated replacement cost.	Management valuation.	June 2016	Construction cost (level 2) and current condition (level 3), residual values and remaining useful life assessment (level 3) inputs.
Plant & Equipment					
Plant & Equipment	3	Cost approach using depreciated replacement cost.	Management valuation.	June 2016	Purchased cost (level 2) and current condition (level 3), residual values 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 by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

		2018 Actual $	2017 Actual $
8 (a).	**Infrastructure**		
	Roads – Fair Value	290,497,518	274,240,770
	Less Accumulated Depreciation	0	(9,419,548)
		290,497,518	264,821,222
	Bridges – Fair Value	37,824,541	32,666,530
	Less Accumulated Depreciation	0	(1,123,045)
		37,824,541	31,543,485
	Car Parks – Fair Value	8,588,584	9,898,968
	Less Accumulated Depreciation	0	(589,988)
		8,588,584	9,308,980
	Stormwater Drainage – Fair Value	55,513,855	51,392,423
	Less Accumulated Depreciation	0	(1,288,107)
		55,513,855	50,104,316
	Other Infrastructure – Fair Value	160,806,470	139,642,458
	Less Accumulated Depreciation	0	(10,396,677)
		160,806,470	129,245,781
		553,230,968	485,023,784

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

8. Infrastructure (Continued)

(b) Movements in Carrying Amounts

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

	Roads $	Bridges $	Car Parks $	Drainage $	Other $	Total $
Balance as at 1 July 2017	264,821,222	31,543,485	9,308,980	50,104,316	129,245,781	485,023,784
Additions	7,262,775	418,710	563,205	405,654	32,810,360	41,460,704
(Disposals)	0	0	(425,483)		(184,360)	(609,843)
Revaluation – Increments/ Decrements (transferred to Revaluations)	20,011,280	5,262,350	(549,179)	4,123,644	3,077,716	31,925,811
Revaluation – Increments/ Decrements (transferred to Profit or Loss)	0	0	0	0	0	0
Impairment - (Losses)	0	0	0	0	0	0
- Reversals	0	0	0	0	0	0
Depreciation - (Expense)	(5,013,460)	(602,398)	(308,939)	(703,907)	(6,099,242)	(12,727,946)
Donated Assets	3,415,701	1,202,394	0	1,584,148	1,956,215	8,158,458
Other Movements	0	0	0	0	0	0
Balance as at 30 June 2018	**290,497,518**	**37,824,541**	**8,588,584**	**55,513,855**	**160,806,470**	**553,230,968**

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

8. Infrastructure (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of last Valuation	Inputs Used
Roads	3	Cost approach using depreciated replacement cost.	Management valuation.	June 2018	Construction costs (level 2) and current condition (level 3), residual values and remaining useful life assessments (level 3) inputs.
Bridges	3	Cost approach using depreciated replacement cost.	Management valuation.	June 2018	Construction costs (level 2) and current condition (level 3), residual values and remaining useful life assessments (level 3) inputs.
Car Parks	3	Cost approach using depreciated replacement cost.	Management valuation.	June 2018	Construction costs (level 2) and current condition (level 3), residual values and remaining useful life assessments (level 3) inputs..
Drainage	3	Cost approach using depreciated replacement cost.	Management valuation.	June 2018	Construction costs (level 2) and current condition (level 3), residual values and remaining useful life assessments (level 3) inputs.
Other Infrastructure	3	Cost approach using depreciated replacement cost.	Management valuation.	June 2018	Construction costs (level 2) and current condition (level 3), residual values 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 Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

9. Fixed Assets

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

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

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the City includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

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

Revaluation

The fair value of fixed assets is determined at least every three years in accordance with the regulatory framework. At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions.

This process is considered to be in accordance with Local Government (Financial Management) Regulation 17A (2) which requires property, plant and equipment to be shown at fair value.

Revaluation (Continued)

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

Land under control

In accordance with *Local Government (Financial Management)* Regulation 16(a)(ii), the City was required to include as an asset (by 30 June 2013), Crown Land operated by the local government as a golf course, showground, racecourse or other sporting or recreational facility of State or Regional significance.

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

Land under Roads

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

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

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

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

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

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

9. Fixed Assets (Continued)

(a) Disposals of Assets – 2017/18 Financial Year

The following assets were disposed of during the year:

By Function/Activity:-

	Net Book Value		Sale Price		Profit / (Loss)	
	Actual $	Budget $	Actual $	Budget $	Actual $	Budget $
General Purpose Funding	0	0	0	0	0	0
Governance	35,886	0	32,727	0	(3,159)	0
Law, Order, Public Safety	34,389	22,000	46,499	23,500	12,110	1,500
Health	34,000	37,100	34,488	37,850	488	750
Education and Welfare	0	0	0	0	0	0
Housing	172	0	0	0	(172)	0
Community Amenities	75,176	166,200	75,975	164,350	799	(1,850)
Recreation and Culture	149,519	50,402	65,315	54,900	(84,204)	4,498
Transport	682,360	290,000	127,441	292,400	(554,919)	2,400
Economic Services	62	17,300	0	19,300	(62)	2,000
Other Property & Services	38,401	36,000	41,630	42,850	3,229	6,850
	1,049,965	619,002	424,075	635,150	(625,890)	16,148

By Asset Class:-

	Net Book Value		Sale Price		Profit / (Loss)	
	Actual $	Budget $	Actual $	Budget $	Actual $	Budget $
Land and Buildings	31,862	0	0	0	(31,862)	0
Plant and Equipment	406,447	619,002	424,075	635,150	17,628	16,148
Furniture and Fittings	1,813	0	0	0	(1,813)	0
Infrastructure	609,843	0	0	0	(609,843)	0
	1,049,965	619,002	424,075	635,150	(625,890)	16,148

	2018 Actual $	2017 Actual $
(b) Depreciation		
Buildings	3,040,186	2,053,943
Furniture and Fittings	730,640	534,900
Plant and Equipment	2,082,745	2,235,815
Infrastructure - Roads	5,013,460	4,802,937
Infrastructure - Bridges	602,398	569,346
Infrastructure - Car Parks	308,939	303,561
Infrastructure - Stormwater Drainage	703,907	669,355
Infrastructure - Other Infrastructure	6,099,242	5,597,224
	18,581,517	16,767,081

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

9. Fixed Assets (Continued)

(b) Depreciation (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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

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

b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Depreciation (Continued)

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

Buildings - General	40	Years
Buildings – Geographe Leisure Centre	10 - 20	Years
Furniture and Fittings – Basic Items	10	Years
Furniture and Fittings – EDP Network	3	Years
Heavy Plant and Equipment	3 – 10	Years
Light to Medium Vehicles	3 - 5	Years
Light Mobile Plant	2	Years
Tools	10	Years
Infrastructure:		
Roads	15 - 60	Years
Bridges	40 - 60	Years
Car Parks	20 - 40	Years
Footpaths & Cycle ways	20 - 40	Years
Parks, Gardens & Reserves & Community Facilities	5 - 50	Years
Storm water Drainage	25 - 90	Years
Regional Airport & Industrial Park	12 - 40	Years

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

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

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

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

10. **Revaluation Surplus**

Revaluations surpluses have arisen on revaluation of the following class of non-current assets:

	2018 Actual $	2017 Actual $
Land and Buildings		
Opening Balance	56,801,847	44,100,475
Revaluation Increment	0	18,798,246
Revaluation Decrement	0	(6,096,874)
	56,801,847	56,801,847
Furniture & Fittings		
Opening Balance	445,965	445,965
Revaluation Increment	0	0
Revaluation Decrement	0	0
	445,965	445,965
Plant and Equipment		
Opening Balance	136,902	136,902
Revaluation Increment	0	0
Revaluation Decrement	0	0
	136,902	136,902
Roads		
Opening Balance	102,035,756	102,035,756
Revaluation Increment	20,011,280	0
Revaluation Decrement	0	0
	122,047,036	102,035,756
Bridges		
Opening Balance	19,677,168	19,677,168
Revaluation Increment	5,262,350	0
Revaluation Decrement	0	0
	24,939,518	19,677,168
Car Parks		
Opening Balance	5,863,855	5,863,855
Revaluation Increment	0	0
Revaluation Decrement	(549,179)	0
	5,314,676	5,863,855
Drainage		
Opening Balance	9,978,811	9,978,811
Revaluation Increment	4,123,644	0
Revaluation Decrement	0	0
	14,102,455	9,978,811
Other Infrastructure		
Opening Balance	8,274,981	8,274,981
Revaluation Increment	3,077,716	0
Revaluation Decrement	0	0
	11,352,697	8,274,981
Total Assets Revaluation Surplus	**235,141,096**	**203,215,285**

Movements on revaluation of fixed assets are not able to be reliably attributed to programs as the assets were revalued by class as provided for by AASB 116 Aus. 40.1.

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

		2018 Actual $	2017 Actual $
11.	**Trade and Other Payables**		
	Current		
	Sundry Creditors	3,059,624	3,138,757
	Deposits and Bonds	3,818,562	2,214,179
	Accrued Expenses	2,504,165	3,684,035
		9,382,351	9,036,971

SIGNIFICANT ACCOUNTING POLICIES

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

Trade and other payables (Continued)
payments in respect of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition.

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

12. Information on Borrowings

(a) Debenture Repayments

	Particulars	Borrowing Institution	Int. %	Maturity Date	Principal 1 July 2017	New Loans 2017/18 Budget	New Loans 2017/18 Actual	Principal Repayment 2017/18 Budget	Principal Repayment 2017/18 Actual	Principal 2017/18 Budget	Principal 2017/18 Actual	Interest Repayment 2017/18 Budget	Interest Repayment 2017/18 Actual
	Administration												
C	Loan #207 Civic and Administration Centre	WATC	4.51	06/34	16,144,111	0	0	647,615	647,615	15,496,496	15,496,496	717,249	717,170
	Recreation & Culture												
S	Loan #192 Busselton Tennis Club	WATC	5.74	12/19	17,373	0	0	6,654	6,654	10,719	10,719	856	855
S	Loan #196 Dunsborough Bay Yacht Club	WATC	6.16	12/19	7,727	0	0	2,950	2,950	4,777	4,777	409	408
C	Loan #197 Dunsborough Oval	WATC	6.05	03/20	534,001	0	0	184,062	184,062	349,940	349,939	28,183	28,153
C	Loan #198 Jetty Construction	WATC	6.05	03/20	700,877	0	0	241,581	241,581	459,297	459,296	36,991	36,951
S	Loan #199 Busselton Bowling Club	WATC	5.98	12/20	64,845	0	0	17,174	17,174	47,671	47,671	3,497	3,495
S	Loan #200 Dunsborough Bay Yacht Club	WATC	6.00	12/19	4,968	0	0	1,899	1,899	3,069	3,069	256	256
C	Loan #202 Geothermal Heating GLC	WATC	3.98	06/23	345,442	0	0	52,028	52,028	293,414	293,414	12,979	12,973
C	Loan #204 Busselton Foreshore	WATC	4.36	06/29	936,995	0	0	60,831	60,831	876,165	876,164	39,867	39,860
C	Loan #205 GLC Extensions	WATC	3.92	06/24	890,967	0	0	112,880	112,880	778,087	778,087	33,280	33,268
S	Loan #208 Busselton Football & Sportsman's Club	WATC	2.93	04/25	24,106	0	0	2,714	2,714	21,391	21,392	677	676
C	Loan #209 Busselton Foreshore	WATC	3.56	06/27	5,625,267	0	0	477,121	477,121	5,148,145	5,148,146	193,937	193,891
C	Loan #211 Busselton Foreshore	WATC	2.55	10/24	2,829,840	0	0	348,344	346,878	2,481,496	2,482,962	67,395	67,371
S	Loan #212 Dunsborough and Districts Country	WATC	3.04	05/27	114,000	0	0	9,964	9,915	104,036	104,085	3,341	3,342
S	Loan #213 Geographe Bay Yacht Club	WATC	3.04	05/27	100,000	0	0	8,741	8,698	91,259	91,302	2,930	2,931
S	Loan #214 Dunsborough & Districts Country Club	WATC	3.19	09/27	0	110,000	110,000	6,902	4,713	103,098	105,287	3,029	2,622
S	Loan #new Community Groups	Unknown	n/a	n/a	0	150,000	0	6,021	0	143,979	0	3,375	0
C	Loan #215 Busselton Foreshore Jetty Precinct	WATC	3.25	04/28	0	3,500,000	2,500,000	143,358	0	3,356,642	2,500,000	64,945	14,430
C	Loan #216 Tennis Club Facilities	WATC	3.25	04/28	0	2,750,000	2,750,000	114,497	0	2,635,503	2,750,000	51,028	15,873
C	Loan #217 Lot 10 Commonage Road	WATC	3.25	04/28	0	1,600,000	1,600,000	33,153	0	1,566,847	1,600,000	15,000	9,235
	Transport												
C	Loan #203 Land Acquisition for Parking	WATC	4.19	09/21	628,648	0	0	138,059	138,059	490,589	490,589	24,190	24,172
C	Loan #206 Airport Jet A1 Installation	WATC	3.92	06/24	259,866	0	0	32,923	32,924	226,942	226,943	9,707	9,703
C	Loan #new Dunsborough Car Parking	Unknown	n/a	n/a	0	500,000	0	20,836	0	479,164	0	9,375	0
C	Loan #new Busselton/ Dunsb. Major Road Traffic	Unknown	n/a	n/a	0	2,500,000	0	100,228	0	2,399,772	0	55,689	0
	Economic Services												
S	Loan #201 Geographe Bay Tourism Association	WATC	4.76	09/21	48,021	0	0	10,446	10,446	37,575	37,575	2,101	2,100
	Other Property and Services												
C	Loan #210 Lot 40 Vasse Highway	WATC	3.61	12/25	850,000	0	0	0	0	850,000	850,000	30,685	30,685
	Total - Council and Self-supporting Loans				**30,127,054**	**11,110,000**	**6,960,000**	**2,780,981**	**2,359,142**	**38,456,073**	**34,727,913**	**1,410,971**	**1,250,420**
C	Council Loans are financed by general purpose revenue.				29,746,014	10,850,000	6,850,000	2,707,515	2,293,979	37,888,499	34,302,036	1,390,500	1,233,736
S	Self-Supporting Loans are financed by payments from third parties.				381,040	260,000	110,000	73,466	65,163	567,574	425,877	20,471	16,684
					30,127,054	**11,110,000**	**6,960,000**	**2,780,981**	**2,359,142**	**38,456,073**	**34,727,913**	**1,410,971**	**1,250,420**

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

12. Information on Borrowings (continued)

(b) New Borrowings – 2017/18

Particulars / Purpose	Amount Borrowed Actual $	Amount Borrowed Budget $	Institution	Loan Type	Term (Years)	Total Interest & Charges	Interest Rate %	Amount Used Actual $	Amount Used Budget $	Balance Unspent
Loan #214 Dunsborough & Districts Country Club	110,000	110,000	WATC	Debenture	10	129,344	3.19%	110,000	110,000	0
Loan #new Community Groups	0	150,000	Unknown	Debenture	Not drawn	0	N/A	0	150,000	0
Loan #215 Busselton Foreshore Jetty Precinct	2,500,000	3,500,000	WATC	Debenture	10	2,948,299	3.25%	2,000,004	3,500,000	499,996
Loan #216 Tennis Club Facilities	2,750,000	2,750,000	WATC	Debenture	10	3,243,128	3.25%	567,106	2,750,000	2,182,894
Loan #217 Lot 10 Commonage Road	1,600,000	1,600,000	WATC	Debenture	10	1,886,911	3.25%	1,600,000	1,600,000	0
Loan #new Dunsborough Car Parking	0	500,000	Unknown	Debenture	Not drawn	0	N/A	0	500,000	0
Loan #new Busselton/ Dunsborough Major Road Traffic	0	2,500,000	Unknown	Debenture	Not drawn	0	N/A	0	2,500,000	0
	6,960,000	**11,110,000**				**8,207,682**		**4,277,110**	**11,110,000**	**2,682,890**

(c) Unspent Borrowings

Particulars / Purpose	Date Borrowed	Balance 01-July-17 $	Borrowed During Year $	Expended During Year $	Balance 30-June-18 $
Loan #209 Busselton Foreshore	13th May 2015	186,289	0	186,289	0
Loan #211 Busselton Foreshore	31st October 2016	727,309	0	727,309	0
Loan #206 Airport Jet A1 Installation	27th May 2014	350,000	0	345,987	4,013
Loan #215 Busselton Foreshore Jetty Precinct	27th April 2018	0	2,500,000	2,000,004	499,996
Loan #216 Tennis Club Facilities	27th April 2018	0	2,750,000	567,106	2,182,894
		1,263,598	**5,250,000**	**3,826,695**	**2,686,903**

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

		2018 Actual $	2017 Actual $
12.	**Information on Borrowings (continued)**		
(d)	**Undrawn Borrowing Facilities Credit Standby Arrangements**		
	Electronic Payaway Facility	650,000	650,000
	Electronic Payaway Facility at Balance Date	0	0
	Credit card limit	50,000	50,000
	Credit card balance at balance date	0	0
	Total amount of credit unused	700,000	700,000
	Loan facilities		
	Loan facilities - current	3,055,609	2,355,987
	Loan facilities - non-current	31,672,304	27,771,067
	Total facilities in use at balance date	34,727,913	30,127,054

SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Borrowing costs
Borrowing costs are recognised as an expense when incurred.

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

13. Provisions

	Provision for Annual Leave	Provision for Long Service Leave	Provision for Sick Leave	Total
	$	$	$	$
Opening balance at 1 July 2017				
Current	1,937,277	2,120,389	146,379	4,204,045
Non-Current	0	642,979	0	642,979
	1,937,277	2,763,368	146,379	4,847,024
Additional Provisions	1,760,623	732,876	83,491	2,576,990
Amounts Used	(1,740,198)	(384,546)	(53,935)	(2,178,679)
Balance 30 June 2018	1,957,702	3,111,698	175,935	5,245,335
Comprises				
Current Provisions	1,957,702	2,358,371	175,935	4,492,008
Non-current Provisions	0	753,327	0	753,327
	1,957,702	3,111,698	175,935	5,245,335

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

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

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

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

Other long-term employee benefits (Continued)

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

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

Provisions

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

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

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

14. Notes to the Statement of Cash Flows

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

	2018 Actual $	2018 Budget $	2017 Actual $
Cash and Cash Equivalents	72,413,338	55,288,561	86,589,475
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net Result	22,282,366	38,308,240	21,200,855
Non-cash flows in Net result:			
Depreciation	18,581,517	18,003,380	16,767,081
(Profit) / Loss on Sale of Asset	625,890	(16,148)	413,210
Non-Cash Contributions	(8,935,865)	(16,000,000)	(7,774,560)
Changes in assets and Liabilities:			
(Increase) / Decrease in Receivables	633,524	1,372,879	(555,932)
(Increase) / Decrease in Inventories	786	0	(4,037)
Increase / (Decrease) in Payables	(542,432)	(444,867)	(1,586,247)
Increase / (Decrease) in Employee Provisions	398,310	0	103,105
Grants and Contributions for the Development of Assets	(15,969,176)	(26,071,024)	(9,867,356)
Net Cash from Operating Activities	17,074,920	15,152,460	18,696,119

15. Total Assets Classified by Function and Activity

	2018 Actual $	2017 Actual $
General Purpose Funding	4,928,708	3,909,728
Governance	21,923,044	22,804,182
Law, Order & Public Safety	4,086,602	3,871,978
Health	128,295	105,086
Education and Welfare	634,904	668,805
Housing	17,388,693	17,948,364
Community Amenities	35,521,324	26,075,201
Recreation and Culture	133,394,242	127,841,327
Transport	504,000,047	439,635,108
Economic Services	2,815,829	2,634,339
Other Property and Services	5,494,461	16,567,092
Unallocated	42,708,989	51,411,201
	773,025,138	713,472,411

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

16. Contingent Liabilities

16.1 Resident funded aged persons homes

When the resident funded aged person's unit at the Winderlup Court becomes vacant, then Council has a contractual obligation to reimburse the occupant the contribution made at the outset (less annual depreciation) and discretion to increase the amount based on market value of the capital cost for the unit involved.

16.2 Buy Back Conditions contained in City Lease Agreements

On the 14 June 1999 the City entered into a lease agreement with the St John Ambulance Association of WA and this lease agreement expires on 30 June 2020. If a new lease is not entered into the City could be liable for the purchase of the building and improvements at market value (Clause 7).

16.3 Busselton Waste Transfer Station Contamination Investigation

The City of Busselton operates the Rendezvous Road Waste Transfer Station from lots 500 and 27 Rendezvous Road, Busselton (Busselton Tip Site). During 2007 the Contaminated Sites Branch of the Department of Environment Regulation (DER) notified the City that Lot 500 had been entered on the Contaminated Sites Register and classified as "Possibly Contaminated-Investigation required" mainly because of the historical activities carried out on the Busselton Tip Site. Both these sites have since been reclassified by the (now) Department of Water and Environment Regulation (DWER) as "Contaminated – Remediation Required".

The Busselton Tip Site had been reported by residents who had advised that they abstracted the groundwater for drinking purposes who indicated that chloride and ammonia, above Australian Drinking Water Standards, had been detected in the groundwater in the vicinity of the Busselton Tip Site.

Potential contamination of groundwater in the vicinity of the Busselton Tip Site has since been investigated and subsequent test results indicated chemical concentrations above health and aesthetic screening criteria on certain properties in this area. In accordance with DWER requirements and directives further investigations into the source, nature and extent of the contamination is ongoing. Depending on the outcome of the investigation the City may incur a certain level of liability in respect of remedial action and/or claims for compensation. Due to complex scientific, operational and legal issues impacting on this matter, it is not reasonably possible to determine Council's potential liability (if any) at this stage.

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

17. Capital and Leasing Commitments

		2018 Actual $	2017 Actual $
(a)	**Capital Expenditure Commitments**		
	Contracted for:		
	Capital projects		
	- Civic and Administration Building	0	549,999
	- Youth Building	0	1,106,822
	- Barnard Park	0	249,223
	- Busselton Foreshore Coastal Defences	0	1,046,419
	- Busselton Margaret River Regional Airport Airside Infrastructure	885,156	15,904,709
	- Busselton Margaret River Regional Airport Landside Infrastructure	13,023,079	608,941
	Payable:		
	- not later than one year	13,908,235	19,466,113
	- later than one year but not later than five years	0	0

The capital expenditure projects outstanding at the end of the current reporting period represent construction work associated with the development of the Busselton Margaret River Regional Airport

(b)	**Operating Lease Commitments**		
	Non-cancellable operating leases contracted for but not capitalised in the accounts.		
	Payable:		
	- not later than one year	637,750	414,159
	- later than one year but not later than five years	1,305,370	337,343
	- later than five years	0	0
		1,943,120	751,502

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

Leases (Continued)

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

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

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

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

18. Related Party Transactions

	2018 Actual $	2018 Budget $	2017 Actual $
Councillors Remuneration			
The following fees, expenses and allowances were paid to council members and / or the mayor.			
Mayor & Deputy Allowance	79,964	80,000	78,408
Councillors Sitting Fees	240,344	240,000	235,620
Travelling Allowance - Councillors Meetings	14,001	18,000	13,705
Communication Allowance	31,481	35,000	31,500
Other Allowances	3,761	7,500	4,389
	369,551	380,500	363,622

Key Management Personnel (KMP) Compensation Disclosure

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

	2018 $	2017 $
Short-term employee benefits	1,021,992	1,068,871
Post-employment benefits	121,684	113,556
Other long-term benefits	44,050	127,433
	1,187,726	1,309,860

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

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

Other long-term benefits
These amounts represent long service benefits accruing during the year.

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

18. Related Party Transactions (Continued)

Related Parties

i Key management personnel

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

ii Entities subject to significant influence by the City

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

iii Joint venture entities accounted for under the equity method

The interest in the joint venture entity (if any) is accounted for in these financial statements using the equity method of accounting. For details of interests held in joint venture entities.

Council has assessed the materiality of disclosure of transactions with related parties on the following criteria;

1) The potential effect of the relationship on the financial statements;

2) Whether the transaction occurred as:

   a. Part of a public service provider relationship with a taxpayer on terms no different to that of a transaction with the general public; or

   b. Part of an ordinary operational transaction within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that are reasonable to expect the council would have adopted with the party at arm's length in the same circumstances.

Council has determined that no material transactions with related parties have occurred during the financial year ended 30 June 2018.

19. Major Land Transactions

Council did not participate in any major land transactions during the 2017/18 financial year pursuant to S3.59 of the Local Government Act and Part 3 of the Local Government Functions and General Regulations.

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

20. Conditions Over Grants / Contributions

Grant / Contribution	Function / Activity	Opening Balance (1) 1-Jul-16 $	Received (2) 2016/17 $	Expended (3) 2016/17 $	Closing Balance (1) 30-Jun-17 $	Received (2) 2017/18 $	Expended (3) 2017/18 $	Closing Balance 30-Jun-18 $
Cash in Lieu of Parking	Transport	48,635	224,467	0	273,102	2,500	0	275,602
Contribution to Works	Classified by activity	2,170,959	89,663	(300,482)	1,960,140	149,528	(74,969)	2,034,699
Government Grants	Classified by activity	51,151,240	1,906,294	(21,977,326)	31,080,208	755,810	(21,317,445)	10,518,573
Busselton Area Drainage	Community amenities	383,804	225,985	0	609,789	14,631	(75,599)	548,821
C.P.A. Infrastructure	Transport	220,771	0	0	220,771	0	(220,771)	0
C.P.A. Community Facilities	Classified by activity	1,049,220	26,393	0	1,075,613	0	(1,075,613)	0
C.P.A. Bushfire Facilities	Law, order and public safety	54,672	0	0	54,672	0	(54,672)	0
Cash in Lieu – Public Art	Classified by activity	0	94,836	0	94,836	148,848	(14,000)	229,684
Community Recreation Facilities	Classified by activity	7,164,544	1,398,923	(1,913,172)	6,650,295	1,011,025	(647,962)	7,013,358
	TOTAL	**62,243,845**	**3,966,561**	**(24,190,980)**	**42,019,426**	**2,082,342**	**(23,481,031)**	**20,620,737**

Notes:

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

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

21. Rating Information – 2017/18 Financial Year

(a) Rates

Rate Type	Rate in $	Number of Properties #	Rateable Value $	Rate Revenue $	Interim Rates $	Total Revenue $	Budget Rate Revenue $	Budget Interim Rate $	Budget Total Revenue $
Differential General Rate									
GRV–Residential	8.8250	13,444	254,197,524	22,432,900	630,032	23,062,932	22,432,900	0	22,432,900
GRV–Industrial	10.5680	405	18,385,422	1,942,970	119,527	2,062,497	1,942,970	0	1,942,970
GRV–Commercial	10.5680	1,353	60,797,987	6,425,125	208,215	6,633,340	6,425,125	0	6,425,125
GRV–Residential Vacant Land	8.8250	293	8,423,140	743,341	(240,689)	502,652	743,341	0	743,341
GRV–Industrial Vacant Land	11.6339	71	1,596,600	185,747	(33,754)	151,993	185,747	0	185,747
GRV–Commercial Vacant Land	11.6339	57	2,717,300	316,128	6,662	322,790	316,128	0	316,128
UV-Primary Production	0.4047	830	626,726,000	2,536,356	1,935	2,538,291	2,536,356	0	2,536,356
UV-Rural	0.3701	1,533	742,418,000	2,747,682	397	2,748,079	2,747,682	0	2,747,682
UV-Commercial	0.7401	148	92,631,000	685,561	(15,213)	670,348	685,561	0	685,561
Interim Rates			0	0	0	0	0	455,000	455,000
Sub-Totals		18,134	1,807,892,973	38,015,810	677,112	38,692,922	38,015,810	455,000	38,470,810
	Minimum $								
Minimum Differential General Rate									
GRV–Residential	1,227	1,511	19,543,938	1,853,997	0	1,853,997	1,853,997	0	1,853,997
GRV–Industrial	1,227	23	221,563	28,221	0	28,221	28,221	0	28,221
GRV–Commercial	1,227	537	3,616,444	658,899	0	658,899	658,899	0	658,899
GRV–Residential Vacant Land	1,227	1,241	8,526,528	1,522,707	0	1,522,707	1,522,707	0	1,522,707
GRV–Industrial Vacant Land	1,227	1	10,500	1,227	0	1,227	1,227	0	1,227
GRV–Commercial Vacant Land	1,227	56	312,360	68,712	0	68,712	68,712	0	68,712
UV-Primary Production	1,227	230	51,766,500	282,210	0	282,210	282,210	0	282,210
UV-Rural	1,227	1,029	229,977,500	1,262,583	0	1,262,583	1,262,583	0	1,262,583
UV-Commercial	1,227	74	2,646,700	90,798	0	90,798	90,798	0	90,798
Sub-Totals		4,702	316,622,033	5,769,354	0	5,769,354	5,769,354	0	5,769,354
Back Rates / Prior Period Adj. *(refer note 21(d))*						115,906			116,895
Total Amount Raised from General Rates						**44,578,182**			**44,357,059**
Specified Area Rate *(refer note 21(b))*						516,187			503,782
Totals						**45,094,369**			**44,860,841**

SIGNIFICANT ACCOUNTING POLICIES

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

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

21(b) Specified Area Rate - 2017/18 Financial Year

	Rate in $	Basis of Rate	Rateable Value $	Rate Revenue $	Budget Rate Revenue $	Applied to Costs $	Budget Applied to Costs $
Port Geographe							
• Rate	1.3871	GRV	12,985,590	180,120	180,120	180,120	180,120
• Interim Rate				3,314	0	3,314	0
• Back Rate							
				183,434	180,120	183,434	180,120

	Rate in $	Basis of Rate	Rateable Value $	Rate Revenue $	Budget Rate Revenue $	Applied to Costs $	Budget Applied to Costs $
Provence							
• Rate	1.2805	GRV	12,086,270	154,765	154,765	154,765	154,765
• Rate	0.0137	UV	9,852,000	1,350	1,350	1,350	1,350
• Interim Rate				7,705	0	7,705	0
• Back Rate							
				163,820	156,115	163,820	156,115

	Rate in $	Basis of Rate	Rateable Value $	Rate Revenue $	Budget Rate Revenue $	Applied to Costs $	Budget Applied to Costs $
Vasse							
• Rate	1.6353	GRV	10,245,630	167,547	167,547	167,547	167,547
• Interim Rate				1,386	0	1,386	0
• Back Rate							
				168,933	167,547	168,933	167,547

The purpose of the Specified Area Rates is disclosed in note 4 "Purpose of Reserves".

21(c) Service Charges – 2017/18 Financial Year

	Amount of Charge $	Revenue Raised $	Budget Revenue $	Applied to Service Costs $	Budget Applied to Costs $
Nil	0	0	0	0	0
		0	0	0	0

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

21(d) Discounts, Incentives, Concessions & Write-offs – 2017/18 Financial Year

	Type	Discount %	Total Cost / Value $	Budget Cost / Value $
Back Rates Levied / Prior Period Adjustments	Adjustment	0	115,906	116,895
Write-offs	Write-off	0	0	0
		0	115,906	116,895

21(e). Interest Charges and Instalments – 2017/18 Financial Year

Instalment Options	Due Date	Instalment Plan Admin Charge	Instalment Plan Interest Rate	Unpaid Rates Interest Rate
Option 1				
Single Full Payment	8 September 2017	0	0.00%	11.00%
Option 2				
First Instalment	8 September 2017	0	0.00%	11.00%
Second Instalment	8 November 2018	4.50	5.50%	11.00%
Third Instalment	8 January 2019	4.50	5.50%	11.00%
Fourth Instalment	8 March 2019	4.50	5.50%	11.00%

	Revenue $	Budgeted Revenue $
Interest on Unpaid Rates	221,013	164,996
Interest on Instalments Plan	236,887	229,000
Charges on Instalment Plan	112,066	112,000
	569,966	505,996

Two separate payment option plans will be made available to all ratepayers for the payment of their rates.

Option 1 (Full Payment)

Full amount of rates and charges including arrears to be paid on or before 8th September 2017 or 35 days after the date of service appearing on the rate notice whichever is the later.

Option 2 (4 Instalments)

First instalment to be received on or before 8th September 2017 or 35 days after the date of service appearing on the rate notice whichever is the later and including all arrears and service charges and one quarter of the current rates. The second, third and fourth instalments of the current rates are to be made on or before dates shown below:

- 1st Instalment 8th September 2017
- 2nd Instalment 8th November 2017
- 3rd Instalment 8th January 2018
- 4th Instalment 8th March 2018

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

22. Net Current Assets

Composition of net current assets

	2018 30 June 2018 C/FWD $	2018 1 July 2017 B/FWD $	2017 30 June 2017 C/FWD $
Surplus / (Deficit)	**3,511,291**	**1,839,640**	**1,839,640**
Comprises:			
Cash - Unrestricted	4,885,287	4,815,096	4,815,096
Cash - Restricted	67,528,052	81,774,379	81,774,379
Sundry Debtors	2,903,750	2,872,111	2,872,111
Rates Debtors	1,262,372	950,768	950,768
Inventories	23,671	24,457	24,457
	76,603,132	90,436,811	90,436,811
Less:			
Sundry Creditors	(3,059,624)	(3,138,757)	(3,138,757)
Sundry Creditors – Deposits and Bonds	(3,818,562)	(2,214,179)	(2,214,179)
Accrued Expenses	(2,504,165)	(3,684,035)	(3,684,035)
	(9,382,351)	(9,036,971)	(9,036,971)
	67,220,781	81,399,840	81,399,840
Add Current Liabilities Cash Backed	3,818,562	2,214,179	2,214,179
Less Restricted Cash	(67,528,052)	(81,774,379)	(81,774,379)
Surplus / (Deficit)	**3,511,291**	**1,839,640**	**1,839,640**

Difference:

There was no difference between the surplus 1 July 2017 brought forward position used in the 2018 audited financial report and the surplus carried forward position as disclosed in the 2017 audited financial report.

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

23. Financial Risk Management

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

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

Financial risk management is carried out by the finance area under policies approved by the Council.

The City held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2018	2017	2018	2017
	$	$	$	$
Financial Assets				
Cash and cash equivalents	72,413,338	86,589,475	72,413,338	86,589,475
Receivables	5,049,628	4,744,834	5,049,628	4,744,834
Financial assets at fair value through profit or loss	0	0	0	0
	77,462,966	91,334,309	77,462,966	91,334,309
Financial Liabilities				
Payables	5,563,789	6,822,792	5,563,789	6,822,792
Borrowings	34,727,913	30,127,054	36,908,598	32,746,885
	40,291,702	36,949,846	42,472,387	39,569,677

Fair value is determined as follows:

• Cash and cash equivalents, receivables, payables – estimated to the carrying value which approximates net market value.

• Borrowings, held-to-maturity investments – estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

23. Financial Risk Management (Continued)

(a) Cash and cash equivalents

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

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

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

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

The City manages these risks by diversifying its portfolio and only investing in investments authorised by *Local Government (Financial Management) Regulations 19C*.

	30 June 2018	30 June 2017
	$	$
Impact of a 1% (1) movement in interest rates on cash and investments at balance date:		
• Equity	724,133	865,895
• Statement of Comprehensive Income	724,133	865,895

Notes:

(1) Sensitivity percentages based on management's expectation of future possible interest rate movements.

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

23. Financial Risk Management (Continued)

(b) Receivables

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

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

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

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

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

The profile of the Council's credit risk at balance date was:

	30 June 2018 $	30 June 2017 $
Percentage of Rates and Annual Charges		
• Current	10.00%	11.00%
• Overdue	90.00%	89.00%
Percentage of Other Receivables		
• Current	98.98%	97.38%
• Overdue	1.02%	2.62%

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

23. Financial Risk Management (Continued)

(c) Payables and Borrowings

(i) Payables

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.

The contractual undiscounted cash flows of the City's Payables and Borrowings are set out in the Liquidity Sensitivity Table below:

	Due within 1 year $	Due between 1 & 5 years $	Due after 5 years $	Total contractual cash flows $	Carrying Values $
2018					
Payables	5,563,789	0	0	5,563,789	5,563,789
Borrowings	4,385,287	15,542,819	24,172,084	44,100,190	34,727,913
	9,949,076	15,542,819	24,172,084	49,663,979	40,291,702
2017					
Payables	6,822,792	0	0	6,822,792	6,822,792
Borrowings	3,637,537	12,959,054	22,939,921	39,536,512	30,127,054
	10,460,329	12,959,054	22,939,921	46,359,304	36,949,846

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

23. Financial Risk Management (Continued)

(c) Payables and Borrowings (Continued)

(ii) Borrowings

Borrowings are also 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 following tables set out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:

	< 1 year	>1<2 years	>2<3 years	>3<4 years	>4<5 years	>5 years	Total	Weighted Average Effective Interest Rate
	$	$	$	$	$	$	$	%
Year Ended 30 June 2018								
Borrowings								
Fixed Rate								
Debentures	0	817,082	58,390	528,163	0	33,324,278	34,727,913	**3.95%**
Weighted Average Effective Interest Rate	0.00%	6.05%	5.94%	4.23%	0.00%	3.90%		
Year Ended 30 June 2017								
Borrowings								
Fixed Rate								
Debentures	0	0	1,264,948	64,845	676,669	28,120,592	30,127,054	**4.14%**
Weighted Average Effective Interest Rate	0.00%	0.00%	6.05%	5.98%	4.23%	4.05%		

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

24. Trust Funds

	Balance 01-July-17 $	Amounts Received $	Amounts Paid $	Balance 30-June-18 $
Builders Registration Board Levies	20,309	365,209	(370,917)	14,601
Building Training Levy	785	90,600	(84,410)	6,975
Community Appeals	1,000	0	(0)	1,000
Nomination Deposits	0	1,040	(1,040)	0
Cash in Lieu of P.O.S.	1,916,198	44,871	(0)	1,961,069
Sundry Other Trusts	24,240	0	(0)	24,240
CLAG Funding	0	202,396	(121,564)	80,832
	1,962,532	704,116	(577,931)	2,088,717

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

25. New Accounting Standards and Interpretations for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the City.

Management's assessments of the new and amended pronouncements that are relevant to the Council, applicable to future reporting periods and which have not yet been adopted are set out as follows:

	Title	Issued/ Compiled	Applicable(1)	Impact
(i)	AASB 9 Financial Instruments (incorporating AASB 2014-7 and AASB 2014-8)	December 2014	1 January 2018	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the City, it is not anticipated the Standard will have any material effect.
(ii)	AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2019	This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The effect of this Standard will depend upon the nature of future transactions the City has with those third parties it has dealings with. It may or may not be significant.
(iii)	AASB 16 Leases	February 2016	1 January 2019	Under AASB 16 there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-to-use asset and lease liability onto their statement of financial position for all leases. Effectively this means the vast majority of operating leases as defined by the current AASB 117 Leases which currently do not impact the statement of financial position will be required to be capitalised on the statement of financial position once AASB 16 is adopted. Currently, operating lease payments are expensed as incurred. This will cease and will be replaced by both depreciation and interest charges. Based on the current number of operating leases held by the City, the impact may or may not be significant.

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

25. New Accounting Standards and Interpretations for Application in Future Periods (Continued)

	Title	Issued/ Compiled	Applicable[1]	Impact
(iv)	AASB 1058 Income of Not-for-Profit Entities (incorporating AASB 2016-7 and AASB 2016-8)	December 2016	1 January 2019	These standards are likely to have a significant impact on the income recognition for NFP's. Key areas for consideration are: - Assets received below fair value; - Transfers received to acquire or construct non-financial assets; - Grants received; - Prepaid rates; - Leases entered into at below market rates; and - Volunteer services. Whilst it is not possible to quantify the financial impact (or if it is material) of these key areas until the details of future transactions are known, they will all have application to the City's operations.

Notes:
[1] Applicable to reporting periods commencing on or after the given date.

(y) Adoption of New and Revised Accounting Standards

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

Whilst many reflected consequential changes associate with the amendment of existing standards, the only new standard with material application is as follows:

(i) AASB 2016-4 Amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities — 1 January 2017

(ii) AASB 2016-7 Amendments to Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities — 1 January 2017

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

26. 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 to changes in presentation for the current financial year.

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

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

f) 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.

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

26. OTHER SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) 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.

h) 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.

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

i) Impairment of assets

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

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

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

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

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

27 Activities/ Programs

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

General Purpose Funding

Objective: To collect revenue to allow for the provision of services.
Activities: Rates, interest revenue and other general purpose Government grants together with any expenses incurred in realising these incomes.

Governance

Objective: To provide decision making process for the efficient allocation of scarce resources.
Activities: Includes the activities of members of Council and the administrative support available to the Council for the provision of governance to the district. Other costs relate to the task of assisting elected members and ratepayers on matters which do not concern specific Council services.

Law, Order and Public Safety

Objective: To provide services to help ensure a safer and environmentally conscious community.
Activities: Supervision and enforcement of various by-laws, fire prevention, animal control and emergency services. Council also provides assistance to surf lifesaving efforts.

Health

Objective: To provide an operational framework for environmental and community health.
Activities: Inspections of food outlets and their control, noise control, waste disposal compliance, mosquitoes and stingers control.

Education and Welfare

Objective: To provide services for the elderly, children and youth.
Activities: Annual donation relative to the operation of a Senior Citizen's Centre.

Housing

Objective: To provide and maintain elderly residents housing.
Activities: The operation of three sets of aged persons homes.

Community Amenities

Objective: To provide services required by the community
Activities: Includes rubbish collection and disposal services, recycling initiatives, septic tank inspection services, urban stormwater drainage networks, environmental protection initiatives, operation of three cemeteries, town scaping facilities, as well as the administration of Council's Town Planning Scheme and associated policies and obligations.

Recreation and Culture

Objective: To establish and effectively manage infrastructure and resources which will help the social well being of the community.
Activities: Maintenance of halls, swimming areas and beaches, various reserves, recreation programs, the Busselton Jetty, the operation of the two Libraries, the maintenance and operation of the two Leisure Centres, and the employment of a Cultural Development Officer.

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

27 Activities/ Programs (Continued)

Transport

Objective: To provide safe, effective and efficient transport services to the community.
Activities: Construction and maintenance of roads, bridges, drainage, footpaths, cycle ways, parking facilities, traffic signs and depot. Also includes cleaning of streets, maintenance of street trees, street lighting etc. Control and maintenance of a regional airport.

Economic Services

Objective: To help promote the City and its economic wellbeing.
Activities: The regulation and provision of tourism initiatives, the maintenance and operation of a Caravan park and the implementation of building controls. Provision of rural services including weed control, vermin control and standpipes.

Other Property and Services

Objective: To monitor and control Council's overheads operating accounts.
Activities: Private works operation, plant repair and operation costs and engineering operation costs.

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

28. Financial Ratios

	2018 Actual	2017 Actual	2016 Actual
Current Ratio	0.882	0.810	0.741
Asset Sustainability Ratio	2.046	1.858	1.252
Debt Service Coverage Ratio	4.798	6.385	6.044
Operating Surplus Ratio	(0.039)	0.058	0.046
Own Source Revenue Coverage Ratio	0.905	0.967	0.952
Asset Consumption Ratio	0.731	0.723	0.739
Asset Renewal Funding Ratio	0.896	1.000	1.000

The above ratios are calculated as follows:

Current Ratio *(ratio required to meet standard > or = to 1)*	Current assets minus restricted assets / Current liabilities minus liabilities associated with restricted assets
Asset Sustainability Ratio *(ratio required to achieve basic standard > 0.9)*	Capital renewal and replacement expenditure / Depreciation expense
Debt Service Coverage Ratio *(ratio required to achieve basic standard > or = to 2, and advanced standard > or = to 5)*	Annual operating surplus before interest and depreciation / Principal and interest
Operating Surplus Ratio *(ratio required to achieve basic standard is between 0.01 & 0.15, advanced standard > 0.15)*	Operating revenue minus operating expense / Own source operating revenue
Own Source Revenue Coverage Ratio *(ratio required to achieve basic standard is between 0.4 & 0.6, Intermediate standard between 0.6 & 0.9, and advanced standard > 0.9)*	Own source operating revenue / Operating expense
Asset Consumption Ratio *(ratio required to meet basic standard > 0.5)*	Depreciated replacement cost of depreciable assets / Current replacement cost of depreciable assets
Asset Renewal Funding Ratio *(ratio required to achieve basic standard > 0.75)*	NPV of planned capital renewals over 10 years / NPV of required capital expenditure over 10 years

City of Busselton

Financial Report

For the Year Ended 30th June 2018

Notes to and Forming Part of the Financial Report

29. Trading Undertakings and Major Trading Undertakings

Council did not participate in any trading undertakings or major trading undertakings during the 2017/18 financial year.

30. Joint Ventures

The City of Busselton has not been involved in any joint venture arrangements during the reporting period.

31. Post Balance Date Events

There were no events subsequent to the reporting date that materially impact on this financial report.

32. Employee Numbers

	2018	2017
The number of full-time equivalent employees at balance date	310.2	310.5

AMD
CHARTERED ACCOUNTANTS

T +61 (8) 9780 7555
F +61 (8) 9721 8982

E amd@amdonline.com.au
www.amdonline.com.au

AMD Audit & Assurance Pty Ltd
ACN 145 719 259 t/a AMD

Unit 1, 28-30 Wellington Street,
Bunbury, WA 6230
PO Box 1306, Bunbury, WA 6231

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the City of Busselton

Report on the Audit of the Financial Report

Opinion

We have audited the annual financial report of the City of Busselton which comprises the Statement of Financial Position as at 30 June 2018, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

In our opinion the annual financial report of the City of Busselton:

(i) is based on proper accounts and records; and
(ii) fairly represents, in all material respects, the results of the operations of the City of Busselton for the year ended 30 June 2018 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

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

Emphasis of Matter – Basis of Accounting

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

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

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

In preparing the financial report, the CEO is responsible for assessing the City of Busselton's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern

basis of accounting unless the State government has made decisions affecting the continued existence of the City of Busselton.

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

Auditor's Responsibility for the Audit of the Financial Report

The objectives of our 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 our 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.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Busselton's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the CEO.

- Conclude on the appropriateness of the CEO's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City of Busselton's ability to continue as a going concern. If We conclude that a material uncertainty exists, We am required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report, as we cannot predict future events or conditions that may have an impact.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements
In accordance with the Local Government (Audit) Regulations 1996 we report that:

(i) In our opinion, there are no significant adverse trends in the financial statements of the City of Busselton;
(ii) The following instance of non-compliance with Part 6 of the *Local Government Act 1995*, the *Local Government (Financial Management) Regulations 1996* or applicable financial controls of any other written law were identified during the course of my audit:
    a. The monthly financial statements for July 2017 and August 2017 were not presented at an ordinary council meeting within two months after the end of the month to which the financial statements relate; as required by Regulation 34(4) of the Local Government (Financial Management) Regulations 1996.
(iii) All required information and explanations were obtained by us.
(iv) All audit procedures were satisfactorily completed.
(v) In our opinion, the asset consumption ratio and the asset renewal funding ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Matters Relating to the Electronic Publication of the Audited Financial Report
This auditor's report relates to the annual financial report of the City of Busselton for the year ended 30 June 2018 included on the City of Busselton's website. The City of Busselton's management is responsible for the integrity of the City of Busselton's website. This audit does not provide assurance on the integrity of the City of Busselton's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

AMD Chartered Accountants



TIM PARTRIDGE
Director

28-30 Wellington Street, Bunbury, Western Australia Dated this 26th day of October 2018

AMD
CHARTERED ACCOUNTANTS

T +61 (8) 9780 7555
F +61 (8) 9721 8982

E amd@amdonline.com.au
www.amdonline.com.au

AMD Audit & Assurance Pty Ltd
ACN 145 719 259 t/a AMD

Unit 1, 28-30 Wellington Street,
Bunbury, WA 6230
PO Box 1306, Bunbury, WA 6231

26 October 2018

Mr G Henley
Mayor
City of Busselton
Locked Bag 1
BUSSELTON WA 6280

Dear Grant

CITY OF BUSSELTON
30 JUNE 2018 MANAGEMENT REPORT

Following completion of our 30 June 2018 audit, we provide our Management Report and audit recommendations.

1.0 Our Audit Approach
The Australian Auditing Standards are the professional Standards applicable to all audit engagements. Accordingly, our audit was conducted in accordance with Australian Auditing Standards, with testing designed solely to enable the expression of an opinion on the financial report of the City of Busselton. This involved us making an assessment of the risk of material misstatement, whether due to fraud or error, and then using our professional judgement, applying audit procedures to mitigate that risk.

To assist Council in understanding our role as external auditor, we have previously detailed our audit responsibilities and scope of work to be performed to meet those responsibilities in our audit engagement letter.

Australian Auditing Standards require us to document and evaluate City of Busselton's system of internal control to establish the level of reliance on the internal control system in determining the nature, timing and extent of other auditing procedures necessary to enable us to complete our audit. This work is not primarily directed towards the discovery of weaknesses or the detection of fraud or other irregularities and should not, therefore, be taken to assume that no other weaknesses exit. Accordingly the comments within this letter refer only to those matters that have come to our attention during the course of our normal audit work and may not identify all possible improvements that an internal controls review may detect.

Our audit approach is based on a risk analysis methodology which relies upon our understanding of City of Busselton's operations, strategies and risks. We performed a review of applicable accounting systems and tested those during our audit. The level of testing performed by us is determined by the degree of reliance we place on the internal control systems in place which has a resulting impact on the amount of substantive testing required during our audit procedures. The level of testing performed is also aligned with what is required to form an overall opinion on the financial statements which may not coincide with what the City of Busselton perceives should be tested.

Our audit also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and judgements, as well as evaluating the overall presentation of the financial report.

There were no areas of disagreement either in the accounting estimates or judgements or in the presentation and disclosures made in the financial report.

Liability limited by a scheme approved under Professional Standards Legislation

Independent Member of
BKR INTERNATIONAL
CHARTERED ACCOUNTANTS
AUSTRALIA + NEW ZEALAND

2.0 Assessment of Fraud and Error
The primary responsibility for the prevention and detection of fraud is that of Council and management. As a result, it is important that management with the oversight of Council place a strong emphasis on fraud prevention, which may reduce opportunities for fraud to take place and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and resulting consequences.

In accordance with Australian Auditing Standards we are required to obtain reasonable assurance that the financial report taken as a whole is free from material misstatement, whether caused by fraud or error. While our procedures are designed to identify material weaknesses and misstatements from fraud and error, there is an unavoidable risk that even some material misstatements may remain undiscovered. This unavoidable risk is due to the test nature and other inherent limitations of an audit, together with the inherent limitations of any accounting and internal control system.

We have confirmed that nothing has come to management's attention that may constitute an incident of fraud. In addition our audit procedures did not identify any instances of suspected or actual fraud. We take this opportunity to remind you that our audit is not designed to detect fraud and therefore our audit procedures are not designed for that purpose.

3.0 Significant Difficulties Encountered during the Audit
During the course of our audit, there were no areas where we experienced significant difficulties.

4.0 Audit Adjustments and Unadjusted Audit Differences
During the course of our audit, we did not identify any misstatements considered to be material at a financial report level and therefore no adjustment was required to be reflected within the final audited financial report.

5.0 Accounting Policies
We confirm to you that we are not aware of any changes to the accounting policies of the City of Busselton since 30 June 2017 in respect of the preparation of the 30 June 2018 financial report other than those changes required under Australian Accounting Standards and the Local Government Act and Regulations which are adequately disclosed.

6.0 Commitments and Contingencies
On completion of our audit and subsequent discussions with management, we did not identify any additional commitments or contingencies that required disclosure within the financial report of the City of Busselton, apart from those already disclosed.

7.0 Subsequent Events
We did not identify any additional subsequent events up until the date of this report that required disclosure within the financial report of the City of Busselton, apart from those already disclosed.

8.0 Local Government Act Compliance Measures
In conjunction with our review of the financial statements, we also perform a review of the City of Busselton's compliance with the Local Government Act and Local Government Financial Management Regulations.

Our review of compliance with the Local Government Act and Financial Management Regulations identified one instance of non-compliance which require reporting within the compliance section of our 30 June 2018 audit report as follows;

a. The monthly financial statements for July 2017 and August 2017 were not presented at an ordinary council meeting within two months after the end of the month to which the financial statements relate; as required by Regulation 34(4) of the Local Government (Financial Management) Regulations 1996.

9.0 Financial Ratios
Note 28 to Council's financial report includes 7 financial ratios as required to be reported by the Local Government (Financial Management) Regulation 1996. For the year ended 30 June 2018, Council has either met or exceeded the standard set by the Department of Local Government, Sport and Cultural Industries for 5 of the 7 ratios.

Councils' current ratio reported at 0.88 as at 30 June 2018 (0.81 at 30 June 2017 and 0.75 at 30 June 2016) is less than the standard set at 1.0 by the Department.

However, as we have acknowledged in prior years; the current ratio calculation excludes Council's restricted assets of $67.5m at 30 June 2018 and within this balance are Council's significant level of cash backed reserves of $48m as at 30 June 2018.

We also note that Councils operating surplus ratio is reported at –0.04 for the year ending 30 June 2018 being below the Department's standard of +0.01, however in the previous 2015, 2016 and 2017 years, this ratio has met the Standard having ranged between +0.46 to +0.58.

10.0 Audit Recommendations
Please refer to Appendix 1 for audit recommendations identified during our 30 June 2018 audit. We provide these comments and recommendations to suggest improvements to the City of Busselton's internal controls and procedures.

We believe the minimal recommendations raised by us reflect the proactive approach taken by the finance and corporate services team in seeking continuous improvement and by implementing recommendations previously raised by us.

Our management report is on an exception basis, and therefore we have not commented on the various internal controls in place within your accounting systems.

11.0 Other Matters
Our audit indicated procedures and controls in respect to the City of Busselton's internal processes, procedures and financial reporting framework are adequately designed and have been maintained to high standards throughout the audit period.

We would like to take this opportunity to thank Kim, Ehab and the finance and corporate services team for the assistance provided to us during our audit.

Should you have any questions concerning the above or would like to discuss any other aspect of our audit, please do not hesitate to contact me.

Yours sincerely
AMD Chartered Accountants

TIM PARTRIDGE FCA
Partner

cc Mike Archer
Chief Executive Officer

APPENDIX 1
Audit Recommendations for the year ended 30 June 2018

GUIDANCE TO FINDINGS RATING / IMPLICATION

Findings identified during the final audit have been weighted in accordance with the following scale:

Significant:	*Those findings where there is potentially a significant risk to the entity should the finding not be addressed promptly.*
Moderate:	*Those findings which are of sufficient concern to warrant action being taken by the entity as soon as possible.*
Minor:	*Those findings that are not of primary concern however still warrant action being taken.*

AUDIT FINDINGS

1. COMPLIANCE AUDIT RETURN
Finding Rating: Significant

The compliance audit return was not submitted to the Department of Local Government prior to 31 March 2018 in accordance with Regulation 15 of the Local Government (Audit) Regulations 1997.

Implication
Breach of Regulation 15 of the Local Government (Audit) Regulations 1997.

Recommendation
Ensure the compliance audit return is lodged with the Department of Local Government prior to 31 March.

Management Comment
The Compliance Audit Return (CAR) was considered by the Audit Committee at its meeting on 14 March 2018 and adopted by Council at its meeting held 28 March 2018. The CAR was subsequently signed and lodged with the Department 9 April 2017; this late lodgment was as a result of illness of a staff member and further complicated by the Easter Public holidays of Friday 30 March and Monday 2 April 2018.

APPENDIX 1
Audit Recommendations for the year ended 30 June 2018

2. CONDITION ASSESSMENT OF INFRASTRUCTURE ASSETS
Finding Rating: Significant

Our 2018 audit included an assessment of management's methodology relating to the 30 June 2018 revaluation of infrastructure assets fair values (refer Note 9) as required by Local Government (Financial Management) Regulations 1996, Regulation 17 A.

Our assessment of management's 2018 revaluation identified that condition reassessments had not been made for all infrastructure asset classes revalued as noted below:

Infrastructure Asset Class	Date of Last Condition Assessment
Roads	2014/ 2015
Car Parks	2016
Other Infrastructure	"As Time Permits"

Implication
Risk of material misstatement in respect of the fair value assessment of Council's infrastructure assets, due to asset condition ratings on which revaluations are based being out of date.

Recommendation
We recommend a condition reassessment timeline be established that outlines the actions to be taken to ensure asset revaluations are completed in accordance with regulation 17A of the Local Government (Financial Management) Regulations 1996 which incorporates a re-assessment of asset conditions by infrastructure asset class.

We draw attention to the value of Council's road network reported at $290.5m as at 30 June 2018; representing approximately 52% of Council's infrastructure assets and 38% of Council's total assets. We therefore recommend road conditions be re-assessed during 2018/19, with the fair value of Council's road network updated accordingly.

Management Comment
Noted.

APPENDIX 1
Audit Recommendations for the year ended 30 June 2018

3. LIABILITY FOR TIME OFF IN LIEU
Finding Rating: Minor

We identified an error in the calculation of the liability recorded for Time Off in Lieu ("TOIL") owed to employees (as reported in the balance of sundry creditors within note 11 to the 30 June financial report). We note the error has resulted in the liability being understated as at 30 June 2018, however the impact of the error is immaterial and therefore has not been adjusted within the financial report for 30 June 2018.

Implication
Risk of misstatement of TOIL employee entitlements.

Recommendation
We recommend the balance of all employee entitlements reflects hours owed to each individual employee, multiplied by the employees pay rates. The entitlement balances should be regularly reconciled and updated for any change to pay rates.

Management Comment
New processes will be put into place to ensure entitlement balances are regularly reconciled and updated for any change to pay rates.

4. EXCESSIVE LEAVE BALANCES
Finding Rating: Minor

We noted 23 employees who have an annual leave balance in excess of eight weeks at year end, furthermore 17 of these employees have long service leave benefits due. Details of the employees identified can be provided upon request.

Implication
The cost to City of Busselton is greater if leave is not paid out on a regular basis due to:

- The cumulative effect of salary increases over a period of time;
- Recreational leave enhances employee performance; and
- It is a fundamental principle of good internal control that all employees take regular leave.

Recommendation
Whilst we understand management recently implemented a strategy to reduce excessive leave balances, we recommend employees take regular leave through the ongoing management of leave scheduling and leave liabilities.

Management Comment
The finding in relation to excessive leave balances for some employees is acknowledged and a process has been put in place following similar findings over the last few years.

The City continues to adopt an approach of endeavoring to achieve an overall reduction in long outstanding leave balances while still meeting the needs of the organisation. It should be noted this is an issue in relation to a few employees only; and the City does not generally have a problem with excessive leave balances.

This issue will obviously be the subject of continual review prior to and at next year's financial audit.

APPENDIX 1
Audit Recommendations for the year ended 30 June 2018

5. TERMINATED EMPLOYEE CHECKLIST
Finding Rating: Minor

We acknowledge the City of Busselton has a pro-forma Terminated Employee Checklist in place however, our testing identified one instance where this checklist was not completed following an employee's resignation. Further details can be provided on request.

Implication
Risks that procedures required to be undertaken following an employee's departure are not completed on a timely basis.

Recommendation
Termination checklists should be completed following the departure of employees to ensure, return of Council property, removal of building and IT access rights, amendment of payroll records as required and other actions relevant to the employee's position and responsibility level.

Management comment
Noted.