

Please note: These minutes are yet to be confirmed as a true record of proceedings

**CITY OF BUSSELTON**

**MINUTES FOR THE AUDIT COMMITTEE MEETING HELD ON 13 NOVEMBER 2020**

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## MINUTES

### MINUTES OF AUDIT COMMITTEE HELD IN COMMITTEE ROOM, ADMINISTRATION BUILDING, SOUTHERN DRIVE, BUSSELTON, ON 13 NOVEMBER 2020 AT 9.30AM.

#### 1. DECLARATION OF OPENING AND ANNOUNCEMENT OF VISITORS

The Presiding Member opened the meeting at 9.33am.

#### 2. ATTENDANCE

##### Presiding Member:

Cr Paul Carter

##### Members:

Cr Grant Henley  
Cr Phill Cronin  
Cr Jo Barrett-Lennard

##### Officers:

Mr Tony Nottle, Director, Finance and Corporate Services  
Mr Paul Sheridan, Manager, Financial Services  
Ms Melissa Egan, Governance Officer

##### Office of the Auditor General:

Ms Carley Meagher, Director Financial Audit,  
Office of the Auditor General of Western Australia (*by electronic attendance*)

The presence of Ms Meagher at the meeting fulfilled the City's local government obligations under section 7.12A(2) of the *Local Government Act*, to meet with the Auditor of the Local Government (Office of the Auditor General).

##### Apologies:

Nil

#### 3. PUBLIC QUESTION TIME

Nil

#### 4. DISCLOSURE OF INTERESTS

Nil

**5. CONFIRMATION OF MINUTES**

**5.1 Minutes of the Audit Committee Meeting held 27 May 2020**

**COMMITTEE DECISION**









**AU2011/044** Moved Councillor P Cronin, seconded Councillor J Barrett-Lennard

**That the Minutes of the Audit Committee Meeting held 27 May 2020 be confirmed as a true and correct record.**

**CARRIED 4/0**

## 6. REPORTS

### 6.1 CITY OF BUSSELTON 2019/2020 ANNUAL FINANCIAL REPORT, AUDITORS' REPORT AND MANAGEMENT LETTER

<b>STRATEGIC GOAL</b>	6. LEADERSHIP Visionary, collaborative, accountable
<b>STRATEGIC OBJECTIVE</b>	6.1 Governance systems, process and practices are responsible, ethical and transparent.
<b>SUBJECT INDEX</b>	Financial Operations
<b>BUSINESS UNIT</b>	Financial Services
<b>REPORTING OFFICER</b>	Manager Financial Services - Paul Sheridan
<b>AUTHORISING OFFICER</b>	Director Finance and Corporate Services - Tony Nottle
<b>NATURE OF DECISION</b>	Executive: substantial direction setting, including adopting strategies, plans and policies (excluding local planning policies), tenders, setting and amending budgets, funding, donations and sponsorships, reviewing committee recommendations
<b>VOTING REQUIREMENT</b>	Simple Majority
<b>ATTACHMENTS</b>	Attachment A OAG Draft Opinion 2019-20   Attachment B 2019-20 Management Letter   Attachment C Annual Financial Statements 2019-20 - Draft   Attachment D OAG Opinion 2019-2020 Adopted by Committee  

### OFFICER RECOMMENDATION

That the Council:

1. accepts the 2019/20 Annual Financial Report including Auditors Report and Audit Management Report as per the attached documentation; and
2. notes that it has met the requirements of section 7.12A(2) of the *Local Government Act 1995* with the Audit Committee, on behalf of Council, having met with a representative of the Office of the Auditor General on the 13th November 2020.

### COMMITTEE RECOMMENDATION

**AU2011/045** Moved Councillor G Henley, seconded Councillor P Cronin

That the Council:

1. accepts the 2019/20 Annual Financial Report including Auditors Report as amended and as attached at Attachment D and Audit Management Report as per the attached documentation; and
2. notes that it has met the requirements of section 7.12A(2) of the *Local Government Act 1995* with the Audit Committee, on behalf of Council, having met with a representative of the Office of the Auditor General on the 13th November 2020.

**CARRIED 4/0**

Reasons: The Auditors Report accepted by the Committee had been amended pursuant to discussions with, and the consent of, Ms Meagher, the representative of the Office of the Auditor General.



## EXECUTIVE SUMMARY

The draft Auditors Report and Management Letter with attachment, in relation to the 2019/20 Annual Financial Statements, were received from the Office of the Auditor General on 9 November 2020, and are provided to Committee Members as attachments to this report, along with the final draft of the 2019/20 Annual Financial Statements.

Pursuant to its Instrument of Appointment, it is relevant that the Audit Committee considers the 2019/20 Annual Financial Statements, Auditors Report and Management Letter and where appropriate, makes recommendation/s in respect of these reports.

In addition, the local government is required to meet with its auditor at least once every year in accordance with section 7.12A(2) of the *Local Government Act 1995* (the Act).

## BACKGROUND

Pursuant to Section 7.9 of 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 1996* (the 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.

Representatives of the Audit Committee and City officers met with the OAG at an entrance meeting held on 28 May 2020. At this meeting, the OAG outlined the process for the annual audit.

The audit took place from 29 September to 9 October 2020. An exit meeting was held with representatives of the Audit Committee and City administration on 9 October 2020. The OAG has since provided their draft audit report, opinion 9 November 2020, which is attached to this report.

## OFFICER COMMENT

The OAG have confirmed that once again the City has been provided with an unqualified audit opinion (clear audit).

The Audit Committee should note the following Auditor's comments:

### ***"Opinion***

*I have audited the annual financial report of the City of Busselton which comprises the Statement of Financial Position as at 30 June 2020, 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 my 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 for the year ended 30 June 2020 and its financial position at the end of that period in accordance with the Local Government Act 1995 (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards."*

and

***"Emphasis of Matter – Basis of Accounting***

*I draw attention to Note 1 and 11 to the financial report, which describes the basis for accounting. The financial report has been prepared for the purpose of fulfilling the City's financial reporting responsibilities under the Act. Regulation 17A of the Local Government (Financial Management) Regulations 1996 (Regulations), requires a local government to measure vested improvements at fair value and the associated vested land at zero cost. This is a departure from AASB 16 Leases which would have required the entity to measure the vested improvements also at zero cost. My opinion is not modified in respect of this matter.*

*I draw attention to Note 1 and 11 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the City's financial reporting responsibilities under the Act. In respect of the comparatives for the previous year ended 30 June 2019, Regulation 16 of the Local Government (Financial Management) Regulations 1996 (Regulations), did not allow a local government to recognise some categories of land, including land under roads, as assets in the financial report. My opinion is not modified in respect of this matter.*

*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."*

and

***"Report on Other Legal and Regulatory Requirements***

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

- (i) In my opinion, the following material matters indicate significant adverse trends in the financial position of the City:*
  - a. The Current Ratio as reported in Note 33 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries (DLGSCI's standard of 1.0 for the last three financial years; and*
  - b. The Operating Surplus Ratio as reported in Note 33 of the annual financial report is below the DLGSCI's basic standard of 0.01 for the last three financial years.*
- (ii) All required information and explanations were obtained by me.*
- (iii) All audit procedures were satisfactorily completed.*
- (iv) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the annual financial report were supported by verifiable information and reasonable assumptions."*

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 2019/20 Financial Audit, the Auditor made one finding, deemed as moderate. Full details and City of Busselton Management comments can be seen in the 2019-20 Management Letter attachment:

***“1. Remote Access***

***Finding***

*We found that systems can be accessed remotely without the use of a Virtual Private Network (VPN) connection or multi factor authentication.*

*The system is currently accessed by the majority of staff remotely via Remote Desktop Protocol (RDP), through a Remote Desktop Gateway with an SSL certificate installed.*

*Whilst this is an acceptable method of accessing the system remotely, it could be further strengthened through the use of multi factor authentication.*

*In addition, whilst the remote access server records remote logins and unsuccessful login attempts, there is no evidence that these are reviewed.”*

Section 2.2(c) of the Audit Committee Terms of Reference determines that the Audit Committee is responsible and has the duty to formally meet with the auditor in accordance with the Act on behalf of the local government. Ms. Carly Meagher, Director Financial Audit, from the OAG, who is representing the Auditor General is attending the Audit Committee meeting. Ms. Meagher will present the audit report and respond to any queries arising from the 2019/20 Audit.

The presence of Ms. Meagher meets the requirements of 7.12A(2) of the Act.

**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 relevant plans or policies to consider in relation to this matter.

**Financial Implications**

There are no financial implications associated with the Officer Recommendation.

**Stakeholder Consultation**

No external stakeholder consultation was required or undertaken in relation to this matter.

There is a requirement to include the audited financial statements within the City of Busselton Annual Report, which will be advertised to the public following its consideration by Council.

**Risk Assessment**

An assessment of the potential implications of implementing the Officer Recommendation has been undertaken using the City’s risk management framework, with risks assessed taking into account any controls already in place. No risks of a medium or greater level have been identified.

**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 nature of the issue that arose and the fact that this will need to be managed operationally by the City's Information Services team, with actions already proposed or underway, officers do not think specific resolutions are necessary.

**CONCLUSION**

The City achieved a clear audit for the financial year ending 30 June 2020 with only one (1) finding reported in the Management Report.

**TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION**

Not applicable.



## Auditor General

### INDEPENDENT AUDITOR'S REPORT

To the Councillors of the City of Busselton

#### Report on the Audit of the Financial Report

##### **Opinion**

I have audited the annual financial report of the City of Busselton which comprises the Statement of Financial Position as at 30 June 2020, 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 my 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 for the year ended 30 June 2020 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

##### **Basis for Opinion**

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the City in accordance with the *Auditor General Act 2006* and 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 my audit of the annual financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### **Emphasis of Matter – Basis of Accounting**

I draw attention to Note 1 and 11 to the financial report, which describes the basis for accounting. The financial report has been prepared for the purpose of fulfilling the City's financial reporting responsibilities under the Act. Regulation 17A of the Local Government (Financial Management) Regulations 1996 (Regulations), requires a local government to measure vested improvements at fair value and the associated vested land at zero cost. This is a departure from AASB 16 *Leases* which would have required the entity to measure the vested improvements also at zero cost. My opinion is not modified in respect of this matter.

I draw attention to Note 1 and 11 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the City's financial reporting responsibilities under the Act. In respect of the comparatives for the previous year ended 30 June 2019, Regulation 16 of the Local Government (Financial Management) Regulations 1996 (Regulations), did not allow a local government to recognise some categories of land, including land under roads, as assets in the financial report. My 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 is responsible for the preparation and fair presentation of the annual financial report in accordance with the requirements of the Act, the



### Auditor General

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 the annual financial report that is free from material misstatement, whether due to fraud or error.

DRAFT

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

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

***Auditor's Responsibility for the Audit of the Financial Report***

The objectives of my audit are to obtain reasonable assurance about whether the annual financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the annual financial report.

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

**Report on Other Legal and Regulatory Requirements**

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

- (i) In my opinion, the following material matters indicate significant adverse trends in the financial position of the City:
  - a. The Current Ratio as reported in Note 33 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries (DLGSCI)'s standard of 1.0 for the last three financial years; and
  - b. The Operating Surplus Ratio as reported in Note 33 of the annual financial report is below the DLGSCI's basic standard of 0.01 for the last three financial years.
- (ii) All required information and explanations were obtained by me.
- (iii) All audit procedures were satisfactorily completed.
- (iv) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

**Other Matter**

The financial ratios for 2018 in Note 33 of the annual financial report were audited by another auditor when performing their audit of the City for the year ending 30 June 2018. The auditor expressed an unmodified opinion on the annual financial report for that year.

**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 2020 included on the City's website. The City's management is responsible for the integrity of the City's website. This audit does not provide assurance on the integrity of the City's website. The auditor's report refers only to the annual financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this annual financial report. If users of the annual 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 annual financial report to confirm the information contained in this website version of the annual financial report.

SANDRA LABUSCHAGNE  
DEPUTY AUDITOR GENERAL  
Delegate of the Auditor General for Western Australia  
Perth, Western Australia  
October 2020



## ATTACHMENT

## CITY OF BUSSELTON

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020

## FINDINGS IDENTIFIED DURING THE FINAL AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Remote Access		√	

## KEY TO RATINGS

The Ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

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

**ATTACHMENT****CITY OF BUSSELTON****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****1. Remote Access****Finding**

We found that systems can be accessed remotely without the use of a Virtual Private Network (VPN) connection or multi factor authentication.

The system is currently accessed by the majority of staff remotely via Remote Desktop Protocol (RDP), through a Remote Desktop Gateway with an SSL certificate installed. Whilst this is an acceptable method of accessing the system remotely, it could be further strengthened through the use of multi factor authentication.

In addition, whilst the remote access server records remote logins and unsuccessful login attempts, there is no evidence that these are reviewed.

**Rating: Moderate  
Implication**

The system and data may be exposed to cyber-attacks. This could result in data loss, and compromise of the Local Government's systems and information.

**Recommendation**

Based on a risk assessment, the Local Government should implement VPN or additional controls, such as multi factor authentication, to improve the security of remote systems.

**Management Comment**

Where staff are accessing the City network from personal devices we maintain that RDP will continue to be used, as per your recommendation Multi Factor Authentication will be implemented for these connections.

VPN will continue to be used for City managed devices, Multi Factor Authentication will be implemented for these connections.

**Responsible Person: Kristopher Davis  
Completion Date: 30/06/2021**



**Financial Report**

**For the year ended**

**30 June 2020**

**City of Busselton****Financial Report****For the Year Ended 30 June 2020****TABLE OF CONTENTS**

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**Community Vision**

Where environment, lifestyle and opportunity meet.

**Principal place of business:**2 Southern Drive  
Busselton WA 6280

**City of Busselton****Financial Report****For the Year Ended 30 June 2020****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 30 June 2020 is based on proper accounts and records to present fairly the financial position of the City of Busselton at 30 June 2020 and the results of the operations for the financial year then ended in accordance with the Local Government Act 1995 and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the       day of       2020

-----  
Mike Archer  
Chief Executive Officer

## City of Busselton

## Financial Report

For the Year Ended 30 June 2020

## Statement of Comprehensive Income by Nature or Type

	Note	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>Revenue</b>				
Rates	25	51,997,844	51,617,412	48,723,934
Operating Grants, Subsidies and Contributions	2(a)	5,664,503	4,926,958	6,079,293
Fees and Charges	2(a)	15,074,219	16,292,090	15,793,598
Interest Earnings	2(a)	1,584,122	1,955,000	2,336,296
Other Revenue		549,367	551,510	1,127,337
		<u>74,870,055</u>	<u>75,342,970</u>	<u>74,060,458</u>
<b>Expenses</b>				
Employee Costs		(32,543,216)	(33,303,930)	(30,339,391)
Materials and Contracts		(16,858,209)	(18,226,504)	(17,584,838)
Utility Charges		(2,633,428)	(2,774,257)	(2,607,810)
Depreciation on Non-Current Assets	11(b)	(23,496,226)	(22,870,222)	(22,051,156)
Interest Expenses	2(b)	(1,329,246)	(1,273,688)	(1,333,095)
Insurance Expenses		(730,852)	(733,960)	(713,980)
Other Expenditure		(1,029,390)	(2,759,359)	(998,204)
		<u>(78,620,567)</u>	<u>(81,941,920)</u>	<u>(75,628,474)</u>
		<b>(3,750,512)</b>	<b>(6,598,950)</b>	<b>(1,568,016)</b>
Non-Operating Grants, Subsidies and Contributions	2(a)	18,529,803	32,042,712	14,465,113
Profit on Asset Disposals		74,304	78,050	118,089
Loss on Asset Disposals		(537,558)	(161,135)	(54,624)
		<u>18,066,549</u>	<u>31,959,627</u>	<u>14,528,578</u>
Write Off of Assets Under \$5,000		0	0	(1,185,285)
		<u>0</u>	<u>0</u>	<u>(1,185,285)</u>
<b>NET RESULT</b>		<b>14,316,037</b>	<b>25,360,677</b>	<b>11,775,277</b>
<b>Other Comprehensive Income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	0	0	1,055,204
<b>Total Other Comprehensive Income</b>		<u>0</u>	<u>0</u>	<u>1,055,204</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<u><b>14,316,037</b></u>	<u><b>25,360,677</b></u>	<u><b>12,830,481</b></u>

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

## City of Busselton

## Financial Report

For the Year Ended 30 June 2020

## Statement of Comprehensive Income by Program

	Note	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>Revenue</b>				
General Purpose Funding		55,972,253	55,427,746	53,475,303
Governance		507,202	369,800	871,681
Law, Order & Public Safety		968,661	860,783	870,264
Health		656,781	619,300	642,383
Education and Welfare		8,867	6,440	8,614
Housing		502,130	478,750	477,766
Community Amenities		8,655,411	9,071,477	8,775,902
Recreation and Culture		3,927,871	4,315,644	4,521,332
Transport		1,362,737	1,606,880	1,954,683
Economic Services		1,809,922	2,042,500	1,891,350
Other Property and Services		498,219	543,650	571,180
		<u>74,870,054</u>	<u>75,342,970</u>	<u>74,060,458</u>
<b>Expenses Excluding Finance Costs</b>				
General Purpose Funding		(1,085,183)	(1,108,720)	(1,004,147)
Governance		(6,792,460)	(6,984,950)	(6,899,000)
Law, Order & Public Safety		(3,403,391)	(3,331,426)	(3,179,072)
Health		(1,443,764)	(1,490,615)	(1,447,639)
Education and Welfare		(169,093)	(153,574)	(166,793)
Housing		(1,305,071)	(1,325,049)	(1,221,031)
Community Amenities		(13,964,955)	(14,284,417)	(12,927,230)
Recreation and Culture		(23,239,799)	(24,716,462)	(22,403,790)
Transport		(21,822,344)	(23,187,872)	(21,882,407)
Economic Services		(3,287,879)	(3,422,827)	(3,338,446)
Other Property and Services		(777,381)	(662,320)	(1,011,109)
		<u>(77,291,320)</u>	<u>(80,668,232)</u>	<u>(75,480,664)</u>
<b>Finance Costs</b>				
Governance		(711,602)	(656,476)	(687,461)
Recreation and Culture		(537,257)	(529,890)	(584,066)
Transport		(48,639)	(55,573)	(29,290)
Economic Services		(1,063)	(1,064)	(1,594)
Other Property and Services		(30,685)	(30,685)	(30,684)
	2(b)	<u>(1,329,246)</u>	<u>(1,273,688)</u>	<u>(1,333,095)</u>
Non-Operating Grants, Subsidies & Contributions	2(a)	18,529,803	32,042,712	14,465,113
Profit on Disposal of Assets		74,304	78,050	118,089
Loss on Disposal of Assets		(537,558)	(161,135)	(54,624)
		<u>18,066,549</u>	<u>31,959,627</u>	<u>14,528,578</u>
<b>NET RESULT</b>		<b>14,316,037</b>	<b>25,360,677</b>	<b>11,775,277</b>
<b>Other Comprehensive Income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	0	0	1,055,204
<b>Total Other Comprehensive Income</b>		<b>0</b>	<b>0</b>	<b>1,055,204</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>14,316,037</b>	<b>25,360,677</b>	<b>12,830,481</b>

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

## City of Busselton

## Financial Report

For the Year Ended 30 June 2020

## Statement of Financial Position

	Note	2020 Actual \$	2019 Actual \$
<b>Current Assets</b>			
Cash and Cash Equivalents	3	60,501,304	59,772,318
Trade and Other Receivables	6	4,371,031	3,916,159
Other Financial Assets	5(a)	10,066,867	10,569,803
Inventories	7	25,802	24,981
Other Assets	8	212,924	266,918
<b>Total Current Assets</b>		<b>75,177,928</b>	<b>74,550,179</b>
<b>Non-current Assets</b>			
Other Receivables	6	412,055	397,461
Other Financial Assets	5(b)	430,658	283,072
Property, Plant and Equipment	9	147,020,831	144,333,683
Infrastructure	10	569,886,680	564,715,992
Right of Use Assets	12(a)	1,308,114	0
<b>Total Non-current Assets</b>		<b>719,058,338</b>	<b>709,730,208</b>
<b>Total Assets</b>		<b>794,236,266</b>	<b>784,280,387</b>
<b>Current Liabilities</b>			
Trade and Other Payables	14	7,983,635	8,136,038
Contract Liabilities	15.1	2,611,824	0
Grant Liabilities	15.2	2,298,073	0
Lease Liabilities	16	498,834	0
Current Portion of Long Term Borrowings	17(d)	3,043,263	3,291,161
Provisions	18	5,237,538	4,614,181
<b>Total Current Liabilities</b>		<b>21,673,167</b>	<b>16,041,380</b>
<b>Non-current Liabilities</b>			
Contract Liabilities	15.1	7,566,720	0
Grant Liabilities	15.2	2,250,217	0
Lease Liabilities	16	854,825	0
Long Term Borrowings	17(d)	28,157,696	31,111,143
Provisions	18	665,671	627,843
<b>Total Non-current Liabilities</b>		<b>39,495,129</b>	<b>31,738,986</b>
<b>Total Liabilities</b>		<b>61,168,296</b>	<b>47,780,366</b>
<b>Net Assets</b>		<b>733,067,970</b>	<b>736,500,021</b>
<b>Equity</b>			
Retained Surplus		436,973,786	444,713,504
Reserves – Cash Backed	4	59,897,884	55,590,217
Revaluation Surplus	13	236,196,300	236,196,300
<b>Total Equity</b>		<b>733,067,970</b>	<b>736,500,021</b>

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



## City of Busselton

## Financial Report

## For the Year Ended 30 June 2020

## Statement of Changes in Equity

	Note	Retained Surplus \$	Reserves Cash Backed \$	Revaluation Surplus \$	Total Equity \$
Balance as at 1 July 2018		440,549,926	47,978,517	235,141,096	723,669,539
<u>Comprehensive Income</u>					
Net Result		11,775,277	0	0	11,775,277
Other Comprehensive Income	13	0	0	1,055,204	1,055,204
Total Comprehensive Income		11,775,277	0	1,055,204	12,830,481
Transfer from / (to) Reserves		(7,611,700)	7,611,700	0	0
<b>Balance as at 30 June 2019</b>		<b>444,713,503</b>	<b>55,590,217</b>	<b>236,196,300</b>	<b>736,500,020</b>
<b>Balance as at 30 June 2019</b>		<b>444,713,503</b>	<b>55,590,217</b>	<b>236,196,300</b>	<b>736,500,020</b>
Initial application of AASB 16, AASB 15/1058	29(d)	(17,748,087)	0	0	(17,748,087)
<b>Restated balance as at 1 July 2019</b>		<b>426,965,416</b>	<b>55,590,217</b>	<b>236,196,300</b>	<b>718,751,933</b>
<u>Comprehensive Income</u>					
Net Result		14,316,037	0	0	14,316,037
Other Comprehensive Income	13	0	0	0	0
Total Comprehensive Income		14,316,037	0	0	14,316,037
Transfer from / (to) Reserves		(4,307,667)	4,307,667	0	0
<b>Balance as at 30 June 2020</b>		<b>436,973,786</b>	<b>59,897,884</b>	<b>236,196,300</b>	<b>733,067,970</b>

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

## City of Busselton

## Financial Report

For the Year Ended 30 June 2020

## Statement of Cash Flows

	Note	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>Cash Flows from Operating Activities</b>				
<b>Receipts</b>				
Rates		51,938,974	51,741,639	48,748,066
Operating Grants, Subsidies and Contributions		5,373,699	4,930,617	5,818,152
Fees & Charges		14,885,061	16,294,954	15,592,811
Interest Earnings		1,584,122	1,955,000	2,336,296
Goods and Services Tax		6,531,093	3,000,000	6,399,565
Other Revenue		1,379,052	494,147	3,243,563
		81,692,001	78,416,357	82,138,453
<b>Payments</b>				
Employee Costs		(31,886,965)	(33,310,994)	(30,267,355)
Materials and Contracts		(16,159,105)	(19,049,654)	(17,167,310)
Utility Charges		(2,633,428)	(2,774,257)	(2,607,810)
Insurance Expenses		(730,852)	(733,960)	(713,980)
Interest Expenses		(1,315,166)	(1,273,688)	(1,329,678)
Goods and Services Tax		(6,657,604)	(3,000,000)	(6,146,871)
Other Expenditure		(2,573,426)	(2,746,912)	(4,697,492)
		(61,956,546)	(62,889,465)	(62,930,496)
<b>Net Cash Provided by (used in) Operating Activities</b>	19	19,735,455	15,526,892	19,207,957
<b>Cash Flows from Investing Activities</b>				
Payment for Purchase of Property, Plant & Equipment		(10,974,259)	(23,722,201)	(5,545,263)
Payment for Construction of Infrastructure		(18,968,702)	(36,851,773)	(23,006,581)
Non-Operating Grants, Subsidies and Contributions		10,958,748	23,758,961	6,529,299
Proceeds from Sale of Assets		3,221,003	3,476,580	926,173
Proceeds from Financial Assets at Amortised Costs – Term Deposits		500,000	0	0
<b>Net Cash Provided by (used in) Investing Activities</b>		(15,263,210)	(33,338,433)	(21,096,372)
<b>Cash Flows from Financing Activities</b>				
Repayment of Borrowings		(3,296,345)	(4,056,712)	(3,055,609)
Payments of Principal Portion of Lease Liabilities		(521,901)	0	0
Proceeds from Self Supporting Loans		74,987	76,056	73,003
Advances to Community Groups		(95,000)	(150,000)	0
Proceeds from New Borrowings		95,000	150,000	2,730,000
<b>Net Cash Provided By (used In) Financing Activities</b>		(3,743,259)	(3,980,656)	(252,606)
<b>Net Increase (Decrease) in Cash Held</b>		728,986	(21,792,197)	(2,141,021)
Cash at Beginning of Year		59,772,318	70,272,318	61,913,339
<b>Cash and Cash Equivalents at the End of the Year</b>	19	<b>60,501,304</b>	<b>48,480,121</b>	<b>59,772,318</b>

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

## City of Busselton

## Financial Report

For the Year Ended 30 June 2020

## Rate Setting Statement

	Note	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>OPERATING ACTIVITIES</b>				
Net current assets at start of financial year – surplus / (deficit)	26(b)	1,751,076	1,751,076	3,511,291
		1,751,076	1,751,076	3,511,291
<b>Revenue from operating activities (excluding rates)</b>				
General Purpose Funding		4,553,867	4,382,440	5,286,500
Governance		511,439	374,470	884,888
Law, Order & Public Safety		968,661	860,783	875,722
Health		656,781	619,300	644,208
Education and Welfare		8,867	6,440	8,614
Housing		502,130	478,750	477,766
Community Amenities		8,659,799	9,073,190	8,788,148
Recreation and Culture		3,963,230	4,360,550	4,526,851
Transport		1,392,924	1,628,986	2,020,285
Economic Services		1,809,922	2,046,191	1,891,956
Other Property and Services		498,352	544,614	584,806
		23,525,972	24,375,714	25,989,744
<b>Expenditure from operating activities</b>				
General Purpose Funding		(1,085,183)	(1,108,720)	(1,004,147)
Governance		(7,506,165)	(7,643,293)	(7,598,777)
Law, Order & Public Safety		(3,421,391)	(3,333,626)	(3,181,299)
Health		(1,443,764)	(1,490,615)	(1,447,639)
Education and Welfare		(169,093)	(153,574)	(166,793)
Housing		(1,305,071)	(1,325,049)	(1,221,087)
Community Amenities		(13,965,411)	(14,421,692)	(12,932,117)
Recreation and Culture		(24,087,504)	(25,252,279)	(23,007,862)
Transport		(22,068,848)	(23,257,311)	(21,915,987)
Economic Services		(3,291,617)	(3,423,891)	(3,340,040)
Other Property and Services		(814,078)	(693,005)	(1,052,636)
		(79,158,125)	(82,103,055)	(76,868,384)
<b>Operating activities excluded</b>				
(Profit) on disposal of assets		(74,304)	(78,050)	(118,089)
Loss on disposal of assets		537,558	161,135	54,624
Movement in deferred pensioner rates		(21,707)	0	(41,946)
Movement in employee benefit provisions		661,186	0	(3,311)
Depreciation and amortisation on assets	11(b)	23,496,226	22,870,222	22,051,156
Asset Adjustments as per Changes to Regulations		0	0	1,185,285
Movement in non-cash contributions	2	(4,482,078)	(8,224,000)	(7,957,839)
Movement Deposits and Bonds/ Other		(3,532,722)	0	(1,216,969)
		16,584,159	14,729,307	13,952,911
<b>Amount Attributable to Operating Activities</b>		<b>(37,296,918)</b>	<b>(41,246,958)</b>	<b>(33,414,438)</b>
<b>Investing activities</b>				
Non-operating grants, subsidies and contributions	2(a)	18,529,803	32,042,712	14,465,113
Proceeds from disposal of assets	11(a)	3,221,003	3,476,580	926,173
Purchase of property, plant and equipment	9(b)	(11,050,190)	(23,719,527)	(8,307,090)
Purchase and construction of infrastructure	10(b)	(18,968,702)	(36,851,773)	(20,290,190)
<b>Amount attributable to investing activities</b>		<b>(8,268,086)</b>	<b>(25,052,008)</b>	<b>(13,205,994)</b>

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

## City of Busselton

## Financial Report

For the Year Ended 30 June 2020

## Rate Setting Statement (Continued)

	Note	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>Financing activities</b>				
Advances to community groups	17(a)	(95,000)	(150,000)	0
Repayment of advances to community groups	17(a)	74,987	76,055	73,003
Repayment of debentures	17(a)	(3,296,345)	(3,297,412)	(3,055,609)
Repayment of Leases	26(c)	(521,900)	(759,300)	0
Proceeds from new debentures	17(a)	0	0	2,730,000
Proceeds from self-supporting loans	17(a)	95,000	150,000	0
Transfers to reserves (restricted assets)		(25,639,394)	(21,938,142)	(22,472,836)
Transfers from reserves (restricted assets)		24,003,063	41,172,459	22,908,147
<b>Amount attributable to financing activities</b>		<b>(5,379,589)</b>	<b>15,253,660</b>	<b>182,705</b>
<b>Surplus(deficiency) before imposition of general rates</b>		<b>(50,944,593)</b>	<b>(51,045,306)</b>	<b>(46,437,727)</b>
<b>Total amount raised from general rates</b>	25(a)	<b>51,418,387</b>	<b>51,045,306</b>	<b>48,188,803</b>
<b>Surplus / (deficit) after imposition of general rates</b>	26	<b>473,794</b>	<b>0</b>	<b>1,751,076</b>

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

**City of Busselton**

**Financial Report**

**For the Year Ended 30 June 2020**

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## City of Busselton

### Financial Report

For the Year Ended 30 June 2020

#### 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 inconsistent 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.

The Local Government (Financial Management) Regulations 1996 take precedence over Australian Accounting Standards. Prior to 1 July 2019, Regulation (Reg) 16 arbitrarily prohibited a local government from recognising as assets Crown land that is a public thoroughfare, i.e. land under roads, and land not owned by but under the control or management of the local government, unless it is a golf course, showground, racecourse or recreational facility of State or regional significance. Consequently, some assets pertaining to vested land, including land under roads acquired on or after 1 July 2008, were not recognised in previous financial reports of the City. This was not in accordance with the requirements of AASB 1051 Land Under Roads paragraph 15 and AASB 116 Property, Plant and Equipment paragraph 7.

From 1 July 2019, the City has applied AASB 16 Leases which requires leases to be included by lessees in the balance sheet. Also, the FM regs have been amended to specify that vested land is a right of use (ROU) asset to be measured at cost. All ROU assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not included in the balance sheet) rather than at fair value. The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which continue to be reported at fair value, as opposed to the vested land which is measured at zero cost. The measurement of vested improvements at fair value is a departure from AASB 16 which would have required the City to measure any vested improvements at zero cost.

Accounting policies which have been adopted in the preparation of this financial report have been consistently applied unless stated otherwise.

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

###### THE LOCAL GOVERNMENT REPORTING ENTITY (Continued)

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

On 1 July 2020 the following new accounting standards are to be adopted:

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

AASB 1059 Service Concession Arrangements: Grantors is not expected to impact the financial report.

Specific impacts of AASB 2018-7 Amendments to Australian Accounting Standards - Materiality, have not been identified.

###### 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

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.

## City of Busselton

### Financial Report

**For the Year Ended 30 June 2020**

#### Notes to and Forming Part of the Financial Report

#### 2. Revenue and Expenses

##### Revenue Recognition Policy

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

Revenue Category	Nature of goods and services	Timing of revenue recognition until 30 June 2019	Timing of revenue recognition from 1 July 2019
Rates	<ul style="list-style-type: none"> <li>General rates &amp; rates charged for specific defined purposes.</li> </ul>	When rates notice is issued.	When rates notice is issued.
Operating Grants, Subsidies and Contributions	<ul style="list-style-type: none"> <li>Community events, minor facilities, research, design, planning evaluation and services.</li> <li>General appropriations and contributions with no reciprocal commitment.</li> </ul>	On receipt of funds.	<p>Income from grants that are enforceable and with sufficiently specific performance obligations is recognised as the City satisfies its obligations in the grant agreements.</p> <p>Income from grants without any sufficiently specific performance obligations, or that are not enforceable, is recognised when the City has an unconditional right to receive cash which usually coincides with receipt of cash.</p>
Non-Operating Grants, Subsidies and Contributions	<ul style="list-style-type: none"> <li>Construction or acquisition of recognisable non-financial assets to be controlled by the local government.</li> </ul>	On receipt of funds.	Capital grants are recognised as income as the City satisfies its obligations in the grant agreements.
Fees and Charges	<ul style="list-style-type: none"> <li>Building, planning, development and animal management, having the same nature as a licence regardless of naming.</li> <li>Compliance safety check.</li> <li>Regulatory food, health and safety.</li> <li>Kerbside collection service.</li> <li>Waste treatment, recycling and disposal service at disposal sites.</li> <li>Permission to use facilities and runway.</li> <li>Gym and pool membership.</li> <li>Cemetery services, library fees, reinstatements and private works.</li> <li>Aviation fuel, kiosk and visitor centre stock.</li> <li>Fines issued for breaches of local laws.</li> </ul>	When fee or charge is raised in relation an event or service occurring, or upon receipt of funds.	At a point in time (or over a relatively short period of time) when the services have been provided and payments are received.
Other Revenue	<ul style="list-style-type: none"> <li>Sale of scrap materials.</li> <li>Insurance claims.</li> <li>Commissions on licencing and ticket sales.</li> </ul>	When the significant risks and rewards of ownership transfer to the purchaser and can be measured reliably, or upon receipt of funds.	At a point in time when the goods have been transferred and payments are received, or upon receipt of funds.



## City of Busselton

## Financial Report

For the Year Ended 30 June 2020

## Notes to and Forming Part of the Financial Report

## 2. Revenue and Expenses (Continued)

## (a) Revenue

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

	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>Operating Grants, Subsidies and Contributions</b>			
General Purpose Funding	2,317,918	1,799,934	2,328,138
Governance	329,600	288,290	227,906
Law, Order & Public Safety	758,303	624,153	645,887
Health	74,216	108,200	118,646
Education and Welfare	8,532	6,280	8,453
Housing	4,108	4,370	4,024
Community Amenities	108,818	224,420	110,762
Recreation and Culture	1,581,741	1,493,971	1,636,151
Transport	155,941	76,250	644,667
Economic Services	14,830	4,340	25,629
Other Property and Services	310,496	296,750	329,030
	<b>5,664,503</b>	<b>4,926,958</b>	<b>6,079,293</b>
<b>Non-operating Grants, Subsidies and Contributions</b>			
Governance	2,069,619	679,956	140,044
Law, Order & Public Safety	501,344	987,890	814,215
Health	0	6,180	8,487
Community Amenities	381,935	1,032,600	273,000
Recreation and Culture	4,053,351	4,604,139	3,417,379
Transport	11,523,554	24,731,947	9,811,988
	<b>18,529,803</b>	<b>32,042,712</b>	<b>14,465,113</b>
<b>Total grants, subsidies and contributions</b>	<b>24,194,306</b>	<b>36,969,670</b>	<b>20,544,406</b>



## City of Busselton

## Financial Report

For the Year Ended 30 June 2020

## Notes to and Forming Part of the Financial Report

2. Revenue and Expenses (Continued)	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>Fees &amp; Charges</b>			
General Purpose Funding	61,373	47,500	80,088
Governance	28,117	43,400	43,208
Law, Order & Public Safety	154,569	166,200	171,419
Health	581,220	507,100	538,978
Education and Welfare	334	160	161
Housing	498,023	474,380	473,742
Community Amenities	8,304,768	8,586,127	8,330,002
Recreation and Culture	2,340,335	2,798,303	2,873,539
Transport	1,167,252	1,426,130	1,218,997
Economic Services	1,753,516	2,004,900	1,821,603
Other Property and Services	184,712	237,890	241,861
	<b>15,074,219</b>	<b>16,292,090</b>	<b>15,793,598</b>

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

**SIGNIFICANT ACCOUNTING POLICIES****Grants, Subsidies and Other Contributions**

Operating grants, subsidies and other contributions are grants, subsidies and contributions that are non-operating in nature.

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

**Fees and Charges**

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

## City of Busselton

## Financial Report

For the Year Ended 30 June 2020

## Notes to and Forming Part of the Financial Report

	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>2. Revenue and Expenses (Continued)</b>			
<b>Revenue from Statutory Requirements</b>			
Revenue from statutory requirements was recognised during the year for the following nature or types of goods or services:			
General rates	51,418,387	51,045,306	48,188,803
Specified area rates	579,458	572,106	535,131
Statutory permits and licences	928,337	948,400	956,288
Fines	74,204	141,050	128,132
Developer contributions	678,492	1,237,438	1,369,831
Public open space contributions	0	1,856,428	101,801
	<b>53,678,878</b>	<b>55,800,728</b>	<b>51,279,986</b>
<b>Assets and services acquired below fair value</b>			
Contributed assets	4,482,078	8,224,000	7,957,839
	<b>4,482,078</b>	<b>8,224,000</b>	<b>7,957,839</b>
<b>Interest Earnings</b>			
- Reserve Funds	769,664	1,237,620	1,413,167
- Restricted Funds	38,545	0	101,722
- Other Funds	158,038	242,380	311,247
- Other Interest Revenue	617,875	475,000	510,160
	<b>1,584,122</b>	<b>1,955,000</b>	<b>2,336,296</b>

## City of Busselton

## Financial Report

## For the Year Ended 30 June 2020

## Notes to and Forming Part of the Financial Report

	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>2. Revenue and Expenses (Continued)</b>			
<b>SIGNIFICANT ACCOUNTING POLICIES</b>			
<b>Interest earnings</b>			
Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).			
Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.			
<b>(b) Expenses</b>			
<b>Auditors Remuneration</b>			
- Audit of Financial Report	41,000	42,000	18,900
- Other Services	4,114	2,000	1,460
	<b>45,114</b>	<b>44,000</b>	<b>20,360</b>
<b>Interest Expenses (Finance Costs)</b>			
Lease Interest	72,014	0	0
Long Term Borrowings (refer Note 17(a))	1,257,232	1,273,688	1,333,095
	<b>1,329,246</b>	<b>1,273,688</b>	<b>1,333,095</b>

## City of Busselton

## Financial Report

For the Year Ended 30 June 2020

## Notes to and Forming Part of the Financial Report

	Note	2020 Actual \$	2019 Actual \$
<b>3. Cash and Cash Equivalents</b>			
Unrestricted		1,595,119	3,204,485
Restricted		58,906,185	56,567,833
		<u>60,501,304</u>	<u>59,772,318</u>
<b>Restrictions</b>			
The following classes of assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used:			
- Cash and cash equivalents - restricted		58,906,185	56,567,833
- Financial Assets at amortised cost	5	<u>10,000,000</u>	<u>10,500,000</u>
		<u>68,906,185</u>	<u>67,067,833</u>
Reserves – cash/financial asset backed	4	59,897,885	55,590,217
Accrued Interest (Reserves and Restricted)		0	(202,021)
Cash set aside in Lieu of Parking		275,602	275,602
Cash set aside for Roadwork within specific areas, being funds given as a condition of subdivision/development		1,367,862	1,526,962
Cash set aside, being unspent specific purpose Government Grants		4,548,290	5,699,606
Cash set aside, being Unspent Loan Funds		92,612	792,612
Cash set aside for Sundry Restricted		258,459	441,345
Cash set aside for Deposits & Bonds		<u>2,465,475</u>	<u>2,943,510</u>
		<u>68,906,185</u>	<u>67,067,833</u>

**SIGNIFICANT ACCOUNTING POLICIES****Cash and cash equivalents**

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments with maturities of up to 3 months that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are reported as short term borrowings in current liabilities in the statement of financial position.

**Restricted Assets**

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

City of Busselton

Financial Report

For the Year Ended 30 June 2020

Notes to and Forming Part of the Financial Report

4. Reserves – Cash Backed

	2019/20 Actual				2019/20 Budget				2018/19 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 Reserve	1,821,554	28,582	(137,863)	1,712,273	1,821,554	40,547	(156,250)	1,705,851	1,325,502	577,682	(81,630)	1,821,554
Airport Marketing and Incentive Reserve	3,396,151	677,640	0	4,073,791	3,396,151	602,028	(1,360,230)	2,637,949	1,583,014	1,813,137	0	3,396,151
Airport Noise Mitigation Reserve	890,710	14,187	0	904,897	890,710	19,836	(869,550)	40,996	0	890,710	0	890,710
Airport Development Reserve	0	167,459	(165,882)	1,577	0	165,882	(165,882)	0	0	0	0	0
Airport Existing Terminal Building Reserve	39,882	82,913	0	122,795	39,882	888	0	40,770	0	39,882	0	39,882
Building Asset Renewal Reserve	1,725,056	759,850	(1,001,664)	1,483,242	1,725,056	765,547	(751,536)	1,739,067	1,193,934	923,435	(392,313)	1,725,056
Barnard Park Sports Pavilion Building Reserve	10,666	30,686	0	41,352	10,666	30,466	0	41,132	0	10,666	0	10,666
Railway House Building Reserve	16,761	20,093	0	36,854	16,761	20,007	0	36,768	0	16,761	0	16,761
Youth and Community Activities Building Reserve	45,712	43,988	(9,345)	80,355	45,712	43,860	(10,000)	79,572	0	45,712	0	45,712
Busselton Library Building Reserve	85,071	47,413	(21,462)	111,022	85,071	47,592	(111,000)	21,663	0	85,071	0	85,071
Busselton Community Resource Centre Reserve	190,876	85,545	(3,727)	272,694	190,876	90,642	(5,160)	276,358	156,654	34,222	0	190,876
Busselton Jetty Tourist Park Reserve	159,726	172,363	(109,336)	222,753	159,726	262,260	(287,610)	134,376	0	221,727	(62,001)	159,726
Geographe Leisure Centre Building Reserve	381,186	578,141	(344,243)	615,084	381,186	269,005	(555,900)	94,291	0	484,644	(103,458)	381,186

City of Busselton

Financial Report

For the Year Ended 30 June 2020

Notes to and Forming Part of the Financial Report

4. Reserves – Cash Backed (Continued)

	2019/20 Actual				2019/20 Budget				2018/19 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 \$
Joint Venture Aged Housing Reserve	1,085,871	203,199	(51,763)	1,237,307	1,085,871	152,921	(152,000)	1,086,792	997,855	210,702	(122,686)	1,085,871
Winderup Aged Housing Resident Funded Reserve	212,501	5,504	(5,070)	212,935	212,501	4,728	(126,000)	91,229	186,718	67,806	(42,023)	212,501
Naturaliste Community Centre Building Reserve	63,746	61,331	0	125,077	63,746	61,124	(12,000)	112,870	0	161,226	(97,480)	63,746
Civic and Administration Building Reserve	187,928	287,513	(45,752)	429,689	187,928	286,188	(105,920)	368,196	0	187,928	0	187,928
Vasse Sports Pavilion Building Reserve	0	541	0	541	0	536	0	536	0	0	0	0
Jetty Maintenance Reserve	4,806,278	1,369,197	(936,132)	5,239,343	4,806,278	1,393,521	(2,982,095)	3,217,704	4,193,450	1,357,284	(744,456)	4,806,278
Jetty Self Insurance Reserve	365,698	66,500	0	432,198	365,698	68,136	0	433,834	0	365,698	0	365,698
Asset Depreciation Reserve	0	0	0	0	0	0	0	0	563,412	14,030	(577,442)	0
Road Assets Renewal Reserve	1,119,116	3,497,937	(3,019,924)	1,597,129	1,119,116	3,483,041	(4,161,474)	440,683	1,299,765	2,600,211	(2,780,860)	1,119,116
Footpath/ Cycle Ways Reserve	3,671	1,193,389	(788,622)	408,438	3,671	1,184,686	(1,147,590)	40,767	0	235,577	(231,906)	3,671
Other Infrastructure Reserves	0	350,298	(85,909)	264,389	0	347,000	(316,950)	30,050	0	0	0	0
Parks, Gardens and Reserves Reserve	0	1,224,827	(390,881)	833,946	0	1,214,001	(1,134,000)	80,001	0	0	0	0
Furniture and Equipment Reserve	0	364,900	(107,116)	257,784	0	364,900	(364,900)	0	0	0	0	0

City of Busselton

Financial Report

For the Year Ended 30 June 2020

Notes to and Forming Part of the Financial Report

4. Reserves – Cash Backed (Continued)

	2019/20 Actual				2019/20 Budget				2018/19 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 \$
Plant Replacement Reserve	1,205,527	924,458	(1,031,543)	1,098,442	1,205,527	927,581	(1,418,950)	714,158	2,185,396	1,177,175	(2,157,044)	1,205,527
Major Traffic Improvements Reserve	1,495,578	1,154,129	(2,010,861)	638,846	1,495,578	1,162,005	(2,400,000)	257,583	432,138	1,241,862	(178,422)	1,495,578
CBD Enhancement Reserve	171,317	532,251	(89,806)	613,762	171,317	564,003	(643,000)	92,320	122,491	48,826	0	171,317
New Infrastructure Development Reserve	1,803,172	227,652	(524,648)	1,506,176	1,803,172	232,767	(1,259,942)	775,997	1,834,715	462,042	(493,585)	1,803,172
Commonage Precinct Infrastructure Road Reserve	231,224	3,683	0	234,907	231,224	5,148	0	236,372	225,575	5,649	0	231,224
City Car Parking and Access Reserve	1,281,337	529,986	(256,200)	1,555,123	1,281,337	533,711	(427,549)	1,387,499	875,926	568,274	(162,863)	1,281,337
Corporate IT Systems Reserve	80,398	146,352	0	226,750	80,398	1,789	0	82,187	78,624	1,774	0	80,398
Election, Valuation and Other Corporate Expenses Reserve	499,906	158,665	(97,576)	560,995	499,906	161,124	(150,000)	511,030	149,558	359,348	(9,000)	499,906
Legal Expenses Reserves	577,256	59,684	0	636,940	577,256	12,852	0	590,108	557,904	76,399	(57,047)	577,256
Marketing and Area Promotion Reserve	0	166,392	0	166,392	0	0	0	0	0	0	0	0
Performing Arts and Convention Centre Reserve	0	2,625,599	0	2,625,599	0	2,705,530	0	2,705,530	0	0	0	0
Long Service Leave Reserve	3,096,583	738,504	(352,977)	3,482,110	3,096,583	318,940	(653,950)	2,761,573	3,111,698	478,139	(493,254)	3,096,583
Professional Development Reserve	122,772	72,418	(50,161)	145,029	122,772	72,736	(71,930)	123,578	113,025	73,777	(64,030)	122,772

City of Busselton

Financial Report

For the Year Ended 30 June 2020

Notes to and Forming Part of the Financial Report

4. Reserves – Cash Backed (Continued)

	2019/20 Actual				2019/20 Budget				2018/19 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 \$
Sick Pay Incentive Reserve	150,403	2,702	(8,473)	144,632	150,403	73,348	(71,930)	151,821	175,935	5,088	(30,620)	150,403
Workers Compensation & Extended Sick Leave Contingency Reserve	305,100	4,650	0	309,750	305,100	6,792	(28,460)	283,432	356,227	8,873	(60,000)	305,100
Community Facilities - City District	2,552,707	255,371	(1,687,209)	1,120,869	2,552,707	418,572	(2,203,795)	767,484	2,303,096	366,946	(117,335)	2,552,707
Community Facilities - Broadwater	158,524	7,890	0	166,414	158,524	16,027	0	174,551	138,049	20,475	0	158,524
Community Facilities - Busselton	44,012	9,165	(44,000)	9,177	44,012	20,983	(44,000)	20,995	34,547	9,465	0	44,012
Community Facilities – Dunsborough	188,063	67,090	0	255,153	188,063	29,188	0	217,251	166,327	21,736	0	188,063
Community Facilities - Dunsborough Lakes Estate	922,773	14,696	0	937,469	922,773	298,533	0	1,221,306	525,106	397,667	0	922,773
Community Facilities - Geographe	99,176	2,803	0	101,979	99,176	9,708	0	108,884	95,061	4,115	0	99,176
Community Facilities - Port Geographe	343,510	5,471	0	348,981	343,510	7,644	0	351,154	335,117	8,393	0	343,510
Community Facilities - Vasse	615,586	9,470	(135,152)	489,904	615,586	13,703	(450,000)	179,289	589,761	25,825	0	615,586
Community Facilities - Airport North	2,970,179	47,309	0	3,017,488	2,970,179	321,121	0	3,291,300	2,826,296	143,883	0	2,970,179
Locke Estate Reserve	1,013	60,420	(55,164)	6,269	1,013	64,024	(64,000)	1,037	0	65,013	(64,000)	1,013
Port Geographe Development Reserve	682,471	60,815	(518,333)	224,953	682,471	67,167	(599,307)	150,331	1,455,441	80,841	(853,811)	682,471



City of Busselton

Financial Report

For the Year Ended 30 June 2020

Notes to and Forming Part of the Financial Report

4. Reserves – Cash Backed (Continued)

	2019/20 Actual				2019/20 Budget				2018/19 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 \$
Port Geographe Waterways Management Reserve	3,349,717	272,758	(347,283)	3,275,192	3,349,717	289,522	(346,800)	3,292,439	3,387,485	281,357	(319,125)	3,349,717
Providence Landscape Maintenance Reserve	1,194,759	199,871	(86,153)	1,308,477	1,194,759	202,968	(203,380)	1,194,347	1,101,707	198,524	(105,472)	1,194,759
Vasse Newtown Landscape Maintenance Reserve	575,151	191,135	(129,922)	636,364	575,151	193,605	(199,220)	569,536	535,722	188,692	(149,263)	575,151
Commonage Precinct Bushfire Facilities Reserve	57,261	912	0	58,173	57,261	1,272	0	58,533	55,862	1,399	0	57,261
Commonage Community Facilities Dunsborough Lakes South Reserve	72,622	1,157	0	73,779	72,622	1,620	0	74,242	70,848	1,774	0	72,622
Commonage Community Facilities South Biddle Precinct Reserve	886,172	13,522	0	899,694	886,172	19,728	0	905,900	1,030,368	25,804	(170,000)	886,172
Busselton Area Drainage and Waterways Improvement Reserve	546,471	8,451	(79,340)	475,582	546,471	12,168	(184,399)	374,240	548,821	13,451	(15,801)	546,471
Coastal and Climate Adaptation Reserve	2,845,579	575,589	(1,263,575)	2,157,593	2,845,579	601,392	(1,259,792)	2,187,179	2,472,424	597,693	(224,538)	2,845,579
Emergency Disaster Recovery Reserve	72,782	21,355	0	94,137	72,782	21,620	0	94,402	50,000	22,782	0	72,782
Energy Sustainability Reserve	181,853	132,799	(176,697)	137,955	181,853	134,044	(177,378)	138,519	100,000	104,475	(22,622)	181,853
Cemetery Reserve	157,626	107,045	(228,800)	35,871	157,626	142,504	(254,000)	46,130	100,000	81,420	(23,794)	157,626
Public Art Reserve	86,198	854	0	87,052	86,198	1,921	(41,060)	47,059	229,685	5,698	(149,185)	86,198
Waste Management Facility and Plant Reserve	7,867,210	1,005,697	(1,243,548)	7,629,359	7,867,210	1,227,147	(5,616,140)	3,478,217	7,881,065	1,513,471	(1,527,326)	7,867,210

City of Busselton

Financial Report

For the Year Ended 30 June 2020

Notes to and Forming Part of the Financial Report

4. Reserves – Cash Backed (Continued)

	2019/20 Actual				2019/20 Budget				2018/19 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	257,163	52,194	(13,797)	295,560	257,163	64,193	(78,925)	242,431	226,213	30,950	0	257,163
Untied Grants Reserve	1,232,906	1,391,422	(1,232,906)	1,391,422	1,232,906	0	(1,232,906)	0	0	1,232,906	0	1,232,906
Busselton Foreshore Reserve	0	100	0	100	0	0	0	0	0	0	0	0
	55,590,217	23,196,482	(18,888,815)	59,897,884	55,590,217	21,878,042	(34,856,860)	42,611,399	47,978,517	20,296,092	(12,684,392)	55,590,217

**City of Busselton****Financial Report****For the Year Ended 30 June 2020****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 Reserve**

To provide funding for the major maintenance, renewal, replacement, upgrading and installation of Airport Infrastructure, Plant, Furniture and Equipment.

**Airport Marketing and Incentive Reserve**

The purpose of promoting and providing incentives for the Busselton Margaret River Airport.

**Airport Noise Mitigation Reserve**

To be utilised for the purpose of noise mitigation related activities surrounding the Airport precinct.

**Airport Development Reserve**

To provide funds for new capital works and infrastructure projects that contribute to expanding the operations and capacity of the airport including potential revenue generating opportunities (to be closed in 20/21 and added to Airport Infrastructure Renewal and Replacement Reserve).

**Airport Existing Terminal Building Reserve**

To provide funding for the major maintenance, renewal, replacement, upgrading and future building and fit out requirements for the asset.

**Building Asset Renewal Reserve**

To provide funding for the major maintenance, renewal, replacement, upgrading and future building requirements for SLH2 to SLH6 assets that do not have their own reserve account and for other major building assets where insufficient funds are held for those assets.

**Barnard Park Sports Pavilion Building Reserve**

To provide funding for the major maintenance, renewal, replacement, upgrading and future building and fit out requirements for the asset.

**Railway House Building Reserve**

To provide funding for the major maintenance, renewal, replacement, upgrading and future building and fit out requirements for the asset.

**Youth and Community Activities Building Reserve**

To provide funding for the major maintenance, renewal, replacement, upgrading and future building and fit out requirements for the asset.

**Busselton Library Building Reserve**

To provide funding for the major maintenance, renewal, replacement, upgrading and future building and fit out requirements for the asset.

**Busselton Community Resource Centre Reserve**

To provide funding for the major maintenance, renewal, replacement, upgrading and future building and fit out requirements for the asset.

## City of Busselton

### Financial Report

For the Year Ended 30 June 2020

#### Notes to and Forming Part of the Financial Report

##### 4. Reserves – Cash Backed (Continued)

###### Busselton Jetty Tourist Park Reserve

To provide funding for capital, maintenance and promotional/ marketing requirements.

###### Geographe Leisure Centre Building Reserve

To provide funding for the major maintenance, renewal, replacement, upgrading and future building and fit out requirements for the asset.

###### 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.

###### Winderlup Aged Housing Resident Funded Reserve

To hold funds to meet future expenses, including capital, maintenance, operational and administrative costs associated with the provision of council owned community aged housing.

###### Naturaliste Community Centre Building Reserve

To provide funding for the major maintenance, renewal, replacement, upgrading and future building and fit out requirements for the asset.

###### Civic and Administration Building Reserve

To provide funding for the major maintenance, renewal, replacement, upgrading and future building and fit out requirements for the asset.

###### Vasse Sports Pavilion Building Reserve

To provide funding for the construction, major maintenance, renewal, replacement, upgrading and future building and fit out requirements for the asset.

###### Jetty Maintenance Reserve

To provide funding for the maintenance, renewal, replacement, upgrading and future Capital works requirements for the asset.

###### Jetty Self Insurance 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.

###### Asset 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.

(Note: This Reserve is being redistributed to the Building Reserves and therefore was closed as per 2018/19 budget.)

###### Road Asset Renewal Reserve

To provide funding for the major maintenance, renewal, replacement, upgrading and future requirements with respect to Road Infrastructure assets within the District.

###### Footpath/ Cycle Ways Reserve

To provide funding for the major maintenance, renewal, replacement, upgrading and future requirements with respect to Footpath and Cycleway assets within the District.

## City of Busselton

### Financial Report

For the Year Ended 30 June 2020

#### Notes to and Forming Part of the Financial Report

##### 4. Reserves – Cash Backed (Continued)

###### Other Infrastructure Reserve

To provide funding for the major maintenance and renewal of other infrastructure not specifically provided for in other reserves.

###### Parks, Gardens and Reserves Reserve

To provide funding for the major maintenance and renewal of Parks, Gardens and Reserves within the District.

###### Furniture and Equipment Reserve

To provide funds for the major maintenance, renewal, replacement, upgrading and future requirements with respect to furniture and equipment assets within the District.

###### Plant Replacement Reserve

To provide funding for the major maintenance, renewal, replacement, upgrading and future requirements with respect to Plant and Equipment assets excluding those in independent commercial operations.

###### Major Traffic Improvements Reserve

To be utilised for the provision of enabling major capital works programs to be funded for the upgrade of the local road network to reduce congestion, increase traffic flow and ease of access within the District.

###### CBD Enhancement Reserve

To provide funds for Capital and maintenance works and improvements within the Busselton and Dunsborough Central Business Districts.

###### New Infrastructure Development Reserve

For the purpose of setting aside funds to facilitate the identification, design and development/construction of new infrastructure and other capital projects as identified in the City's LTFP.

###### Commonage Precinct Infrastructure Road Reserve

To be utilised for the purpose of road infrastructure and road safety upgrades within the Commonage Contribution Area in accordance with the Commonage Contributions Area policy provisions.

###### City Car Parking and Access Reserve

To provide funding for development of public car parking, the development of infrastructure to provide for the management of public car parking and improving public transport to and within the City or for end of trip facilities. To provide funding for the purchase of land identified as of strategic importance for future parking requirements.

###### Corporate IT Systems Reserve

To provide funding in relation to the ongoing development, enhancement and/ or replacement of the City's corporate systems. To be utilised for the renewal and replacement or introduction of new IT platforms/ hardware for the City.

###### Election, Valuation and Other Corporate Expenses Reserve

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

###### Legal Expenses Reserve

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

## City of Busselton

### Financial Report

For the Year Ended 30 June 2020

#### Notes to and Forming Part of the Financial Report

##### 4. Reserves – Cash Backed (Continued)

###### Marketing and Area Promotion Reserve

To fund the City's contributions and expenditure on tourism, marketing, area promotion and events activities as a result of MERG funding allocations.

###### Performing Arts and Convention Centre Reserve

To provide funds for the planning and construction, and holding of grants or other funds for a future Performing Arts and Convention Centre for the District.

###### Long Service Leave Reserve

To provide funding to meet the City's future long service leave obligations of employees.

###### Professional Development Reserve

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

###### Sick Pay Incentive Reserve

To provide funding to meet the City's obligations under a former sick leave incentive scheme pertaining to staff employed pre 2003.

###### Workers Compensation and Extended Sick Leave Contingency Reserve

A contingency fund to assist the City 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 in any one year, negotiated settlements of outstanding claims, and to enable periods of extended Sick Leave to be funded with a replacement officer.

###### Community Facilities - City District

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

###### Community Facilities – Broadwater

To hold development contributions received by the City for the provision of new or upgraded community infrastructure within the Precinct as per the adopted contributions plan.

###### Community Facilities – Busselton

To hold development contributions received by the City for the provision of new or upgraded community infrastructure within the Precinct as per the adopted contributions plan.

###### Community Facilities – Dunsborough

To hold development contributions received by the City for the provision of new or upgraded community infrastructure within the Precinct as per the adopted contributions plan.

###### Community Facilities - Dunsborough Lakes Estate

To hold development contributions received by the City for the provision of new or upgraded community infrastructure within the Precinct as per the adopted contributions plan.

###### Community Facilities – Geographe

To hold development contributions received by the City for the provision of new or upgraded community infrastructure within the Precinct as per the adopted contributions plan.

## City of Busselton

### Financial Report

For the Year Ended 30 June 2020

#### Notes to and Forming Part of the Financial Report

##### 4. Reserves – Cash Backed (Continued)

###### Community Facilities - Port Geographe

To hold development contributions received by the City for the provision of new or upgraded community infrastructure within the Precinct as per the adopted contributions plan.

###### Community Facilities – Vasse

To hold development contributions received by the City for the provision of new or upgraded community infrastructure within the Precinct as per the adopted contributions plan.

###### Community Facilities - Airport North

To hold development contributions received by the City for the provision of new or upgraded community infrastructure within the Precinct as per the adopted contributions plan.

###### Locke Estate Reserve

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

###### Port Geographe Development Reserve

To provide funds for capital and maintenance costs for development works associated within the Port Geographe contribution area.

###### Port Geographe Waterways Management Reserve

To provide funds for the City to fulfil its obligations under a Waterways Management Deed with the State Government for the future maintenance of waterways and associated facilities within the Port Geographe contributions area.

###### Provence Landscape Maintenance Reserve

For the purpose of holding funds for the maintenance of the approved higher standard of landscaping with the contributions area including future Capital replacement of landscaping structures as may be required.

###### Vasse Newtown Landscape Maintenance Reserve

For the purpose of holding funds for the maintenance of the approved higher standard of landscaping with the contributions area including future Capital replacement of landscaping structures as may be required.

###### Commonage Precinct Bushfire Facilities Reserve

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

###### Commonage Community Facilities Dunsborough Lakes South Reserve

For the purpose of the provision of future recreational facilities at Dunsborough Lakes South in accordance with the Dunsborough Lakes Developer Contributions Plan.

###### Commonage Community Facilities South Biddle Precinct Reserve

To be utilised for the provision of community facilities within the South Biddle Precinct in accordance with the Commonage Area Implementation Policy provisions.

###### Busselton Area Drainage and Waterways Improvement Reserve

To hold development contributions for the provision of drainage works and the management and improvement of waterways and adjacent reserves within Busselton including the lower Vasse River.



**City of Busselton****Financial Report****For the Year Ended 30 June 2020****Notes to and Forming Part of the Financial Report****4. Reserves – Cash Backed (Continued)****Coastal and Climate Adaptation Reserve**

The purpose of the reserve is to provide funds for coastal protection of assets and to fund initiatives to address the impacts of climate change including water supply sustainability and improvements/ upgrades of infrastructure susceptible to climate change.

**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.

**Public Art Reserve**

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

**Waste Management Facility and Plant Reserve**

To provide funding for development and rehabilitation of waste disposal sites both within the district and regionally. Acquisition of waste plant and equipment and any other waste management activities that may include contaminated sites within the District.

**Strategic Projects Reserve**

To provide funds for projects which may create a future revenue stream for the City and reduce reliance on rate revenue.

**Untied Grants Reserve**

To hold untied Government and third party grants monies received in advance.

**Busselton Foreshore Reserve**

To provide funds for on-going asset maintenance and any future capital works.



## City of Busselton

## Financial Report

For the Year Ended 30 June 2020

## Notes to and Forming Part of the Financial Report

	Note	2020 Actual \$	2019 Actual \$
<b>5. Other Financial Assets</b>			
<b>(a) Current Assets</b>			
Financial assets at amortised cost		10,066,867	10,569,803
		<u>10,066,867</u>	<u>10,569,803</u>
<b>Other Financial Assets at Amortised Costs</b>			
Self-supporting loans		66,867	69,803
Term Deposit	3	10,000,000	10,500,000
		<u>10,066,867</u>	<u>10,569,803</u>
<b>(b) Non-Current Assets</b>			
Financial assets at amortised cost		306,021	283,072
Financial assets at fair value through profit and loss		124,637	0
		<u>430,658</u>	<u>283,072</u>
<b>Financial assets at amortised cost</b>			
Self-supporting loans		306,021	283,072
		<u>306,021</u>	<u>283,072</u>
<b>Financial assets at fair value through profit and loss</b>			
Units in Local Government House Trust		124,637	0
		<u>124,637</u>	<u>0</u>

Loans receivable from clubs/institutions have the same terms and conditions as the related borrowing disclosed in Note 17(a) as self-supporting loans.

**SIGNIFICANT ACCOUNTING POLICIES**

Other financial assets at amortised cost

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

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

Financial assets at fair value through profit and loss

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

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

**Impairment and risk**

Information regarding impairment and exposure to risk can be found at Note 27.

## City of Busselton

## Financial Report

For the Year Ended 30 June 2020

## Notes to and Forming Part of the Financial Report

	2020 Actual \$	2019 Actual \$
<b>6. Trade and Other Receivables</b>		
<b>Current</b>		
Rates Outstanding	2,225,277	1,902,973
Rates Outstanding – Pensioners	23,341	1,619
Sundry Debtors	1,481,021	1,496,686
GST Receivable	641,392	514,881
	<u>4,371,031</u>	<u>3,916,159</u>
<b>Non-Current</b>		
Rates Outstanding – Pensioners	339,168	317,461
Sundry Debtors	72,887	80,000
	<u>412,055</u>	<u>397,461</u>

## SIGNIFICANT ACCOUNTING POLICIES

## Trade and other receivables

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

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

## Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 27.

## Classification and subsequent measurement

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

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

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

## City of Busselton

## Financial Report

For the Year Ended 30 June 2020

## Notes to and Forming Part of the Financial Report

	2020 Actual \$	2019 Actual \$
<b>7. Inventories</b>		
<b>Current</b>		
Materials	25,802	24,981
	<u>25,802</u>	<u>24,981</u>

## 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.

**8. Other Assets**

	2020 Actual \$	2019 Actual \$
<b>Other Assets – Current</b>		
Prepayments	212,924	266,918
	<u>212,924</u>	<u>266,918</u>

## SIGNIFICANT ACCOUNTING POLICIES

**Other current assets**

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

## City of Busselton

## Financial Report

For the Year Ended 30 June 2020

## Notes to and Forming Part of the Financial Report

	2020 Actual \$	2019 Actual \$
<b>9 (a). Property, Plant and Equipment</b>		
<u>Land &amp; Buildings</u>		
Land	50,549,208	52,992,291
	<hr/> 50,549,208	<hr/> 52,992,291
Buildings	84,786,257	79,026,755
Less Accumulated Depreciation	(9,294,575)	(6,195,130)
	<hr/> 75,491,682	<hr/> 72,831,625
Total Land and Buildings	<hr/> 126,040,890	<hr/> 125,823,916
Furniture and Fittings	4,292,684	3,084,411
Less Accumulated Depreciation	(322,079)	0
	<hr/> 3,970,605	<hr/> 3,084,411
Plant and Equipment	19,228,115	15,425,356
Less Accumulated Depreciation	(2,218,779)	0
	<hr/> 17,009,336	<hr/> 15,425,356
<b>Total Property, Plant and Equipment</b>	<hr/> 147,020,831	<hr/> 144,333,683

**City of Busselton**

**Financial Report**

**For the Year Ended 30 June 2020**

**Notes to and Forming Part of the Financial Report**

**9. 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.

	<b>Land (Level 2)</b>	<b>Buildings Non- Specialised (Level 2)</b>	<b>Buildings Specialised (Level 3)</b>	<b>Furniture and Fittings (Level 3)</b>	<b>Plant and Equipment (Level 3)</b>	<b>Total</b>
Balance as at 1 July 2019	52,992,291	45,344,303	27,487,322	3,084,411	15,425,356	144,333,683
Additions	75,917	2,869,109	3,321,453	751,476	4,032,235	11,050,190
(Disposals)	(2,519,000)	(287,313)	(221,290)	0	(596,598)	(3,624,201)
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	(1,973,519)	(1,211,292)	(322,080)	(2,326,311)	(5,833,202)
Donated Assets	0	0	162,909	456,798	474,654	1,094,361
Other Movements	0	0	0	0	0	0
<b>Balance as at 30 June 2020</b>	<b>50,549,208</b>	<b>45,952,580</b>	<b>29,539,102</b>	<b>3,970,605</b>	<b>17,009,336</b>	<b>147,020,831</b>

**City of Busselton**

**Financial Report**

**For the Year Ended 30 June 2020**

**Notes to and Forming Part of the Financial Report**

**9. 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
<b>Land &amp; Buildings</b>					
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
<b>Furniture &amp; Equipment</b>					
Furniture & Equipment	3	Cost approach using depreciated replacement cost.	Management valuation.	June 2019	Construction cost (level 2) and current condition (level 3), residual values and remaining useful life assessment (level 3) inputs.
<b>Plant &amp; Equipment</b>					
Plant & Equipment	3	Cost approach using depreciated replacement cost.	Management valuation.	June 2019	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 30 June 2020

## Notes to and Forming Part of the Financial Report

	2020 Actual \$	2019 Actual \$
<b>10(a) Infrastructure</b>		
Roads	311,077,826	299,491,560
Less Accumulated Depreciation	(11,767,298)	(5,798,888)
	<u>299,310,528</u>	<u>293,692,672</u>
 Bridges	 38,124,541	 37,824,541
Less Accumulated Depreciation	(1,466,308)	(733,154)
	<u>36,658,233</u>	<u>37,091,387</u>
 Car Parks	 10,123,811	 9,304,650
Less Accumulated Depreciation	(700,631)	(318,660)
	<u>9,423,180</u>	<u>8,985,990</u>
 Stormwater Drainage	 58,491,337	 58,067,718
Less Accumulated Depreciation	(1,622,012)	(792,844)
	<u>56,869,325</u>	<u>57,274,874</u>
 Other Infrastructure	 185,434,345	 176,272,067
Less Accumulated Depreciation	(17,808,931)	(8,600,998)
	<u>167,625,414</u>	<u>167,671,069</u>
	<u>569,886,680</u>	<u>564,715,992</u>

**City of Busselton**

**Financial Report**

**For the Year Ended 30 June 2020**

**Notes to and Forming Part of the Financial Report**

**10. 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 2019	293,692,672	37,091,387	8,985,990	57,274,874	167,671,069	564,715,992
Additions	10,750,367	300,000	883,218	150,535	6,884,582	18,968,702
(Disposals)	0	0	(60,056)	0	0	(60,056)
Revaluation – Increments/ Decrements (transferred to Revaluations)	0	0	0	0	0	0
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)	(5,968,409)	(733,154)	(385,972)	(829,168)	(9,208,962)	(17,125,665)
Donated Assets	835,898	0	0	273,084	2,278,725	3,387,707
Other Movements	0	0	0	0	0	0
<b>Balance as at 30 June 2020</b>	<b>299,310,528</b>	<b>36,658,233</b>	<b>9,423,180</b>	<b>56,869,325</b>	<b>167,625,414</b>	<b>569,886,680</b>



**City of Busselton**

**Financial Report**

**For the Year Ended 30 June 2020**

**Notes to and Forming Part of the Financial Report**

**10 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 30 June 2020

#### Notes to and Forming Part of the Financial Report

##### 11. 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.

###### Recognition and measurement

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

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

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

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

###### Revaluation

The fair value of land, buildings and infrastructure is determined at least every five years in accordance with the regulatory framework. This includes buildings and infrastructure items which were pre-existing improvements (i.e. vested improvements) on vested land acquired by the City. At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with Local Government (Financial Management) Regulation 17A (2) which requires land, buildings, and infrastructure, and vested improvements 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.

###### AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

###### Land under control prior to 1 July 2019

In accordance with the then *Local Government (Financial Management) Regulation 16(a)(ii)*, the City was previously required to include as an asset (by 30 June 2013), vested 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 prior to 1 July 2019

In Western Australia, most 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 then Local Government (Financial Management) Regulation 16(a)(i) which arbitrarily prohibited local governments from recognising such land as an asset. This regulation has now been deleted.

In respect of land under roads acquired on or after 1 July 2008, as detailed above, the then 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.

###### Land under roads from 1 July 2019

As a result of amendments to the Local Government (Financial Management) Regulations 1996, effective from 1 July 2019, vested land, including land under roads, are treated as ROU

**City of Busselton****Financial Report****For the Year Ended 30 June 2020****Notes to and Forming Part of the Financial Report**

assets measured at zero cost. Therefore, the previous inconsistency with AASB 1051 in respect on non-recognition of land under roads acquired on or after 1 July 2008 has been removed, even though measurement at zero cost means that land under roads is still not included in the balance sheet.

**Vested improvements from 1 July 2019**

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

Refer to Note 12 that details the significant accounting policies applying to leases (including ROU assets).

## City of Busselton

## Financial Report

For the Year Ended 30 June 2020

## Notes to and Forming Part of the Financial Report

## 11. Fixed Assets (Continued)

## (a) Disposals of Assets – 2019/20 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	77,067	159,197	79,201	162,000	2,134	2,803
Law, Order, Public Safety	18,000	26,200	0	24,000	(18,000)	(2,200)
Health	0	0	0	0	0	0
Education and Welfare	0	0	0	0	0	0
Housing	0	0	0	0	0	0
Community Amenities	94,216	2,980,642	98,148	2,845,080	3,932	(135,562)
Recreation and Culture	1,651,861	163,021	1,376,774	202,000	(275,087)	38,979
Transport	1,790,724	181,260	1,623,046	189,500	(167,678)	8,240
Economic Services	34,151	33,309	31,476	37,000	(2,675)	3,691
Other Property & Services	18,238	16,036	12,359	17,000	(5,879)	964
	3,684,257	3,559,665	3,221,004	3,476,580	(463,253)	(83,085)

## By Asset Class:-

	Net Book Value		Sale Price		Profit / (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Land and Buildings	3,027,603	2,822,730	2,552,211	2,705,530	(475,392)	(117,200)
Plant and Equipment	596,598	736,935	608,737	771,050	12,139	34,115
Furniture and Fittings	0	0	0	0	0	0
Infrastructure	60,056	0	60,056	0	0	0
	3,684,257	3,559,665	3,221,004	3,476,580	(463,253)	(83,085)

	2020 Actual \$	2020 Budget \$	2019 Actual \$
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## (b) Depreciation

Buildings	3,184,811	2,951,238	3,158,215
Furniture and Fittings	322,089	621,127	664,349
Plant and Equipment	2,326,311	2,039,400	1,984,037
Infrastructure - Roads	5,968,409	6,078,710	5,798,888
Infrastructure - Bridges	733,154	736,513	733,154
Infrastructure - Car Parks	385,972	344,147	318,660
Infrastructure - Stormwater Drainage	829,168	842,640	792,844
Infrastructure - Other Infrastructure	9,208,962	9,256,447	8,601,009
Right of Use Assets – Furniture and Equipment	537,350	0	0
	23,496,226	22,870,222	22,051,156

## City of Busseton

## Financial Report

## For the Year Ended 30 June 2020

## Notes to and Forming Part of the Financial Report

## 11. 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.

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

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

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

## Depreciation rates

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

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

## Depreciation on revaluation

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

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

## Amortisation

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

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

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

## City of Busselton

## Financial Report

## For the Year Ended 30 June 2020

## Notes to and Forming Part of the Financial Report

## 12. Leases

## (a) Right of use assets

	Right of use assets – Furniture and Equipment \$	Right of use assets - Total \$
<b>Carrying amount at 30 June 2019</b>		
Recognised on initial application of AASB 16	1,845,464	1,845,464
<b>Restated opening carrying amount</b>	1,845,464	1,845,464
Additions	0	0
Depreciation (expense)	(537,350)	0
<b>Carrying amount at 30 June 2020</b>	1,308,114	1,308,114

## (b) Cash outflow from leases

Interest expense on lease liabilities	72,013	72,013
Lease principal expense	521,898	521,898
<b>Total cash outflow from leases</b>	593,911	593,911

## (c) Other expenses and income relating to leases

Short-term lease payments recognised as expense	0	0
Low-value asset lease payments recognised as expense	0	0
Expenses for variable lease payment not recognised as a liability	0	0
	0	0

## SIGNIFICANT ACCOUNTING POLICIES

## Leases

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

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

ROU assets are measured at cost. This means that all ROU assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not included in the balance sheet). The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which are reported at fair value. Refer to Note 11 that details the significant accounting policies applying to vested improvements.

## Leases (continued)

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

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

## City of Busselton

## Financial Report

For the Year Ended 30 June 2020

## Notes to and Forming Part of the Financial Report

## 13. Revaluation Surplus

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

	2020 Actual \$	2019 Actual \$
<b>Land and Buildings</b>		
Opening Balance	56,801,847	56,801,847
Revaluation Increment	0	0
Revaluation Decrement	0	0
	<u>56,801,847</u>	<u>56,801,847</u>
<b>Furniture &amp; Fittings</b>		
Opening Balance	797,333	445,965
Revaluation Increment	0	351,368
Revaluation Decrement	0	0
	<u>797,333</u>	<u>797,333</u>
<b>Plant and Equipment</b>		
Opening Balance	840,738	136,902
Revaluation Increment	0	703,836
Revaluation Decrement	0	0
	<u>840,738</u>	<u>840,738</u>
<b>Roads</b>		
Opening Balance	122,047,036	122,047,036
Revaluation Increment	0	0
Revaluation Decrement	0	0
	<u>122,047,036</u>	<u>122,047,036</u>
<b>Bridges</b>		
Opening Balance	24,939,518	24,939,518
Revaluation Increment	0	0
Revaluation Decrement	0	0
	<u>24,939,518</u>	<u>24,939,518</u>
<b>Car Parks</b>		
Opening Balance	5,314,676	5,314,676
Revaluation Increment	0	0
Revaluation Decrement	0	0
	<u>5,314,676</u>	<u>5,314,676</u>
<b>Drainage</b>		
Opening Balance	14,102,455	14,102,455
Revaluation Increment	0	0
Revaluation Decrement	0	0
	<u>14,102,455</u>	<u>14,102,455</u>
<b>Other Infrastructure</b>		
Opening Balance	11,352,697	11,352,697
Revaluation Increment	0	0
Revaluation Decrement	0	0
	<u>11,352,697</u>	<u>11,352,697</u>
<b>All Asset Classes</b>		
Opening Balance	236,196,300	235,141,096
Revaluation Increment	0	1,055,204
Revaluation Decrement	0	0
Total Assets Revaluation Surplus	<u>236,196,300</u>	<u>236,196,300</u>

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 30 June 2020

## Notes to and Forming Part of the Financial Report

	2020 Actual \$	2019 Actual \$
<b>14. Trade and Other Payables</b>		
<b>Current</b>		
Sundry Creditors	4,603,098	3,686,450
Prepaid Rates	741,686	620,503
Deposits and Bonds	2,465,476	2,943,510
Accrued Expenses	173,375	885,575
	<u>7,983,635</u>	<u>8,136,038</u>

## SIGNIFICANT ACCOUNTING POLICIES

**Trade and other payables**

Trade and other payables represent liabilities for goods and services provided to the City prior to the end of the financial year that are unpaid and arise when the City becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition.

**Prepaid rates**

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

	2020 Actual \$	2019 Actual \$
<b>15. Contracts/ Grant Liabilities</b>		
<b>15.1 Contract Liabilities</b>		
Current	2,611,824	0
Non-current	7,566,720	0
	<u>10,178,544</u>	<u>0</u>
<b>15.1.1 Movement in contract liabilities</b>		
<b>Reconciliation of changes in contract liabilities</b>		
Opening balance	12,018,386	0
Additions	678,490	0
Revenue recognised in the reporting period	(2,518,332)	0
<b>Balance at end of period</b>	<u>10,178,544</u>	<u>0</u>
<b>15.1.2 Expected satisfaction of contract liabilities</b>		
<b>Income recognition</b>		
1 year	2,611,824	0
1 to 5 years	1,855,063	0
Over 5 years	5,711,657	0
	<u>10,178,544</u>	<u>0</u>



## City of Busselton

## Financial Report

For the Year Ended 30 June 2020

## Notes to and Forming Part of the Financial Report

## 15 Contracts/ Grant Liabilities (Continued)

## SIGNIFICANT ACCOUNTING POLICIES

## Contract Liabilities

Contract liabilities relate to developer contributions received by the City under the contribution scheme.

## Contract Liabilities (continued)

Contract liabilities are recognised as revenue as the City satisfies its obligations.

		2020 Actual \$	2019 Actual \$
15.2	<b>Grant Liabilities</b>		
	Current	2,298,073	0
	Non-current	2,250,217	0
		<b>4,548,290</b>	<b>0</b>
15.2.1	<b>Movement in grant liabilities</b>		
	<b>Reconciliation of changes in contract liabilities</b>		
	Opening balance	5,699,606	0
	Additions	1,726,819	0
	Revenue recognised in the reporting period	(2,878,135)	0
	<b>Balance at end of period</b>	<b>4,548,290</b>	<b>0</b>
15.2.2	<b>Expected satisfaction of grant liabilities</b>		
	<b>Income recognition</b>		
	1 year	2,298,073	0
	1 to 5 years	2,250,217	0
	Over 5 years	0	0
		<b>4,548,290</b>	<b>0</b>

## SIGNIFICANT ACCOUNTING POLICIES

## Grant Liabilities

The City's grant liabilities relate to capital grants received for various capital projects. Income is recognised as the City satisfies its obligations under the grant agreements.

## 16. Lease Liabilities

	2020 Actual \$	2019 Actual \$
<b>Lease Liabilities</b>		
Current	498,834	0
Non-current	854,825	0
	<b>1,353,659</b>	<b>0</b>

City of Busselton

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For the Year Ended 30 June 2020

Notes to and Forming Part of the Financial Report

17. Information on Borrowings

(a) Debenture Repayments

Particulars	Borrowing Institution	Int. %	Maturity Date	Principal	New Loans	New Loans	Principal Repayment		Principal		Interest Repayment	
				1 July 2019	2019/20 Budget	2019/20 Actual	2019/20 Budget	2019/20 Actual	2019/20 Budget	2019/20 Actual	2019/20 Budget	2019/20 Actual
<b>Administration</b>												
C Loan #207 Civic and Administration Centre	WATC	4.51	06/34	14,819,175	0	0	708,388	708,388	14,110,787	14,110,787	656,476	656,389
<b>Recreation &amp; Culture</b>												
S Loan #192 Busselton Tennis Club	WATC	5.74	12/19	3,675	0	0	3,675	3,675	0	0	79	79
S Loan #196 Dunsborough Bay Yacht Club	WATC	6.16	12/19	1,642	0	0	1,642	1,642	0	0	38	38
C Loan #197 Dunsborough Oval	WATC	6.05	03/20	154,487	0	0	154,487	154,487	0	0	4,688	4,663
C Loan #198 Jetty Construction	WATC	6.05	03/20	202,765	0	0	202,765	202,765	0	0	6,153	6,120
S Loan #199 Busselton Bowling Club	WATC	5.98	12/20	29,447	0	0	19,339	19,339	10,108	10,108	1,333	1,329
S Loan #200 Dunsborough Bay Yacht Club	WATC	6.00	12/19	1,054	0	0	1,054	1,054	0	0	24	24
C Loan #202 Geothermal Heating GLC	WATC	3.98	06/23	239,286	0	0	56,316	56,316	182,970	182,970	8,690	8,684
C Loan #204 Busselton Foreshore	WATC	4.36	06/29	812,639	0	0	66,342	66,342	746,297	746,297	34,356	34,348
C Loan #205 GLC Extensions	WATC	3.92	06/24	660,716	0	0	122,040	122,040	538,676	538,676	24,121	24,108
S Loan #208 Busselton Football & Sportsman's Club	WATC	2.93	04/25	18,596	0	0	2,878	2,878	15,718	15,718	513	513
C Loan #209 Busselton Foreshore	WATC	3.56	06/27	4,653,810	0	0	512,170	512,170	4,141,640	4,141,640	158,889	158,839
C Loan #211 Busselton Foreshore	WATC	2.55	10/24	2,127,153	0	0	364,969	364,969	1,762,184	1,762,184	50,771	49,203
S Loan #212 Dunsborough and Districts Country	WATC	3.04	05/27	93,865	0	0	10,532	10,532	83,333	83,333	2,774	2,722
S Loan #213 Geographe Bay Yacht Club	WATC	3.04	05/27	82,338	0	0	9,239	9,239	73,099	73,099	2,433	2,388
S Loan #214 Dunsborough & Districts Country Club	WATC	3.19	09/27	95,635	0	0	9,961	9,961	85,674	85,674	2,972	2,890
C Loan #215 Busselton Foreshore Jetty Precinct	WATC	3.25	04/28	2,284,685	0	0	222,370	222,370	2,062,315	2,062,315	72,460	71,177
C Loan #216 Tennis Club Facilities	WATC	3.25	04/28	2,513,153	0	0	244,606	244,606	2,268,547	2,268,547	79,706	78,294
C Loan #217 Lot 10 Commonage Road	WATC	3.25	04/28	1,462,198	0	0	142,316	142,316	1,319,882	1,319,882	46,374	45,553
C Loan #218 Busselton Tennis Club	WATC	2.21	06/29	1,250,000	0	0	109,401	109,401	1,140,599	1,140,599	30,702	26,749
S Loan #220 Busselton Tennis Club	WATC	1.37	09/26	0	150,000	50,000	6,251	5,184	143,749	44,816	2,813	438
S Loan #221 Busselton Hockey Club Stadium	WATC	1.31	07/30	0	0	45,000	0	0	0	45,000	0	66
<b>Transport</b>												
C Loan #203 Land Acquisition for Parking	WATC	4.19	09/21	346,653	0	0	150,062	150,062	196,591	196,591	12,187	12,170
C Loan #206 Airport Jet A1 Installation	WATC	3.92	06/24	192,709	0	0	35,595	35,595	157,114	157,114	7,035	7,031
C Loan #219 Air Freight Hub Stage 1	WATC	2.21	06/29	1,480,000	0	0	129,531	129,531	1,350,469	1,350,469	36,351	31,670
<b>Economic Services</b>												
S Loan #201 Geographe Bay Tourism Association	WATC	4.76	09/21	26,623	0	0	11,483	11,483	15,140	15,140	1,065	1,062
<b>Other Property and Services</b>												
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
<b>Total - Council and Self-supporting Loans</b>				<b>34,402,304</b>	<b>150,000</b>	<b>95,000</b>	<b>3,297,412</b>	<b>3,296,345</b>	<b>31,254,892</b>	<b>31,200,959</b>	<b>1,273,688</b>	<b>1,257,232</b>
C Council Loans are financed by general purpose revenue.				34,049,429	0	0	3,221,358	3,221,358	30,828,071	30,828,071	1,259,645	1,245,683
S Self-Supporting Loans are financed by payments from third parties.				352,875	150,000	95,000	76,054	74,987	426,821	372,888	14,043	11,549
				<b>34,402,304</b>	<b>150,000</b>	<b>95,000</b>	<b>3,297,412</b>	<b>3,296,345</b>	<b>31,254,892</b>	<b>31,200,959</b>	<b>1,273,688</b>	<b>1,257,232</b>

City of Busselton

Financial Report

For the Year Ended 30 June 2020

Notes to and Forming Part of the Financial Report

17. Information on Borrowings (continued)

(b) New Borrowings – 2019/20

Particulars / Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges	Interest Rate %	Amount Used		Balance Unspent
	Actual \$	Budget \$						Actual \$	Budget \$	
Loan #220 Busselton Tennis Club	50,000	150,000	WATC	Debenture	7	52,459	1.37%	50,000	150,000	0
Loan #221 Busselton Hockey Club Stadium	45,000	0	WATC	Debenture	10	48,154	1.31%	45,000	0	0
	95,000	150,000				100,613		95,000	150,000	0

(c) Unspent Borrowings

Particulars / Purpose	Date Borrowed	Balance 01 July 2019 \$	Borrowed During Year \$	Expended During Year \$	Balance 30 June 2020 \$
Loan #206 Airport Jet A1 Installation	27 <sup>th</sup> May 2014	4,008	0	0	4,008
Loan #216 Tennis Club Facilities	27 <sup>th</sup> April 2018	788,604	0	700,000	88,604
		792,612	0	700,000	92,612

## City of Busselton

## Financial Report

## For the Year Ended 30 June 2020

## Notes to and Forming Part of the Financial Report

	2020 Actual \$	2019 Actual \$
<b>17. Information on Borrowings (continued)</b>		
<b>(d) Undrawn Borrowing Facilities</b>		
<b>Credit Standby Arrangements</b>		
Electronic Payaway Facility	850,000	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
<b>Total amount of credit unused</b>	<b>900,000</b>	<b>700,000</b>
<b>Loan facilities</b>		
Loan facilities - current	3,043,263	3,291,161
Loan facilities - non-current	28,157,696	31,111,143
<b>Total facilities in use at balance date</b>	<b>31,200,959</b>	<b>34,402,304</b>

## SIGNIFICANT ACCOUNTING POLICIES

**Financial liabilities**

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

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

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

**Borrowing costs**

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

**Risk**

Information regarding exposure to risk can be found at Note 27.

## City of Busselton

## Financial Report

For the Year Ended 30 June 2020

## Notes to and Forming Part of the Financial Report

## 18. Provisions

	Provision for Annual Leave	Provision for Long Service Leave	Provision for Sick Leave	Total
	\$	\$	\$	\$
<b>Opening balance at 1 July 2019</b>				
Current	1,995,037	2,468,740	150,404	4,614,181
Non-Current	0	627,843	0	627,843
	1,995,037	3,096,583	150,404	5,242,024
 Additional Provisions	2,116,410	738,504	2,702	2,857,616
Amounts Used	(1,834,980)	(352,977)	(8,474)	(2,196,431)
<b>Balance 30 June 2020</b>	2,276,467	3,482,110	144,632	5,903,209
 <b>Comprises</b>				
Current Provisions	2,276,467	2,816,438	144,632	5,237,537
Non-current Provisions	0	665,672	0	665,672
	2,276,467	3,482,110	144,632	5,903,209

## 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 30 June 2020

## Notes to and Forming Part of the Financial Report

## 19. 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:

	2020 Actual \$	2020 Budget \$	2019 Actual \$
Cash and Cash Equivalents	60,501,304	48,480,121	59,772,318

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

Net Result	14,316,037	25,360,677	11,775,277
Non-cash flows in Net result:			
Depreciation	23,496,226	22,870,222	22,051,156
(Profit) / Loss on Sale of Asset	463,254	83,085	(63,465)
Non-Cash Contributions	(4,606,715)	(8,224,000)	(7,957,839)
Changes in assets and Liabilities:			
(Increase) / Decrease in Receivables	(941,682)	13,636	(323,387)
(Increase) / Decrease in Inventories	(821)	0	(1,310)
Increase / (Decrease) in Payables	297,876	(817,767)	260,135
Increase / (Decrease) in Employee Provisions	661,185	0	(3,311)
Non-operating Grants and Contributions for the Development of Assets	(13,949,905)	(23,758,961)	(6,529,299)
<b>Net Cash from Operating Activities</b>	<b>19,735,455</b>	<b>15,526,892</b>	<b>19,207,957</b>

## 20. Total Assets Classified by Function and Activity

	2020 Actual \$	2019 Actual \$
General Purpose Funding	4,732,364	3,191,853
Governance	25,607,346	24,132,437
Law, Order & Public Safety	5,769,117	4,631,076
Health	226,974	127,113
Education and Welfare	566,225	600,992
Housing	15,896,154	16,677,900
Community Amenities	40,631,869	38,041,354
Recreation and Culture	142,870,854	133,903,902
Transport	523,027,838	508,125,504
Economic Services	3,107,934	2,856,771
Other Property and Services	5,530,198	7,377,583
Unallocated	26,269,393	44,613,902
	<b>794,236,266</b>	<b>784,280,387</b>

## City of Busselton

### Financial Report

#### For the Year Ended 30 June 2020

#### Notes to and Forming Part of the Financial Report

#### 21. Contingent Liabilities

##### 21.1 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). The City is currently negotiating a new lease with St Johns. They remain in occupation on a month by month basis.

##### 21.2 Busselton Waste Transfer Contamination Investigation

The City of Busselton operates the Rendezvous Road Waste Transfer Station from lots 500 and 27 Rendezvous Road, Vasse (Busselton Waste Transfer Site). The quality of groundwater at and in an area to the north of the Busselton Waste Transfer Site has reduced as a result of legacy issues from the use of this site as a former landfill facility, and also potentially from other historical uses in the area. Groundwater in the area has shown levels of hydrocarbons, metals, nutrients and PFAS above background levels.

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". Both Lots 500 and 27 have since been reclassified by the (now) Department of Water and Environment Regulation (DWER) as "Contaminated – Remediation Required".

The City is required to undertake investigations in respect to these legacy issues in accordance with the statutory framework under the Contaminated Sites Act 2003 (WA). The City's investigations have been ongoing for a number of years and are conducted by qualified consultants, reviewed by an independent accredited Contaminated Sites Auditor and advised to DWER. DWER has, pursuant to the Contaminated Sites Act, the power to classify a site if, based on relevant guidelines, currently accepted industrial standards or any other information, there are reasonable grounds to do so. During this period a number of sites within the investigation area have been classified by DWER. It is estimated that by mid-2021 sufficient information should be available to determine the nature and extent of these legacy groundwater issues with a reasonable level of certainty. By that stage the City should, depending on the issue of liability, be in a position to consider options for long term remediation and/or mitigation solutions.

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.

##### 21.3 Claim for Damages by Unsuccessful Tenderer pursuant to RFT11/19

An unsuccessful tenderer (Plaintiff) instituted legal action against the City of Busselton, claiming \$1.2 million damages based on breach of "process contract" resulting from RFT11/19. The City is of view that it has a strong case and is therefore defending the matter. Depending on the outcome of the legal proceedings the City may incur a certain level of liability in respect of damages and/or legal costs. Due to complex legal issues impacting on this matter, it is not reasonably possible to determine Council's potential liability (if any) at this stage. Indications are that the City's insurance policy may respond to any adverse finding/order against the City. The litigation is ongoing.

##### 21.4 Aluminium Composite Panels

The Department of Mines, Industry Regulation and Safety (DMIRS) have been auditing public sector and local government agencies with buildings vested in their control regarding the risk associated with potentially combustible aluminium composite panels. As part of this investigation, the Department has identified buildings that require remediation to remove the hazard. Work is being undertaken to assess remediation costs, however the cost is not able to be reliably estimated at this point in time.



**City of Busselton****Financial Report****For the Year Ended 30 June 2020****Notes to and Forming Part of the Financial Report****21. Contingent Liabilities (Continued)****21.5 Town Planning Prosecutions**

The City is currently involved in two magistrate court prosecutions. In both matters, the City is prosecuting landowners for non-compliance with conditions under development approvals issued by the City, pursuant to the Planning and Development Act 2005 (WA) and the City's Local Planning Scheme No 21. In one matter, the accused has filed a plea of not guilty and the matter is expected to go to trial in the second quarter of 2021. In the other matter, the accused has not yet filed a plea.

If these prosecutions are successful, the fines could range from \$5,000 - \$250,000 per person. If unsuccessful, the City could potentially be ordered to pay the accused's costs, which could range between \$5,000 and \$30,000 per person.

**21.6 Contaminated Sites**

Under the Contaminated Sites Act 2003, the City is required to report known and suspected contaminated sites to the Department of Water and Environmental Regulation (DWER). In accordance with the Act, DWER classifies these sites on the basis of the risk to human health, the environment and environmental values. Where sites are classified as 'contaminated – remediation required' or 'possibly contaminated – investigation required', the City may have a liability in respect of investigation or remediation expenses.

DWER has classified 3 sites as 'contaminated – remediation required'. The City of Busselton will be providing a revised Site Management Plan to the Department of Health (DoH) prior to 30 June 2021. Until the DoH has considered this plan it is not possible to determine the potential financial effect or to identify the uncertainties relating to the amount or timing of any outflows.

DWER has classified 9 sites as 'possibly contaminated – investigation required'. Until the City conducts an investigation, it is not possible to estimate the potential financial effect or to identify the uncertainties relating to the amount or timing of any outflows.



## City of Busselton

## Financial Report

For the Year Ended 30 June 2020

## Notes to and Forming Part of the Financial Report

## 22. Capital Commitments

	2020 Actual \$	2019 Actual \$
<b>Capital Expenditure Commitments</b>		
Contracted for:		
<u>Capital projects</u>		
- Busselton Margaret River Regional Airport Landside Infrastructure	0	13,485,000
- Busselton Tennis Club Building	30,499	0
- Lou Weston Oval Courts and Pavilion	316,858	0
- King Street Works	157,665	0
- Old Butter Factory	200,892	0
- Busselton Performing Arts and Convention Centre	1,989,183	0
- Busselton Senior Citizens Building	552,744	0
- Hotel Site 1 Carpark and Landscaping Works	1,046,116	0
- Barnard East Foreshore Works	61,398	0
- Easter Link Road Works Upgrade	3,637,684	0
	<hr/> 7,993,039	<hr/> 13,485,000
 <u>Payable:</u>		
- not later than one year	7,993,039	13,485,000
- 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 works associated with the above stated projects.

## City of Busselton

## Financial Report

For the Year Ended 30 June 2020

## Notes to and Forming Part of the Financial Report

## 23. Related Party Transactions

	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>Councillors Remuneration</b>			
The following fees, expenses and allowances were paid to council members and / or the mayor.			
Mayor & Deputy Allowance	100,052	100,160	99,169
Councillors Sitting Fees	271,180	281,060	278,279
Travelling Allowance - Councillors Meetings	9,078	15,000	9,676
Communication Allowance	30,343	32,100	31,500
Other Allowances	1,653	7,100	1,483
	<u>412,306</u>	<u>435,420</u>	<u>420,107</u>

**Key Management Personnel (KMP) Compensation Disclosure**

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

	2020 Actual \$	2019 Actual \$
Short-term employee benefits	1,030,761	993,263
Post-employment benefits	128,434	122,808
Other long-term benefits	105,787	103,020
	<u>1,264,982</u>	<u>1,219,091</u>

**Short-term employee benefits**

These amounts include all salary and fringe benefits awarded to KMP except for details in respect to fees and benefits paid to 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 annual leave and long service benefits accruing during the year.

## City of Busselton

### Financial Report

For the Year Ended 30 June 2020

#### Notes to and Forming Part of the Financial Report

#### 23. 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.

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 2020.

#### 24. Major Land Transactions

Council did not participate in any major land transactions during the 2019/20 financial year pursuant to Section 3.59 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 30 June 2020

Notes to and Forming Part of the Financial Report

25. Rating Information – 2019/20 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 \$
<b>Differential General Rate</b>									
GRV–Residential	9.8489	13,858	255,382,956	25,152,598	484,569	25,637,167	25,152,598	0	25,152,598
GRV–Residential Holiday Homes	10.8339	524	10,267,140	1,112,329	0	1,112,329	1,112,329	0	1,112,329
GRV–Industrial	11.3732	433	20,214,914	2,299,080	192,517	2,491,597	2,299,080	0	2,299,080
GRV–Commercial	11.3732	1,373	70,228,993	7,987,276	62,651	8,049,927	7,987,276	0	7,987,276
GRV–Residential Vacant Land	9.8489	254	7,213,420	710,449	651	711,100	710,449	0	710,449
GRV–Industrial Vacant Land	11.3732	63	1,392,550	158,377	(19,679)	138,698	158,377	0	158,377
GRV–Commercial Vacant Land	11.3732	50	2,301,350	261,737	(22,684)	239,053	261,737	0	261,737
UV–Primary Production	0.4404	811	620,126,000	2,731,032	(52,095)	2,678,937	2,731,032	0	2,731,032
UV–Rural	0.4455	1,503	731,467,000	3,258,682	116,591	3,375,273	3,258,682	0	3,258,682
UV–Commercial	0.8037	148	89,879,000	722,357	1,928	724,285	722,357	0	722,357
Interim Rates						0	0	421,183	421,183
Sub-Totals		19,017	1,808,473,323	44,393,917	764,449	45,158,366	44,393,917	421,183	44,815,100
<b>Minimum Differential General Rate</b>									
GRV–Residential	1.375	1,292	16,632,128	1,776,500	0	1,776,500	1,776,500	0	1,776,500
GRV–Residential Holiday Homes	1.430	19	237,380	27,170	0	27,170	27,170	0	27,170
GRV–Industrial	1.375	21	208,031	28,875	0	28,875	28,875	0	28,875
GRV–Commercial	1.375	630	4,705,324	866,250	0	866,250	866,250	0	866,250
GRV–Residential Vacant Land	1.375	975	6,882,890	1,340,625	0	1,340,625	1,340,625	0	1,340,625
GRV–Industrial Vacant Land	1.375	0	0	0	0	0	0	0	0
GRV–Commercial Vacant Land	1.375	69	425,560	94,875	0	94,875	94,875	0	94,875
UV–Primary Production	1.375	229	52,671,500	314,875	0	314,875	314,875	0	314,875
UV–Rural	1.500	1,077	248,710,500	1,615,500	0	1,615,500	1,615,500	0	1,615,500
UV–Commercial	1.375	77	3,272,634	105,876	0	105,876	105,875	0	105,875
Sub-Totals		4,389	333,745,947	6,170,545	0	6,170,546	6,170,545	0	6,170,545
Other Adjustments (refer note 25(d))						89,475			59,661
<b>Total Amount Raised from General Rates</b>						<b>51,418,387</b>			<b>51,045,306</b>
Specified Area Rate (refer note 25(b))						579,457			572,106
<b>Totals</b>						<b>51,997,844</b>			<b>51,617,412</b>

**SIGNIFICANT ACCOUNTING POLICIES**

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

## City of Busselton

## Financial Report

For the Year Ended 30 June 2020

## Notes to and Forming Part of the Financial Report

## 25(b) Specified Area Rate - 2019/20 Financial Year

	Rate in \$	Basis of Rate	Rateable Value \$	Rate Revenue \$	Budget Rate Revenue \$	Applied to Costs \$	Budget Applied to Costs \$
<b>Port Geographe</b>	1.5719	GRV	13,674,270	214,942 3,387	214,942 0	214,942 0	214,942 0
<ul style="list-style-type: none"> <li>• Rate</li> <li>• Interim Rate</li> <li>• Back Rate</li> </ul>				218,329	214,942	214,942	214,942

	Rate in \$	Basis of Rate	Rateable Value \$	Rate Revenue \$	Budget Rate Revenue \$	Applied to Costs \$	Budget Applied to Costs \$
<b>Providence</b>	1.4462	GRV	12,142,530	175,606	175,606	86,153	175,606
<ul style="list-style-type: none"> <li>• Rate</li> <li>• Rate</li> <li>• Interim Rate</li> <li>• Back Rate</li> </ul>	0.0143	UV	5,300,000	757 3,475	757 0	0 0	757 0
				179,838	176,363	86,153	176,363

	Rate in \$	Basis of Rate	Rateable Value \$	Rate Revenue \$	Budget Rate Revenue \$	Applied to Costs \$	Budget Applied to Costs \$
<b>Vasse</b>	1.8385	GRV	9,834,070	180,801 489	180,801 0	129,922 0	180,801 0
<ul style="list-style-type: none"> <li>• Rate</li> <li>• Interim Rate</li> <li>• Back Rate</li> </ul>				181,290	180,801	129,922	180,801

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

## 25(c) Service Charges – 2019/20 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 30 June 2020

## Notes to and Forming Part of the Financial Report

## 25(d) Discounts, Incentives, Concessions &amp; Write-offs – 2019/20 Financial Year

	Type	Discount %	Total Cost / Value \$	Budget Cost / Value \$
Other	Adjustment	0	89,475	59,661
Write-offs	Write-off	0	0	0
		0	89,475	59,661

## 25(e). Interest Charges and Instalments – 2019/20 Financial Year

Instalment Options	Due Date	Instalment Plan Admin Charge	Instalment Plan Interest Rate	Unpaid Rates Interest Rate
<b>Option 1</b>				
Single Full Payment	11 September 2019	0	0.00%	11.00%
<b>Option 2</b>				
First Instalment	11 September 2019	0	0.00%	11.00%
Second Instalment	11 November 2019	6.00	5.50%	11.00%
Third Instalment	13 January 2020	6.00	5.50%	11.00%
Fourth Instalment	13 March 2020	6.00	5.50%	11.00%

	Actual Revenue 2020 \$	Budgeted Revenue 2020 \$
Interest on Unpaid Rates	319,230	225,000
Interest on Instalments Plan	298,645	250,000
Charges on Instalment Plan	151,281	121,140
	769,156	596,140

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 11<sup>th</sup> September 2019 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 11<sup>th</sup> September 2019 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:

- 1<sup>st</sup> Instalment 11<sup>th</sup> September 2019
- 2<sup>nd</sup> Instalment 11<sup>th</sup> November 2019
- 3<sup>rd</sup> Instalment 13<sup>th</sup> January 2020
- 4<sup>th</sup> Instalment 13<sup>th</sup> March 2020

## City of Busselton

## Financial Report

## For the Year Ended 30 June 2020

## Notes to and Forming Part of the Financial Report

## 26 Rate Setting Statement Information

	Note	2019/20 (30 June 20 Carried Forward) \$	2019/20 Budget (30 June 20 Carried Forward) \$	2019/20 (1 July 19 Brought Forward) \$	2018/19 (30 June 19 Carried Forward) \$
<b>(a) Non-cash amounts excluded from operating activities</b>					
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with Financial Management Regulation 32.					
<b>Adjustments to operating activities</b>					
Less: Profit on asset disposals		(74,304)	(78,050)	(118,089)	(118,089)
Add: Reversal of prior year loss on revaluation of fixed assets		0	0	1,185,285	1,185,285
Less: Non-cash grants and contributions for assets		(4,482,078)	(8,224,000)	(7,957,839)	(7,957,839)
Less: Movement in liabilities associated with restricted cash		(3,408,085)	0	(1,216,969)	(1,216,969)
Less: Fair value adjustments to financial assets at fair value through profit and loss		(124,637)	0	0	0
Less: Movement in pensioner deferred rates (non-current)		(21,707)	0	(41,946)	(41,946)
Less: Movement in employee benefit provisions (non-current)		661,186	0	(3,311)	(3,311)
Add: Loss on disposal of assets		537,558	161,135	54,624	54,624
Add: Depreciation on non-current assets	11(b)	23,496,226	22,870,222	22,051,156	22,051,156
<b>Non cash amounts excluded from operating activities</b>		<b>16,584,159</b>	<b>14,729,307</b>	<b>13,952,911</b>	<b>13,952,911</b>
<b>(b) Surplus/(deficit) after imposition of general rates</b>					
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with Financial Management Regulation 32 to agree to the surplus/(deficit) after imposition of general rates.					
<b>Adjustments to net current assets</b>					
Less: Reserves/ Restricted - cash backed	3	(68,906,185)	(47,833,516)	(67,067,833)	(67,067,833)
Less: Financial assets at amortised cost - self-supporting loans	5(a)	(66,867)	(69,803)	(69,803)	(69,803)
Less: Other Adjustments		(212,922)	(468,939)	(468,939)	(468,939)
Add: Current liabilities not expected to be cleared at end of year					
- Current portion of borrowings	17(d)	3,043,263	3,392,000	3,291,161	3,291,161
- Current portion of contract liability held in reserve/ restricted cash	15.1	2,611,824	0	2,405,310	0
- Current portion of grant liability held in reserve/ restricted cash	15.2	2,298,073	0	0	0
- Current portion of Deposits and Bonds held in restricted cash	14	2,465,476	2,943,510	2,943,510	2,943,510
- Current portion of lease liabilities	16	498,834	0	521,900	0
- Current portion of employee benefit provisions	18	5,237,537	4,614,181	4,614,181	4,614,181
<b>Total adjustments to net current assets</b>		<b>(53,030,967)</b>	<b>(37,422,567)</b>	<b>(53,830,513)</b>	<b>(56,757,723)</b>
<b>Net current assets used in the Rate Setting Statement</b>					
Total current assets		75,177,928	52,123,843	74,550,179	74,550,179
Less: Total current liabilities		(21,673,167)	(14,701,276)	(18,968,590)	(16,041,380)
Less: Total adjustments to net current assets		(53,030,967)	(37,422,567)	(53,830,513)	(56,757,723)
<b>Net current assets used in the Rate Setting Statement</b>		<b>473,794</b>	<b>0</b>	<b>1,751,076</b>	<b>1,751,076</b>
<b>(c) Adjustments to current assets and liabilities at 1 July 2019 on application of new accounting standards</b>					
Total current assets at 30 June 2019					74,550,179
<b>Total current assets at 1 July 2019</b>					<b>74,550,179</b>
<b>Total current liabilities at 30 June 2019</b>					
- Contract liabilities from contracts with customers					(16,041,380)
- Lease liabilities					(2,405,310)
					(521,900)
<b>Total current liabilities at 1 July 2019</b>					<b>(18,968,590)</b>

## City of Busselton

## Financial Report

## For the Year Ended 30 June 2020

## Notes to and Forming Part of the Financial Report

## 27. Financial Risk Management

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

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

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

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

## (a) Interest Rate Risk

## Cash and Cash Equivalents

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

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

	Weighted Average Interest Rate	Carrying Amount	Fixed Interest Rate	Variable Interest Rate	Non-Interest Bearing
	%	\$	\$	\$	\$
<b>2020</b>					
Cash and Cash Equivalents	0.80%	60,501,304	42,545,806	17,933,428	22,070
Financial Assets at Amortised Cost – Term Deposits	0.88%	10,000,000	10,000,000	0	0
<b>2019</b>					
Cash and Cash Equivalents	2.05%	59,772,318	45,781,654	13,968,193	22,470
Financial Assets at Amortised Cost – Term Deposits	2.15%	10,500,000	10,500,000	0	0



**City of Busselton**

**Financial Report**

**For the Year Ended 30 June 2020**

**Notes to and Forming Part of the Financial Report**

**27. Financial Risk Management (Continued)**

**(a) Interest Rate Risk (Continued)**

**Cash and Cash Equivalents (Continued)**

**Sensitivity**

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

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Impact of a 1% movement in interest rates on profit and loss and equity*	705,013	702,723

*\* Holding all other variables constant*

**Borrowings**

Borrowings are subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The City manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation. The City does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 17.

## City of Busselton

## Financial Report

## For the Year Ended 30 June 2020

## Notes to and Forming Part of the Financial Report

## 27. Financial Risk Management (Continued)

## (b) Credit Risk

## Trade and Other 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. While City is also able to charge interest on overdue rates and annual charges at higher than market rates, which further encourages payment, the effect of COVID-19 is also considered.

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.

The City applies the AASB 9 simplified approach to measuring expected credit losses using a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, rates receivable are separated from other trade receivables due to the difference in payment terms and security for rates receivable. At the end of the reporting period, the City assessed that no loss allowance is required to be provided.

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 2020	30 June 2019
	\$	\$
Percentage of Rates and Annual Charges		
• Current	0.86%	4.45%
• Overdue	99.14%	95.55%
Percentage of Other Receivables		
• Current	95.68%	99.69%
• Overdue	4.32%	0.31%

## City of Busselton

## Financial Report

## For the Year Ended 30 June 2020

## Notes to and Forming Part of the Financial Report

## 27. Financial Risk Management (Continued)

## (c) Liquidity Risk

## Payables and Borrowings

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

The contractual undiscounted cash flows of the City's financial liabilities 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 \$
<b>2020</b>					
Payables	5,518,158	0	0	5,518,158	5,518,158
Borrowings	4,189,405	15,534,117	18,657,206	38,380,728	31,200,958
Lease Liability	548,263	896,580	0	1,444,843	1,353,659
	10,255,826	16,430,697	18,657,206	45,343,729	38,072,775
<b>2019</b>					
Payables	5,192,528	0	0	5,192,528	5,192,528
Borrowings	4,562,035	16,131,682	22,154,057	42,847,774	37,457,912
Lease Liabilities	0	0	0	0	0
	9,754,563	16,131,682	22,154,057	48,040,302	42,650,440

## City of Busselton

## Financial Report

## For the Year Ended 30 June 2020

## Notes to and Forming Part of the Financial Report

**28. Events occurring after the end of the Reporting Period**

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

**29. Initial Application of Australian 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.

**(a) AASB 15: Revenue from Contracts with Customers**

The City adopted AASB 15 Revenue from Contracts with Customers (issued December 2014) on 1 July 2019 resulting in changes in accounting policies. In accordance with the transition provisions AASB 15, the City adopted the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019. In summary there were no adjustments made to the amounts recognised in the balance sheet at the date of initial application (1 July 2019).

**(b) AASB 1058: Income for Not-For-Profit Entities**

The City adopted AASB 1058 Income for Not-for-Profit Entities (issued December 2016) on 1 July 2019 which will result in changes in accounting policies. In accordance with the transition provisions AASB 1058, the City adopted the new rules retrospectively with the cumulative effect of initially applying AASB 1058 recognised at 1 July 2019. Comparative information for prior reporting periods was not restated in accordance with AASB 1058 transition requirements.

In applying AASB 1058 retrospectively with the cumulative effect of initially applying the Standard on 1 July 2019, changes occurred to the following financial statement line items by application of AASB 1058 as compared to AASB 118: Revenue and AASB 1004: Contributions before the change:

Note	AASB 118 and AASB 1004 carrying amount 30 June 2019	Reclassification	AASB 1058 carrying amount 1 July 2019
	\$	\$	\$
Contract liabilities	0	(12,018,386)	(12,018,386)
Grant liabilities	0	(5,699,606)	(5,699,606)
Adjustment to retained surplus from adoption of AASB 1058	0	(17,717,992)	(17,717,992)

Prepaid rates are, until the taxable event for the rates has occurred, refundable at the request of the ratepayer. Therefore the rates received in advance gave rise to a financial liability that is within the scope of AASB 9. On 30 June 2019 the prepaid rates were recognised as a financial asset and a related amount recognised as a financial liability and no income recognised by the City. When the taxable event occurs, the financial liability was extinguished and the City recognised income for the prepaid rates that have not been refunded.

Assets that were acquired for consideration, that were significantly less than fair value principally to enable the City to further its objectives, may have been measured on initial recognition under other Australian Accounting Standards at a cost that was significantly less than fair value. Such assets are not required to be remeasured at fair value.

## City of Busselton

## Financial Report

## For the Year Ended 30 June 2020

## Notes to and Forming Part of the Financial Report

## 29. Initial Application of Australian Accounting Standards (Continued)

## (b) AASB 1058: Income for Not-For-Profit Entities (continued)

The table below provides details of the amount by which each financial statement line item is affected in the current reporting period by the application of this Standard as compared to AASB 118 and 1004 and related Interpretations that were in effect before the change.

		2020 \$	2020 \$	
	Note	As reported under AASB 15 and AASB 1058	Adjustment due to application of AASB 15 and AASB 1058	Compared to AASB 118 and AASB 1004
<b>Statement of Comprehensive Income</b>				
<b>Revenue</b>				
Non-operating grants, subsidies and contributions	2(a)	18,529,803	14,726,834	33,256,637
Net result		14,316,037	14,726,834	29,042,871
<b>Statement of Financial Position</b>				
Contract Liabilities	15.1	10,178,545	(10,178,545)	0
Grant Liabilities	15.2	4,548,290	(4,548,290)	0
Net assets		733,067,970	14,726,834	747,794,804
<b>Statement of Changes in Equity</b>				
Net result		14,316,037	14,726,834	29,042,871
Retained surplus		436,973,786	14,726,834	451,700,620

Refer to Note 2(a) for new revenue recognition accounting policies as a result of the application of AASB 15 and AASB 1058.

## (c) AASB 16: Leases

The City adopted AASB 16 retrospectively from 1 July 2019 which resulted in changes in accounting policies. In accordance with the transition provisions of AASB 16, the City has applied this Standard to its leases retrospectively, with the cumulative effect of initially applying AASB16 recognised on 1 July 2019. In applying AASB 16, under the specific transition provisions chosen, the City will not restate comparatives for prior reporting periods.

	Note	2020 \$
Operating lease commitments at 30 June 2019 applying AASB 117		1,948,054
Discount applied using incremental borrowing rate		(72,496)
Lease liability recognised as 1 July 2019 using calculated implicit rate		<b>1,875,558</b>
Lease liability - current		521,900
Lease liability - non-current		1,353,659
Adjustment to retained surplus from adoption of AASB 16	29(d)	(30,095)
Right-of-use assets recognised at 1 July 2019		<b>1,845,464</b>

## City of Busselton

## Financial Report

## For the Year Ended 30 June 2020

## Notes to and Forming Part of the Financial Report

## 29. Initial Application of Australian Accounting Standards (Continued)

## (c) AASB 16: Leases (Continued)

In applying AASB 16 for the first time, the City will use the following practical expedient permitted by the standard.  
- The exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application.

## (d) Impact of New Accounting Standards on Retained Surplus

The impact on the City's retained surplus due to the adoption of AASB 15, AASB 1058 and AASB 16 as at 1 July 2019 was as follows:

	Note	Adjustments	2019 \$
Retained surplus - 30 June 2019			444,713,503
Adjustment to retained surplus from adoption of AASB 15	29(a)	0	
Adjustment to retained surplus from adoption of AASB 1058	29(b)	(17,717,992)	
Adjustment to retained surplus from adoption of AASB 16	29(c)	(30,095)	(17,748,087)
Retained surplus - 1 July 2019			426,965,416

**City of Busselton**

**Financial Report**

**For the Year Ended 30 June 2020**

**Notes to and Forming Part of the Financial Report**

**30. Trust Funds**

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

	<b>Balance 1 July 2019 \$</b>	<b>Amounts Received \$</b>	<b>Amounts Paid \$</b>	<b>Balance 30 June 2020 \$</b>
Builders Registration Board Levies	31,284	328,409	(347,024)	12,669
Building Training Levy	20,982	34,267	(51,805)	3,444
Cash in Lieu of Public Open Space	1,942,923	30,471	0	1,973,394
Sundry Other Trusts	0	1,120	(1,120)	0
Contiguous Local Authorities Group (CLAG)	86,622	39,024	(39,085)	86,561
Funding				
	2,081,811	433,291	(439,034)	2,076,068

## City of Busselton

### Financial Report

For the Year Ended 30 June 2020

#### Notes to and Forming Part of the Financial Report

##### 31. 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) Superannuation

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

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

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

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

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

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

###### h) Fair value hierarchy

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

###### Level 1

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



## City of Busselton

### Financial Report

For the Year Ended 30 June 2020

#### Notes to and Forming Part of the Financial Report

##### 31. OTHER SIGNIFICANT ACCOUNTING POLICIES (cont.)

###### h) Fair value hierarchy (continued)

###### Level 2

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

###### Level 3

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

###### Valuation techniques

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

###### Market approach

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

###### Income approach

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

###### Cost approach

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

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the City gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are

###### Valuation techniques (continued)

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.

###### j) Deposits and bonds

Deposits and bonds received by the City of Busselton, and duly refunded where appropriate are processed via the Municipal fund.

The City's audit committee has considered the requirements of the Accounting Standards and has determined that the concept of control has been met. Council Resolution C1004/115 states that the City continues the accounting treatment for deposits and bonds as part of the Municipal fund. Additionally, the deposits and bonds shall be brought to account as part of the restricted cash in the Municipal fund.

## City of Busselton

### Financial Report

For the Year Ended 30 June 2020

#### Notes to and Forming Part of the Financial Report

##### 32. 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 30 June 2020****Notes to and Forming Part of the Financial Report****32. 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 30 June 2020

## 33. Financial Ratios

	2020 Actual	2019 Actual	2018 Actual
Current Ratio	0.553	0.714	0.882
Asset Sustainability Ratio	0.933	0.801	2.046
Debt Service Coverage Ratio	4.004	4.715	4.798
Operating Surplus Ratio	(0.052)	(0.039)	(0.039)
Own Source Revenue Coverage Ratio	0.896	0.898	0.905
Asset Consumption Ratio	0.701	0.693	0.731
Asset Renewal Funding Ratio	0.994	0.520	0.896

The above ratios are calculated as follows:

Current Ratio (ratio required to meet standard > or = 1)	$\frac{\text{Current assets minus restricted assets}}{\text{Current liabilities minus liabilities associated with restricted assets}}$
Asset Sustainability Ratio (ratio required to achieve basic standard > 0.9)	$\frac{\text{Capital renewal and replacement expenditure}}{\text{Depreciation expense}}$
Debt Service Coverage Ratio (ratio required to achieve basic standard > or = to 2, and advanced standard > 5)	$\frac{\text{Annual operating surplus before interest and depreciation}}{\text{Principal and interest}}$
Operating Surplus Ratio (ratio required to achieve basic standard is between 0.01 & 0.15, advanced standard > 0.15)	$\frac{\text{Operating revenue minus operating expense}}{\text{Own source operating revenue}}$
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)	$\frac{\text{Own source operating revenue}}{\text{Operating expense}}$
Asset Consumption Ratio (ratio required to meet basic standard > 0.5)	$\frac{\text{Depreciated replacement cost of depreciable assets}}{\text{Current replacement cost of depreciable assets}}$
Asset Renewal Funding Ratio (ratio required to achieve basic standard is between 0.75 & 0.95)	$\frac{\text{NPV of planned capital renewals over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$

**City of Busselton****Financial Report****For the Year Ended 30 June 2020****34. Trading Undertakings and Major Trading Undertakings**

Council did not participate in any trading undertakings or major trading undertakings during the 2019/20 financial year.

**35. Joint Ventures**

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

**36. Employee Numbers**

The number of full-time equivalent employees at balance date

2020	2019
318	312



## Auditor General

### INDEPENDENT AUDITOR'S REPORT

#### To the Councillors of the City of Busselton

#### Report on the Audit of the Financial Report

##### **Opinion**

I have audited the annual financial report of the City of Busselton which comprises the Statement of Financial Position as at 30 June 2020, 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 my 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 for the year ended 30 June 2020 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

##### **Basis for Opinion**

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the City in accordance with the *Auditor General Act 2006* and 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 my audit of the annual financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### **Emphasis of Matter – Basis of Accounting**

I draw attention to Notes 1 and 11 to the annual financial report, which describes the basis of accounting. The annual financial report has been prepared for the purpose of fulfilling the City's financial reporting responsibilities under the Act. In respect of the comparatives for the previous year ended 30 June 2019, Regulation 16 of the Local Government (Financial Management) Regulations 1996 (Regulations), did not allow a local government to recognise some categories of land, including land under roads, as assets in the financial report. My 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 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 the annual financial report that is free from material



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

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

***Auditor's Responsibility for the Audit of the Financial Report***

The objectives of my audit are to obtain reasonable assurance about whether the annual financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the annual financial report.

A further description of my responsibilities for the audit of the annual financial report is located on the Auditing and Assurance Standards Board website at [https://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This includes the identification and assessment of the risk of material misstatement due to fraud arising from management override of controls. This description forms part of my auditor's report.

**Report on Other Legal and Regulatory Requirements**

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

- (i) In my opinion, the following material matters indicate significant adverse trends in the financial position of the City:
  - a. The Current Ratio as reported in Note 33 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries (DLGSCI)'s standard of 1.0 for the last three financial years; and
  - b. The Operating Surplus Ratio as reported in Note 33 of the annual financial report is below the DLGSCI's basic standard of 0.01 for the last three financial years.
- (ii) All required information and explanations were obtained by me.
- (iii) All audit procedures were satisfactorily completed.
- (iv) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

**Other Matter**

The financial ratios for 2018 in Note 33 of the annual financial report were audited by another auditor when performing their audit of the City for the year ending 30 June 2018. The auditor expressed an unmodified opinion on the annual financial report for that year.

**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 2020 included on the City's website. The City's management is responsible for the integrity of the City's website. This audit does not provide assurance on the integrity of the City's website. The auditor's report refers only to the annual financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this annual financial report. If users of the annual 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 annual financial report to confirm the information contained in this website version of the annual financial report.

ALOHA MORRISSEY  
ACTING DEPUTY AUDITOR GENERAL  
Delegate of the Auditor General for Western Australia  
Perth, Western Australia  
November 2020



**7. GENERAL DISCUSSION ITEMS**

Nil

**8. NEXT MEETING DATE**

To be advised.

**9. CLOSURE**

The meeting closed at 10.11am.

THESE MINUTES CONSISTING OF PAGES 1 TO 93 WERE CONFIRMED AS A TRUE AND  
CORRECT RECORD ON \_\_\_\_\_

DATE: \_\_\_\_\_ PRESIDING MEMBER: \_\_\_\_\_