



**2019–20**  
**Annual**  
**Financial**  
**Statement**

**CITY OF SUBIACO**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2020**

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**COMMUNITY VISION**

**(extract from the City of Subiaco Strategic Community Plan 2017-27)**

In 2030 the City of Subiaco is a unique, popular and welcoming place. The City celebrates its rich history, while embracing the diversity and vitality of the present. The parks, public spaces, events and recreational opportunities are easily accessible and promote a healthy and happy lifestyle for all. There is a diverse range of local businesses and entertainment that contribute to a lively atmosphere. The City faces the challenges of the future with strong leadership, an innovative approach and an emphasis on community values and voices. Sustainability is at the core of the community and underpins the City's operations.

Principal place of business:  
241 Rokeby Road  
Subiaco WA 6008

CITY OF SUBIACO  
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 Subiaco 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 Subiaco 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

12

day of

July

2021



Acting Chief Executive Officer

Cliff Frewing

Name of Chief Executive Officer



**CITY OF SUBIACO**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**BY NATURE OR TYPE**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	NOTE	2020 Actual \$	2020 Budget \$	Restated * 2019 Actual \$
<b>Revenue</b>				
Rates	25(a)	24,359,944	24,439,080	23,582,053
Operating grants, subsidies and contributions	2(a)	717,302	548,580	645,501
Operating Reimbursements and donations		978,134	767,490	1,114,593
Fees and charges	2(a)	10,834,203	12,374,483	11,538,473
Sanitation Charges		4,547,519	4,485,158	4,540,369
Interest earnings	2(a)	755,401	966,230	1,430,280
Other revenue	2(a)	1,618,811	568,700	501,453
		<b>43,811,314</b>	<b>44,149,721</b>	<b>43,352,722</b>
<b>Expenses</b>				
Employee costs		(21,303,970)	(20,917,212)	(20,446,052)
Materials and contracts		(7,990,310)	(12,970,921)	(8,901,617)
Utility charges		(864,004)	(902,930)	(908,801)
Depreciation on non-current assets	10(c)	(6,312,279)	(5,676,270)	(5,950,317)
Interest expenses	2(b)	(407,485)	(396,050)	(403,541)
Insurance expenses		(454,069)	(483,010)	(448,564)
Other expenditure		(1,558,323)	(1,616,000)	(1,513,248)
		<b>(38,890,440)</b>	<b>(42,962,393)</b>	<b>(38,572,140)</b>
		<b>4,920,874</b>	<b>1,187,328</b>	<b>4,780,582</b>
Non-operating grants, subsidies and contributions	2(a)	807,848	1,206,067	1,000,896
Profit on asset disposals	10(a)	149,196	91,520	220,250
(Loss) on asset disposals	10(a)	(510,000)	(2,770)	(37,335)
Fair value adjustments to investment property	13	27,595,033	0	0
Assets expensed due to change in Regulations	8	0	0	(84,095)
Share of net profit of associates accounted for using the equity method	23(a)	(210,679)	0	(267,269)
		<b>27,831,398</b>	<b>1,294,817</b>	<b>832,447</b>
		<b>32,752,272</b>	<b>2,482,145</b>	<b>5,613,029</b>
<b>Net result for the period (before net asset adjustment)</b>				
Gain on net assets transferred following termination of lease	13	0	0	203,833
<b>Net result for the period (after net asset adjustment)</b>		<b>32,752,272</b>	<b>2,482,145</b>	<b>5,816,862</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	12	(1,272,905)	0	(1,307,344)
<b>Total other comprehensive income for the period</b>		<b>(1,272,905)</b>	<b>0</b>	<b>(1,307,344)</b>
<b>Total comprehensive income for the period</b>		<b>31,479,367</b>	<b>2,482,145</b>	<b>4,509,518</b>

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

\* Restated – Refer to Note 31

**CITY OF SUBIACO**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**BY PROGRAM**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	NOTE	2020 Actual \$	2020 Budget \$	Restated * 2019 Actual \$
<b>Revenue</b>				
Governance		0	200	0
General purpose funding		27,089,648	26,122,990	25,779,521
Law, order, public safety		39,451	34,300	36,892
Health		69,447	94,600	73,787
Education and welfare		41,676	14,000	48,352
Community amenities		4,749,180	4,708,108	4,736,459
Recreation and culture		2,702,346	3,455,858	3,167,423
Transport		2,983,807	3,447,000	3,391,379
Economic services		141,864	178,560	133,865
Other property and services		5,993,895	6,094,105	5,985,044
		<b>43,811,314</b>	<b>44,149,721</b>	<b>43,352,722</b>
<b>Expenses</b>				
Governance		(2,405,226)	(2,550,451)	(2,242,700)
General purpose funding		(608,534)	(657,780)	(557,664)
Law, order, public safety		(595,779)	(680,960)	(608,668)
Health		(819,569)	(946,520)	(808,957)
Education and welfare		(547,201)	(901,050)	(593,803)
Community amenities		(5,653,596)	(6,176,645)	(5,933,630)
Recreation and culture		(13,155,980)	(14,321,411)	(13,088,685)
Transport		(10,615,148)	(11,303,766)	(10,062,733)
Economic services		(2,232,054)	(2,972,140)	(2,075,461)
Other property and services		(1,849,868)	(2,055,620)	(2,196,298)
		<b>(38,482,955)</b>	<b>(42,566,343)</b>	<b>(38,168,599)</b>
<b>Finance Costs</b>				
Recreation and culture	2(b)	(135,196)	(141,560)	(141,423)
Transport		(13,240)	0	0
Economic services		(250,758)	(254,490)	(262,118)
Other property and services		(8,291)	0	0
		<b>(407,485)</b>	<b>(396,050)</b>	<b>(403,541)</b>
		<b>4,920,874</b>	<b>1,187,328</b>	<b>4,780,582</b>
Non-operating grants, subsidies and contributions	2(a)	807,848	1,206,067	1,000,896
Profit on disposal of assets	10(a)	149,196	91,520	220,250
(Loss) on disposal of assets	10(a)	(510,000)	(2,770)	(37,335)
Fair value adjustments to financial assets at fair value through profit or loss	8	0	0	(84,095)
Fair value adjustments to investment property	13	27,595,033	0	0
Share of net profit of associates accounted for using the equity method	23(a)	(210,679)	0	(267,269)
		<b>27,831,398</b>	<b>1,294,817</b>	<b>832,447</b>
<b>Net result for the period (before net asset adjustment)</b>		<b>32,752,272</b>	<b>2,482,145</b>	<b>5,613,029</b>
Gain on net assets transferred following termination of lease	13	0	0	203,833
<b>Net result for the period (after net asset adjustment)</b>		<b>32,752,272</b>	<b>2,482,145</b>	<b>5,816,862</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus		(1,272,905)	0	(1,307,344)
<b>Total other comprehensive income for the period</b>		<b>(1,272,905)</b>	<b>0</b>	<b>(1,307,344)</b>
<b>Total comprehensive income for the period</b>		<b>31,479,367</b>	<b>2,482,145</b>	<b>4,509,518</b>

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

\* Restated – Refer to Note 31

**CITY OF SUBIACO**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2020**

	NOTE	2020	Restated *	Restated *
		\$	2019	1-Jul-18
			\$	
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	3	53,126,518	55,587,017	50,520,279
Trade and other receivables	5	2,133,171	2,119,729	2,145,657
Inventories	6	10,391	26,616	20,931
Other assets	7	57,344	820,003	0
<b>TOTAL CURRENT ASSETS</b>		<b>55,327,424</b>	<b>58,553,365</b>	<b>52,686,867</b>
<b>NON-CURRENT ASSETS</b>				
Trade and other receivables	5	93,886	120,649	133,963
Investment in associate	23(a)	1,396,882	1,547,133	1,788,413
Property, plant and equipment	8	84,560,604	85,379,154	86,278,509
Infrastructure	9	128,591,029	128,087,184	127,099,769
Investment property	13	112,825,001	77,222,266	79,089,620
Right of use assets	11(a)	721,632	0	0
<b>TOTAL NON-CURRENT ASSETS</b>		<b>328,189,034</b>	<b>292,356,386</b>	<b>294,390,274</b>
<b>TOTAL ASSETS</b>		<b>383,516,458</b>	<b>350,909,751</b>	<b>347,077,141</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	14	5,038,409	4,658,056	4,889,903
Contract liabilities	15	15,859	0	0
Lease liabilities	16(a)	219,869	0	0
Borrowings	17(a)	422,160	523,738	495,508
Employee related provisions	18	3,317,023	2,901,007	2,342,576
<b>TOTAL CURRENT LIABILITIES</b>		<b>9,013,320</b>	<b>8,082,801</b>	<b>7,727,987</b>
<b>NON-CURRENT LIABILITIES</b>				
Lease liabilities	16(a)	512,943	0	0
Borrowings	17(a)	6,365,340	6,787,500	7,300,882
Employee related provisions	18	390,325	284,287	802,627
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>7,268,608</b>	<b>7,071,787</b>	<b>8,103,509</b>
<b>TOTAL LIABILITIES</b>		<b>16,281,928</b>	<b>15,154,588</b>	<b>15,831,496</b>
<b>NET ASSETS</b>		<b>367,234,530</b>	<b>335,755,163</b>	<b>331,245,645</b>
<b>EQUITY</b>				
Retained surplus		195,376,179	157,272,095	158,745,940
Reserves - cash backed	4	41,912,453	46,436,094	39,145,387
Revaluation surplus	12	129,945,898	132,046,974	133,354,318
<b>TOTAL EQUITY</b>		<b>367,234,530</b>	<b>335,755,163</b>	<b>331,245,645</b>

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

\* Restated – Refer to Note 31

**CITY OF SUBIACO**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
<b>Balance as at 1 July 2018, as previously reported</b>		<b>170,522,437</b>	<b>39,145,387</b>	<b>122,911,155</b>	<b>332,578,979</b>
Impact of restatement	31	(11,776,497)		10,443,163	(1,333,334)
<b>Restated * balance at the beginning of the financial year</b>		<b>158,745,940</b>	<b>39,145,387</b>	<b>133,354,318</b>	<b>331,245,645</b>
Comprehensive income					
Net result for the period (restated)		5,816,862	0	0	5,816,862
Other comprehensive income (restated)	12	0	0	(1,307,344)	(1,307,344)
Total comprehensive income		5,816,862	0	(1,307,344)	4,509,518
Transfers from reserves	4	6,486,773	(6,486,773)	0	0
Transfers to reserves	4	(13,777,480)	13,777,480	0	0
<b>Restated * balance as at 30 June 2019</b>		<b>157,272,095</b>	<b>46,436,094</b>	<b>132,046,974</b>	<b>335,755,163</b>
Change in accounting policy	29(c)	828,171	0	(828,171)	0
<b>Restated * balance at 1 July 2019</b>		<b>158,100,266</b>	<b>46,436,094</b>	<b>131,218,803</b>	<b>335,755,163</b>
Comprehensive income					
Net result for the period		32,752,272	0	0	32,752,272
Other comprehensive income	12	0	0	(1,272,905)	(1,272,905)
Total comprehensive income		32,752,272	0	(1,272,905)	31,479,367
Transfers from reserves	4	15,624,677	(15,624,677)	0	0
Transfers to reserves	4	(11,101,036)	11,101,036	0	0
<b>Balance as at 30 June 2020</b>		<b>195,376,179</b>	<b>41,912,453</b>	<b>129,945,898</b>	<b>367,234,530</b>

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

\* Restated – refer Note 31

**CITY OF SUBIACO**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Rates		24,102,125	22,459,132	23,474,403
Operating grants, subsidies and contributions		1,378,942	548,580	645,501
Operating reimbursements and donations		978,134	767,490	1,114,593
Fees and charges		10,834,203	12,957,686	11,506,679
Sanitation Charges		4,547,519	4,485,158	4,540,369
Interest received		755,401	966,230	1,430,280
Goods and services tax received		0	2,047,019	43,231
Other revenue		1,618,811	568,700	501,453
		<u>44,215,135</u>	<u>44,799,995</u>	<u>43,256,509</u>
<b>Payments</b>				
Employee costs		(20,439,638)	(20,557,626)	(20,403,682)
Materials and contracts		(7,288,972)	(12,724,135)	(9,786,766)
Utility charges		(864,004)	(902,930)	(908,801)
Interest expenses		(407,485)	(396,050)	(403,541)
Insurance paid		(454,069)	(483,010)	(448,564)
Goods and services tax paid		(259,020)	(2,047,019)	(39,210)
Donations, contributions and grants made		(223,429)	(215,000)	(84,488)
Other expenditure		(1,334,894)	(1,401,000)	(1,428,760)
		<u>(31,271,511)</u>	<u>(38,726,770)</u>	<u>(33,503,812)</u>
<b>Net cash provided by (used in) operating activities</b>	19	<u>12,943,624</u>	<u>6,073,225</u>	<u>9,752,697</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for Development of Land & Buildings	8(a)	(1,403,995)	(2,988,000)	(1,415,429)
Payments for Development of Investment Properties		(8,517,702)	(24,065,615)	(58,813)
Payments for Purchase of Furniture	8(a)	(230,247)	(1,818,835)	(673,428)
Payments for Purchase of Plant & Equipment	8(a)	(1,348,862)	(1,358,000)	(1,217,313)
Payments for construction of infrastructure	9(a)	(4,307,800)	(11,517,790)	(4,586,902)
Non-operating grants, subsidies and contributions	2(a)	807,848	1,206,067	1,000,896
Proceeds from sale of property, plant & equipment	10(a)	331,000	330,000	450,182
Proceeds from sale of investment property	13	0	18,000,000	2,300,000
<b>Net cash provided by (used in) investment activities</b>		<u>(14,669,758)</u>	<u>(22,212,173)</u>	<u>(4,200,807)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of borrowings	17(b)	(523,738)	(523,730)	(485,152)
Payments for principal portion of lease liabilities	16(b)	(210,627)	0	0
<b>Net cash provided by (used in) financing activities</b>		<u>(734,365)</u>	<u>(523,730)</u>	<u>(485,152)</u>
<b>Net increase (decrease) in cash held</b>		<u>(2,460,499)</u>	<u>(16,662,678)</u>	<u>5,066,738</u>
Cash at beginning of year		55,587,017	49,561,628	50,520,279
<b>Cash and cash equivalents at the end of the year</b>	19	<u>53,126,518</u>	<u>32,898,950</u>	<u>55,587,017</u>

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



**CITY OF SUBIACO**  
**RATE SETTING STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>OPERATING ACTIVITIES</b>				
<b>Net current assets at start of financial year - surplus/(deficit)</b>	26 (b)	4,558,208	1,298,055	6,259,408
		4,558,208	1,298,055	6,259,408
<b>Revenue from operating activities (excluding rates)</b>				
Governance		0	200	0
General purpose funding		2,729,704	1,683,910	2,197,468
Law, order, public safety		52,883	45,550	36,892
Health		69,447	96,020	73,787
Education and welfare		41,676	14,000	48,807
Community amenities		4,842,232	4,747,238	4,747,823
Recreation and culture		2,727,200	3,484,338	3,176,007
Transport		2,991,573	3,454,360	3,396,363
Economic services		27,736,897	178,560	133,865
Other property and services		6,003,987	6,097,985	6,179,907
		47,195,599	19,802,161	19,990,919
<b>Expenditure from operating activities</b>				
Governance		(2,405,226)	(2,550,451)	(2,244,443)
General purpose funding		(608,534)	(657,780)	(557,664)
Law, order, public safety		(595,779)	(680,960)	(609,463)
Health		(819,569)	(947,620)	(811,917)
Education and welfare		(547,201)	(901,050)	(594,147)
Community amenities		(5,864,275)	(6,176,645)	(6,215,299)
Recreation and culture		(13,291,176)	(14,464,641)	(13,285,448)
Transport		(10,628,388)	(11,303,766)	(10,063,770)
Economic services		(2,482,812)	(3,226,630)	(2,337,579)
Other property and services		(2,368,159)	(2,055,620)	(2,241,109)
		(39,611,119)	(42,965,163)	(38,960,839)
Non-cash amounts excluded from operating activities	26(a)	(20,789,149)	5,587,520	5,346,471
<b>Amount attributable to operating activities</b>		(8,646,461)	(16,277,427)	(7,364,041)
<b>INVESTING ACTIVITIES</b>				
Non-operating grants, subsidies and contributions	2(a)	807,848	1,206,067	1,000,896
Write back adjustment to share of associate		210,679	0	267,269
Movement in unspent grants		0	0	49,593
Proceeds from disposal of assets	10(a)	331,000	330,000	450,182
Proceeds from disposal of investment properties		0	18,000,000	2,300,000
Purchase and development of investment land and buildings		(8,517,702)	(24,065,615)	(58,813)
Purchase of property, plant and equipment	8(a)	(2,983,104)	(6,164,835)	(3,306,170)
Purchase and construction of infrastructure	9(a)	(4,307,800)	(11,517,790)	(4,586,902)
<b>Amount attributable to investing activities</b>		(14,459,079)	(22,212,173)	(3,883,945)
<b>FINANCING ACTIVITIES</b>				
Repayment of borrowings	17(b)	(523,738)	(523,730)	(485,152)
Payments for principal portion of lease liabilities	16(b)	(210,627)	0	0
Transfers to reserves (restricted assets)	4	(11,101,036)	(26,543,723)	(13,777,480)
Transfers from reserves (restricted assets)	4	15,624,677	41,117,973	6,486,773
<b>Amount attributable to financing activities</b>		3,789,276	14,050,520	(7,775,859)
<b>Surplus/(deficit) before imposition of general rates</b>		(19,316,264)	(24,439,080)	(19,023,845)
<b>Total amount raised from general rates</b>	25(a)	24,359,944	24,439,080	23,582,053
<b>Surplus/(deficit) after imposition of general rates</b>	26(b)	<b>5,043,680</b>	<b>0</b>	<b>4,558,208</b>

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

**CITY OF SUBIACO**  
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**FOR THE YEAR ENDED 30 JUNE 2020**

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## **1. BASIS OF PREPARATION**

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

### **AMENDMENTS TO LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996**

The *Local Government (Financial Management) Regulations 1996* take precedence over Australian Accounting Standards. Prior to 1 July 2019, *Financial Management Regulation 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 statement of financial position. Also, the Local Government (Financial Management) Regulations 1996 have been amended to specify that vested land is a right-of-use asset to be measured at cost. All right-of-use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not included in the statement of financial position) 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. The City had no vested improvements in the current or prior year.

Therefore the departure from AASB 1051 in respect of the comparatives for the year ended 30 June 2019 remains.

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.

### **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.

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those appears at Note 32 to these financial statements.

**CITY OF SUBIACO**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**2. REVENUE AND EXPENSES**

**REVENUE RECOGNITION POLICY**

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

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Determination of transaction price	Allocating transaction price	Measuring obligations for returns	Timing of revenue recognition
Rates - General Rates	General Rates	Over time	Payment dates adopted by council during the year	None	Adopted by Council annually	When taxable event occurs	Not applicable	When rates notice is issued
Grant contracts with customers	Community events, minor facilities, research design, planning evaluation and services	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the customer	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared.
Grants, subsidies or contributions for the construction of non-financial assets	Construction or acquisition of recognisable non-financial assets to be controlled by the local government	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the customer	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared.
Grants, subsidies or contributions with no contractual commitment	General appropriations and contributions with no reciprocal commitment	No obligations	Not applicable	Not applicable	Cash received	On receipt of funds	Not applicable	When assets are controlled
Fees and charges - licences, registrations, approvals	Building, planning, development and animal management, having the same nature as a licence regardless of naming.	Single point in time	Full payment prior to issue	None	Set by State legislation or limited by legislation to the cost of provision	Based on timing of the associated rights	No refunds	On payment of the licence, registration or approval
Fees and charges - pool inspections	Compliance safety check	Single point in time	Equal proportion based on an equal annual fee	None	Set by State legislation	Apportioned equally across the inspection	No refunds	When rates notice is issued
Fees and charges - other inspections	Regulatory food, health and safety	Single point in time	Full payment prior to inspection	None	Set by State legislation or limited by legislation to the cost of provision	Applied fully on timing of inspection	Not applicable	Revenue recognised after inspection event occurs
Fees and charges - waste management collections	Kerbside collection service	Over time	Payment on an annual basis in advance	None	Adopted by Council annually	Apportioned equally across the collection	Not applicable	When rates notice is issued
Fees and charges - property hire and entry	Use of halls and facilities	Single point in time	In full in advance	Refund if event cancelled within 7 days	Adopted by Council annually	Based on timing of entry to facility	Returns limited to repayment of transaction price	On entry or on conclusion of hire
Fees and charges - memberships	Gym and pool membership	Over time	Payment in full in advance	Refund for unused portion on application	Adopted by Council annually	Apportioned equally across the access period	Returns limited to repayment of transaction price	Output method over 12 months matched to access right
Fees and charges - Leases	Commercial leases	Over time	Fixed terms transfer of funds based on lease agreements	Not applicable	Set by lease agreement	Based on timing of the associated rights	Not applicable	In accordance with AASB
Other revenue - reimbursements	Outgoings related to Commercial and Social leases	Single point in time	Payment in arrears for outgoings incurred	None	Set by lease agreement	Based on timing of the associated rights	Not applicable	Output method based on provision of service or completion of works
Fees and charges - parking fees	Parking fees	Single point in time	Payment in full in advance	None	Adopted by Council annually or additionally in accordance with occupancy rates	Applied fully based on timing of provision	Not applicable	Output method based on provision of service or completion of works
Fees and charges for other goods and services	Library fees, reinstatements and private works	Single point in time	Payment in full in advance	None	Adopted by Council annually	Applied fully based on timing of provision	Not applicable	Output method based on provision of service or completion of works
Fees and charges - fines	Fines issued for breaches of local laws	Single point in time	Payment in full within defined time	None	Adopted by council through local law	When taxable event occurs	Not applicable	When fine notice is issued
Other revenue - reimbursements	Insurance claims	Single point in time	Payment in arrears for claimable event	None	Set by mutual agreement with the customer	When claim is agreed	Not applicable	When claim is agreed

**CITY OF SUBIACO**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**2. REVENUE AND EXPENSES**

**(a) Grant revenue**

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

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
<b>Operating grants, subsidies and contributions</b>			
General purpose funding	560,082	512,680	552,146
Law, order, public safety	0	0	4,000
Education and welfare	1,900	0	2,975
Community amenities	5,492	0	0
Recreation and culture	5,495	900	9,675
Transport	124,333	35,000	75,455
Other property and services	20,000	0	1,250
	717,302	548,580	645,501
<b>Non-operating grants, subsidies and contributions</b>			
Community amenities	6,592	0	0
Recreation and culture	6,305	0	8,750
Transport	794,951	1,206,067	992,146
	807,848	1,206,067	1,000,896
<b>Total grants, subsidies and contributions</b>	<b>1,525,150</b>	<b>1,754,647</b>	<b>1,646,397</b>
<b>Fees and charges</b>			
General purpose funding	199,796	205,000	215,042
Law, order, public safety	39,451	34,300	32,892
Health	69,447	94,600	73,787
Education and welfare	35,151	43,535	42,653
Community amenities	162,537	197,200	195,832
Recreation and culture	2,158,604	2,868,483	2,607,881
Transport	2,823,283	3,375,000	3,284,437
Economic services	135,392	170,560	106,883
Other property and services	5,210,542	5,385,805	4,979,066
	10,834,203	12,374,483	11,538,473

**SIGNIFICANT ACCOUNTING POLICIES**

**Grants, subsidies and contributions**

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

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

**Fees and Charges**

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

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

**(a) Revenue (Continued)**

**Contracts with customers and transfers for recognisable non-financial assets**

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

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Non-operating grants, subsidies and contributions	807,848	1,206,067	1,000,896
	<b>807,848</b>	<b>1,206,067</b>	<b>1,000,896</b>

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

Other revenue from performance obligations satisfied during the year	807,848	1,206,067	1,000,896
	<b>807,848</b>	<b>1,206,067</b>	<b>1,000,896</b>

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

Trade and other receivables from contracts with customers	1,522,026		2,123,830
Contract liabilities from contracts with customers	(15,859)		0

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

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

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

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

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

**CITY OF SUBIACO**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2020**

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

**(a) Revenue (Continued)**

**Revenue from statutory requirements**

Revenue from statutory requirements was recognised during the year for the following nature or types of goods or services:

General rates

Fines

**Other revenue**

Other

**Interest earnings**

Interest on reserve funds

Rates instalment and penalty interest (refer Note 25(c))

Other interest earnings

	2020 Actual \$	2020 Budget \$	2019 Actual \$
	24,359,944	24,439,080	23,582,053
	764,469	1,275,300	1,269,584
	25,124,413	25,714,380	24,851,637
	1,618,811	568,700	501,453
	1,618,811	568,700	501,453
	499,354	594,230	951,859
	92,961	72,000	98,151
	163,086	300,000	380,270
	755,401	966,230	1,430,280

**SIGNIFICANT ACCOUNTING POLICIES**

**Interest earnings**

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

**Interest earnings (continued)**

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

**(b) Expenses**

**Auditors remuneration**

- Audit of the Annual Financial Report

- Other services

**Interest expenses (finance costs)**

Borrowings

Lease liabilities

**Other expenditure**

Impairment loss on trade and other receivables

Sundry expenses

Note	2020 Actual \$	2020 Budget \$	2019 Actual \$
	65,000	30,000	62,000
	2,550	6,000	3,810
	67,550	36,000	65,810
17(b)	380,139	396,050	403,541
16(b)	27,346		
	407,485	396,050	403,541
	862,265	0	837,473
	696,058	1,616,000	675,775
	1,558,323	1,616,000	1,513,248

**CITY OF SUBIACO**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**3. CASH AND CASH EQUIVALENTS**

NOTE	2020	2019
	\$	\$
Cash at bank and on hand	1,714,066	9,150,923
Short Term deposits	51,412,452	46,436,094
<b>Total cash and cash equivalents</b>	<b>53,126,518</b>	<b>55,587,017</b>

**Restrictions**

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

- Cash and cash equivalents	41,912,453	46,436,094
	<b>41,912,453</b>	<b>46,436,094</b>

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

Reserves - cash backed	4	41,912,453	46,436,094
<b>Total restricted assets</b>		<b>41,912,453</b>	<b>46,436,094</b>

**SIGNIFICANT ACCOUNTING POLICIES**

**Cash and cash equivalents**

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

**Restricted assets**

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



**CITY OF SUBIACO**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**4. RESERVES - CASH BACKED**

	2020 Actual Opening Balance	2020 Actual Transfer to	2020 Actual Transfer (from)	2020 Actual Closing Balance	2020 Budget Opening Balance	2020 Budget Transfer to	2020 Budget Transfer (from)	2020 Budget Closing Balance	2019 Actual Opening Balance	2019 Actual Transfer to	2019 Actual Transfer (from)	2019 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Plant and Equipment Replacement	1,896,564	623,145	(839,314)	1,680,395	1,820,406	582,390	(852,000)	1,550,796	1,913,067	429,170	(445,673)	1,896,564
(b) Building and Facilities	1,383,360	1,122,214	(552,849)	1,952,725	1,754,214	550,720	(1,048,315)	1,256,619	1,225,211	1,040,213	(882,064)	1,383,360
(c) Parking and Public Transport Improvements	1,708,564	171,261	(147,786)	1,732,039	1,728,785	181,340	(245,000)	1,665,125	1,571,505	323,752	(186,693)	1,708,564
(d) Waste Management	2,267,848	676,411	(22,500)	2,921,759	1,559,913	364,658	(56,000)	1,868,571	1,548,922	718,926	0	2,267,848
(e) Undergrounding of Power Lines	345,595	204,300	(460,674)	89,221	342,228	201,730	(464,400)	79,558	339,318	468,370	(462,093)	345,595
(f) Capital Investment	23,414,326	1,214,425	(8,595,696)	16,033,055	22,549,414	18,000,000	(28,526,800)	12,022,614	21,366,504	2,300,000	(252,178)	23,414,326
(g) Student Bursaries	57,749	719	0	58,468	57,789	1,300	0	59,089	56,359	1,390	0	57,749
(h) Infrastructure Replacement	4,551,904	2,217,592	(926,543)	5,842,953	4,168,867	1,911,600	(1,623,793)	4,456,674	2,366,663	3,646,504	(1,461,263)	4,551,904
(i) Investment Income Reserve	10,047,692	4,528,221	(3,942,000)	10,633,913	9,704,512	4,509,825	(7,808,405)	6,405,932	8,113,684	4,486,265	(2,552,257)	10,047,692
(j) Public Art	285,430	286,812	(18,255)	553,987	261,981	187,060	(183,260)	265,781	165,781	121,090	(1,441)	285,430
(k) Heritage Grants Reserve	101,454	51,262	(53,167)	99,549	87,955	51,960	(50,000)	89,915	85,785	52,120	(36,451)	101,454
(l) Information Technology Reserve	375,608	4,674	(65,893)	314,389	307,178	1,140	(260,000)	48,318	392,588	189,680	(206,660)	375,608
	46,436,094	11,101,036	(15,624,677)	41,912,453	44,343,242	26,543,723	(41,117,973)	29,768,992	39,145,387	13,777,480	(6,486,773)	46,436,094

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

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

**Anticipated**

**date of use Purpose of the reserve**

(a) Plant and Equipment Replacement	Ongoing	To fund future replacement of plant.
(b) Building and Facilities	Ongoing	To provide funds for the future maintenance of council buildings and facilities.
(c) Parking and Public Transport Improvements	Ongoing	To maintain and improve the parking facilities within the City.
(d) Waste Management	Ongoing	To fund the improvement, replacement and expansion of waste management facilities. Surplus operating funds for Waste Services are transferred to the reserve each year to provide for future plant replacement.
(e) Undergrounding of Power Lines	2034/35	To contribute towards the future undergrounding of powerlines. The City of Subiaco has completed the undergrounding of low voltage power lines, together with associated street lighting improvements as part of the State Underground Power Program. Undergrounding of power and associated lighting is to be paid from general revenue using loan funds if required.
(f) Capital Investment	Ongoing	A Capital Investment reserve is to be maintained to hold the following investment funds: - the existing Capital Investment Reserve proceeds of any sale of land or other long-term investment - the City's share of the net surplus from the Subi Centro project; and - any other funds as determined by Council from time to time. The Capital Investment Reserve will be maintained as a holding reserve for investment capital, where available funds will be consolidated until being used only for the purchase of other investment assets (whether property or other assets) in accordance with specific resolutions of Council.
(g) Student Bursaries	Ongoing	To provide for the development of students within the City of Subiaco.
(h) Infrastructure Replacement	Ongoing	To ensure the continued funding of infrastructure replacement.
(i) Investment Income Reserve	Ongoing	An investment Income Reserve will be maintained to hold all rents and other income received from long-term investment assets. Effective as of 1 July 2004, all investment income is to be transferred to the Investment Income Reserve from general revenue at six-monthly intervals in accordance with Section 8 of Policy 10.9 - to meet direct costs incurred in managing the investment portfolio; - to compensate general revenue for internal costs incurred in managing the investment portfolio; - to supplement general revenue as determined by resolution to Council to finance specific community development projects approved by an absolute majority of Council; and - reinvestment in the Capital Investment Reserve determined by resolution of Council.
(j) Public Art	Ongoing	To enable the City to support the development and procurement of significant works.
(k) Heritage Grants Reserve	Ongoing	To provide grants toward works which contribute to the retention of the heritage, values and character of privately owned properties listed on the Town Planning Scheme No. 4 Register of Places of Cultural Heritage Significance or are situated within a declared Conservation Area, in accordance with the City of Subiaco
(l) Information Technology Reserve	Ongoing	To fund replacement of IT infrastructure and systems.

## 5. TRADE AND OTHER RECEIVABLES

### Current

Rates receivable	
Trade and other receivables	
GST receivable	
Allowance for impairment of receivables	
Accrued Income	

### Non-current

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

2020	2019
\$	\$
969,491	569,288
1,522,026	2,123,830
469,306	210,286
(862,265)	(837,473)
34,613	53,798
2,133,171	2,119,729
93,886	120,649
93,886	120,649

### 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.

### SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Classification and subsequent measurement

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

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

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

## 6. INVENTORIES

### Current

Consumables

The following movements in inventories occurred during the year:

### Carrying amount at beginning of period

Changes to inventory

### Carrying amount at end of period

	2020	2019
	\$	\$
	10,391	26,616
	10,391	26,616
	26,616	20,931
	(16,225)	5,685
	10,391	26,616

## 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.

## 7. OTHER ASSETS

	2020	2019
	\$	\$
<b>Other assets - current</b>		
Prepayments	57,344	820,003
	57,344	820,003

### 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.

## 8. PROPERTY, PLANT AND EQUIPMENT

### (a) Movements in Carrying Amounts

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

	Land * - freehold land	Total land	Buildings - non- specialised	Buildings - specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Restated Balance at 1 July 2018</b>	56,326,666	56,326,666	124,045	25,765,667	25,889,712	82,216,378	1,023,398	3,038,733	86,278,509
Additions	0	0	0	1,415,429	1,415,429	1,415,429	673,428	1,217,313	3,306,170
(Disposals)	0	0	0	0	0	0	(4,850)	(432,417)	(437,267)
Restated Revaluation increments / (decrements)	(1,333,333)	(1,333,333)	0	0	0	(1,333,333)	0	0	(1,333,333)
Assets expensed due to change in Regulations (1)	0	0	0	0	0	0	(36,152)	(47,943)	(84,095)
Depreciation (expense)	0	0	(7,297)	(1,013,136)	(1,020,433)	(1,020,433)	(291,200)	(1,039,197)	(2,350,830)
<b>Restated Carrying amount at 30 June 2019</b>	54,993,333	54,993,333	116,748	26,167,960	26,284,708	81,278,041	1,364,624	2,736,489	85,379,154
<b>Comprises:</b>									
Restated Gross carrying amount at 30 June 2019	54,993,333	54,993,333	131,342	28,202,348	28,333,690	83,327,023	1,640,639	4,921,420	89,889,082
Accumulated depreciation at 30 June 2019	0	0	(14,594)	(2,034,388)	(2,048,982)	(2,048,982)	(276,015)	(2,184,931)	(4,509,928)
<b>Restated Carrying amount at 30 June 2019</b>	54,993,333	54,993,333	116,748	26,167,960	26,284,708	81,278,041	1,364,624	2,736,489	85,379,154
Additions	278,707	278,707	0	1,125,288	1,125,288	1,403,995	230,247	1,348,862	2,983,104
(Disposals)	0	0	0	0	0	0	0	(181,804)	(181,804)
Revaluation increments / (decrements)	(1,333,333)	(1,333,333)	0	0	0	(1,333,333)	0	0	(1,333,333)
Depreciation (expense)	0	0	(7,296)	(1,070,890)	(1,078,186)	(1,078,186)	(368,378)	(839,953)	(2,286,517)
<b>Carrying amount at 30 June 2020</b>	53,938,707	53,938,707	109,452	26,222,358	26,331,810	80,270,517	1,226,493	3,063,594	84,560,604
<b>Comprises:</b>									
Gross carrying amount at 30 June 2020	53,938,707	53,938,707	131,342	29,327,636	29,458,978	83,397,685	1,870,885	5,856,243	91,124,813
Accumulated depreciation at 30 June 2020	0	0	(21,890)	(3,105,278)	(3,127,168)	(3,127,168)	(644,392)	(2,792,649)	(6,564,209)
<b>Carrying amount at 30 June 2020</b>	53,938,707	53,938,707	109,452	26,222,358	26,331,810	80,270,517	1,226,493	3,063,594	84,560,604

(1) In accordance with Regulation 17A(5) of the Local Government (Financial Management) Regulations 1996, assets with a fair value below \$5000 at the date of acquisition are to be excluded from the City's asset register, effective from 1st July 2018. Assets acquired prior to this date with a fair value below \$5000 at the date of acquisition have been expensed.

\* Restated - Refer to Note 31

## 8. PROPERTY, PLANT AND EQUIPMENT (Continued)

### (b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
<b>Land and buildings</b>					
Land * - freehold land	2 and 3	Market approach using recent observable or estimated market data for similar properties	Independent registered valuers	June 2017	Price per hectare / estimated price per hectare
Buildings - non-specialised	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2017	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Buildings - specialised	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2017	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
<b>Furniture and equipment</b>	2	Market approach using recent observable or estimated market data for similar properties	Management valuation	June 2018	Price per item
<b>Plant and equipment</b>					
- Management valuation 2016	2	Market approach using recent observable or estimated market data for similar properties	Management valuation	June 2016	Price per item
- Management valuation 2016	3	Cost approach using depreciated replacement cost	Management valuation	June 2016	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.

Following a change to *Local Government (Financial Management) Regulation 17A*, plant and equipment type assets (being plant and equipment and furniture and equipment) are to be measured under the cost model, rather than at fair value. This change is effective from 1 July 2019 and represents a change in accounting policy.

Revaluations carried out previously were not reversed as it was deemed fair value approximates cost at the date of change, however any Asset Revaluation Surplus recognised in relation to these assets have been transferred to Retained Surplus.

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**9. INFRASTRUCTURE**

**(a) Movements in Carrying Amounts**

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

	Infrastructure - roads	Footpaths	Drainage	Other infrastructure	Streetscape	Parks, gardens, reserves and equipment	Total Infrastructure
	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2018</b>	72,268,353	18,298,104	23,435,702	1,973,760	4,692,300	6,431,550	127,099,769
Additions	2,328,437	109,957	40,743	0	550,719	1,557,046	4,586,902
Depreciation (expense)	(1,635,493)	(336,687)	(260,981)	(116,893)	(298,950)	(950,483)	(3,599,487)
<b>Carrying amount at 30 June 2019</b>	72,961,297	18,071,374	23,215,464	1,856,867	4,944,069	7,038,113	128,087,184
<b>Comprises:</b>							
Gross carrying amount at 30 June 2019	74,596,790	18,408,061	23,476,445	1,973,760	5,243,019	7,988,596	131,686,671
Accumulated depreciation at 30 June 2019	(1,635,493)	(336,687)	(260,981)	(116,893)	(298,950)	(950,483)	(3,599,487)
<b>Carrying amount at 30 June 2019</b>	72,961,297	18,071,374	23,215,464	1,856,867	4,944,069	7,038,113	128,087,184
Additions	2,534,419	142,996	77,850	0	698,744	853,791	4,307,800
Depreciation (expense)	(1,695,053)	(339,304)	(261,844)	(116,893)	(338,778)	(1,052,083)	(3,803,955)
<b>Carrying amount at 30 June 2020</b>	73,800,663	17,875,066	23,031,470	1,739,974	5,304,035	6,839,821	128,591,029
<b>Comprises:</b>							
Gross carrying amount at 30 June 2020	77,131,209	18,551,057	23,554,295	1,973,760	5,941,763	8,842,387	135,994,471
Accumulated depreciation at 30 June 2020	(3,330,546)	(675,991)	(522,825)	(233,786)	(637,728)	(2,002,566)	(7,403,442)
<b>Carrying amount at 30 June 2020</b>	73,800,663	17,875,066	23,031,470	1,739,974	5,304,035	6,839,821	128,591,029

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**9. INFRASTRUCTURE (Continued)**

**(b) Fair Value Measurements**

<b>Asset Class</b>	<b>Fair Value Hierarchy</b>	<b>Valuation Technique</b>	<b>Basis of Valuation</b>	<b>Date of Last Valuation</b>	<b>Inputs Used</b>
<b>Infrastructure - roads</b>	3	Cost Approach using depreciated replacement cost	Independent registered valuers	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
<b>Footpaths</b>	3	Cost Approach using depreciated replacement cost	Independent registered valuers	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
<b>Drainage</b>	3	Cost Approach using depreciated replacement cost	Independent registered valuers	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
<b>Other infrastructure</b>	2 or 3	Market approach using recent observable market data for similar items / Cost approach using depreciated replacement cost	Independent registered valuers	June 2018	Price per item / Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
<b>Streetscape</b>	3	Cost Approach using depreciated replacement cost	Independent registered valuers	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
<b>Parks, gardens, reserves and equipment</b>	3	Cost Approach using depreciated replacement cost	Independent registered valuers	June 2018	Construction costs and current condition (Level 2), 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.



## 10. NON CURRENT ASSETS

### SIGNIFICANT ACCOUNTING POLICIES

#### Fixed assets

Each class of fixed assets within property, plant and equipment or infrastructure, is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses. Investment properties are carried at fair value (refer Note 13).

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

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

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

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

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

#### Revaluation

The fair value of land, buildings, infrastructure and investment properties is determined at least every five years in accordance with the regulatory framework, or when Council is of the opinion that the fair value of an asset is materially different from its carrying amount. 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, infrastructure, investment properties and vested improvements to be shown at fair value.

Increases in the carrying amount arising on revaluation of the above assets (other than investment properties) 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. Changes in fair value of investment properties are recorded directly in the profit and 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)(iii)*, 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.

#### 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) prohibited 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 was 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 right-of-use assets measured at zero cost. Therefore, the previous inconsistency with AASB 1051 in respect of non-recognition of land under roads acquired on or after 1 July 2008 has been removed, even though measurement at zero cost means that land under roads is still not included in the statement of financial position.

#### Vested improvements from 1 July 2019

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

Refer to Note 5 that details the significant accounting policies applying to leases (including right of use assets).

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**10. NON CURRENT ASSETS**

**(a) Disposals of Assets**

	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss	2020 Budget Net Book Value	2020 Budget Sale Proceeds	2020 Budget Profit	2020 Budget Loss	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Furniture and equipment	0	0	0	0	0	0	0	0	4,850	0	0	(4,850)
Plant and equipment	181,804	331,000	149,196	0	241,250	330,000	91,520	(2,770)	432,417	450,182	50,250	(32,485)
Investment Properties	510,000	0	0	(510,000)	18,000,000	18,000,000	0	0	2,130,000	2,300,000	170,000	0
	691,804	331,000	149,196	(510,000)	18,241,250	18,330,000	91,520	(2,770)	2,567,267	2,750,182	220,250	(37,335)

The following assets were disposed of during the year.

	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss
<b>Plant and Equipment</b>				
<b>Law, order, public safety</b>				
Light Vehicles	38,840	52,273	13,433	0
<b>Community amenities</b>				
Heavy Vehicles	65,129	158,182	93,053	0
<b>Recreation and culture</b>				
Major Plant	3,034	9,773	6,739	0
Light Vehicles	13,712	18,464	4,752	0
Heavy Vehicles	16,182	29,545	13,363	0
<b>Transport</b>				
Light Vehicles	17,325	25,091	7,766	0
<b>Other property and services</b>				
Light Vehicles	27,582	37,672	10,090	0
	181,804	331,000	149,196	0
<b>Investment Properties</b>				
<b>Other Property and Services</b>				
Investment Buildings	510,000	0	0	(510,000)
	510,000	0	0	(510,000)
	691,804	331,000	149,196	(510,000)

**(b) Fully Depreciated Assets in Use**

The gross carrying value of assets held by the City which are currently in use yet fully depreciated are shown in the table below.

	2020 \$	2019 \$
Furniture and equipment	1,040,281	691,072
Plant and equipment	28,167	19,167
	1,068,448	710,239

## 10. NON CURRENT ASSETS

### (c) Depreciation

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Buildings - non-specialised	7,296	7,300	7,297
Buildings - specialised	1,070,890	1,013,160	1,013,136
Furniture and equipment	368,378	259,830	291,200
Plant and equipment	839,953	1,106,760	1,039,197
Infrastructure - roads	1,695,053	1,436,568	1,635,493
Footpaths	339,304	287,562	336,687
Drainage	261,844	221,914	260,981
Other infrastructure	116,893	105,602	116,893
Streetscape	338,778	287,116	298,950
Parks, gardens, reserves and equipment	1,052,083	950,458	950,483
Right of use assets - land and buildings	133,948	0	0
Right of use assets - plant and equipment	87,859	0	0
	6,312,279	5,676,270	5,950,317

### SIGNIFICANT ACCOUNTING POLICIES

#### Depreciation

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

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

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

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

#### Depreciation rates

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

Asset Class	Useful life
Buildings	20 to 50 years
Furniture and equipment	4 to 10 years
Plant and equipment	5 to 15 years
Sealed roads and streets formation	not depreciated
pavement	50 to 60 years
seal	
- bituminous seals	20 years
- asphalt surfaces	15 to 30 years
Gravel roads formation	not depreciated
pavement	50 to 60 years
Footpaths - slab	30 to 60 years
Sewerage piping	100 years
Water supply piping and drainage systems	60 to 120 years
Right of use (buildings)	Based on the remaining lease term
Right of use (plant and equipment)	Based on the remaining lease term

#### 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.

## 11. LEASES

### (a) Right of Use Assets

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

	Right of use assets - land and buildings	Right of use assets - plant and equipment	Right of use assets Total
	\$	\$	
<b>Carrying amount at 30 June 2019</b>	0	0	0
Recognised on initial application of AASB 16	218,581	234,211	452,792
<b>Restated total equity at the beginning of the financial year</b>	218,581	234,211	452,792
Additions	490,647	0	490,647
Depreciation (expense)	(133,948)	(87,859)	(221,807)
<b>Carrying amount at 30 June 2020</b>	575,280	146,352	721,632
<b>(b) Cash outflow from leases</b>			
Interest expense on lease liabilities	21,531	5,815	27,346
Lease principal expense	124,965	85,662	210,627
Total cash outflow from leases	146,496	91,477	237,973
<b>(c) Other expenses and income relating to leases</b>			
Short-term lease payments recognised as expense	0	6,076	6,076
	0	6,076	6,076

### SIGNIFICANT ACCOUNTING POLICIES

#### Leases

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

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

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

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

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

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

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

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

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

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**12. REVALUATION SURPLUS**

	2020 Opening Balance	2020 Change in Accounting Policy	2020 Revaluation Increment	2020 Revaluation (Decrement)	Total Movement on Revaluation	2020 Closing Balance	Restated * 2019 Opening Balance	2019 Revaluation Increment	Restated * 2019 Revaluation (Decrement)	Restated * Total Movement on Revaluation	Restated * 2019 Closing Balance
	\$		\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land and Buildings	54,452,802	0	0	(1,333,333)	(1,333,333)	53,119,469	55,786,135	0	(1,333,333)	(1,333,333)	54,452,802
Revaluation surplus - Plant and equipment	675,972	(675,972)	0	0	0	0	675,972	0	0	0	675,972
Revaluation surplus - Infrastructure - roads	48,408,545	0	0	0	0	48,408,545	48,408,545	0	0	0	48,408,545
Revaluation surplus - Footpaths	14,556,241	0	0	0	0	14,556,241	14,556,241	0	0	0	14,556,241
Revaluation surplus - Drainage	11,601,712	0	0	0	0	11,601,712	11,601,712	0	0	0	11,601,712
Revaluation surplus - Other infrastructure	2,149,056	0	0	0	0	2,149,056	2,149,056	0	0	0	2,149,056
Revaluation surplus - Investment in Associate	202,646	(152,199)	86,417	(25,989)	60,428	110,875	176,657	25,989	0	25,989	202,646
	132,046,974	(828,171)	86,417	(1,359,322)	(1,272,905)	129,945,898	133,354,318	25,989	(1,333,333)	(1,307,344)	132,046,974

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

Following a change to *Local Government (Financial Management) Regulation 17A*, plant and equipment type assets (being plant and equipment and furniture and equipment) are to be measured under the cost model, rather than at fair value. This change is effective from 1 July 2019 and represents a change in accounting policy.

Revaluations carried out previously were not reversed as it was deemed fair value approximates cost at the date of change, however any Asset Revaluation Surplus recognised in relation to these assets have been transferred to Retained Surplus.

\* Restated - Refer to Note 31

**CITY OF SUBIACO**  
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**13. INVESTMENT PROPERTY**

	2020 Actual \$	Restated ** 2019 Actual \$
<b>Investment Land - at fair value</b>		
Carrying balance at 1 July	62,900,000	65,030,000
Acquisitions	3,017,387	0
Capitalised subsequent expenditure	75,947	0
Sales	0	(2,130,000)
Net gain/(loss) from fair value adjustment	27,595,033	0
Closing balance at 30 June	<u>93,588,367</u>	<u>62,900,000</u>
<b>Investment Buildings - at fair value</b>		
Carrying balance at 1 July	14,322,266	14,059,620
Acquisitions	3,419,705	0
Acquisition resulting from termination of lease (*)	0	203,833
Capitalised subsequent expenditure	2,004,663	58,813
Classified as held for sale or disposal	(510,000)	0
Closing balance at 30 June	<u>19,236,634</u>	<u>14,322,266</u>
<b>Non-current assets - at fair value</b>		
Carrying balance at 1 July (**)	77,222,266	79,089,620
Acquisitions	6,437,092	0
Acquisition resulting from termination of lease (*)	0	203,833
Capitalised subsequent expenditure	2,080,610	58,813
Sales	0	(2,130,000)
Classified as held for sale or disposal	(510,000)	0
Net gain/(loss) from fair value adjustment	27,595,033	0
Closing balance at 30 June	<u>112,825,001</u>	<u>77,222,266</u>

(\*) In 2018-19 the City acquired buildings situated on City owned land following termination of a ground lease with the tenant. The lease agreement provided for any improvements on the land to be retained by the City upon lease expiry or termination.

(\*\*) The fair value of Investment Properties was not correctly determined at 1 July 2018 or 30 June 2019 due to an error in the classification of certain land which should have been classified as Property, Plant & Equipment rather than as Investment Properties. Refer to note 31 for further information.

	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>Amounts recognised in profit or loss for investment properties</b>			
Rental income	5,195,896	5,270,955	5,552,266
Direct operating expenses from property that generated rental income	815,911	905,190	881,788
<b>Leasing arrangements</b>			
Investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are as follows:			
Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:			
Within one year	5,401,204	5,359,155	4,929,244
Later than one year but not later than 5 years	19,279,247	0	13,155,566
Later than 5 years	13,902,118	0	14,870,932
	<u>38,582,569</u>	<u>5,359,155</u>	<u>32,955,742</u>

**SIGNIFICANT ACCOUNTING POLICIES**

**Investment properties**

Investment properties are principally freehold buildings, held for long-term rental yields and not occupied by the City. They are carried at fair value. Changes in the fair values are presented in profit or loss as a part of other revenue.

Rental income and operating expenses from investment properties are reported within revenue and other expenses respectively.

**Fair value of investment properties**

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

## 14. TRADE AND OTHER PAYABLES

### Current

Sundry creditors	
Prepaid rates	
Accrued salaries and wages	
Bond creditors	
Accrued interest on debentures	
Income in advance	
Accrued expenses	

2020	2019
\$	\$
2,571,629	1,954,112
115,621	0
633,543	291,265
1,206,667	1,368,692
80,292	98,376
151,010	760,437
279,647	185,174
5,038,409	4,658,056

### 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.

## 15. CONTRACT LIABILITIES

	2020	2019
	\$	\$
<b>Current</b>		
Contract liabilities from contracts with customers	15,859	0
	15,859	0

Performance obligations from contracts with customers are expected to be recognised as revenue in accordance with the following time bands:

Less than 1 year

15,859
15,859

### SIGNIFICANT ACCOUNTING POLICIES

#### Contract Liabilities

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

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

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



## 16. LEASE LIABILITIES

### (a) Lease Liabilities

	2020	2019
	\$	\$
Current	219,869	0
Non-current	512,943	0
	732,812	0

### (b) Movements in Carrying Amounts

Purpose	Lease Interest Rate	Lease Term	Actual	30 June 2020	30 June 2020	30 June 2020	30 June 2020
			Lease Principal 1 July 2019	Actual New Leases	Actual Lease Principal Repayments	Actual Lease Principal Outstanding	Actual Lease Interest Repayments
			\$	\$	\$	\$	\$
<b>Recreation and culture</b>							
Gym Equipment	3.02%	3 years	234,211	0	85,662	148,549	5,815
<b>Transport</b>							
Carpark	3.02%	5 years	0	490,647	101,423	389,224	13,240
<b>Other property and services</b>							
Depot Site	5.02%	10 years	197,250	0	13,035	184,215	7,798
Depot Site	3.02%	3 years	21,331	0	10,507	10,824	493
			452,792	490,647	210,627	732,812	27,346

**CITY OF SUBIACO**  
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**17. INFORMATION ON BORROWINGS**

(a) Borrowings

	2020	2019
	\$	\$
Current	422,160	523,738
Non-current	6,365,340	6,787,500
	<u>6,787,500</u>	<u>7,311,238</u>

(b) Repayments - Borrowings

Particulars	Loan Number	Institution	Interest Rate	30 June 2020					30 June 2020					30 June 2019				
				Actual Principal 1 July 2019	Actual New Loans	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding	Budget Principal 1 July 2019	Budget New Loans	Budget Principal repayments	Budget Interest repayments	Budget Principal outstanding	Actual Principal 1 July 2018	Actual New Loans	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding
				\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Recreation and culture</b>																		
Regal Theatre Contribution	126	WATC	2.39%	100,000	0	100,000	1,067	0	100,000	0	100,000	2,980	0	200,000	0	100,000	4,159	100,000
Rosalie Park Improvements	121A	WATC	6.21%	527,365	0	34,661	36,607	492,704	527,370	0	34,660	35,810	492,710	559,969	0	32,604	38,034	527,365
Rosalie Park Improvements	121B	WATC	6.07%	121,119	0	7,112	7,241	114,007	121,120	0	7,110	8,070	114,010	127,818	0	6,699	8,511	121,119
Rosalie Park Improvements	121C	WATC	4.54%	903,895	0	52,970	32,586	850,925	903,890	0	52,970	59,030	850,920	944,171	0	40,276	47,866	903,895
Rosalie Park Improvements	121D	WATC	3.38%	140,575	0	29,777	7,523	110,798	140,570	0	29,780	7,510	110,790	159,611	0	19,036	5,930	140,575
Lake Jualbup	127	WATC	3.13%	913,438	0	89,303	46,745	824,135	913,440	0	89,300	28,160	824,140	1,000,000	0	86,562	36,923	913,438
<b>Economic services</b>																		
Undergrounding of Powerlines	123A	WATC	5.14%	2,720,278	0	124,121	152,459	2,596,157	2,720,280	0	124,120	156,860	2,596,160	2,838,257	0	117,979	161,881	2,720,278
Undergrounding of Powerlines	123B	WATC	4.58%	1,884,568	0	85,794	95,911	1,798,774	1,884,570	0	85,790	97,630	1,798,780	1,966,564	0	81,996	100,237	1,884,568
				<u>7,311,238</u>	<u>0</u>	<u>523,738</u>	<u>380,139</u>	<u>6,787,500</u>	<u>7,311,240</u>	<u>0</u>	<u>523,730</u>	<u>396,050</u>	<u>6,787,510</u>	<u>7,796,390</u>	<u>0</u>	<u>485,152</u>	<u>403,541</u>	<u>7,311,238</u>
				<u>7,311,238</u>	<u>0</u>	<u>523,738</u>	<u>380,139</u>	<u>6,787,500</u>	<u>7,311,240</u>	<u>0</u>	<u>523,730</u>	<u>396,050</u>	<u>6,787,510</u>	<u>7,796,390</u>	<u>0</u>	<u>485,152</u>	<u>403,541</u>	<u>7,311,238</u>

\* WA Treasury Corporation

**CITY OF SUBIACO**  
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**17. INFORMATION ON BORROWINGS (Continued)**

**(c) New Borrowings - 2019/20**

There were no new borrowings during the year.

**(d) Unspent Borrowings**

There were no unspent borrowings during the year.

**(e) Undrawn Borrowing Facilities**

**Credit Standby Arrangements**

	2020	2019
	\$	\$
Bank overdraft limit	0	0
Bank overdraft at balance date	0	0
Bank Guarantee Facility	90,000	90,000
Bank Guarantee at balance date	(73,776)	(73,776)
Credit card limit	30,000	30,000
Credit card balance at balance date	0	(5,619)
<b>Total amount of credit unused</b>	<b>46,224</b>	<b>40,605</b>

**Loan facilities**

Loan facilities - current	422,160	523,738
Loan facilities - non-current	6,365,340	6,787,500
<b>Total facilities in use at balance date</b>	<b>6,787,500</b>	<b>7,311,238</b>

**Unused loan facilities at balance date**

0                      0

**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 SUBIACO**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**18. EMPLOYEE RELATED PROVISIONS**

**(a) Employee Related Provisions**

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Provision for Sick Leave \$	Provision for Time In Lieu \$	Provision for Purchased Leave \$	Total \$
<b>Opening balance at 1 July 2019</b>						
Current provisions	1,204,288	1,309,946	268,163	114,850	3,760	2,901,007
Non-current provisions	0	284,287	0	0	0	284,287
	1,204,288	1,594,233	268,163	114,850	3,760	3,185,294
<b>Additional provision</b>	1,618,785	406,530	88,972	609,913	(1,221)	2,722,979
Amounts used	(1,284,692)	(242,247)	(71,888)	(602,098)	0	(2,200,925)
<b>Balance at 30 June 2020</b>	1,538,381	1,758,516	285,247	122,665	2,539	3,707,348
<b>Comprises</b>						
Current	1,538,381	1,368,191	285,247	122,665	2,539	3,317,023
Non-current	0	390,325	0	0	0	390,325
	1,538,381	1,758,516	285,247	122,665	2,539	3,707,348
<b>Amounts are expected to be settled on the following basis:</b>	<b>2020</b> \$	<b>2019</b> \$				
Less than 12 months after the reporting date	3,317,023	2,901,007				
More than 12 months from reporting date	388,305	284,287				
	3,705,328	3,185,294				

Timing of the payment of current leave liabilities is difficult to determine as it is dependent on future decisions of employees. Expected settlement timings are based on information obtained from employees and historical leave trends and assumes no events will occur to impact on these historical trends.

**SIGNIFICANT ACCOUNTING POLICIES**

**Employee benefits**

**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 to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations.

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

Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

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

**Provisions**

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

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

## 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	53,126,518	32,898,950	55,587,017
<b>Reconciliation of Net Cash Provided By Operating Activities to Net Result</b>			
Net result	32,752,272	2,482,145	5,613,029
Non-cash flows in Net result:			
Adjustments to fair value of investment property	(27,595,033)	0	0
Depreciation on non-current assets	6,312,279	5,676,270	5,950,317
(Profit)/loss on sale of asset	360,804	(88,750)	(182,915)
Assets expensed due to change in Regulations	0		84,095
Share of profits of associates	210,679	0	267,269
Non-operating grants, subsidies and contributions	(807,848)	(1,206,067)	(1,000,896)
Changes in assets and liabilities:			
(Increase)/decrease in receivables	13,321	(1,206,745)	(135,423)
(Increase)/decrease in other assets	762,659	0	(645,338)
(Increase)/decrease in inventories	16,225	(2,632)	(5,685)
Increase/(decrease) in payables	380,353	164,004	(231,847)
Increase/(decrease) in provisions	522,054	255,000	40,091
Increase/(decrease) in contract liabilities	15,859	0	0
Net cash from operating activities	12,943,624	6,073,225	9,752,697

## 20. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2020	2019 *
	\$	\$
General purpose funding	2,284,401	3,060,381
Law, order, public safety	156,251	60,508
Health	64,861	81,843
Education and welfare	1,881,719	1,889,016
Community amenities	1,956,193	2,198,437
Recreation and culture	56,729,939	59,291,817
Transport	137,329,881	136,659,018
Economic services	142,448	164,212
Other property and services	182,970,765	147,504,519
	383,516,458	350,909,751

\* Restated - Refer to Note 31

## 21. CAPITAL COMMITMENTS

### (a) Capital Expenditure Commitments

Contracted for:

	2020	2019
	\$	\$
- capital expenditure projects	878,672	89,995
- plant & equipment purchases	88,081	228,766
	966,753	318,761

Payable:

- not later than one year	966,753	318,761
---------------------------	---------	---------

The capital expenditure project outstanding at the end of the current reporting period represents works in progress related to parks, roads, street lighting and buildings. The plant & equipment purchases related to the purchase of light fleet and other plant items that were not available for delivery until the following financial year.

## 22. RELATED PARTY TRANSACTIONS

### Elected Members Remuneration

The following fees, expenses and allowances were paid to council members and/or the Mayor.

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Meeting fees	279,645	305,350	279,645
Mayor's allowance	61,800	61,800	61,800
Deputy Mayor's allowance	15,450	15,450	15,450
Telecommunications allowance	35,400	35,400	35,400
Expense Reimbursement	9,676	7,000	2,607
	<u>401,971</u>	<u>425,000</u>	<u>394,902</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	873,519	865,870
Post-employment benefits	147,869	143,816
Other long-term benefits	20,695	20,472
	<u>1,042,083</u>	<u>1,030,158</u>

#### *Short-term employee benefits*

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

#### *Post-employment benefits*

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

#### *Other long-term benefits*

These amounts represent long service benefits accruing during the year.



## 22. RELATED PARTY TRANSACTIONS (Continued)

### Transactions with related parties

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

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

The following transactions occurred with related parties:	2020 Actual	2019 Actual
	\$	\$
Sale of goods and services	0	0
Purchase of goods and services	1,608,908	1,629,959

### Related Parties

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

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

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

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

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

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

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

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**23. INVESTMENT IN ASSOCIATE**

**Western Metropolitan Regional Council**

The City of Subiaco, together with the Town of Cottesloe, the Town of Claremont, the Town of Mosman Park and the Shire of Peppermint Grove have a joint venture arrangement with regard to the provision of a waste transfer station.

The Western Metropolitan Regional Council was formed to provide for the efficient treatment and/or disposal of waste. A waste transfer station was constructed from funds provided by constituent Councils. The share held by the City of Subiaco is 38.33%

	2020	2019
	\$	\$
<b>(a) Retained surplus attributed to Investment in Associate:</b>		
Balance at the beginning of the financial year	(49,952)	191,328
-Share of associates profit/(loss) from ordinary activities	(210,679)	(267,269)
-Share of associates revaluation increment arising during the year	86,417	25,989
-Share of associates revaluation decrement arising during the year	(25,989)	0
Balance at the end of the financial year	(200,203)	(49,952)
<b>(b) Carrying amount of Investment in Associate:</b>		
Balance at the beginning of the financial year	1,547,133	1,788,413
-Share of associates profit/(loss) from ordinary activities	(210,679)	(267,269)
-Share of associates revaluation increment arising during the year	86,417	25,989
-Share of associates revaluation decrement arising during the year	(25,989)	0
Balance at the end of the financial year	1,396,882	1,547,133
<b>(c) Associate entity's results and financial position</b>		
Percentage ownership interest	38.33%	38.33%
Current Assets	1,993,383	2,344,190
Non Current Assets	2,306,340	2,148,234
<b>Total Assets</b>	4,299,723	4,492,424
Current Liabilities	620,329	436,695
Non Current Liabilities	35,040	19,379
<b>Total Liabilities</b>	655,369	456,074
<b>Net Assets (100%)</b>	3,644,354	4,036,350
<b>City's share of net assets (38.33%)</b>	1,396,882	1,547,133
Revenues	5,614,834	5,196,410
Expenses	(6,064,799)	(5,893,694)
<b>Total Profit/(Loss) from ordinary activities (100%)</b>	(449,965)	(697,284)
<b>Total Comprehensive Income (100%)</b>	(449,965)	(697,284)
<b>City's share of total comprehensive income</b>	(172,472)	(267,269)

**SIGNIFICANT ACCOUNTING POLICIES**

**Investment in associates**

An associate is an entity over which the City has significant influence. Significant influence is the power to participate in the financial operating policy decisions of that entity but is not control or joint control of those policies. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the City's share of net assets of the associate. In addition, the City's share of the profit or loss of the associate is included in the City's profit or loss.

The carrying amount of the investment includes, where applicable, goodwill relating to the associate. Any discount on acquisition, whereby the City's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

**Investment in associates (Continued)**

Profits and losses resulting from transactions between the City and the associate are eliminated to the extent of the City's interest in the associate. When the City's share of losses in an associate equals or exceeds its interest in the associate, the City discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the City will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

## 24. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

### 2018/19 & 2019/20 Financial Year

#### 9 Brockman Crescent, Midland

This property was approved for purchase (settlement occurred in August 2019) to form part of the City's investment portfolio. The property was purchased using reserve funds from the Capital Investment Reserve and includes land and associated commercial office buildings (medical suite) with an existing tenant on a 12 year lease to 2031. Lease income derived from this property is to be transferred to the Investment Income Reserve in accordance with Council's policy.

#### 133 Salvado Road, Wembley

The City acquired land and buildings at 133 Salvado Road, Wembley in 2012. Since acquisition of this property, investigations on a number of potential options have been conducted and in April 2016 Council resolved to explore options for disposal of this property. At its June 2016 meeting Council resolved to proceed with the disposal of the property and authorised the CEO to call for tenders to appoint a suitably qualified real estate professional to manage the process for the sale. An expression of interest was called to appoint a sales agent but was terminated prior to the tender stage in order to resolve various state government planning issues that were identified prior to disposal. In June 2019 Council resolved to dispose of the site to the preferred proponent. Settlement occurred in July 2020.

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**25. RATING INFORMATION**

(a) Rates

<b>RATE TYPE</b>	<b>Rate in \$</b>	<b>Number of Properties</b>	<b>2019/20 Actual Rateable Value \$</b>	<b>2019/20 Actual Rate Revenue \$</b>	<b>2019/20 Actual Interim Rates \$</b>	<b>2019/20 Actual Back Rates \$</b>	<b>2019/20 Actual Total Revenue \$</b>	<b>2019/20 Budget Rate Revenue \$</b>	<b>2019/20 Budget Interim Rate \$</b>	<b>2019/20 Budget Back Rate \$</b>	<b>2019/20 Budget Total Revenue \$</b>	<b>2018/19 Actual Total Revenue \$</b>
<b>Differential general rate / general rate</b>												
<b>Gross rental valuations</b>												
Residential	6.702	6,805	204,927,774	13,734,258	169,365	9,815	13,913,438	13,734,260	250,000	5,000	13,989,260	13,355,128
Commercial	6.702	1,178	130,988,863	8,778,875	(13,203)	3,783	8,769,455	8,778,930	0	0	8,778,930	8,586,802
Industrial	6.702	9	818,680	54,868			54,868	54,870	0	0	54,870	55,024
<b>Sub-Total</b>		<b>7,992</b>	<b>336,735,317</b>	<b>22,568,001</b>	<b>156,162</b>	<b>13,598</b>	<b>22,737,761</b>	<b>22,568,060</b>	<b>250,000</b>	<b>5,000</b>	<b>22,823,060</b>	<b>21,996,954</b>
<b>Minimum payment</b>												
<b>Gross rental valuations</b>												
Residential	1,190	1,265	18,286,012	1,505,350	4,549	2,014	1,511,913	1,505,350	0	0	1,505,350	1,476,965
Commercial	1,190	93	1,392,960	110,670			110,670	110,670	0	0	110,670	108,345
<b>Sub-Total</b>		<b>1,358</b>	<b>19,678,972</b>	<b>1,616,020</b>	<b>4,549</b>	<b>2,014</b>	<b>1,622,583</b>	<b>1,616,020</b>	<b>0</b>	<b>0</b>	<b>1,616,020</b>	<b>1,585,310</b>
		<b>9,350</b>	<b>356,414,289</b>	<b>24,184,021</b>	<b>160,711</b>	<b>15,612</b>	<b>24,360,344</b>	<b>24,184,080</b>	<b>250,000</b>	<b>5,000</b>	<b>24,439,080</b>	<b>23,582,264</b>
Discounts/Concessions/Write-off (Note 25(b))							(400)				0	(211)
<b>Total amount raised from general rate</b>							<b>24,359,944</b>				<b>24,439,080</b>	<b>23,582,053</b>
Prepaid rates							115,621				0	0
<b>Totals</b>							<b>24,475,565</b>				<b>24,439,080</b>	<b>23,582,053</b>

**SIGNIFICANT ACCOUNTING POLICIES**

**Rates**

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

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

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**25. RATING INFORMATION (Continued)**

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

**Rates Discounts**

<b>Rate or Fee Discount Granted</b>	<b>Discount</b>	<b>Discount</b>	<b>2020 Actual</b>	<b>2020 Budget</b>	<b>2019 Actual</b>	<b>Circumstances in which Discount is Granted</b>
	<b>%</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	
Rates interest written off	N.A.	N.A.	400	0	211	N.A.
Total discounts/concessions (Note 25(a))			400	0	211	

## 25. RATING INFORMATION (Continued)

### (c) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge	Instalment Plan Interest Rate	Unpaid Rates Interest Rate
		\$	%	%
<b>Option One</b>		0	0.00%	11.00%
Single full payment	29-Aug-19			
<b>Option Two</b>		52.20	0.00%	11.00%
First instalment	29-Aug-19			
Second instalment	7-Nov-19			
Third instalment	9-Jan-20			
Fourth instalment	12-Mar-20			

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Interest on unpaid rates	89,887	65,000	94,507
Interest on instalment plan	3,074	7,000	3,644
	92,961	72,000	98,151
Charges on instalment plan	158,531	150,000	157,487
	158,531	150,000	157,487

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**26. RATE SETTING STATEMENT INFORMATION**

		2019/20 Budget	2019/20 2019/20	2018/19 2018/19
	2019/20 (30 June 2020 Carried Forward)	(30 June 2020 Carried Forward)	(1 July 2019 Brought Forward)	(30 June 2019 Carried Forward)
Note	\$	\$	\$	\$
<b>(a) Non-cash amounts excluded from operating activities</b>				
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .				
<b>Adjustments to operating activities</b>				
Less: Profit on asset disposals	10(a)	(149,196)	(91,520)	(220,250)
Less: Fair value adjustments to financial assets at fair value through profit and loss		0	0	84,095
Movement in investment property (non-current)	13	(27,595,033)	0	0
Movement in pensioner deferred rates (non-current)		26,763	0	13,314
Movement in employee benefit provisions (non-current)		106,038	0	(518,340)
Add: Loss on disposal of assets	10(a)	510,000	2,770	37,335
Add: Depreciation on non-current assets	10(c)	6,312,279	5,676,270	5,950,317
<b>Non cash amounts excluded from operating activities</b>		(20,789,149)	5,587,520	5,346,471
<b>(b) Surplus/(deficit) after imposition of general rates</b>				
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.				
<b>Adjustments to net current assets</b>				
Less: Reserves - cash backed	4	(41,912,453)	(29,768,992)	(46,436,094)
Less: Financial assets at amortised cost - self supporting loans	4(a)	0	0	0
Less: Unspent Grants		0	(49,593)	0
Less: Current assets not expected to be received at end of year				
Add: Current liabilities not expected to be cleared at end of year				
- Current portion of borrowings	17(a)	422,160	523,730	523,738
- Current portion of lease liabilities		219,869	0	0
<b>Total adjustments to net current assets</b>		(41,270,424)	(29,294,855)	(45,912,356)
<b>Net current assets used in the Rate Setting Statement</b>				
Total current assets		55,327,424	37,052,799	58,553,365
Less: Total current liabilities		(9,013,320)	(7,757,944)	(8,082,801)
Less: Total adjustments to net current assets		(41,270,424)	(29,294,855)	(45,912,356)
<b>Net current assets used in the Rate Setting Statement</b>		5,043,680	0	4,558,208
<b>(c) Adjustments to current assets and liabilities at 1 July 2019 on application of new accounting standards</b>				
<b>Total current assets at 30 June 2019</b>				
- Contract assets	29(a)			58,553,365
<b>Total current assets at 1 July 2019</b>				0
<b>Total current liabilities at 30 June 2019</b>				58,553,365
- Contract liabilities from contracts with customers	29(a)			(8,082,801)
- Contract liabilities from transfers for recognisable non financial assets	29(a)			0
- Rates paid in advance	29(a)			0
<b>Total current liabilities at 1 July 2019</b>				(8,082,801)

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

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

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

### (a) Interest rate risk

#### Cash and cash equivalents

The City's main interest rate risk arises from cash and cash equivalents with variable interest rates, which exposes the City to cash flow interest rate risk.

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

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
<b>2020</b>					
Cash and cash equivalents	0.41%	53,126,518	51,330,502	1,792,391	3,625
<b>2019</b>					
Cash and cash equivalents	2.03%	55,587,017	55,436,093	147,249	3,675

#### Sensitivity

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

	2020	2019
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	17,924	1,472

\* 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(b).



## 27. FINANCIAL RISK MANAGEMENT (Continued)

### (b) Credit risk

#### **Cash and Cash Equivalents and Other Financial Investments**

The City manages its credit risk exposure to cash and cash equivalents and other financial assets by depositing/investing funds with Australian financial institutions which are rated AA- to AA+.

#### **Trade and Other Receivables**

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

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

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

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

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 36 months before 1 July 2019 or 1 July 2020 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors

The loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows for rates receivable. No expected credit loss was forecast on 1 July 2018 or 30 June 2019 for rates receivable as penalty interest applies to unpaid rates and properties associated with unpaid rates may be disposed of to recover unpaid rates.

The City manages credit risk by monitoring outstanding debt and employing debt recovery policies. It also encourages ratepayers to pay rates by the due date through communication and other methods.

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
<b>30 June 2020</b>					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	637,573	136,237	100,384	95,296	969,491

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
<b>30 June 2019</b>					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	153,708	193,558	153,708	68,314	569,288

The loss allowance as at 30 June 2020 and 30 June 2019 was determined as follows for trade receivables.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
<b>30 June 2020</b>					
Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.66%	
Gross carrying amount	91,445	91,586	26,643	1,312,352	1,522,026
Loss allowance	0	0	0	(862,265)	(862,265)

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
<b>30 June 2019</b>					
Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.67%	
Gross carrying amount	813,470	44,094	24,056	1,242,210	2,123,830
Loss allowance	0	0	0	(837,473)	(837,473)

## 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 and disclosed in Note 14.

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
<b>2020</b>					
Payables	5,038,409	0	0	5,038,409	5,038,409
Borrowings	840,718	3,055,701	6,441,116	10,337,534	6,787,500
Contract liabilities	15,859	0	0	15,859	15,859
Lease liabilities	219,869	418,924	94,019	732,812	732,812
	<u>6,114,855</u>	<u>3,474,625</u>	<u>6,535,135</u>	<u>16,124,614</u>	<u>12,574,580</u>
<b>2019</b>					
Payables	4,658,056	0	0	4,658,056	4,658,056
Borrowings	843,108	3,160,481	7,179,444	11,183,032	7,311,238
	<u>5,501,164</u>	<u>3,160,481</u>	<u>7,179,444</u>	<u>15,841,088</u>	<u>11,969,294</u>

### (c) Fair Values

The fair value of financial instruments materially approximate their carrying value as at 30 June 2020 other than borrowings with a fair value of \$8,393,926 as at 30 June 2020 and a carrying value of \$6,787,500.

## 28. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

### **Sale of Investment Property - 133 Salvado Road, Wembley**

The City sold land and buildings situated at 133 Salvado Road Wembley, which formed part of the City's investment portfolio. The disposal was approved by Council in June 2019 and settlement occurred on 31 July 2020. The proceeds from sale of the property were transferred to the Capital Investment Reserve upon settlement in accordance with Council's policy.

### **Partial Closure of Hay Street**

Subsequent to year end the City received advice from a property owner that the facades of their two buildings were in a state of imminent collapse and they requested permission from the City to close the road in the interest of public safety. This resulted in the temporary closure of Hay Street. The City subsequently issued building orders to the property owner to stabilise and repair the buildings to enable the reopening of Hay Street. After receiving the building orders, the property owner lodged an application with the State Administrative Tribunal appealing the City's orders. The City is awaiting the outcome of the State Administrative Tribunal.

The City is confident that no financial liability will arise from this action as it is acting in accordance with provisions of the Building Act as part of its statutory function.

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**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 and AASB 1058 Income for Not-For-Profit Entities have been adopted effective 1 July 2019 applying the modified retrospective method with all practical expedients adopted. The adoption of these standards had no material effect on the City on transition.

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 \$	Adjustment due to application of AASB 15 and AASB 1058	2020 \$ Compared to AASB 118 and AASB 1004
	Note	As reported under AASB 15 and AASB 1058		
<b>Statement of Comprehensive Income</b>				
<b>Revenue</b>				
Rates	25(a)	24,359,944	115,621	24,475,565
Operating grants, subsidies and contributions	2(a)	717,302	15,859	733,161
Fees and charges	2(a)	10,834,203	0	10,834,203
Non-operating grants, subsidies and contributions	2(a)	807,848	0	807,848
Net result		32,752,272	131,480	32,883,752
<b>Statement of Financial Position</b>				
Trade and other payables	14	5,038,409	(115,621)	4,922,788
Contract liabilities	15	15,859	(15,859)	0
Net assets		367,234,530	(131,480)	367,103,050
<b>Statement of Changes in Equity</b>				
Net result		32,752,272	131,480	32,883,752
Retained surplus		195,376,179	131,480	195,507,659

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

**(b) 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 AAS 117		455,209
Discount applied using incremental borrowing rate		(2,417)
Lease liability recognised as 1 July 2019 discounted using the City's incremental borrowing rate as per Note 16	16(b)	452,792
Lease liability - current		109,204
Lease liability - non-current		343,588
Right-of-use assets recognised at 1 July 2019		452,792

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.

29. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

(c) Impact of regulation changes on Retained Surplus

The impact on the City's retained surplus due to regulation changes as at 1 July 2019 was as follows:

	<u>Note</u>	<u>2019</u>
		\$
Restated Retained surplus - 30 June 2019		157,272,095
Adjustment to retained surplus from adoption of FM Reg 17A		828,171
Retained surplus - 1 July 2019		<u>158,100,266</u>

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**30. CHANGE IN ACCOUNTING POLICIES**

**(a) Change in Accounting Policies due to regulation changes**

Effective 6 November 2020, *Local Government (Financial Management) Regulation 16* was deleted and *Local Government (Financial Management) Regulation 17A* was amended with retrospective application. The changes were effective for financial years ending on or after 30 June 2020 so are required to be applied retrospectively with cumulative effect applied initially on 1 July 2019.

In accordance with the changes, the City was not required to derecognise the values attributable to certain crown land assets as the City had no crown land assets recorded as at 1 July 2019.

Following changes to *Local Government (Financial Management) Regulation 17A*, plant and equipment type assets (being plant and equipment and furniture and equipment) are to be measured under the cost model, rather than at fair value. This change is effective from 1 July 2019 and represents a change in accounting policy.

In summary the following adjustments were made to the amounts recognised in the statement of financial position at the date of initial application (1 July 2019):

		Restated Carrying amount		Carrying amount
	Note	30 June 2019	Reclassification	01 July 2019
		\$	\$	\$
Property, plant and equipment	8	85,379,154	0	85,379,154
Revaluation surplus	12	132,046,974	(828,171)	131,218,803

### 31. PRIOR PERIOD RESTATEMENT

During the year ended 30 June 2020, the following misstatement was identified relating to the prior year financial period. The misstatement has been corrected by restating each of the affected financial statement line items for the prior period. The misstatement has had no impact on the Statement of Cash Flows for the year ended 30 June 2019, and is set out below:

The fair value of Investment Properties and Property, Plant & Equipment was not correctly determined at 1 July 2018 or 30 June 2019 due to an error in the classification of certain land which should have been classified as Property, Plant & Equipment rather than as Investment Properties. As a consequence, the City has determined that:

- Property, Plant & Equipment was understated by \$20,166,667 and \$18,833,333 as at 1 July 2018 and 30 June 2019, respectively
- Investment Properties was overstated by \$21,500,000 as at 1 July 2018 and 30 June 2019
- Retained earnings was overstated by \$11,776,496 as at 1 July 2018 and 30 June 2019
- Revaluation Surplus was understated by \$10,443,163 and \$9,109,829 as at 1 July 2018 and 30 June 2019, respectively
- Changes in the asset revaluation surplus recorded in other comprehensive income was overstated for the year ended 30 June 2019 by \$1,333,333

#### Statement of Financial Position (Extract)

##### As at 1 July 2018

	1 July 2018 As previously reported	Restatements	1 July 2018 As restated
	\$	\$	\$
Property, plant and equipment	66,111,843	20,166,667	86,278,509
Investment property	100,589,620	(21,500,000)	79,089,620
<b>Total non-current assets</b>	<b>295,723,608</b>	<b>(1,333,334)</b>	<b>294,390,274</b>
<b>Total assets</b>	<b>348,410,475</b>	<b>(1,333,334)</b>	<b>347,077,141</b>
Retained surplus	170,522,436	(11,776,497)	158,745,939
Revaluation surplus	122,911,156	10,443,163	133,354,319
<b>Total equity</b>	<b>332,578,979</b>	<b>(1,333,334)</b>	<b>331,245,645</b>

##### As at 30 June 2019

	30 June 2019 As previously reported	Restatements	30 June 2019 As restated
	\$	\$	\$
Property, plant and equipment	66,545,821	18,833,333	85,379,154
Investment property	98,722,266	(21,500,000)	77,222,266
<b>Total non-current assets</b>	<b>295,023,053</b>	<b>(2,666,667)</b>	<b>292,356,386</b>
<b>Total assets</b>	<b>353,576,418</b>	<b>(2,666,667)</b>	<b>350,909,751</b>
Retained surplus	169,048,591	(11,776,496)	157,272,095
Revaluation surplus	122,937,145	9,109,829	132,046,974
<b>Total equity</b>	<b>338,421,830</b>	<b>(2,666,667)</b>	<b>335,755,163</b>

#### Statement of Comprehensive Income (Extract)

##### For the year ended 30 June 2019

	30 June 2019 As previously reported	Restatements	30 June 2019 As restated
	\$	\$	\$
Changes in asset revaluation surplus	25,989	(1,333,333)	(1,307,344)
<b>Total other comprehensive income for the period</b>	<b>25,989</b>	<b>(1,333,333)</b>	<b>(1,307,344)</b>
<b>Total comprehensive income for the period</b>	<b>5,842,851</b>	<b>(1,333,333)</b>	<b>4,509,518</b>

## 32. TRUST FUNDS

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

	1 July 2019	Amounts Received	Amounts Paid	30 June 2020
	\$	\$	\$	\$
Building Industry Training Fund	31,613	(131,873)	102,752	2,492
Building Commission	20,153	(112,003)	115,311	23,461
	51,766	(243,876)	218,063	25,953



### **33. OTHER SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

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

#### **c) Rounding off figures**

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

#### **d) Comparative figures**

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

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

#### **e) Budget comparative figures**

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

#### **f) Superannuation**

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

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

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

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

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

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

#### **h) Fair value hierarchy**

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

##### **Level 1**

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

##### **Level 2**

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

##### **Level 3**

Measurements based on unobservable inputs for the asset or liability.

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

#### **Valuation techniques**

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

##### **Market approach**

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

##### **Income approach**

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

##### **Cost approach**

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

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

#### **i) Impairment of assets**

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

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

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

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

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**34. ACTIVITIES/PROGRAMS**

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

<b>PROGRAM NAME AND OBJECTIVES</b>	<b>ACTIVITIES</b>
<p><b>GOVERNANCE</b></p> <p>To ensure high quality democratic processes and informed local decision making.</p>	<p>Includes administration and operation of facilities and services to members of council and other costs that relate to the tasks of assisting members and ratepayers on matters which do not concern specific council services.</p>
<p><b>GENERAL PURPOSE FUNDING</b></p> <p>To fairly and efficiently levy and collect rates and other monies required to fund the city's operations.</p>	<p>Rates revenue from rates levied under Division 6 of Part 6 of the Local Government Act 1995 and amounts receivable from the Western Australian Grants Commission and any government grants of a general purpose nature.</p>
<p><b>LAW, ORDER, PUBLIC SAFETY</b></p> <p>To ensure safety and amenity of the community in public areas.</p>	<p>Control of parking facilities, implementation and control of parking, and other local laws. Also includes fire prevention outlays.</p>
<p><b>HEALTH</b></p> <p>To protect the health of all persons and promote environmental quality.</p>	<p>Administration, inspection and operations of programs concerned with the general health of the community.</p>
<p><b>EDUCATION AND WELFARE</b></p> <p>To contribute towards the wellbeing of people with special needs.</p>	<p>Maintenance of pre-school buildings and the provision of seniors activities.</p>
<p><b>COMMUNITY AMENITIES</b></p> <p>To provide waste management services, which minimise adverse environmental impacts, orderly and controlled development of land and the built environment, and well maintained public conveniences.</p>	<p>This includes the collection and disposal of community and domestic rubbish and recycling, and the administration and operation of town planning and sustainable development within the local government.</p>
<p><b>RECREATION AND CULTURE</b></p> <p>To provide and support community recreational and cultural pursuits.</p>	<p>Maintenance of community, recreation and function centre, various reserves, and operation of the library.</p>
<p><b>TRANSPORT</b></p> <p>To facilitate safe and convenient transport access.</p>	<p>Construction and maintenance of roads, drainage works, footpaths, traffic facilities.</p>
<p><b>ECONOMIC SERVICES</b></p> <p>To facilitate economic development, promote compliance with building standards, regulations and local laws and enhance public amenity by placing powerlines underground.</p>	<p>Area promotion and building control services.</p>
<p><b>OTHER PROPERTY AND SERVICES</b></p> <p>To maximise long-term return on investment assets for the benefit of the community.</p>	<p>Includes management of the city's investment assets.</p>

### 35. FINANCIAL RATIOS

	2020 Actual	2019 Actual	2018 Actual
Current ratio	1.49	1.50	1.75
Asset consumption ratio	0.70	0.73	0.74
Asset renewal funding ratio	0.82	0.91	0.61
Asset sustainability ratio	0.97	1.11	1.35
Debt service cover ratio	42.78	12.34	5.57
Operating surplus ratio	0.74	0.11	(0.05)
Own source revenue coverage ratio	1.09	1.10	0.94

The above ratios are calculated as follows:

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

(\*) The 2018 comparative results for the Asset Consumption Ratio have been recalculated using the gross method of calculation as they were previously calculated using the net method. The 2018 comparative result for the Own Source Revenue Coverage Ratio has been recalculated to adjust for Fair Value of infrastructure assets. The comparative results are still within the acceptable ranges as provided by the Department of Local Government.

### 35. FINANCIAL RATIOS (Continued)

**Notes:**

Four of the ratios disclosed above were distorted by the following transactions which are considered one-off in nature:

	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>
Amount of Financial Assistance Grant received during the year relating to the subsequent year.	294,832	287,404	285,569
Amount of Financial Assistance Grant received in prior year relating to current year.	287,404	285,569	283,168
Fair Value adjustment on Furniture & Equipment	0	0	47,501
Fair Value adjustment on Infrastructure	0	0	5,739,401
Fair Value adjustment on Investment Properties	27,595,033	0	0

If the events detailed above did not occur, the impacted ratios in the 2020, 2019 and 2018 columns above would be as follows:

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Current ratio	1.46	1.46	1.71
Debt service cover ratio	12.24	12.34	13.25
Operating surplus ratio	0.10	0.11	0.09
Own source revenue coverage ratio	1.09	1.10	1.08



# Auditor General

## INDEPENDENT AUDITOR'S REPORT

To the Councillors of the City of Subiaco

### Report on the Audit of the Financial Report

#### Opinion

I have audited the annual financial report of the City which comprises the Statement of Financial Position as at 30 June 2020, and 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, as well as notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer (CEO).

In my opinion the annual financial report of the City of Subiaco:

- (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 10 to the annual financial report, which describe 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, including the Local Government (Financial Management) Regulations 1996 (Regulations). My opinion is not modified in respect of these matters:

- (i) Regulation 17A of the 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.
- (ii) In respect of the comparatives for the previous year ended 30 June 2019, Regulation 16 of the Regulations did not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report.

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

The 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) The following material matters indicating non-compliance with Part 6 of the *Local Government Act 1995*, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law were identified during the course of my audit:
  - a. The City's Purchasing Policy is silent on declaring conflicts of interest in relation to open tenders, it also has not been reviewed since 2011. The City's Buying and Goods and Services Manual, supporting its Purchasing Policy, has not been reviewed since 2012. Significantly outdated and lacking policy and procedural guidance can compromise the City's control environment.
  - b. The City's year end accounting process did not include a review of all material property, plant and equipment assets and investment properties to ensure that these assets were appropriately classified and valued in accordance with Australian Accounting Standards and the Local Government (Financial Management) Regulations 1996. This required additional work as part of the year end process in order to determine the appropriate classification and fair value of property, plant and equipment and investment properties.
  - c. The bank reconciliation included the existence of long outstanding cheques comprising of numerous low value transactions accumulating from 2008 to 30 June 2020 that remain uncleared. The City has not complied with the *Unclaimed Money Act 1990* requiring moneys over \$100 that have been held for 6 years without being returned to owners, be transferred to the Department of Treasury.
  - d. Due to accounting system limitations, vendor activity within the system cannot be tracked or monitored. This increased the risk of unauthorised changes to key information, although our audit sampling did not identify any.
- (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 annual financial report of the City for the year ended 30 June 2019 was audited by another auditor who expressed an unmodified opinion on that annual financial report. The financial ratios for 2018 and 2019 in Note 35 of the audited annual financial report were included in the supplementary information and/or audited annual financial report for those years.

**Matters Relating to the Electronic Publication of the Audited Financial Report**

This auditor's report relates to the annual financial report of the City 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  
13 July 2021