



Shire of Busselton
Geographie Bay

AUDITED FINANCIAL REPORT

For the year ended

30 June 2010

SHIRE OF BUSSELTON
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

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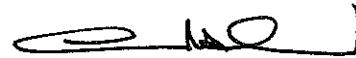
SHIRE OF BUSSELTON
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

LOCAL GOVERNMENT ACT 1995
LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Busselton being the annual financial report and supporting notes and other information for the financial year ended 30th June 2010 are in my opinion properly drawn up to present fairly the financial position of the Shire of Busselton at 30th June 2010 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed on the 7th day of October 2010.



Mike Archer
Chief Executive Officer

SHIRE OF BUSSELTON
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2010

	NOTE	2010 \$	2010 Budget \$	2009 \$
REVENUE				
Rates	23	27,350,788	27,191,440	25,523,494
Operating Grants, Subsidies and Contributions	29	3,028,276	2,430,452	3,566,740
Fees and Charges	28	7,624,506	7,627,766	7,378,705
Distributions on Investments	4	102,522	0	952,627
Interest Earnings	2(a)	1,558,898	1,134,800	942,858
Other Revenue		910,367	615,371	685,392
Gain on Redemption of Financial Assets	4	69,693	0	0
		<u>40,645,050</u>	<u>38,999,829</u>	<u>39,049,816</u>
EXPENSES				
Employee Costs		(17,749,259)	(19,018,255)	(17,684,329)
Materials and Contracts		(9,707,174)	(11,169,420)	(10,351,661)
Utility Charges		(1,576,560)	(1,471,404)	(1,333,900)
Depreciation on Non-Current Assets	2(a)	(8,330,784)	(7,571,000)	(7,764,100)
Loss on Redemption of Financial Assets	4	(27,123)	0	(255,347)
Interest Expenses	2(a)	(153,904)	(308,507)	(201,666)
Insurance Expenses		(576,517)	(487,075)	(396,236)
Other Expenditure		(352,142)	(273,134)	(555,223)
		<u>(38,473,463)</u>	<u>(40,298,795)</u>	<u>(38,542,462)</u>
		2,171,587	(1,298,966)	507,354
Non-Operating Grants, Subsidies and Contributions	29	21,143,263	27,925,012	11,393,138
Fair value adjustments to financial assets at fair value through profit or loss	4 2(a)	28,874	0	(451,181)
Profit on Asset Disposals	21	159,951	170,900	122,221
Loss on Asset Disposal	21	(301,398)	(123,500)	(20,589)
NET RESULT		23,202,277	26,673,446	11,550,943
Other Comprehensive Income				
Other Comprehensive Income		0	0	0
Total Other Comprehensive Income		<u>0</u>	<u>0</u>	<u>0</u>
TOTAL COMPREHENSIVE INCOME		<u><u>23,202,277</u></u>	<u><u>26,673,446</u></u>	<u><u>11,550,943</u></u>

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

SHIRE OF BUSSELTON
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2010

	NOTE	2010 \$	2010 Budget \$	2009 \$
REVENUE				
General Purpose Funding		30,987,340	29,912,979	29,991,628
Governance		276,309	85,350	131,251
Law, Order, Public Safety		1,128,296	795,500	851,394
Health		93,976	36,380	73,195
Education and Welfare		7,897	11,494	5,843
Housing		315,839	300,248	282,500
Community Amenities		4,248,419	4,280,683	4,155,564
Recreation and Culture		20,372,932	24,981,265	6,295,575
Transport		2,325,652	5,068,394	6,944,754
Economic Services		1,719,256	1,501,731	1,490,666
Other Property and Services		491,019	121,717	342,805
	2(a)	<u>61,966,935</u>	<u>67,095,741</u>	<u>50,565,175</u>
EXPENSES EXCLUDING FINANCE COSTS				
General Purpose Funding		(721,104)	(794,143)	(1,598,645)
Governance		(4,178,681)	(4,481,830)	(4,305,106)
Law, Order, Public Safety		(2,111,876)	(2,202,988)	(2,046,326)
Health		(819,774)	(879,217)	(783,068)
Education and Welfare		(301,318)	(367,362)	(140,849)
Housing		(292,777)	(317,552)	(381,043)
Community Amenities		(7,057,502)	(7,479,617)	(7,356,908)
Recreation & Culture		(8,758,737)	(9,075,831)	(8,546,685)
Transport		(10,793,514)	(11,378,118)	(10,387,849)
Economic Services		(2,742,134)	(2,872,956)	(2,613,691)
Other Property and Services		(833,337)	(264,174)	(652,396)
	2(a)	<u>(38,610,754)</u>	<u>(40,113,788)</u>	<u>(38,812,566)</u>
FINANCE COSTS				
General Purpose Funding		0	(40,000)	(36,301)
Education and Welfare		(6,644)	(6,644)	(6,151)
Housing		0	0	(517)
Community Amenities		(61,828)	(61,828)	(74,058)
Recreation and Culture		(72,545)	(173,280)	(69,307)
Economic Services		(12,887)	(12,887)	(15,332)
Other Property and Services		0	(13,868)	0
	2(a)	<u>(153,904)</u>	<u>(308,507)</u>	<u>(201,666)</u>
NET RESULT		<u>23,202,277</u>	<u>26,673,446</u>	<u>11,550,943</u>
Other Comprehensive Income				
Other Comprehensive Income		0	0	0
Total Other Comprehensive Income		<u>0</u>	<u>0</u>	<u>0</u>
TOTAL COMPREHENSIVE INCOME		<u><u>23,202,277</u></u>	<u><u>26,673,446</u></u>	<u><u>11,550,943</u></u>

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

**SHIRE OF BUSSELTON
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2010**

	NOTE	2010 \$	2009 \$
CURRENT ASSETS			
Cash and Cash Equivalents	3	34,305,862	17,067,381
Investments	4	235,150	11,598,217
Trade and Other Receivables	5	2,516,378	2,271,485
Inventories	6	<u>319,757</u>	<u>583,348</u>
TOTAL CURRENT ASSETS		<u>37,377,147</u>	<u>31,520,431</u>
NON-CURRENT ASSETS			
Other Receivables	5	854,396	990,998
Property, Plant and Equipment	7	31,120,059	32,347,815
Infrastructure	8	<u>218,397,288</u>	<u>197,814,513</u>
TOTAL NON-CURRENT ASSETS		<u>250,371,743</u>	<u>231,153,326</u>
TOTAL ASSETS		<u>287,748,890</u>	<u>262,673,757</u>
CURRENT LIABILITIES			
Trade and Other Payables	9	4,682,322	5,161,009
Current Portion of Long Term Borrowings	10	715,446	436,592
Provisions	11	<u>2,537,770</u>	<u>2,323,694</u>
TOTAL CURRENT LIABILITIES		<u>7,935,538</u>	<u>7,921,295</u>
NON-CURRENT LIABILITIES			
Long Term Borrowings	10	4,843,717	1,940,016
Provisions	11	<u>342,007</u>	<u>317,217</u>
TOTAL NON-CURRENT LIABILITIES		<u>5,185,724</u>	<u>2,257,233</u>
TOTAL LIABILITIES		<u>13,121,262</u>	<u>10,178,528</u>
NET ASSETS		<u>274,627,628</u>	<u>252,495,229</u>
EQUITY			
Retained Surplus		254,816,040	236,981,431
Reserves - Cash/Investment Backed	12	<u>19,811,588</u>	<u>15,513,798</u>
TOTAL EQUITY		<u>274,627,628</u>	<u>252,495,229</u>

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

**SHIRE OF BUSSELTON
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2010**

NOTE	RETAINED SURPLUS \$	RESERVES CASH/ INVESTMENT BACKED \$	TOTAL EQUITY \$
Balance as at 1 July 2008	224,984,950	15,959,336	240,944,286
Changes in Accounting Policy	0	0	0
	<hr/>	<hr/>	<hr/>
Restated Balance	224,984,950	15,959,336	240,944,286
Net Result	11,550,943	0	11,550,943
Total Other Comprehensive Income	0	0	0
Reserve Transfers	445,538	(445,538)	0
	<hr/>	<hr/>	<hr/>
Balance as at 30 June 2009	236,981,431	15,513,798	252,495,229
Changes in Accounting Policy	(1,069,878)	0	(1,069,878)
Net Result	23,202,277	0	23,202,277
Total Other Comprehensive Income	0	0	0
Reserve Transfers	(4,297,790)	4,297,790	0
	<hr/>	<hr/>	<hr/>
Balance as at 30 June 2010	<u>254,816,040</u>	<u>19,811,588</u>	<u>274,627,628</u>

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

**SHIRE OF BUSSELTON
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2010**

	NOTE	2010 \$	2010 Budget \$	2009 \$
Cash Flows From Operating Activities				
Receipts				
Rates		27,479,928	27,591,424	24,980,249
Operating Grants, Subsidies and Contributions		2,821,979	2,516,816	3,578,381
Fees and Charges		7,600,792	7,765,717	7,338,316
Service Charges		0	0	0
Interest Earnings		1,558,898	1,134,800	942,858
Goods and Services Tax		6,089,991	0	2,064,756
Other Revenue		1,701,536	3,274,601	2,362,471
		<u>47,253,124</u>	<u>42,283,358</u>	<u>41,267,031</u>
Payments				
Employee Costs		(17,509,482)	(18,771,079)	(17,192,253)
Materials and Contracts		(9,636,004)	(12,076,072)	(11,244,941)
Utility Charges		(1,576,560)	(1,471,404)	(1,333,900)
Insurance Expenses		(576,517)	(487,075)	(396,236)
Interest expenses		(153,904)	(308,507)	(201,666)
Goods and Services Tax		(6,186,446)	0	(2,032,326)
Other Expenditure		(1,298,416)	(2,728,729)	(3,741,469)
		<u>(36,937,329)</u>	<u>(35,842,866)</u>	<u>(36,142,791)</u>
Net Cash Provided By Operating Activities	14(b)	<u>10,315,795</u>	<u>6,440,492</u>	<u>5,124,240</u>
Cash Flows from Investing Activities				
Payments for Purchase of Property, Plant & Equipment		(2,904,678)	(5,069,950)	(4,980,463)
Payments for Construction of Infrastructure		(25,108,656)	(33,410,450)	(10,339,046)
Advances to Community Groups		(25,000)	0	0
Non-Operating Grants, Subsidies and Contributions used for the Development of Assets		19,624,522	25,097,078	6,859,822
Proceeds from Sale of Assets		583,334	617,700	418,256
Proceeds from Sale of Investments		11,391,941	0	7,892,389
Net Cash Provided By (Used In) Investing Activities		3,561,463	(12,765,622)	(149,042)
Cash Flows from Financing Activities				
Repayment of Debentures		(542,444)	(618,530)	(591,458)
Proceeds from Self Supporting Loans		178,667	177,685	160,652
Proceeds from New Debentures		3,725,000	4,800,000	0
Net Cash Provided By (Used In) Financing Activities		3,361,223	4,359,155	(430,806)
Net Increase (Decrease) in Cash Held		17,238,481	(1,965,975)	4,544,392
Cash at Beginning of Year		17,067,381	17,067,381	12,522,989
Cash and Cash Equivalents at the End of the Year	14(a)	<u>34,305,862</u>	<u>15,101,406</u>	<u>17,067,381</u>

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

**SHIRE OF BUSSELTON
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2010**

	NOTE	2010 Actual \$	2010 Budget \$	2009 Actual \$
REVENUE				
General Purpose Funding		3,636,552	2,721,539	4,468,134
Governance		276,309	85,350	131,251
Law, Order, Public Safety		1,128,296	795,500	851,394
Health		93,976	36,380	73,195
Education and Welfare		7,897	11,494	5,843
Housing		315,839	300,248	282,500
Community Amenities		4,248,419	4,280,683	4,155,564
Recreation and Culture		20,372,932	24,981,265	6,295,575
Transport		2,325,652	5,068,394	6,944,754
Economic Services		1,719,256	1,501,731	1,490,666
Other Property and Services		491,018	121,717	342,805
		<u>34,616,146</u>	<u>39,904,301</u>	<u>25,041,681</u>
EXPENSES				
General Purpose Funding		(721,104)	(834,143)	(1,634,946)
Governance		(4,178,681)	(4,481,830)	(4,305,106)
Law, Order, Public Safety		(2,111,876)	(2,202,988)	(2,046,326)
Health		(819,774)	(879,217)	(783,068)
Education and Welfare		(307,962)	(374,006)	(147,000)
Housing		(292,777)	(317,552)	(381,560)
Community Amenities		(7,119,330)	(7,541,445)	(7,430,966)
Recreation & Culture		(8,831,282)	(9,249,111)	(8,615,992)
Transport		(10,793,514)	(11,378,118)	(10,387,849)
Economic Services		(2,755,021)	(2,885,843)	(2,629,023)
Other Property and Services		(833,336)	(278,042)	(652,396)
		<u>(38,764,657)</u>	<u>(40,422,295)</u>	<u>(39,014,232)</u>
Adjustments for Cash Budget Requirements:				
Non-Cash Expenditure and Revenue				
(Profit)/Loss on Asset Disposals	21	141,447	(47,400)	(101,632)
Movement in Deferred Pensioner Rates (Non-Current)		(479)	0	(14,645)
Deposits and Bonds Movement		(30,604)	0	0
Movement in Employee Benefit Provisions		238,866	247,176	476,094
Movement due to Non-Cash Contributions		(418,126)	(3,000,000)	(4,546,636)
Depreciation and Amortisation on Assets	2(a)	8,330,784	7,571,000	7,764,100
Movement due to Adjustments to Restricted Assets		2,043,795	0	0
Capital Expenditure and Revenue				
Purchase Land and Buildings	7	(1,008,846)	(2,013,430)	(1,338,305)
Purchase Plant and Equipment	7	(1,413,575)	(2,602,730)	(2,672,160)
Purchase Furniture and Equipment	7	(461,382)	(453,790)	(1,116,033)
Purchase Infrastructure Assets	8	(25,108,656)	(33,410,450)	(10,339,046)
Proceeds from Disposal of Assets	21	583,334	617,700	418,256
Repayment of Debentures	22(a)	(542,444)	(618,530)	(591,458)
Proceeds from New Debentures	22(a)	3,725,000	4,800,000	0
Advances to Community Groups	22(a)	(25,000)	0	0
Self-Supporting Loan Principal Income		178,667	177,685	160,652
Transfers to Reserves / Restricted Assets		(15,264,325)	(4,730,549)	(5,894,472)
Transfers from Reserves / Restricted Assets		6,014,176	5,746,792	6,048,102
ADD Estimated Surplus/(Deficit) July 1 B/Fwd		1,043,080	1,043,080	1,239,320
LESS Estimated Surplus/(Deficit) June 30 C/Fwd		1,227,989	0	1,043,080
Amount Required to be Raised from Rates	23	<u>(27,350,788)</u>	<u>(27,191,440)</u>	<u>(25,523,494)</u>

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

SHIRE OF BUSSELTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

1. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of this financial report are:

(a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities), other mandatory professional reporting requirements and the Local Government Act 1995 (as amended) and accompanying regulations (as amended).

The report has also been prepared on the accrual basis under the convention of historical cost accounting modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

Critical Accounting Estimates

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

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

(b) The Local Government Reporting Entity

All Funds through which the Council 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, but a separate statement of those monies appears at Note 20 to this financial report.

(c) Goods and Services Tax

In accordance with recommended practice, revenues, expenses and assets capitalised are stated net of any GST recoverable. Receivables and payables in the statement of financial position are stated inclusive of applicable GST.

(d) Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of twelve months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flow, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included as short-term borrowings in current liabilities on the statement of financial position.

SHIRE OF BUSSELTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Trade and Other Receivables

Trade receivables, which generally have 30 - 90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less any allowance for uncollectible amounts. Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that they will not be collectible.

(f) Inventories

General

Inventories are valued 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. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months.

Land Held for Resale

Land purchased for development and/or resale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development and interest incurred on the financing of that land during its development. Interest and holding charges incurred after development is complete are recognised as expenses.

Revenue arising from the sale of property is recognised in the statement of comprehensive income as at the time of signing a binding contract of sale.

Land held for resale is classified as current except where it is held as non-current based on Council's intention to release for sale.

(g) Fixed Assets

Initial Recognition

All assets are initially recognised at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed includes the cost of all materials, direct labour, variable and fixed overheads.

Revaluation

Certain asset classes may be revalued on a regular basis such that the carrying values are not materially different from fair value. For infrastructure and other asset classes where no active market exists, fair value is determined to be the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on a basis to reflect the already consumed or expired future economic benefits.

Those assets carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses, are to be revalued with sufficient regularity to ensure the carrying amount does not differ significantly from that determined using fair value at balance date.

**SHIRE OF BUSSELTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed Assets (Continued)

Land under Roads

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

Effective as at 1 July 2008, Council elected not to recognise any value for land under roads acquired on or before 30 June 2008. This accords with the treatment available in Australian Accounting Standard AASB1051 - Land Under Roads and the fact Local Government (Financial Management) Regulation 16(a)(i) prohibits local governments from recognising such land as an asset.

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

Whilst such treatment is inconsistent with the requirements of AASB 1051, Local Government (Financial Management) Regulation 4(2) provides, in the event of such an inconsistency, the Local Government (Financial Management) Regulations prevail. Consequently, any land under roads acquired on or after 1 July 2008 is not included as an asset of the Council.

(h) Depreciation of Non-Current Assets

All non-current assets having a limited useful life are separately and systematically depreciated over their useful lives in a manner which reflects the consumption of the future economic benefits embodied in those assets.

Depreciation is recognised on a straight-line basis, using rates which are reviewed each reporting period. Major depreciation periods are:

Fixed Assets:

Buildings - General	40 years
Buildings - Geographe Leisure Centre	10 to 20 years
Furniture and Equipment - Basic Items	10 years
Furniture and Equipment - EDP Network	3 years
Heavy Plant and Equipment	3 to 10 years
Light to Medium Vehicles	5 years
Light Mobile Plant	2 years
Tools	10 years

Infrastructure:

Roads	40 to 60 years
Bridges	60 to 90 years
Car Parks	20 to 40 years
Footpaths & Cycle ways	5 to 50 years
Parks, Gardens & Reserves - Land Based	5 to 50 years
Parks Equipment & Structures	5 to 20 years
Storm water Drainage	25 to 80 years
Regional Airport & Industrial Park	12 to 40 years

SHIRE OF BUSSELTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Investments and Other Financial Assets

Classification

Council classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each balance date.

(i) Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the balance date, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date, which is the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as gains and losses from investment securities.

SHIRE OF BUSSELTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Investments and Other Financial Assets (Continued)

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the statement of comprehensive income within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the statement of comprehensive income as part of revenue from continuing operations when Council's right to receive payments is established. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Impairment

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss- measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments classified as available-for-sale are not reversed through the statement of comprehensive income.

(j) Estimation of Fair Value

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at balance date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

SHIRE OF BUSSELTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment

In accordance with Australian Accounting Standards the Council's assets, other than inventories, are assessed at each balance date to determine whether there is any indication they may be impaired.

Where such an indication exists, an estimate of the recoverable amount of the asset is made in accordance with AASB 136 *'Impairment of Assets'* and appropriate adjustments made.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

For non-cash generating assets such as roads, drains, public buildings and the like, value in use is represented by the depreciated replacement cost of the asset.

(l) Trade and Other Payables

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Municipality prior to the end of the financial year that are unpaid and arise when the Municipality becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) Employee Benefits

The provisions for employee benefits relates to amounts expected to be paid for long service leave, annual leave, sick leave, wages and salaries and are calculated as follows:

(i) Wages, Salaries, Annual Leave and Long Service Leave (Short-term Benefits)

The provision for employees' benefits to wages, salaries, annual leave and long service leave expected to be settled within 12 months represents the amount the municipality has a present obligation to pay resulting from employees services provided to balance date. The provision has been calculated at nominal amounts based on remuneration rates the Council expects to pay and includes related on-costs.

(ii) Long Service Leave (Long-term Benefits)

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match as closely as possible, the estimated future cash outflows. Where Council does not have the unconditional right to defer settlement beyond 12 months, the liability is recognised as a current liability.

(iii) Sick Leave Incentive

The provision for employee's entitlements for sick pay incentive represents the present value of the estimated future cash flows to be made by the employer resulting from the employee's service to balance date in accordance with the relevant clause(s) of the Shire of Busselton's Enterprise Bargaining Agreement 2003.

It should be noted that any employee commencing employment with the Shire of Busselton on or after 22 August 2003, is not eligible for payments under the Sick Leave Incentive Scheme as per LGO Enterprise Bargaining Agreement 2003, Part 4 Clause 1.3, and MEA Enterprise Bargaining Agreement 2003, Part 4 Clause 1.4.

SHIRE OF BUSSELTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Interest-bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Borrowing Costs

Borrowing costs are recognised as an expense when incurred.

(o) Provisions

Provisions are recognised when: The council has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(p) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to the company, are classified as finance leases. Finance leases are capitalised recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual value. Leased assets are amortised over their estimated useful lives. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(q) Joint Venture

The municipality's interest in a joint venture (if any exists) has been recognised in the financial statements by including its share of any assets, liabilities, revenues and expenses of the joint venture within the relevant items reported in the statement of financial position and statement of comprehensive income. Information about the joint venture is set out in Note 17.

(r) Rates, Grants, Donations and Other Contributions

Rates, grants, donations and other contributions are recognised as revenues when the local government obtains control over the assets comprising the contributions. Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates.

SHIRE OF BUSSELTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Rates, Grants, Donations and Other Contributions (Continued)

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 2(c). That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operation for the current reporting period.

(s) Superannuation

The Council contributes to the Local Government Superannuation Scheme and the Occupational Superannuation Fund. Both funds are defined contribution schemes.

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(t) Current and Non-Current Classification

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle. In the case of liabilities where Council 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 even if not expected to be realised in the next 12 months except for land held for resale where it is held as non-current based on Council's intentions to release for sale.

(u) Rounding Off Figures

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

(v) Comparative Figures

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

(w) 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.

(x) Deposits & Bonds

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

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

SHIRE OF BUSSELTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) New Accounting Standards and Interpretations for Application in Future Periods

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Council for the annual reporting period ending 30 June 2010.

Council's assessment of these new standards and interpretations is set out below:

Title and Topic	Issued	Applicable (*)	Impact
(i) AASB 9– Financial Instruments	December 2009	01 January 2013	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Council, it is not anticipated the standard will have any material effect.
(ii) AASB 124– Related Party Disclosures	December 2009	01 January 2011	Nil – It is not anticipated the Council will have any related parties as defined by the Standard.
(iii) AASB 2009-5 - Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	May 2009	01 January 2010	Nil – The revisions are part of the AASB's annual improvement project to help ensure consistency with presentation, recognition and measurement criteria of IFRSs. It is not anticipated these will have any effect on the Council.
(iv) AASB 2009-8 - Amendments to Australian Accounting Standards – Group Cash – Settled Share-based Payment Transactions [AASB 2]	July 2009	01 January 2010	Nil - The Council will not have applicable transactions.
(v) AASB 2009-12 Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	December 2009	01 January 2011	Nil – The revisions embodied in this standard relate to standards which do not apply to local government (ie AASB8) or are largely editorial in nature and will have minimal effect (if any) on the accounting practices of the Council.
(vi) AASB 2009– 11 Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12)	December 2009	01 January 2013	Nil – The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above).
(vii) AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1]	December 2009	01 July 2010	Nil – None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
AASB 2010- 1 Amendment to Australian Accounting Standards – Limited Exemption from Comparative AASB 7 Disclosure for First-time Adopters [AASB 1 & AASB 7]	February 2010	01 July 2010	
(vi) AASB 2009- 10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB132]	October 2009	01 February 2010	Nil – None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
Interpretation 19– Extinguishing Financial Liabilities with Equity Instruments	December 2009	01 July 2010	
AASB 2009– 14 Amendments to Australian Interpretations – Prepayments of a minimum Funding Requirement [AASB Interpretation 14]	December 2009	01 January 2011	

Notes: '(*) Applicable to reporting periods commencing on or after the given date.

SHIRE OF BUSSELTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Adoption of New and Revised Accounting Standards

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

The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of the Council.

AASB 101: Presentation of Financial Statements

In September 2007, the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Council's financial statements.

Disclosure Impact

Terminology changes – The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity – The revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required owner changes in equity and other comprehensive income to be presented in the statement of changes in equity.

Statement of comprehensive income – The revised AASB 101 requires all income and expenses to be presented in either a single statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The Council has adopted the single statement approach and the financial statements now contain a statement of comprehensive income.

Other Comprehensive Income – The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises income and expenses not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

SHIRE OF BUSSELTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

2. REVENUE AND EXPENSES	2010	2009
	\$	\$
(a) Net Result		
The Net Result includes:		
(i) Charging as an Expense:		
Significant Expense		
General Purpose Funding	<u>0</u>	<u>451,181</u>
This significant expense relates to the reduction) in the fair value of the Shire's investments (refer Note 4 for further details)		
Auditors Remuneration		
- Audit	17,400	17,210
- Other Services	<u>4,747</u>	<u>11,436</u>
	<u>22,147</u>	<u>28,646</u>
Depreciation		
Buildings	748,915	706,822
Furniture and Equipment	775,892	692,466
Plant and Equipment	1,861,970	1,699,767
Roads	2,910,430	2,802,576
Bridges	126,076	125,504
Car Parks	36,748	48,009
Footpaths & Cycle ways	400,018	377,147
Parks, Gardens, Reserves & Community Facilities	897,323	672,099
Stormwater Drainage	476,857	544,226
Regional Airport & Industrial Park	<u>96,555</u>	<u>95,484</u>
	<u>8,330,784</u>	<u>7,764,100</u>
Interest Expenses (Finance Costs)		
Overdraft Interest	0	36,817
Debentures (<i>refer Note 22(a)</i>)	<u>153,904</u>	<u>164,849</u>
	<u>153,904</u>	<u>201,666</u>
Rental Charges		
- Operating Leases	<u>240,942</u>	<u>188,313</u>
(ii) Crediting as Revenue:		
	2010	2010
	\$	Budget
		\$
Interest Earnings		
Investments		
- Reserve Funds	731,903	350,000
- Other Funds	548,573	550,000
Other Interest Revenue (<i>refer note 27</i>)	<u>278,422</u>	<u>232,819</u>
	<u>1,558,898</u>	<u>1,134,800</u>

SHIRE OF BUSSELTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

The Shire of Busselton's vision is "the best place to be". In order to support its vision the Shire is committed to the values of honesty and integrity, a "can do" attitude, openness, transparency and accountability and mutual respect in everything we do.

Terms used within the Statement of Comprehensive Income and elsewhere within this report to classify income and expenditure include: -

GENERAL PURPOSE FUNDING

Objective : To collect revenue to allow for the provision of services.

Activities : Rates, interest revenue and other general purposes Government grants together with any expenses incurred in realising these incomes.

GOVERNANCE

Objective : To provide decision making process for the efficient allocation of scarce resources.

Activities : Administration and operation of facilities and services to members of Council; other costs that relate to strategic planning, policy making and assisting elected members and ratepayers on matters which do not concern other specific services of Council.

LAW, ORDER, PUBLIC SAFETY

Objective : To provide services to help ensure a safer and environmentally conscious community.

Activities : Supervision and enforcement of various by-laws, fire prevention, animal control and emergency services. Council also provides assistance to surf life saving efforts.

HEALTH

Objective : To provide an operational framework for good community health.

Activities : Food hygiene, standards control and control of mosquitoes and stingers.

EDUCATION AND WELFARE

Objective : To provide services for the elderly, children and youth

Activities : Annual donation relative to the operation of a Senior Citizen's Centre and lease of the family day care facilities owned by Council.

HOUSING

Objective : To provide and maintain elderly residents housing.

Activities : The operation of three sets of aged persons homes.

COMMUNITY AMENITIES

Objective : To provide services required by the community

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

SHIRE OF BUSSELTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

2. REVENUES AND EXPENSES (Continued)

(b) Statement of Objective (Continued)

RECREATION AND CULTURE

Objective : To establish and effectively manage infrastructure and resources which will help the social well being of the community

Activities : Maintenance of halls, swimming areas and beaches, various reserves, recreation programs, the Busselton Jetty, the operation of the two Libraries, the maintenance and operation of the two Leisure Centres, and the employment of a Cultural Development Officer.

TRANSPORT

Objective : To provide safe, effective and efficient transport services to the community.

Activities : Includes the construction and maintenance of roads, bridges, drainage works, footpaths, parking facilities, traffic signs, depot maintenance and the control and maintenance of a regional airport.

ECONOMIC SERVICES

Objective : To help promote the Shire and it's economic wellbeing.

Activities : The regulation and provision of tourism initiatives, the maintenance and operation of a caravan park, and the implementation of building controls.

OTHER PROPERTY & SERVICES

Objective : To monitor and control Council's overheads operating accounts.

Activities : Includes Council's involvement with private works, miscellaneous properties operations and leases, government employment schemes, plant repairs and operating costs, overheads, inventories control etc.

SHIRE OF BUSSELTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions

Grant/Contribution	Function/ Activity	Opening Balance (*) 1-Jul-08 \$	Received (+) 2008/09 \$	Expended (#) 2008/09 \$	Closing Balance (*) 30-Jun-09 \$	Received (+) 2009/10 \$	Expended (#) 2009/10 \$	Closing Balance 30-Jun-10 \$
Cash in Lieu of Parking	Transport	351,152	0	(1,402)	349,750	88,817	0	438,567
Contributions to Works	Classified by activity	2,189,587	243,639	(283,067)	2,150,159	281,463	(342,109)	2,089,513
Government Grants	Classified by activity	735,366	1,456,998	(1,187,911)	1,004,453	729,806	(1,576,929)	157,330
Vasse Diversion Drain	Community Amenities	372,328	6,068	0	378,396	2,333	0	380,729
C.P.A. Infrastructure	Transport	317,806	17,809	(77,931)	257,684	8,210	0	265,894
C.P.A. Community Facilities	Classified by activity	688,950	24,066	0	713,016	27,829	(35,000)	705,845
C.P.A. Bushfire Facilities	Law, Order & Public Safety	41,884	1,419	0	43,303	650	0	43,953
Community & Recreation Facilities	Classified by activity	2,475,110	297,696	(168,663)	2,604,143	788,645	(74,957)	3,317,831
Total		<u>7,172,183</u>	<u>2,047,695</u>	<u>(1,718,974)</u>	<u>7,500,904</u>	<u>1,927,753</u>	<u>(2,028,995)</u>	<u>7,399,662</u>

Notes:

(*) - Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous reporting period.

(+) - New grants/contributions which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.

(#) - Grants/contributions which had been recognised as revenues in a previous reporting period or received in the current reporting period and which were expended in the current reporting period in the manner specified by the contributor.

SHIRE OF BUSSELTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

	2010	2009
	\$	\$
3. CASH AND CASH EQUIVALENTS		
Unrestricted	269,769	3,526,940
Restricted	34,036,093	13,540,441
	<u>34,305,862</u>	<u>17,067,381</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Airport Infrastructure Renewal & Replacement Reserve	276,568	291,616
Asset Depreciation Reserve	3,958,155	2,922,680
Beach Protection Reserve	632,476	344,872
Bio-Diversity Reserve	16,722	18,243
Busselton Library Extension Reserve	701,666	521,434
Busselton Town centre Improvements Reserve	917	55,980
Building Reserve	475,707	401,331
Corporate IT System Programme Reserve	35,368	85,000
EDP Equipment (Main) Reserve	86,126	95,689
Facilities Refurbishment Reserves	322,893	352,001
Jetty Maintenance Reserve	208,581	185,160
Legal Expenses Reserves	105,230	38,000
Long Service Leave Reserve	1,261,935	1,096,797
Naturaliste Community Centre Reserve	14,129	13,589
Shire Car Parking and Access Reserve	768,359	466,610
Plant Replacement Reserve	4,023,270	4,307,432
Professional Development (Contractual Obligation) Reserve	170,034	139,634
Road Initiative Reserve	366,343	225,513
Salaries & Wages Contingency Reserves	808,041	628,934
Sick Pay Incentive Reserve	160,300	166,452
Strategic Projects Reserve	200,231	236,757
Waste Management Facility and Plant Reserve	727,401	413,678
Port Geographe Development Reserve	326,992	272,593
Port Geographe Waterways Management Reserve	2,146,161	1,867,096
Workers Compensation Contingency Reserve	315,858	279,345
Youth Facilities Reserves	29,263	27,687
Provence Landscape Maintenance Reserve	134,616	59,675
Infrastructure Development Reserve	1,538,246	0
Less Accrued Interest on Restricted Assets	(117,563)	0
Cash set aside in Lieu of Parking	438,567	349,750
Cash set aside in Lieu of Public Open Space	0	1,069,879
Cash set aside for Roadwork's within specific areas, being funds given as a condition of subdivision/development	2,089,513	2,150,159
Cash set aside, being funds donated by the community for the express purpose of the reconstruction of the Busselton Jetty plus contributions	2,585	2,465
Cash set aside, being unspent specific purpose Government Grants	157,330	1,004,453
Cash set aside, being Unspent Loan Funds	3,079,806	171,844
Cash set aside for Commonage Precinct Infrastructure and roads	1,015,691	1,014,002
Cash set aside for Sundry Restricted	1,012,095	879,768
Cash set aside for Vasse Diversion Drain	380,729	378,396
Cash set aside for Community & Recreation Facilities	3,317,831	2,604,144
Cash set aside for Deposits & Bonds	3,083,071	0
	<u>34,271,243</u>	<u>25,138,658</u>

Note 3 needs to be read in conjunction with note 4, in particular in relation to restrictions on cash and investments

SHIRE OF BUSSELTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

4. INVESTMENTS	2010	2009
	\$	\$
Opening Balance at 1 July	11,598,217	19,941,787
Add: Deposit of funds	38	0
Less : Withdrawl of funds	(11,536,374)	(8,575,915)
	<u>61,881</u>	<u>11,365,872</u>
Add: Distributions	102,522	952,627
Less: Management fees paid to Grove	(697)	(13,754)
Less: Realised losses incurred on redemption of units	(27,123)	(255,347)
Less: Unrealised losses incurred on revaluation to fair value	0	(451,181)
Add: Realised Profits incurred on redemption of units	69,693	0
Add: Unrealised Profit incurred on revaluation to fair value	28,874	0
Closing balance at 30 June	<u><u>235,150</u></u>	<u><u>11,598,217</u></u>
Investments represent both restricted and unrestricted funds as follows:		
Unrestricted	0	0
Restricted	235,150	11,598,217
	<u><u>235,150</u></u>	<u><u>11,598,217</u></u>

The above investments are subject to fluctuations in market values and the values recorded above represent quoted market prices at the reporting date.

Included within the above, the Shire of Busselton currently holds one investment as at June 30, 2010 to the value of \$235,150 whereby the investment units cannot be redeemed for cash at the Shire's discretion. This fund was voluntarily closed by its managers in August 2008, and all investors funds were frozen. The Shire of Busselton elected to participate in the sell down of assets and is receiving distributions as assets are realised.

As at 30 June 2010 it is not practical to determine if an impairment write down in respect to the balance of \$235,150 is required.

SHIRE OF BUSSELTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

	2010	2009
	\$	\$
5. TRADE AND OTHER RECEIVABLES		
Current		
Rates Outstanding	772,682	879,907
Rates Outstanding - Pensioners	23,454	63,259
Sundry Debtors	1,232,278	1,150,634
GST Receivable	326,864	0
Loans - Clubs/Institutions	161,100	177,685
	<u>2,516,378</u>	<u>2,271,485</u>
Non-Current		
Rates Outstanding - Pensioners	117,104	116,624
Loans - Clubs/Institutions	737,292	874,374
	<u>854,396</u>	<u>990,998</u>
6. INVENTORIES		
Current		
Fuel and Materials	319,757	583,348
	<u>319,757</u>	<u>583,348</u>
7. PROPERTY, PLANT AND EQUIPMENT		
Land and Buildings - Cost	30,252,066	29,525,735
Less Accumulated Depreciation	<u>(8,984,597)</u>	<u>(8,239,261)</u>
	21,267,469	21,286,474
Furniture and Equipment - Cost	4,819,831	4,470,161
Less Accumulated Depreciation	<u>(3,313,505)</u>	<u>(2,635,768)</u>
	1,506,326	1,834,393
Plant and Equipment - Cost	14,604,439	14,414,440
Less Accumulated Depreciation	<u>(6,258,175)</u>	<u>(5,187,492)</u>
	8,346,264	9,226,948
	<u>31,120,059</u>	<u>32,347,815</u>

Effective from 1 July 2004, Council deemed the carrying amount of land and buildings previously carried at a revalued amount to be their cost.

This was in accordance with the exemptions on application of Australian Accounting Standard AASB 1 "First time Adoption of Australian Equivalents to International Financial Reporting Standards". These assets, along with all other plant and equipment asset classes, are now being carried at cost. Whilst they are not subject to a policy of regular revaluation, they are subject to an annual assessment as to whether there is any indication an asset may have been impaired in accordance with AASB 136 "Impairment of Assets".

SHIRE OF BUSSELTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements in Carrying Amounts

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

	Land & Buildings \$	Furniture & Equipment \$	Plant & Equipment \$	Total \$
Balance as at 1 July 2009	21,286,474	1,834,393	9,226,948	32,347,815
Additions	1,008,846	461,382	1,413,575	2,883,803
(Disposals)	(278,936)	(13,557)	(432,289)	(724,782)
Revaluation - Increments	0	0	0	0
- (Decrements)	0	0	0	0
Impairment - (losses)	0	0	0	0
- reversals	0	0	0	0
Depreciation (Expense)	(748,915)	(775,892)	(1,861,970)	(3,386,777)
Other Movements	0	0	0	0
Balance as at 30 June 2010	<u>21,267,469</u>	<u>1,506,326</u>	<u>8,346,264</u>	<u>31,120,059</u>

SHIRE OF BUSSELTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

	2010	2009
	\$	\$
8. INFRASTRUCTURE		
Roads - Cost	177,212,221	174,011,029
Less Accumulated Depreciation	<u>(41,499,808)</u>	<u>(38,589,378)</u>
	135,712,413	135,421,651
Bridges - Cost	7,929,447	7,515,446
Less Accumulated Depreciation	<u>(1,495,167)</u>	<u>(1,369,090)</u>
	6,434,280	6,146,356
Car Parks - Cost	1,725,495	1,447,052
Less Accumulated Depreciation	<u>(227,517)</u>	<u>(190,769)</u>
	1,497,978	1,256,283
Footpaths / Cycleways - Cost	12,788,184	11,943,100
Less Accumulated Depreciation	<u>(3,849,471)</u>	<u>(3,449,453)</u>
	8,938,713	8,493,647
Parks, Gardens, Reserves and Community Facilities - Cost	42,342,984	21,919,840
Less Accumulated Depreciation	<u>(8,888,556)</u>	<u>(7,991,234)</u>
	33,454,428	13,928,606
Stormwater Drainage - Cost	37,868,653	37,553,735
Less Accumulated Depreciation	<u>(8,160,308)</u>	<u>(7,683,450)</u>
	29,708,345	29,870,285
Regional Airport & Industrial Park - Cost	3,886,889	3,836,889
Less Accumulated Depreciation	<u>(1,235,758)</u>	<u>(1,139,204)</u>
	2,651,131	2,697,685
	<u>218,397,288</u>	<u>197,814,513</u>

Effective from 1 July 2004, Council deemed the carrying amount of all infrastructure assets carried at a revalued amount, to be their cost.

This was in accordance with the exemptions on application of Australian Accounting Standard AASB 1 "First time Adoption of Australian Equivalents to International Financial Reporting Standards". These assets, along with all other infrastructure asset classes, are now being carried at cost. Whilst they are not subject to a policy of regular revaluation, they are subject to an annual assessment as to whether there is any indication an asset may have been impaired in accordance with AASB 136 "Impairment of Assets".

SHIRE OF BUSSELTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

8. INFRASTRUCTURE (Continued)

Movements in Carrying Amounts

The following represents the movement in the carrying amounts of each class of infrastructure between the beginning and the end of the current financial year.

	<u>Roads</u> \$	<u>Bridges</u> \$	<u>Car Parks</u> \$	<u>Footpaths and Cycleways</u> \$	<u>Parks and Ovals</u> \$	<u>Drainage</u> \$	<u>Airport</u> \$	<u>Total</u> \$
Balance as at 1 July 2009	135,421,651	6,146,356	1,256,283	8,493,647	13,928,606	29,870,285	2,697,685	197,814,513
Additions	2,980,764	414,000	278,443	723,240	20,423,145	239,063	50,001	25,108,656
(Disposals)	0	0	0	0	0	0	0	0
Revaluation - Increments	0	0	0	0	0	0	0	0
- (Decrements)	0	0	0	0	0	0	0	0
Impairment - (losses)	0	0	0	0	0	0	0	0
- reversals	0	0	0	0	0	0	0	0
Depreciation (Expense)	(2,910,430)	(126,076)	(36,748)	(400,018)	(897,323)	(476,857)	(96,555)	(4,944,007)
Donated Assets	220,428	0	0	121,844	0	75,854	0	418,126
Other Movements	0	0	0	0	0	0	0	0
Balance as at 30 June 2010	<u>135,712,413</u>	<u>6,434,280</u>	<u>1,497,978</u>	<u>8,938,713</u>	<u>33,454,428</u>	<u>29,708,345</u>	<u>2,651,131</u>	<u>218,397,288</u>

**SHIRE OF BUSSELTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

	2010	2009
	\$	\$
9. TRADE AND OTHER PAYABLES		
Current		
Sundry Creditors	1,540,585	2,047,334
Deposits and Bonds	3,083,071	3,113,675
Accrued Salaries and Wages	58,666	0
	<u>4,682,322</u>	<u>5,161,009</u>
10. LONG-TERM BORROWINGS		
Current		
Secured by Floating Charge Debentures	<u>715,446</u>	<u>436,592</u>
	<u>715,446</u>	<u>436,592</u>
Non-Current		
Secured by Floating Charge Debentures	<u>4,843,717</u>	<u>1,940,016</u>
	<u>4,843,717</u>	<u>1,940,016</u>
Additional detail on borrowings is provided in Note 22.		
11. PROVISIONS		
Current		
Provision for Annual Leave	1,457,542	1,377,662
Provision for Sick Leave Incentive	160,300	166,452
Provision for Long Service Leave	919,928	779,580
	<u>2,537,770</u>	<u>2,323,694</u>
Non-Current		
Provision for Long Service Leave	<u>342,007</u>	<u>317,217</u>
	<u>342,007</u>	<u>317,217</u>

SHIRE OF BUSSELTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

	2010 \$	2010 Budget \$	2009 \$
12. RESERVES - CASH / INVESTMENT BACKED			
100- Airport Infrastructure Renewal and Replacement Reserve			
Opening Balance	291,616	291,616	267,029
Amount Set Aside / Transfer to Reserve	35,150	24,400	24,587
Amount Used / Transfer from Reserve	(50,198)	(190,000)	0
	<u>276,568</u>	<u>126,016</u>	<u>291,616</u>
101- Assets Depreciation Reserve			
Opening Balance	2,922,680	2,922,680	2,784,311
Amount Set Aside / Transfer to Reserve	1,035,475	907,758	138,369
Amount Used / Transfer from Reserve	0	0	0
	<u>3,958,155</u>	<u>3,830,438</u>	<u>2,922,680</u>
102- Beach Protection Reserve			
Opening Balance	344,872	344,872	514,175
Amount Set Aside / Transfer to Reserve	287,604	267,700	256,697
Amount Used / Transfer from Reserve	0	0	(426,000)
	<u>632,476</u>	<u>612,572</u>	<u>344,872</u>
103- Bio-Diversity Reserve			
Opening Balance	18,243	18,243	18,861
Amount Set Aside / Transfer to Reserve	2,069	1,400	1,569
Amount Used / Transfer from Reserve	(3,590)	(4,000)	(2,187)
	<u>16,722</u>	<u>15,643</u>	<u>18,243</u>
104- Busselton Library Extension Reserve			
Opening Balance	521,434	521,434	509,288
Amount Set Aside / Transfer to Reserve	234,198	11,400	12,146
Amount Used / Transfer from Reserve	(53,966)	(500,000)	0
	<u>701,666</u>	<u>32,834</u>	<u>521,434</u>
105- Busselton Town Centre Improvements			
Opening Balance	55,980	55,980	95,055
Amount Set Aside / Transfer to Reserve	167,036	177,000	186,575
Amount Used / Transfer from Reserve	(222,099)	(224,000)	(225,650)
	<u>917</u>	<u>8,980</u>	<u>55,980</u>
106- Building Reserve			
Opening Balance	401,331	401,331	242,970
Amount Set Aside / Transfer to Reserve	74,376	58,800	158,361
Amount Used / Transfer from Reserve	0	(110,000)	0
	<u>475,707</u>	<u>350,131</u>	<u>401,331</u>
107- Corporate IT Systems Programme			
Opening Balance	85,000	85,000	671,645
Amount Set Aside / Transfer to Reserve	3,378	0	11,129
Amount Used / Transfer from Reserve	(53,010)	(85,000)	(597,774)
	<u>35,368</u>	<u>0</u>	<u>85,000</u>

SHIRE OF BUSSELTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

	2010 \$	2010 Budget \$	2009 \$
12. RESERVES - CASH / INVESTMENT BACKED (CONTINUED)			
108- E.D.P. Equipment (Main) Reserve			
Opening Balance	95,689	95,689	113,328
Amount Set Aside / Transfer to Reserve	5,446	3,300	38,631
Amount Used / Transfer from Reserve	<u>(15,009)</u>	<u>0</u>	<u>(56,270)</u>
	<u>86,126</u>	<u>98,989</u>	<u>95,689</u>
109- Facility Refurbishment & Repair Reserve			
Opening Balance	352,001	352,001	367,649
Amount Set Aside / Transfer to Reserve	64,492	59,400	59,352
Amount Used / Transfer from Reserve	<u>(93,600)</u>	<u>0</u>	<u>(75,000)</u>
	<u>322,893</u>	<u>411,401</u>	<u>352,001</u>
110- Jetty Maintenance Reserve			
Opening Balance	185,160	185,160	169,999
Amount Set Aside / Transfer to Reserve	23,421	16,600	15,161
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>0</u>
	<u>208,581</u>	<u>201,760</u>	<u>185,160</u>
111- Legal Expenses Reserve			
Opening Balance	38,000	38,000	101,995
Amount Set Aside / Transfer to Reserve	105,230	103,700	102,805
Amount Used / Transfer from Reserve	<u>(38,000)</u>	<u>(38,000)</u>	<u>(166,800)</u>
	<u>105,230</u>	<u>103,700</u>	<u>38,000</u>
112- Long Service Leave Reserve			
Opening Balance	1,096,797	1,096,797	964,564
Amount Set Aside / Transfer to Reserve	368,418	343,231	132,233
Amount Used / Transfer from Reserve	<u>(203,280)</u>	<u>(110,652)</u>	<u>0</u>
	<u>1,261,935</u>	<u>1,329,376</u>	<u>1,096,797</u>
113- Naturaliste Community Centre Reserve			
Opening Balance	13,589	13,589	26,911
Amount Set Aside / Transfer to Reserve	540	600	642
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>(13,964)</u>
	<u>14,129</u>	<u>14,189</u>	<u>13,589</u>
114- Shire Car Parking and Access Reserve			
Opening Balance	466,610	466,610	220,309
Amount Set Aside / Transfer to Reserve	301,749	277,300	249,421
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>(3,120)</u>
	<u>768,359</u>	<u>743,910</u>	<u>466,610</u>
115- Plant Replacement Reserve			
Opening Balance	4,307,432	4,307,432	4,511,194
Amount Set Aside / Transfer to Reserve	207,402	99,100	96,768
Amount Used / Transfer from Reserve	<u>(491,564)</u>	<u>(1,123,800)</u>	<u>(300,530)</u>
	<u>4,023,270</u>	<u>3,282,732</u>	<u>4,307,432</u>

SHIRE OF BUSSELTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

	2010 \$	2010 Budget \$	2009 \$
12. RESERVES - CASH / INVESTMENT BACKED (CONTINUED)			
116- Professional Development Reserve			
Opening Balance	139,634	139,634	0
Amount Set Aside / Transfer to Reserve	107,948	102,800	139,634
Amount Used / Transfer from Reserve	<u>(77,548)</u>	<u>(100,000)</u>	<u>0</u>
	<u>170,034</u>	<u>142,434</u>	<u>139,634</u>
117- Road Initiative Reserve			
Opening Balance	225,513	225,513	241,736
Amount Set Aside / Transfer to Reserve	140,830	5,400	19,244
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>(35,467)</u>
	<u>366,343</u>	<u>230,913</u>	<u>225,513</u>
118- Salaries & Wages Contingency Reserve			
Opening Balance	628,934	628,934	310,747
Amount Set Aside / Transfer to Reserve	617,220	133,500	743,075
Amount Used / Transfer from Reserve	<u>(438,113)</u>	<u>(538,113)</u>	<u>(424,888)</u>
	<u>808,041</u>	<u>224,321</u>	<u>628,934</u>
119- Sick Pay Incentive Reserve			
Opening Balance	166,452	166,452	158,933
Amount Set Aside / Transfer to Reserve	6,616	3,600	7,519
Amount Used / Transfer from Reserve	<u>(12,768)</u>	<u>0</u>	<u>0</u>
	<u>160,300</u>	<u>170,052</u>	<u>166,452</u>
120- Strategic Projects Reserve			
Opening Balance	236,757	236,757	266,818
Amount Set Aside / Transfer to Reserve	13,474	6,100	13,386
Amount Used / Transfer from Reserve	<u>(50,000)</u>	<u>(90,000)</u>	<u>(43,447)</u>
	<u>200,231</u>	<u>152,857</u>	<u>236,757</u>
121- Waste Management Facility and Plant Reserve			
Opening Balance	413,678	413,678	1,339,661
Amount Set Aside / Transfer to Reserve	332,748	307,700	313,803
Amount Used / Transfer from Reserve	<u>(19,025)</u>	<u>(73,500)</u>	<u>(1,239,786)</u>
	<u>727,401</u>	<u>647,878</u>	<u>413,678</u>
122- Port Geographe Development Reserve (Council)			
Opening Balance	272,593	272,593	204,646
Amount Set Aside / Transfer to Reserve	68,936	61,130	220,143
Amount Used / Transfer from Reserve	<u>(14,537)</u>	<u>(331,400)</u>	<u>(152,196)</u>
	<u>326,992</u>	<u>2,323</u>	<u>272,593</u>
123- Port Geographe Waterways Management Reserve			
Opening Balance	1,867,096	1,867,096	1,606,042
Amount Set Aside / Transfer to Reserve	279,065	195,300	261,054
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2,146,161</u>	<u>2,062,396</u>	<u>1,867,096</u>

**SHIRE OF BUSSELTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

	2010 \$	2010 Budget \$	2009 \$
12. RESERVES - CASH / INVESTMENT BACKED (CONTINUED)			
124- Workers Compensation Contingency			
Opening Balance	279,345	279,345	224,427
Amount Set Aside / Transfer to Reserve	36,513	26,100	54,918
Amount Used / Transfer from Reserve	0	0	0
	<u>315,858</u>	<u>305,445</u>	<u>279,345</u>
125- Youth Facilities Reserve			
Opening Balance	27,687	27,687	27,042
Amount Set Aside / Transfer to Reserve	1,576	600	645
Amount Used / Transfer from Reserve	0	0	0
	<u>29,263</u>	<u>28,287</u>	<u>27,687</u>
126- Provenge Landscape Maintenance Reserve			
Opening Balance	59,675	59,675	0
Amount Set Aside / Transfer to Reserve	74,941	64,900	59,675
Amount Used / Transfer from Reserve	0	0	0
	<u>134,616</u>	<u>124,575</u>	<u>59,675</u>
127- Infrastructure Development Reserve			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	1,538,246	0	0
Amount Used / Transfer from Reserve	0	0	0
	<u>1,538,246</u>	<u>0</u>	<u>0</u>
TOTAL CASH / INVESTMENT BACKED RESERVES	<u><u>19,811,588</u></u>	<u><u>15,254,152</u></u>	<u><u>15,513,798</u></u>

All of the cash / Investment backed reserve accounts are supported by money held in financial institutions or in separate investments and match the amounts shown as restricted cash and restricted investments in Notes 3 and 4 to this report.

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

- Airport Infrastructure Renewal and Replacement Reserve
To provide funding for the renewal, replacement, upgrading and installation of Airport Infrastructure; and to facilitate the implementation of the Noise Management Plan and related activities.
- Assets Depreciation Reserve
To assist the Shire in funding capital expenditure on renewal, replacement and improvements of infrastructure assets as determined by Council, and as specifically identified in relevant Asset Management Plans.
- Beach Protection Reserve
To cover repairs or preventative measures necessary to protect the beach or land based assets, as well as specific capital projects designed to protect the shoreline, e.g. construction of a sea wall.
- Bio-Diversity Reserve
To provide funding for rate rebates and sub-division incentives.
- Busselton Library Extension Reserve
To provide construction funding for a stand alone facility adjacent to the Busselton Public library.

SHIRE OF BUSSELTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

12. RESERVES - CASH BACKED (CONTINUED)

- Busselton Town Centre Improvements Reserve
To provide for accelerated town centre improvement works and for town centre promotions within Busselton.
- Buildings Reserve
Building requirements which need to be "saved" for but are not considered to be large project items requiring their own reserve fund or loan funding.
- Corporate IT Systems Programme
To assist the Shire in funding expenditure required in relation to the ongoing development and enhancement of the Shire's corporate systems.
- E.D.P. Equipment (Main) Reserve
Replacement of Council's main EDP system and peripherals only.
- Facility Refurbishment & Repairs Reserve
To Provide funding for the refurbishment and repair of major Council owned facilities (including onsite plant and equipment).
- Jetty Maintenance Reserve
As a contingency fund to rectify damage caused by the demise of the Busselton jetty or part of the jetty or for large unbudgeted extraordinary jetty repairs.
- Legal Expenses Reserve
To provide for any legal expenses or contingency involving the Shire of Busselton.
- Long Service Leave Reserve
To provide funding to meet Council's future long service leave obligations.
- Naturaliste Community Centre Reserve
To assist with the capital cost of constructing the Naturaliste Community and Cultural Centre.
- Shire Car Parking and Access Reserve
To provide adequate public car parking in the Shire for the future, and can be used for the purchase of land and/or development of public car parking and access thereto, the development of infrastructure to provide for the management of public car parking and providing improved public transport to and within the Shire.
- Plant Replacement Reserve
For funding the purchase of light vehicles, plant and equipment as identified in the 10 year plant replacement program by using the basis of plant depreciation earnings and subsidisation by annual budgets as required.
- Professional Development
To provide funding to meet the Shire's ongoing contractual professional development obligations.
- Road Initiative Reserve
To hold unspent funds allocated in Council's annual budgets for the purpose of its "Road Initiative Program".
- Salaries & Wages Contingency Reserve
Unbudgeted annual Leave, Ex-Gratia Sick Leave & Redundancy Payouts and Other Salaries & Wages Contingencies.
- Sick Pay Incentive Reserve
To provide funding to meet Council's obligations under the Shire of Busselton's Enterprise Bargaining Agreement.
- Strategic Projects Reserve
To finance activities which will create a revenue stream for the Shire and reduce reliance on rate revenue.
- Waste Management Facility and Plant Reserve
To fund the acquisition of additional waste plant, waste facility infrastructure and post closure management.
- Port Geographe Development Reserve
At Council's discretion, for purposes allied to the Waterways Management obligations which Council has in respect to the Port Geographe development.

SHIRE OF BUSSELTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

12. RESERVES - CASH BACKED (CONTINUED)

- Port Geographe Waterways Management Reserve
To provide funds for Council to fulfill its obligations under a Waterways Management Deed with Pindan Constructions for the future maintenance of waterways and associated facilities within the Port Geographe subdivision area.
- Workers Compensation Contingency Reserve
A contingency fund to assist Council in meeting its Workers Compensation Contribution obligations when claim costs exceed the "Deposit" amount allocated to claims. This is a requirement under Councils current Workers Compensation "performance based contributions policy".
- Youth Facilities Reserve
To assist with the capital cost of acquiring and or constructing youth facilities within the Busselton area.
- Provence Landscape Maintenance Reserve
For the purpose of holding funds for the maintenance of the approved higher standard of landscaping within the Provence subdivision in accordance with Policy 185/3 including future capital replacement of landscaping structures as may be required.
- Infrastructure Development Reserve
For the purpose of setting aside funds to facilitate the identification, design and development of new infrastructure projects

13. RESERVES - ASSET REVALUATION

No assets were revalued in 2009/10

14. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand 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:

	2010	2010	2009
	\$	Budget	\$
		\$	
Cash and Cash Equivalents	<u>34,305,862</u>	<u>15,101,406</u>	<u>17,067,381</u>

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

Net Result	23,202,277	26,673,446	11,550,943
Depreciation	8,330,784	7,571,000	7,764,100
Writedown/(Increase) in Fair Value of Investments	(28,874)	0	451,181
(Profit)/Loss on Sale of Asset	141,447	(47,400)	(101,632)
(Increase)/Decrease in Receivables	(479,702)	955,595	(608,950)
(Increase)/Decrease in Inventories	263,591	93,348	(192,530)
Increase/(Decrease) in Payables	(262,176)	(955,595)	(2,845,066)
Increase/(Decrease) in Employee Provisions	260,974	247,176	512,652
Less : Non-Cash Contributions	(418,126)	(3,000,000)	(4,546,636)
Grants/Contributions for the Development of Assets	<u>(20,694,400)</u>	<u>(25,097,078)</u>	<u>(6,859,822)</u>
Net Cash from Operating Activities	<u>10,315,795</u>	<u>6,440,492</u>	<u>5,124,240</u>

SHIRE OF BUSSELTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

14. NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)

	2010	2009
	\$	\$
(c) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Bank Overdraft limit	0	0
Bank Overdraft at Balance Date	0	0
Credit Card limit	50,000	50,000
Credit Card Balance at Balance Date	0	0
Total Amount of Credit Unused	<u>50,000</u>	<u>50,000</u>
(d) Loan Facilities		
Loan Facilities - Current	715,446	436,592
Loan Facilities - Non-Current	4,843,717	1,940,016
Total Facilities in Use at Balance Date	<u>5,559,163</u>	<u>2,376,608</u>
Unused Loan Facilities at Balance Date	<u>3,079,806</u>	<u>171,844</u>
(e) Non-Cash Contributions		
Developers and Acquired by Council at Valuation - Roads	220,428	2,482,389
Developers and Acquired by Council at Valuation - Drains	75,854	1,715,787
Developers and Acquired by Council at Valuation - Footpaths	121,844	348,460
	<u>418,126</u>	<u>4,546,636</u>

15. CONTINGENT LIABILITIES

15.1 Resident funded aged persons homes.

Should any of the resident funded aged persons homes at the Winderlup Villas become vacant, then Council has a contractual obligation to repurchase the occupancy rights at a current market value for the seven homes involved.

15.2 Underwater Observatory Grant Funding

During the year ended 30 June 2004, Council received a \$400,000 grant from the Commonwealth Department of Employment, Workplace Relations and Small Business to part fund the construction of an underwater observatory at the end of the Busselton Jetty. Should this building not be used for its original purpose over the next ten years, then Council may be liable to refund a pro-rata proportion of the grant to the grantor.

SHIRE OF BUSSELTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

16. CAPITAL AND LEASING COMMITMENTS

	2010	2009
	\$	\$
(a) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	214,659	193,073
- later than one year but not later than five years	204,925	250,364
- later than five years	0	0
	<u>419,584</u>	<u>443,437</u>
(b) Capital Expenditure Commitments		
Contracted for:		
- capital expenditure projects - Jetty Construction	23,745,569	23,745,569
Payable:		
- not later than one year	5,693,488	15,617,496
- Later than one year but not Later than five years	0	5,693,488

17. JOINT VENTURE

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

18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

General Purpose Funding	2,354,686	2,564,994
Governance	2,497,333	2,876,932
Law, Order, Public Safety	1,747,546	1,953,932
Health	146,432	202,967
Education and Welfare	699,016	723,960
Housing	1,255,900	1,226,360
Community Amenities	9,677,692	9,538,654
Recreation and Culture	41,428,411	21,375,588
Transport	189,958,571	189,805,061
Economic Services	559,010	1,001,925
Other Property and Services	1,324,139	1,648,413
Unallocated	36,100,154	29,754,971
	<u>287,748,890</u>	<u>262,673,757</u>

SHIRE OF BUSSELTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

19. FINANCIAL RATIOS

Liquidity ratio's

1- Current Ratio

	2010	2009	2008
= $\frac{\text{Current Assets LESS Restricted Current Assets LESS SSL}}{\text{Current Liabilities LESS Current Liabilities Associated with Restricted Assets LESS Long Term Borrowings}}$	0.963:1	0.949:1	1.004:1

Current Assets	(BS)	37,377,147	31,520,431	34,395,708	
LESS Restricted Current Assets	(N3)	34,271,243	25,138,658	25,292,286	
LESS SSL	(N5)	161,100	177,685	166,353	
		2,944,804	6,204,088	8,937,069	
		2,944,804	6,204,088	8,937,069	
Current Liabilities	(BS)	7,935,538	7,921,295	10,056,952	
LESS Current Liabilities Associated with Restricted Assets	(N9&11)	4,163,299	946,032	561,791	
LESS Long Term Borrowings	(N10)	715,446	436,592	597,159	
		3,056,793	6,538,671	8,898,002	
		3,056,793	6,538,671	8,898,002	

Ratio > 1:1 is preferred

2- Untied Cash to Trade Creditors Ratio

= $\frac{\text{Untied Cash (Unrestricted Cash)}}{\text{Unpaid Trade Creditors}}$	0.175:1	0.202:1	0.768:1
----------------------------------------------------------------------------------	---------	---------	---------

Untied Cash (Unrestricted Cash)	(N3)	269,769	3,526,940	7,172,490	
Less Cash attributable to Deposits & Bonds	(N9)	0	3,113,675	5,430,184	
Unrestricted Cash		269,769	413,265	1,742,306	
		269,769	413,265	1,742,306	
Unpaid Trade Creditors (exc Deposits & Bonds)	(N9)	1,540,585	2,047,334	2,267,564	

Ratio > 1:1 is preferred

3- Debt Service Ratio

= $\frac{\text{Debt Service Costs (Principal & Interest on Loans)}}{\text{Available Operating Revenue}}$	0.017:1	0.02:1	0.023:1
----------------------------------------------------------------------------------------------------------	---------	--------	---------

Debt Service Costs - Principal on Loans	(N22)	542,445	591,458	629,533	
Debt Service Costs - Interest on Loans	(N22)	153,904	164,849	208,663	
Debt Service Costs - Interest on Overdraft	(N2)	0	36,300	0	
Debt Service Costs - Total		696,349	792,607	838,196	
		696,349	792,607	838,196	
Operating Revenue	(IS)	61,966,935	50,565,175	48,619,440	
Add principal contrib for s/s loans	(RSS)	178,667	160,652	163,972	
LESS Grants, Contributions & Donations of Capital Nature	(IS)	21,143,263	11,393,138	11,977,514	
Available Operating Revenue		41,002,339	39,332,689	36,805,898	
		41,002,339	39,332,689	36,805,898	

Ratio < 0.1:1 is desirable

SHIRE OF BUSSELTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

19. FINANCIAL RATIOS (CONTINUED)	2010	2009	2008
4- <u>Gross Debt to Revenue Ratio</u>			
= $\frac{\text{Total Borrowings and Utilised Overdraft}}{\text{Available Operating Revenue}}$	0.136:1	0.061:1	0.081:1
Total Borrowings (N10)	5,559,163	2,376,608	2,968,066
Utilised Overdraft (N21)	0	0	0
	5,559,163	2,376,608	2,968,066
Operating Revenue (IS)	61,966,935	50,565,175	48,619,440
LESS Grants, Contributions & Donations of Capital Nature (IS)	21,143,263	11,393,138	11,977,514
Available Operating Revenue	40,823,672	39,172,037	36,641,926
Ratio < 0.6:1 is desirable			
5- <u>Gross Debt to Economically Realisable Assets Ratio</u>			
= $\frac{\text{Total Borrowings and Utilised Overdraft}}{\text{Total Assets LESS Infrastructure Assets}}$	0.08:1	0.037:1	0.045:1
Total Borrowings (N10)	5,559,163	2,376,608	2,968,066
Utilised Overdraft (N21)	0	0	0
	5,559,163	2,376,608	2,968,066
Total Assets (BS)	287,748,890	262,673,757	253,774,917
LESS Infrastructure Assets (BS)	218,397,288	197,814,513	187,603,125
	69,351,602	64,859,244	66,171,792
Ratio < 0.3:1 is desirable			
<u>Coverage Ratio</u>			
1- <u>Rates Coverage Ratio</u>			
= $\frac{\text{Net Rate Revenue}}{\text{Operating Revenue}}$	0.447:1	0.51:1	0.472:1
Rate Revenue (N23)	27,350,788	25,523,494	22,799,824
Interest on Late Payments (N27)	150,347	113,322	67,055
Interest on Installments (N27)	128,075	122,084	105,501
Charges on Installments (N27)	45,022	37,594	36,340
Less: Discounts/Write Off's (N26)	(1,488)	(1,395)	(73,335)
Net Rate Revenue	27,672,744	25,795,099	22,935,385
Operating Revenue (IS)	61,966,935	50,565,175	48,619,440

**SHIRE OF BUSSELTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

19. FINANCIAL RATIOS (CONTINUED)

Effectiveness Ratio

2010

2009

2008

1- Outstanding Rates Ratio

= $\frac{\text{Total Rates Outstanding}}{\text{Total Rates Collectible}}$ **0.028:1** **0.036:1** **0.012:1**

Rates Outstanding Excluding Deferred Pensioners	(N5)	796,136	943,166	287,924
Rate Revenue	(N23)	27,350,788	25,523,494	22,799,824
Interest on Late Payments	(N27)	150,347	113,322	67,055
Interest on Installments	(N27)	128,075	122,084	105,501
Charges on Installments	(N27)	45,022	37,594	36,340
Less: Discounts/Write Off's	(N26)	(1,488)	(1,395)	(73,335)
Add current rates o/s - prior year	(N5)	943,166	287,924	195,728
Net Rate Revenue		28,615,910	26,083,023	23,131,113

Ratio < 0.05:1 is desirable

Financial Position Ratio

1- Debt Ratio

= $\frac{\text{Total Liabilities (as per balance sheet)}}{\text{Total Assets (as per balance sheet)}}$ **0.046:1** **0.039:1** **0.051:1**

Total Liabilities	(BS)	13,121,262	10,178,528	12,830,631
Total Assets	(BS)	287,748,890	262,673,757	253,774,917

SHIRE OF BUSSELTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

20. TRUST FUNDS

Funds held at balance date over which the District has no control and which are not included in the financial statements are as follows:

	Balance 1-Jul-09 \$	Amounts Received \$	Amounts Paid (\$)	Balance 30-Jun-10 \$
Building Training Levy	3,615	317,002	(319,329)	1,288
Community Appeals	1,000	0	0	1,000
Nomination Deposits	0	0	0	0
Cash in Lieu of P.O.S. **	0	1,303,861	(13,700)	1,290,161
Sundry Other Trusts	70,377	96,025	(99,229)	67,173
	<u>74,992</u>	<u>1,716,888</u>	<u>(432,258)</u>	<u>1,359,622</u>

** Change in accounting policy during the year whereby Cash in Lieu of P.O.S. balance was transferred from Municipal account to Trust.

21. DISPOSALS OF ASSETS - 2009/10 FINANCIAL YEAR

The following assets were disposed of during the year.

By Function / Activity:-

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
General Purpose Funding	0	0	1	0	1	0
Governance	18,090	7,900	28,190	20,000	10,100	12,100
Law, Order, Public Safety	40,204	42,800	47,629	47,000	7,425	4,200
Health	27,790	0	24,082	0	(3,708)	0
Education and Welfare	0	0	0	0	0	0
Housing	0	0	0	0	0	0
Community Amenities	43,843	229,500	45,155	133,500	1,312	(96,000)
Recreation and Culture	80,962	58,700	126,202	120,500	45,240	61,800
Transport	134,385	175,200	176,622	212,700	42,237	37,500
Economic Services	355,753	37,100	86,638	42,000	(269,115)	4,900
Other Property and Services	23,754	19,100	48,816	42,000	25,062	22,900
	<u>724,781</u>	<u>570,300</u>	<u>583,334</u>	<u>617,700</u>	<u>(141,447)</u>	<u>47,400</u>

By Asset Class:-

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Land & Buildings	278,934	0	0	0	(278,934)	0
Plant & Equipment	432,289	570,300	569,115	617,700	136,826	47,400
Furniture & Equipment	13,558	0	14,219	0	661	0
Infrastructure	0	0	0	0	0	0
	<u>724,781</u>	<u>570,300</u>	<u>583,334</u>	<u>617,700</u>	<u>(141,447)</u>	<u>47,400</u>

SHIRE OF BUSSELTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

22. INFORMATION ON BORROWINGS

(a) Debenture Repayments

Particulars	Principal 1/07/09	New Loans Budget	New Loans Actual	Interest Repayments		Principal Repayments		Principal 30/06/10	
				Actual	Budget	Actual	Budget	Actual	Budget
Education & Welfare									
Loan #188 Busselton Senior Citizens	138,927	0	0	6,644	6,644	32,073	32,073	106,854	106,854
Community Amenities									
Loan #189 Townscape	1,102,072	0	0	61,828	61,828	206,191	206,191	895,881	895,881
Recreation & Culture									
Loan #177 Geographe Bay Yacht Club (x)	10,545	0	0	747	747	10,545	10,545	0	0
Loan #179 Busselton Tennis Club (x)	33,163	0	0	1,697	1,697	6,678	6,678	26,485	26,485
Loan #184 Bsn Jetty Committee (x)	83,867	0	0	5,500	5,500	10,611	10,611	73,256	73,256
Loan #186 Busselton Jetty Committee (x)	324,357	0	0	17,732	17,732	34,316	34,316	290,041	290,041
Loan #187 Naturaliste Community Centre	83,551	0	0	4,151	4,151	20,643	20,643	62,908	62,908
Loan #192 Busselton Tennis Club (x)	58,915	0	0	3,292	3,292	4,218	4,218	54,697	54,697
Loan #193 Hockey Club (x)	63,860	0	0	3,540	3,540	16,933	16,933	46,927	46,927
Loan #194 Hockey Club (x)	17,999	0	0	804	804	17,999	17,999	0	0
Loan #195 Dunsborough District Country Club (x)	252,858	0	0	16,550	16,550	24,677	24,677	228,181	228,181
Loan #196 Dunsborough Bay Yacht Club (Inc) (x)	0	0	25,000	698	0	981	0	24,019	0
Loan #197 Dunsborough Oval	0	1,600,000	1,600,000	7,712	44,378	45,349	60,646	1,554,651	1,539,354
Loan #198 Jetty Construction	0	2,100,000	2,100,000	10,122	58,247	59,522	79,598	2,040,478	2,020,402
Loan #xxx GLC Additions	0	600,000	0	0	16,642	0	22,742	0	577,258
Economic Services									
Loan #178 Cape Naturaliste Tourist Ass;n (x)	33,945	0	0	2,651	2,651	16,179	16,179	17,766	17,766
Loan #182 Cape Naturaliste Tourist Ass;n (x)	59,168	0	0	3,554	3,554	14,386	14,386	44,782	44,782
Loan #190 Cape Nauraliste Tourist Ass;n (x)	113,381	0	0	6,682	6,682	21,144	21,143	92,237	92,238
Other Property & Services									
Loan #xxx Reserve Acquisitions	0	500,000	0	0	13,868	0	18,952	0	481,048
Total - Council and Self supporting Loans	2,376,608	4,800,000	3,725,000	153,904	268,507	542,445	618,530	5,559,163	6,558,078
Loans Breakdown									
<i>Council Loans</i>	1,324,550	4,800,000	3,700,000	90,457	205,758	363,778	440,845	4,660,772	5,683,705
<i>Self Supporting Loans</i>	1,052,058	0	25,000	63,447	62,749	178,667	177,685	898,391	874,373
Total - Council and Self supporting Loans	2,376,608	4,800,000	3,725,000	153,904	268,507	542,445	618,530	5,559,163	6,558,078

(x) Self supporting loan financed by payments from third parties. All other loan repayments were financed by general purpose income.

SHIRE OF BUSSELTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

22. INFORMATION ON BORROWINGS (Continued)

(b) New Debentures - 2009/10

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges	Interest Rate %	Amount Used		Balance Unspent
	Actual \$	Budget \$						Actual \$	Budget \$	
Loan #196 Dunsborough Bay Yacht Club (Inc)	25,000	0	WA Treasury	Debenture	10	33,587	6.16%	25,000	0	0
Loan #197 Dunsborough Oval	1,600,000	1,600,000	WA Treasury	Debenture	10	2,122,443	6.05%	762,652	1,600,000	837,348
Loan #198 Jetty Construction	2,100,000	2,100,000	WA Treasury	Debenture	10	2,785,707	6.05%	0	2,100,000	2,100,000

(c) Unspent Debentures

Particulars	Date Borrowed	Balance 1-Jul-09 \$	Borrowed During Year \$	Expended During Year \$	Balance 30-Jun-10 \$
Loan #189 Townscape Works	01.04.04	171,844	0	29,386	142,458
Loan #197 Dunsborough Oval	01.06.10	0	1,600,000	762,652	837,348
Loan #198 Busselton Jetty Reconstruction	01.06.10	0	2,100,000	0	2,100,000
		171,844	3,700,000	792,038	3,079,806

(d) Overdraft

Council has not utilised an overdraft facility during the financial year 2009/10
The balance of actual bank overdraft as at 1 July 2009 and 30 June 2010 was \$Nil.

SHIRE OF BUSSELTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

23. RATING INFORMATION - 2009/10 FINANCIAL YEAR

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Total Revenue \$
Differential General Rate									
GRV - Residential/Industrial/Commercial	8.4930	10,952	183,597,614	15,592,894	0	15,592,894	15,592,894	0	15,592,894
GRV - Residential/Industrial/Commercial Vacant Land	6.3697	1,302	43,332,220	2,760,127	0	2,760,127	2,760,127	0	2,760,127
UV - Primary Production	0.2155	899	910,360,000	1,961,824	0	1,961,824	1,961,824	0	1,961,824
UV - Rural	0.2078	1,495	903,282,000	1,877,014	0	1,877,014	1,877,014	0	1,877,014
UV - Commercial	0.4156	116	94,691,000	393,535	0	393,535	393,535	0	393,535
Interim Rates			58,679,609	0	162,888	162,888	10,937	0	10,937
Sub-Totals		14,764	2,193,942,443	22,585,393	162,888	22,748,282	22,596,331	0	22,596,331
Minimum Rates	Minimum \$								
GRV - Residential/Industrial/Commercial	822	2,275	18,294,506	1,870,050	0	1,870,050	1,870,050	0	1,870,050
GRV - Residential/Industrial/Commercial Vacant Land	773	1,281	11,019,092	990,213	0	990,213	990,213	0	990,213
UV - Primary Production	822	219	60,414,500	180,018	0	180,018	180,018	0	180,018
UV - Rural	822	1,304	286,277,000	1,071,888	0	1,071,888	1,071,888	0	1,071,888
UV - Commercial	822	58	1,321,435	47,676	0	47,676	47,676	0	47,676
Sub-Totals		5,137	377,326,533	4,159,845	0	4,159,845	4,159,845	0	4,159,845
Specified Area Rate (refer note 24)						26,908,127			26,756,176
						396,067			394,764
						27,304,194			27,150,940
Back Rates Levied / Prior Period Adj (refer note 26)						46,594			40,500
Totals						27,350,788			27,191,440

SHIRE OF BUSSELTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

24. SPECIFIED AREA RATE - 2009/10 FINANCIAL YEAR

	Rate in \$	Basis of Rate	Rateable Value \$	Rate Revenue \$	Budget Rate Revenue \$	Applied to Costs \$	Budget Applied to Costs \$
Port Geographe Rate							
- Rate	1.2081	GRV	13,904,418	167,976	167,976	167,976	167,976
- Interim Rate				50	0	50	0
- Back Rate							
				168,026	167,976	168,026	167,976

	Rate in \$	Basis of Rate	Rateable Value \$	Rate Revenue \$	Budget Rate Revenue \$	Applied to Costs \$	Budget Applied to Costs \$
Busselton CBD							
- Rate	0.8493	GRV	18,653,476	158,423	158,423	158,423	158,423
- Interim Rate				25	0	25	0
- Back Rate							
				158,448	158,423	158,448	158,423

	Rate in \$	Basis of Rate	Rateable Value \$	Rate Revenue \$	Budget Rate Revenue \$	Applied to Costs \$	Budget Applied to Costs \$
Provence							
- Rate	0.0711	UV	82,311,000	67,965	67,965	67,965	67,965
- Rate	0.6900	GRV	131,000	400	400	400	400
- Interim Rate				1,228	0	1,228	0
- Back Rate							
				69,593	68,365	69,593	68,365

The Purpose of the Specified Area Rates is disclosed in note 12 "Purpose of Reserve"

25. SERVICE CHARGES - 2009/10 FINANCIAL YEAR

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

SHIRE OF BUSSELTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

26. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS
- 2009/10 FINANCIAL YEAR

	Type	Disc %	Total Cost/ Value \$	Budget Cost/ Value \$
Back Rates Levied / Prior Period Adj	Adjustment	0	48,082	40,500
Write-offs	Write-off	0	(1,488)	0

27. INTEREST CHARGES AND INSTALMENTS - 2009/10 FINANCIAL YEAR

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates	11.00%	0.00	150,347	103,400
Interest on Instalments Plan	5.50%	0.00	128,075	131,400
Charges on Instalment Plan	0.00%	2.20	45,022	40,500
			<u>323,444</u>	<u>275,300</u>

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

Option 1 (Full Payment)

Full amount of rates and charges including arrears to be paid on or before 19 October 2009 or 35 days after the date of service appearing on the rate notice whichever is the later.

Option 2 (4 Instalments)

First instalment to be received on or before 19 October 2009 or 35 days after the date of service appearing on the rate notice whichever is the later and including all arrears and service charges and one quarter of the current rates. The second, third and fourth instalments of the current rates are to be made on or before 21 December 2009, 22 February 2010 and 26 April 2010 respectively.

28. FEES & CHARGES	2010 \$	2009 \$
General Purpose Funding	73,878	52,617
Governance	246	1,055
Law, Order, Public Safety	102,980	83,733
Health	74,450	55,530
Education and Welfare	4,136	4,000
Housing	301,922	280,696
Community Amenities	3,936,813	3,654,695
Recreation and Culture	1,310,460	1,347,183
Transport	130,281	372,858
Economic Services	1,616,095	1,413,371
Other Property and Services	73,245	112,967
	<u>7,624,506</u>	<u>7,378,705</u>

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

SHIRE OF BUSSELTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

29. GRANT REVENUE	2010	2009
	\$	\$
By Nature and Type:		
Operating Grants, Subsidies and Contributions	3,028,276	3,566,740
Non-Operating Grants, Subsidies and Contributions	<u>21,143,263</u>	<u>11,393,138</u>
	<u><u>24,171,539</u></u>	<u><u>14,959,878</u></u>
By Program:		
General Purpose Funding	1,801,792	2,509,658
Governance	249,880	107,721
Law, Order, Public Safety	389,519	264,640
Health	9,755	5,079
Education and Welfare	3,761	1,843
Housing	13,917	1,138
Community Amenities	166,969	411,429
Recreation and Culture	18,987,913	4,885,208
Transport	2,090,283	6,535,991
Economic Services	65,190	30,907
Other Property and Services	<u>392,560</u>	<u>206,264</u>
	<u><u>24,171,539</u></u>	<u><u>14,959,878</u></u>

30. COUNCILLORS' REMUNERATION	2010	2010	2009
	\$	Budget	\$
		\$	
The following fees, expenses and allowances were paid to council members and/or the president.			
Elected Members Allowances - President & Deputy	37,784	38,840	37,500
Elected Members Sitting Fees	92,877	98,000	91,194
Elected Members Travelling Allowance - Councillors Meetings	15,542	20,000	14,262
Elected Members Communication Allowance	29,678	35,237	31,633
Elected Members Other Allowance	<u>6,141</u>	<u>14,000</u>	<u>6,086</u>
	<u><u>182,022</u></u>	<u><u>206,077</u></u>	<u><u>180,675</u></u>

31. EMPLOYEE NUMBERS	2010	2009
The number of full-time equivalent employees at balance date	<u><u>235</u></u>	<u><u>241</u></u>

32. MAJOR LAND TRANSACTIONS

Council did not participate in any major land transactions during the 2009/10 financial year pursuant to S3.59 of the Local Government Act and Part 3 of the Local Government Functions and General Regulations.

33. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

Council did not participate in any trading undertakings or major trading undertakings during the 2009/10 financial year.

SHIRE OF BUSSELTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

34. FINANCIAL RISK MANAGEMENT

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

Council 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 Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2010	2009	2010	2009
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	34,305,862	17,067,381	34,305,862	17,067,381
Receivables	3,370,774	3,262,483	3,370,774	3,262,483
Financial assets at fair value through profit or loss	<u>235,150</u>	<u>11,598,217</u>	<u>235,150</u>	<u>11,598,217</u>
	<u><u>37,911,786</u></u>	<u><u>31,928,081</u></u>	<u><u>37,911,786</u></u>	<u><u>31,928,081</u></u>
Financial Liabilities				
Payables	1,599,251	2,047,334	1,599,251	2,047,334
Borrowings	<u>5,559,164</u>	<u>2,376,608</u>	<u>5,067,992</u>	<u>2,205,240</u>
	<u><u>7,158,415</u></u>	<u><u>4,423,942</u></u>	<u><u>6,667,243</u></u>	<u><u>4,252,574</u></u>

Fair value is determined as follows:

- Cash and Cash Equivalents, Receivables, Payables – estimated to the carrying value which approximates net market value.
- Borrowings – estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.
- Financial assets at fair value through profit and loss, Available for sale financial assets - based on quoted market prices at the reporting date or independent valuation.

SHIRE OF BUSSELTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

34. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

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

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

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

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

Council manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees. Council also seeks advice from independent advisers (where applicable) before placing any cash and investments.

	30-Jun-10	30-Jun-09
	\$	\$
Impact of a 10% (*) movement in price of investments:		
- Equity	23,515	1,159,822
- Income Statement	23,515 (+)	1,159,822 (+)
Impact of a 1% (*) movement in interest rates on cash and investments:		
- Equity	2,698	35,269
- Income Statement	2,698	35,269

Notes:

(*) Sensitivity percentages based on management's expectation of future possible market movements.

Recent market volatility has seen large market movements for certain types of investments.

**SHIRE OF BUSSELTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

34. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

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

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

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

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

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

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

	30-Jun-10	30-Jun-09
Percentage of Rates and Annual Charges		
- Current	37.20%	20.35%
- Overdue	62.80%	79.65%
Percentage of Other Receivables		
- Current	95.94%	94.16%
- Overdue	4.06%	5.84%

SHIRE OF BUSSELTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

34. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables
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. Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required.

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

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2010</u>					
Payables	1,599,251	0	0	1,599,251	1,599,251
Borrowings	1,036,044	3,461,722	2,561,862	7,059,628	5,559,164
	<u>2,635,295</u>	<u>3,461,722</u>	<u>2,561,862</u>	<u>8,658,879</u>	<u>7,158,415</u>
<u>2009</u>					
Payables	2,047,334	0	0	2,047,334	2,047,334
Borrowings	571,964	1,909,991	332,282	2,814,237	2,376,608
	<u>2,619,298</u>	<u>1,909,991</u>	<u>332,282</u>	<u>4,861,571</u>	<u>4,423,942</u>

SHIRE OF BUSSELTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

34. FINANCIAL RISK MANAGEMENT (Continued)

(c) Borrowings (Continued)

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs. Council manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation.

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

	<u><1 year</u>	<u>>1<2 years</u>	<u>>2<3 years</u>	<u>>3<4 years</u>	<u>>4<5 years</u>	<u>>5 years</u>	<u>Total</u>	<u>Weighted Average Effective Interest Rate</u>
	\$	\$	\$	\$	\$	\$	\$	%
<u>Year Ended 30 June 2010</u>								
Borrowings								
Fixed Rate								
Debentures	17,766	0	261,468	1,014,605	646,177	3,619,148	5,559,164	6.08%
Weighted Average Effective Interest Rate	9.47%	0.00%	5.65%	6.17%	6.22%	6.05%		
<u>Year Ended 30 June 2009</u>								
Borrowings								
Fixed Rate								
Debentures	28,544	33,945	0	345,504	1,248,617	719,999	2,376,609	6.17%
Weighted Average Effective Interest Rate	7.18%	9.47%	0.00%	5.65%	6.17%	6.22%		

**SHIRE OF BUSSELTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

35. SUBSEQUENT EVENTS

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



**INDEPENDENT AUDIT REPORT
TO THE ELECTORS OF THE SHIRE OF BUSSELTON**

Scope

The Financial Report and Council's Responsibility

The financial report comprises the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, rate setting statement and accompanying notes to the financial statements for the Shire of Busselton for the year ended 30 June 2010.

Council is responsible for the preparation and fair presentation of the financial report in accordance with the Local Government Act 1995 (as amended) and Accounting Standards. This includes responsibility for the maintenance of adequate financial records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We have conducted an independent audit in order to express an opinion to the electors of the Shire of Busselton. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Local Government Act 1995 Part 6 and Australian Accounting Standards so as to present a view which is consistent with our understanding of the Shire of Busselton's financial position, the results of its operations, its changes in equity and its cash flows.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates made by the Council.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

The audit opinion expressed in this report has been formed on the above basis.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

Audit Opinion

In our opinion, the financial report presents fairly in accordance with the requirements of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended), applicable Accounting Standards and other mandatory professional reporting requirements, the financial position of the Shire of Busselton as at 30 June 2010 and the results of its operations, its changes in equity and its cash flows for the year then ended.

PARTNERS

Clifton M Anderson FCA, JP	Stuart Fricker CPA, GAICD
Stephen FJ Down CA	Tim Partridge FCA
Shaun G O'Callaghan CA	Dean Rob CA
Peter Manolas CPA (Master of Taxation Law)	

ASSOCIATES

Maria Cavallo CA	Steven Cluning CA
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Bunbury Head Office

Unit 1, 28-30 Wellington Street,
PO Box 1306, Bunbury, WA 6231
Telephone: (08) 9780 7555
Facsimile: (08) 9721 8982

Mandurah Office

197 Mandurah Terrace,
PO Box 4250, Mandurah North, WA 6210
Telephone: (08) 9535 5889
Facsimile: (08) 9535 8840

www.amdonline.com.au

Email: amd@amdonline.com.au

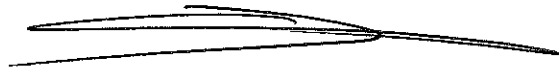
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Professional Standards Legislation

Other Matters

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

- a) There are no material matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Shire of Busselton.
- b) There are not other matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law were noted during the course of our audit.
- c) All necessary information and explanations were obtained by us.
- d) All audit procedures were satisfactorily completed during our audit.

AMD Chartered Accountants



TIM PARTRIDGE
Partner

Bunbury, Western Australia

Dated this 7th day of October 2010