



City of Busselton

Geographe Bay

Financial Report

For the year ended

30 June 2013

City of Busselton
Financial Report
For the Year Ended 30th June 2013

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City of Busselton

Financial Report

For the Year Ended 30th June 2013

LOCAL GOVERNMENT ACT 1995

LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the City of Busselton being the annual financial report and supporting notes and other information for the financial year ended 30th June 2013 are in my opinion properly drawn up to present fairly the financial position of the City of Busselton at 30th June 2013 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 3rd day of October 2013



Mike Archer
Chief Executive Officer

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Statement of Comprehensive Income by Nature or Type

	Note	2013 Actual \$	2013 Budget \$	2012 Actual \$
<u>REVENUE</u>				
Rates	24	31,449,630	31,394,843	29,693,215
Operating Grants, Subsidies and Contributions	30	6,403,843	3,161,531	5,106,374
Fees and Charges	29	11,987,561	11,222,190	9,068,263
Interest Earnings	2(a)	2,331,951	2,590,000	3,220,035
Other Revenue		945,853	815,315	464,029
		53,118,838	49,183,879	47,551,916
<u>EXPENSES</u>				
Employee Costs		(22,225,010)	(22,230,287)	(20,554,327)
Materials and Contracts		(13,687,183)	(12,288,645)	(12,365,499)
Utility Charges		(2,017,256)	(2,040,074)	(1,682,740)
Depreciation on Non-Current Assets	2(a)	(9,651,499)	(9,141,860)	(8,261,752)
Loss on Redemption of Financial Assets	4	0	0	(10,075)
Interest Expenses	2(a)	(248,768)	(275,721)	(289,461)
Insurance Expenses		(652,286)	(656,942)	(600,730)
Other Expenditure		(2,696,748)	(760,450)	(279,191)
		(51,178,750)	(47,393,979)	(44,043,775)
		1,940,088	1,789,900	3,508,141
Non-Operating Grants, Subsidies and Contributions	30	13,335,147	22,042,582	8,200,267
Fair value adjustments to assets through profit or loss	2(a)	(1,068,568)	0	0
Profit on Asset Disposals	22	67,413	56,834	164,962
Loss on Asset Disposals	22	(179,975)	(161,017)	(96,044)
		12,154,017	21,938,399	8,269,185
NET RESULT		14,094,105	23,728,299	11,777,326
Other Comprehensive Income				
Change on revaluation of non-current assets	14	196,941	0	0
Total Other Comprehensive Income		196,941	0	0
TOTAL COMPREHENSIVE INCOME		14,291,046	23,728,299	11,777,326

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

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Statement of Comprehensive Income by Program

	Note	2013 Actual \$	2013 Budget \$	2012 Actual \$
Revenue				
General Purpose Funding		36,457,885	35,680,829	35,450,450
Governance		262,851	77,637	649,143
Law, Order & Public Safety		671,652	462,850	471,922
Health		199,306	147,496	192,071
Education and Welfare		2,678	2,896	3,049
Housing		387,453	392,940	366,592
Community Amenities		7,492,754	6,886,195	5,135,706
Recreation and Culture		3,022,663	2,859,145	1,891,751
Transport		2,526,813	705,767	1,460,398
Economic Services		1,752,064	1,770,591	1,614,623
Other Property and Services		342,719	197,533	316,211
		<u>53,118,838</u>	<u>49,183,879</u>	<u>47,551,916</u>
Expenses Excluding Finance Costs				
General Purpose Funding		(849,146)	(886,918)	(1,027,793)
Governance		(6,357,120)	(4,707,735)	(4,122,713)
Law, Order & Public Safety		(2,227,368)	(2,052,078)	(1,917,619)
Health		(975,642)	(1,035,126)	(897,672)
Education and Welfare		(214,204)	(221,276)	(216,065)
Housing		(257,906)	(310,989)	(300,935)
Community Amenities		(10,321,046)	(9,686,108)	(8,227,076)
Recreation and Culture		(12,478,290)	(12,240,927)	(10,724,863)
Transport		(13,992,287)	(12,293,130)	(12,335,214)
Economic Services		(3,086,533)	(3,215,270)	(3,011,385)
Other Property and Services		(1,239,008)	(468,701)	(972,979)
		<u>(51,998,550)</u>	<u>(47,118,258)</u>	<u>(43,754,314)</u>
Finance Costs				
	2(a)			
Education and Welfare		(1,233)	(1,233)	(3,131)
Community Amenities		(20,315)	(20,315)	(35,007)
Recreation and Culture		(220,188)	(247,141)	(243,078)
Economic Services		(7,032)	(7,032)	(8,245)
		<u>(248,768)</u>	<u>(275,721)</u>	<u>(289,461)</u>
Non-Operating Grants, Subsidies & Contributions				
	30			
Governance		1,726	0	0
Law, Order & Public Safety		684,762	1,030	481,562
Health		2,381	0	1,446
Housing		8,000	0	0
Community Amenities		140,000	1,851,000	20,000
Recreation and Culture		6,057,812	12,164,230	5,192,274
Transport		6,428,466	8,026,322	2,475,422
Economic Services		12,000	0	0
Other Property and Services		0	0	29,563
		<u>13,335,147</u>	<u>22,042,582</u>	<u>8,200,267</u>
Profit / (Loss) on Disposal of Assets				
	22			
General Purpose Funding		10	0	0
Governance		4,202	20,199	(8,148)
Law, Order & Public Safety		22,881	(3,817)	10,485
Health		13	0	(352)
Education and Welfare		0	0	(2,288)
Housing		(1,258)	0	(16)
Community Amenities		(116,949)	(110,884)	23,985
Recreation and Culture		(1,275)	0	6,369
Transport		(4,149)	(3,287)	14,332
Economic Services		(4,355)	1,372	0
Other Property and Services		(11,682)	(7,766)	24,551
		<u>(112,562)</u>	<u>(104,183)</u>	<u>68,918</u>
NET RESULT				
Change on revaluation of non-current assets	14	196,941	0	0
TOTAL COMPREHENSIVE INCOME		<u>14,291,046</u>	<u>23,728,299</u>	<u>11,777,326</u>

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

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Statement of Financial Position

	Note	2013 Actual \$	2012 Actual \$
CURRENT ASSETS			
Cash and Cash Equivalents	3	44,514,021	45,773,663
Investments	4	0	0
Trade and Other Receivables	5	4,096,912	3,151,133
Inventories	6	123,501	133,355
TOTAL CURRENT ASSETS		48,734,434	49,058,151
NON-CURRENT ASSETS			
Other Receivables	5	494,946	753,911
Property, Plant and Equipment	7	41,036,828	37,174,043
Infrastructure	8	249,802,424	238,929,140
TOTAL NON-CURRENT ASSETS		291,334,198	276,857,094
TOTAL ASSETS		340,068,632	325,915,245
CURRENT LIABILITIES			
Trade and Other Payables	10	5,711,512	5,735,245
Current Portion of Long Term Borrowings	11	662,150	775,353
Provisions	12	3,084,674	2,851,095
TOTAL CURRENT LIABILITIES		9,458,336	9,361,693
NON-CURRENT LIABILITIES			
Long Term Borrowings	11	3,217,438	3,521,035
Provisions	12	479,087	409,792
TOTAL NON-CURRENT LIABILITIES		3,696,525	3,930,827
TOTAL LIABILITIES		13,154,861	13,292,520
NET ASSETS		326,913,771	312,622,725
EQUITY			
Retained Surplus		298,329,958	285,495,082
Reserves – Cash Backed	13	28,386,872	27,127,643
Revaluation Surplus	14	196,941	0
TOTAL EQUITY		326,913,771	312,622,725

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

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Statement of Changes in Equity

	Retained Surplus	Reserves Cash Backed	Revaluation Surplus	Total Equity
Note	\$	\$	\$	\$
Balance as at 1 July 2011	276,977,211	23,868,188	0	300,845,399
Changes in Accounting Policy	0	0	0	0
Correction of Errors	0	0	0	0
Restated Balance	276,977,211	23,868,188	0	300,845,399
<u>Comprehensive Income</u>				
Net Result	11,777,326	0	0	11,777,326
Changes on Revaluation of Non-Current Assets	0	0	0	0
Total Other Comprehensive Income	11,777,326	0	0	11,777,326
Transfer from / (to) Reserves	(3,259,455)	3,259,455	0	0
Balance as at 30 June 2012	285,495,082	27,127,643	0	312,622,725
<u>Comprehensive Income</u>				
Net Result	14,094,105	0	0	14,094,105
Changes on Revaluation of Non-Current Assets	0	0	196,941	196,941
Total Other Comprehensive Income	14,094,105	0	196,941	14,291,046
Transfer from / (to) Reserves	(1,259,229)	1,259,229	0	0
Balance as at 30 June 2013	298,329,958	28,386,872	196,941	326,913,771

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

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Statement of Cash Flows

	Note	2013 Actual \$	2013 Budget \$	2012 Actual \$
Cash Flows from Operating Activities				
Receipts				
Rates		31,313,761	31,470,724	29,571,119
Operating Grants, Subsidies and Contributions		6,080,175	3,161,675	5,003,707
Fees & Charges		11,663,146	11,221,562	9,008,675
Interest Earnings		2,331,951	2,590,000	3,220,035
Goods and Services Tax		5,829,526	0	3,950,977
Other Revenue		873,583	815,601	858,241
		<u>58,092,142</u>	<u>49,259,562</u>	<u>51,612,754</u>
Payments				
Employee Costs		(21,921,052)	(22,143,259)	(20,126,125)
Materials and Contracts		(13,563,933)	(12,939,133)	(11,400,045)
Utility Charges		(2,017,256)	(2,040,074)	(1,682,740)
Insurance Expenses		(652,286)	(656,942)	(600,730)
Interest Expenses		(248,768)	(275,721)	(289,461)
Goods and Services Tax		(5,498,064)	0	(5,282,320)
Other Expenditure		(3,118,104)	(740,252)	(770,953)
		<u>(47,019,463)</u>	<u>(38,795,381)</u>	<u>(40,152,374)</u>
Net Cash Provided by Operating Activities	15(b)	<u>11,072,679</u>	<u>10,464,181</u>	<u>11,460,380</u>
Cash Flows from Investing Activities				
Payment for Purchase of Prop, Plant & Equip		(7,999,074)	(9,868,493)	(7,756,667)
Payment for Construction of Infrastructure		(15,872,263)	(35,807,666)	(16,381,427)
Advances to Community Groups		0	0	(100,000)
Non-Operating Grants, Subsidies and Contributions used for the Development of Assets		11,066,130	20,337,408	6,952,865
Proceeds from Sale of Assets		558,216	561,000	1,241,935
Proceeds from Sale of Investments		0	0	112,193
		<u>(12,246,991)</u>	<u>(24,777,751)</u>	<u>(15,931,101)</u>
Cash Flows from Financing Activities				
Repayment of Debentures		(950,006)	(815,406)	(810,584)
Proceeds from Self Supporting Loans		331,470	156,817	222,096
Proceeds from New Debentures		533,206	5,105,706	100,000
		<u>(85,330)</u>	<u>4,447,117</u>	<u>(488,488)</u>
Net Increase (Decrease) in Cash Held		(1,259,642)	(9,866,453)	(4,959,209)
Cash at Beginning of Year		45,773,663	45,773,663	50,732,872
Cash and Cash Equivalents at the End of the Year	15 (a)	<u><u>44,514,021</u></u>	<u><u>35,907,210</u></u>	<u><u>45,773,663</u></u>

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

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Rate Setting Statement

	Note	2013 Actual \$	2013 Budget \$	2012 Actual \$
REVENUE				
General Purpose Funding		5,347,462	4,612,025	5,757,235
Governance		277,737	97,836	649,179
Law, Order & Public Safety		1,380,752	463,880	968,469
Health		201,699	147,496	193,585
Education and Welfare		2,678	2,896	3,049
Housing		395,453	392,940	366,592
Community Amenities		7,632,800	8,737,195	5,189,699
Recreation and Culture		9,084,400	15,023,375	7,109,958
Transport		8,977,333	8,765,826	3,998,730
Economic Services		1,764,624	1,773,051	1,614,623
Other Property and Services		346,026	197,971	372,810
		35,410,964	40,214,491	26,223,929
EXPENSES				
General Purpose Funding		(849,146)	(886,918)	(1,027,793)
Governance		(6,366,077)	(4,707,735)	(4,130,896)
Law, Order & Public Safety		(2,228,824)	(2,055,895)	(1,922,119)
Health		(975,642)	(1,035,126)	(898,093)
Education and Welfare		(215,437)	(222,509)	(221,484)
Housing		(259,163)	(310,989)	(300,950)
Community Amenities		(10,458,356)	(9,817,307)	(8,272,091)
Recreation and Culture		(12,703,678)	(12,488,068)	(10,987,505)
Transport		(14,018,491)	(12,330,154)	(12,383,792)
Economic Services		(3,098,481)	(3,223,390)	(3,019,629)
Other Property and Services		(1,253,997)	(476,905)	(975,466)
		(52,427,292)	(47,554,996)	(44,139,818)
Net Result Excluding Rates		(17,016,328)	(7,340,505)	(17,915,889)
Adjustments for Cash Budget Requirements				
Non-Cash Expenditure and Revenue				
(Profit) / Loss on Asset Disposal	22	112,562	104,183	(68,918)
Movement in Assets due to Changes in Regulations		1,068,568	0	0
Movement in Deferred Pensioner Rates		(3,612)	0	(8,438)
Movement in Deposits and Bonds		(184,010)	0	(323,528)
Movement in Employee Benefit Provisions		302,874	27,252	331,540
Movement in Non-Cash Contributions	15(e)	(2,046,335)	(1,750,000)	(1,207,145)
Depreciation on Assets	2(a)	9,651,499	9,141,860	8,261,752
Capital Expenditure and Revenue				
Purchase of Land and Buildings	7	(4,738,314)	(6,188,068)	(3,340,976)
Purchase of Plant and Equipment	7	(2,397,097)	(2,940,469)	(3,434,186)
Purchase of Furniture and Fittings	7	(875,965)	(939,961)	(1,079,653)
Purchase of Infrastructure Assets	8	(15,872,262)	(36,057,666)	(16,381,427)
Proceeds from Disposal of Assets	22	558,216	561,000	1,241,935
Repayment of Debentures	23(a)	(950,006)	(815,406)	(810,584)
Proceeds from New Debentures	23(a)	533,206	5,105,706	100,000
Advances to Community Groups	23(a)	0	0	(100,000)
Self Supporting Loan Principal Income		331,470	156,817	222,097
Transfers to Reserves / Restricted Assets		(14,017,304)	(7,676,153)	(11,092,394)
Transfers from Reserves / Restricted Assets		14,716,496	16,099,683	13,912,833
ADD : Estimated Surplus / (Deficit) July 1 B/Fwd	24(b)	1,442,923	1,442,923	3,442,689
LESS : Estimated Surplus / (Deficit) June 30 C/Fwd	24(b)	1,727,014	0	1,442,923
		(31,110,433)	(31,068,804)	(29,693,215)
Amount Required to be Raised from Rates	24(a)	(31,110,433)	(31,068,804)	(29,693,215)

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

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

1. Significant Accounting Policies

The significant accounting policies which have been adopted in the preparation of this financial report are presented below and have been consistently applied unless stated otherwise.

(a) Basis of Preparation

The financial report is a general purpose financial statement which has been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1995 and accompanying regulations.

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

Critical Accounting Estimates

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

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

(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. A separate statement of those monies appears at Note 21 to these financial statements.

(c) Goods and Services Tax

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

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

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

(d) Cash and Cash Equivalents

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

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

1. Significant Accounting Policies (Continued)

(d) Cash and Cash Equivalents (Continued)

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

(e) Trade and Other Receivables

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

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

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

(f) Inventories

General

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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, borrowing costs and holding costs until completion of development. Finance costs and holding charges incurred after development is completed are expensed.

Gains and losses are recognised in the statement of comprehensive income at the time of signing an unconditional contract of sale if significant risks and rewards, and effective control over the land, are passed on to the buyer at this point.

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

(g) Fixed Assets

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

Mandatory Requirement to Revalue Non-Current Assets

Effective from 1 July 2012, the Local Government (Financial Management) Regulations were amended and the measurement of non-current assets at Fair Value became mandatory.

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

1. Significant Accounting Policies (Continued)

(g) Fixed Assets (Continued)

Mandatory Requirement to Revalue Non-Current Assets (Continued)

The amendments allow for a phasing in of fair value in relation to fixed assets over three years as follows:

(a) For the financial year ending on 30 June 2013, the fair value of all of the assets of the local government that are plant and equipment; and

(b) For the financial year ending on 30 June 2014, the fair value of all of the assets of the local government –

(i) That are plant and equipment; and

(ii) That are –

(I) land and buildings; or

(II) Infrastructure;

And

(c) For a financial year ending on or after 30 June 2015, the fair value of all of the assets of the local government.

Thereafter, in accordance with the regulations, each asset class must be re-valued at least every 3 years.

Council has commenced the process of adopting Fair Value in accordance with the Regulations.

Relevant disclosures, in accordance with the requirements of Australian Accounting Standards, have been made in the financial report as necessary.

Land under Control

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

Upon initial recognition, these assets were recorded at cost in accordance with AASB 116. Whilst they were initially recorded at cost, fair value at the date of acquisition was deemed cost as per AASB 116.

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

1. Significant Accounting Policies (Continued)

(g) Fixed Assets (Continued)

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 by the Council includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in the statement of comprehensive income in the period in which they are incurred.

Revaluation

When performing a revaluation, the Council uses a mix of both independent and management valuations using the following as a guide:

Re-valued assets are carried at their fair value being the price that would be received to sell the asset, in an orderly transaction between market participants at the measurement date (Level 1 inputs in the fair value hierarchy).

For land and buildings, fair value will be determined based on the nature of the asset class. For land and non-specialised buildings, fair value is determined on the basis of observable open market values of similar assets, adjusted for conditions and comparability at their highest and best use (Level 2 inputs in the fair value hierarchy).

With regards to specialised buildings, fair value is determined having regard for current replacement cost and both observable and unobservable costs. These include construction costs based on recent contract prices, current condition (observable Level 2 inputs in the fair value hierarchy), residual values and remaining useful life assessments (unobservable Level 3 inputs in the fair value hierarchy).

For infrastructure and other asset classes, fair value is determined to be the current replacement cost of an asset (Level 2 inputs in the fair value hierarchy) less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset (Level 3 inputs in the fair value hierarchy).

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

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the re-valued amount of the asset.

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

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

1. Significant Accounting Policies (Continued)

(g) Fixed Assets (Continued)

Revaluation (Continued)

In addition, the amendments to the Financial Management Regulations mandating the use of Fair Value impose a further minimum of 3 years revaluation requirement. As a minimum, all assets carried at a re-valued amount, will be re-valued at least every 3 years.

Transitional Arrangement

During the time it takes to transition the carrying value of non-current assets from the cost approach to the fair value approach, the Council may still be utilising both methods across differing asset classes.

Those assets carried at cost will be carried in accordance with the policy detailed in the Initial Recognition section as detailed above.

Those assets carried at fair value will be carried in accordance with the Revaluation Methodology section as detailed above.

Early Adoption of AASB 13 – Fair Value Measurement

Whilst the new accounting standard in relation to Fair Value, AASB 13 – Fair Value Measurement does not become applicable until the year ended 30 June 2014 (in relation to Council), given the legislative need to commence using Fair Value methodology for this reporting period, the Council chose to early adopt AASB 13 (as allowed for in the standard).

As a consequence, the principles embodied in AASB 13 – Fair Value Measurement have been applied to this reporting period (year ended 30 June 2013).

Due to the nature and timing of the adoption (driven by legislation) the adoption of this standard has had no effect on previous reporting periods.

Land under Roads

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

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

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

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

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

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

1. Significant Accounting Policies (Continued)

(g) Fixed Assets (Continued)

Depreciation of Non-Current Assets

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

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time the asset is completed and held ready for use.

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

Fixed Assets:

Land	0	Years
Buildings - General	40	Years
Buildings – Geographe Leisure Centre	10 - 20	Years
Furniture and Fittings – Basic Items	10	Years
Furniture and Fittings – EDP Network	3	Years
Heavy Plant and Equipment	3 – 10	Years
Light to Medium Vehicles	3 - 5	Years
Light Mobile Plant	2	Years
Tools	10	Years

Infrastructure:

Roads	15 - 60	Years
Bridges	60 - 90	Years
Car Parks	20 - 40	Years
Footpaths & Cycle ways	20 - 40	Years
Parks, Gardens & Reserves & Community Facilities	5 - 50	Years
Storm water Drainage	25 - 90	Years
Regional Airport & Industrial Park	12 - 40	Years

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income in the period in which they arise. When re-valued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained surplus.

Capitalisation Threshold

Expenditure on items of equipment under \$1,000 is not capitalised. Rather, it is recorded on a "portable" asset inventory listing.

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

1. Significant Accounting Policies (Continued)

(h) Intangible Assets

Easements

Due to legislative changes, Easements are required to be recognised as assets.

They are initially recognised at cost and have an indefinite useful life.

(i) Financial Instruments

Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Council commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost.

Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- (a) The amount in which the financial asset or financial liability is measured at initial recognition;
- (b) Less principal repayments;
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest rate method; and
- (d) Less any reduction for impairment.

The effective interest method used is to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

1. Significant Accounting Policies (Continued)

(i) Financial Instruments (Continued)

(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. They are subsequently measured at fair value with changes to carrying amount being included in profit or loss.

(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 and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

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

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturities and fixed or determinable payments that the Council's management has the positive intention and ability to hold to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Held-to-maturity investments are included in current assets where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as non-current.

(iv) Available-for-Sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in other comprehensive income (except for impairment losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in current assets, where they are expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as non-current.

(v) Financial liabilities

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

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

1. Significant Accounting Policies (Continued)

(i) Financial Instruments (Continued)

Impairment

At the end of each reporting period, the Council assesses whether there is objective evidence that a financial instrument has been impaired.

A financial asset is deemed to be impaired if and only if, there is objective evidence of impairment as a result of one or more events having occurred, which will have an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial instruments, a significant or prolonged decline in the market value of the instrument is considered a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

De-recognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the Council no longer has any significant continual involvement in the risks and benefits associated with the asset.

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

(j) Impairment

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

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

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

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.

(k) Trade and Other Payables

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

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

1. Significant Accounting Policies (Continued)

(l) Employee Benefits

Provision is made for the Council's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Sick Leave Scheme

The provision for employee's entitlements under the sick pay scheme represents the estimated cash flows to be made by the employer resulting from the employee's service to balance date in accordance with the relevant clause of the City of Busselton's Enterprise Agreement 2010.

Clause 33 of the City of Busselton's Enterprise Agreement states that; "Those employees who commenced with the City prior to 22 August 2003 will continue to be entitled to 15% of the money value of their accrued sick leave on resignation or retirement, as negotiated in the City of Busselton Certified Enterprise Bargaining Agreement 1997 (sub-clause 17.18(2)).

(m) Borrowing Costs

Borrowing costs are recognised as an expense when incurred.

(n) Provisions

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

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

(o) 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 Council are classified as finance leases.

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

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

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

Interpretation 115.4 Lease incentives under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

1. Significant Accounting Policies (Continued)

(p) Investments in Associates

Associates are entities in which the Council has significant influence through holding, directly or indirectly, 20% or more of the voting power of the Council. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Council's share of net assets of the associate entity. In addition, the Council's share of the profit or loss of the associate entity is included in the Council's profit or loss.

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

Profits and losses resulting from transactions between the Council and the associate are eliminated to the extent of the Council's interest in the associate.

(q) Joint Venture

The Council's interest in a joint venture has been recognised in the financial statements by including its share of any assets, liabilities, revenues and expenses of the joint venture within the appropriate line items of the financial statement. Information about the joint venture is set out in Note 18.

The Council's interests in joint venture entities are recorded using the equity method of accounting.

Where the Council contributes assets to the joint venture or if the Council purchases assets from the joint venture, only the portion of the gain or loss that is not attributable to the Council's share of the joint venture shall be recognised. The Council recognises the full amount of any loss when the contribution results in a reduction in the net realisable value of current assets or an impairment loss.

(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.

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 operations for the current reporting period.

(s) Superannuation

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

(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.

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

1. Significant Accounting Policies (Continued)

(t) Current and Non-Current Classification (Continued)

In the case of liabilities where the 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 the 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.

When the Council applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statement, a statement of financial position as at the beginning of the earliest period will be disclosed.

(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) Bonds and Deposits

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

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

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

1. Significant Accounting Policies (Continued)

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

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

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

	Title and Topic	Issued	Applicable (*)	Impact
(i)	AASB 9 – Financial Instruments AASB 2012 – 6 Amendments to Australian Accounting Standards – Mandatory effective date of AASB 9 and Transition Disclosures	December 2009 September 2012	1 January 2013 Deferred AASB 9 until 1 January 2015	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 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	1 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).
(iii)	AASB 2010 – 7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	December 2010	1 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).

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

1. Significant Accounting Policies (Continued)

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

Title and Topic	Issued	Applicable (*)	Impact
(iv) AASB 10 – Consolidated Financial Statements AASB 11 – Joint Arrangements AASB 12 – Disclosure of Interests in Other Entities AASB 127 – Separate Financial Statements AASB 128 – Investments in Associates and Joint Ventures AASB 2011 – 7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 131, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17	August 2011	1 January 2013	Nil – None of these except for AASB 128, are expected to have significant application to the operations of the Council. With respect to AASB 128, where the Council has an interest in a Joint Venture, the requirements of AASB 128 supersede those of the current Joint Venture Standard AASB 131. The new standard more clearly defines the accounting treatment and disclosure in relation to it. Due to the nature of the Joint Venture, it is not expected to have a significant impact on the Council.
(v) AASB 2011 - 9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	September 2011	1 July 2013	The main change embodied in this standard is the requirement to group items presented in other comprehensive income on the basis of whether they are potentially re-classifiable to profit or loss subsequently. It effects presentation only and is not expected to significantly impact the Council.
(vi) AASB 119 – Employee Benefits AASB 2011 – 10 Amendments to Australian Accounting Standards arising from AASB 119 [AASB 1, 8, 101, 124, 134, 1049 & 2011 – 8 and Interpretation 14]	September 2011	1 January 2013	The changes in relation to defined benefit plans contained in this standard are not expected to significantly impact the Council nor are the changes to AASBs in relation to termination benefits.

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

1. Significant Accounting Policies (Continued)

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

	Title and Topic	Issued	Applicable (*)	Impact
(vii)	AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 7 & 32]	June 2012	1 January 2013	<p>Principally amends AASB 7: Financial Instruments: Disclosures to require entities to include information that will enable users of their financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.</p> <p>This Standard is not expected to significantly impact on the Council's financial statements.</p>
(viii)	AASB 2012-3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]	June 2013	1 January 2014	<p>This Standard adds application guidance to AASB 132: <i>Financial Instruments: Presentation</i> to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.</p> <p>This Standard is not expected to significantly impact the Council's financial statements.</p>
(ix)	AASB 2012-5: Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle [AASB1,101,116,132,134 and Interpretation 2]	June 2012	1 January 2013	<p>Outlines changes to the various standards and interpretations as listed. These topics are not currently relevant to Council, nor are they expected to be in the future. As a consequence, this Standard is not expected to significantly impact on the Council's financial statements.</p>

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

1. Significant Accounting Policies (Continued)

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

	Title and Topic	Issued	Applicable (*)	Impact
(x)	AASB 2012-10: Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments. [AASB 1, 5, 7, 8, 10, 11, 12, 13, 101, 102, 108, 112, 118, 119, 127, 128, 132, 133, 134, 137, 1023, 1038, 1039, 1049 & 2011-7 and Interpretation 12]	December 2012	1 January 2013	Mainly consequential changes relating to transition guidance. It is not expected to have a significant impact on Council.

Notes:

Applicable to reporting periods commencing on or after the given date.

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

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.

These new and revised standards were:

AASB 2010 – 8
AASB 2011 - 3
AASB 2011 - 13

The standards adopted had a minimal effect on the accounting and reporting practices of the Council as they were either not applicable, largely editorial in nature, were revisions to help ensure consistency with presentation, recognition and measurement criteria of IFRSs or related to topics not relevant to operations.

The Council also chose to early adopt *AASB 13 – Fair Value Measurement* as allowed for in the standard. For further details with respect to this early adoption, refer to Note 1(g)

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

	2013 Actual \$	2012 Actual \$
2. Revenue and Expenses		
(a) Net Result		
The Net Result includes:		
(i) Charging as an Expense:		
Significant Expense		
Community Amenities	713,974	0
Transport	354,594	0
	<u>1,068,568</u>	<u>0</u>
The significant expense relates to the reduction in fair value of the City's non-current assets		
Auditors Remuneration		
- Audit of Financial Report	20,000	22,430
- Other Services	6,820	955
	<u>26,820</u>	<u>23,385</u>
Depreciation		
Buildings	912,534	801,406
Furniture and Fittings	570,100	489,205
Plant and Equipment	1,514,941	1,394,520
Roads	3,130,438	3,052,264
Bridges	149,196	140,378
Car Parks	47,326	46,738
Footpaths & Cycle ways	475,366	452,208
Parks, Gardens, Reserves & Community Facilities	2,248,690	1,297,744
Stormwater Drainage	497,714	487,669
Regional Airport & Industrial Park	105,194	99,620
	<u>9,651,499</u>	<u>8,261,752</u>
Interest Expenses (Finance Costs)		
Overdraft Interest	0	0
Debentures (refer Note 23(a))	248,768	289,461
	<u>248,768</u>	<u>289,461</u>
Rental Charges		
Operating Leases	<u>361,189</u>	<u>177,805</u>

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

	2013 Actual \$	2013 Budget \$	2012 Actual \$
2. Revenue and Expenses (Continued)			
(a) Net Result (Continued)			
(ii) Crediting as Revenue:			
Interest Earnings			
Investments			
- Reserve Funds	1,242,233	1,350,000	1,568,861
- Restricted Funds	24,715	0	500,770
- Other Funds	712,042	950,000	830,678
- Other Interest Revenue (refer note 28)	352,961	290,000	319,726
	<u>2,331,951</u>	<u>2,590,000</u>	<u>3,220,035</u>

(b) Statement of Objective

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

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 purpose Government grants together with any expenses incurred in realising these incomes.

Governance

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

Activities: 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 and Public Safety

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

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

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

2. Revenue and Expenses (Continued)

(b) Statement of Objective (Continued)

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.

Housing

Objective: To provide and maintain elderly residents housing.

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

Community Amenities

Objective: To provide services required by the community.

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

Recreation and Culture

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

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

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 City and its economic wellbeing.

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

Other Property and 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.

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

2. Revenue and Expenses (Continued)

(c) Conditions Over Grants / Contributions

Grant / Contribution	Function / Activity	Opening	Received (2)	Expended (3)	Closing	Received (2)	Expended (3)	Closing
		Balance (1) 1-Jul-11	2011/12	2011/12	Balance (1) 30-Jun-12	2012/13	2012/13	Balance (1) 30-Jun-13
		\$	\$	\$	\$	\$	\$	\$
Cash in lieu of parking	Transport	496,036	222,185	0	718,221	15,328	0	733,549
Contribution to works	Classified by activity	2,037,704	65,856	(105,250)	1,998,310	31,806	(151,866)	1,878,250
Government grants	Classified by activity	10,769,352	949,798	(7,415,164)	4,303,986	3,551,301	(4,521,935)	3,333,352
Vasse diversion drain	Community amenities	384,464	0	0	384,464	0	0	384,464
C.P.A. infrastructure	Transport	306,248	11,562	0	317,810	33,520	(113,281)	238,049
C.P.A. Community Facilities	Classified by activity	959,232	51,193	(49,950)	960,475	48,517	(55,880)	953,112
C.P.A. Bushfire Facilities	Law, order and public safety	50,685	919	0	51,604	2,660	0	54,264
Cash in Lieu – Public Art	Classified by activity	0	0	0	0	26,000	0	26,000
Community recreation Fac.	Classified by activity	3,694,623	407,930	(115,707)	3,986,846	374,497	(274,487)	4,086,856
		18,698,344	1,709,443	(7,686,071)	12,721,716	4,083,629	(5,117,449)	11,687,896

Notes:

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

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

	2013 Actual \$	2012 Actual \$
3. Cash and Cash Equivalents		
Unrestricted	1,243,646	1,848,564
Restricted	43,270,375	43,925,099
	<u>44,514,021</u>	<u>45,773,663</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Airport Infrastructure Renewal & Replacement Reserve	247,141	188,496
Asset Depreciation Reserve	4,318,492	4,845,227
Beach Protection Reserve	1,888,001	1,554,281
Bio-Diversity Reserve	8,610	9,186
Busselton Library Extension Reserve	0	348,805
Busselton Town Centre Improvements Reserve	11,696	11,169
Building Reserve	1,341,008	1,224,299
Corporate IT System Programme Reserve	119,254	114,037
EDP Equipment (Main) Reserve	9,711	148,671
Jetty Maintenance Reserve	1,278,159	14,228
Legal Expenses Reserve	191,229	278,240
Long Service Leave Reserve	1,783,825	1,601,268
City Car Parking and Access Reserve	1,794,444	1,481,843
Plant Replacement Reserve	3,982,028	4,188,454
Professional Development (Contractual Obligation) Reserve	131,749	182,712
Road Initiative Reserve	67,765	387,345
Salaries & Wages Contingency Reserve	58,668	56,027
Sick Pay Incentive Reserve	134,224	143,258
Strategic Projects Reserve	235,123	224,537
Waste Management Facility and Plant Reserve	3,143,189	1,250,226
Port Geographe Development Reserve	506,854	443,341
Port Geographe Waterways Management Reserve	3,021,602	2,743,415
Workers Compensation Contingency Reserve	247,417	354,694
Youth Facilities Reserve	34,409	32,860
Provence Landscape Maintenance Reserve	417,255	314,833
Infrastructure Development Reserve	2,016,574	3,794,780
Vasse Newtown Landscape Maintenance Reserve	221,550	104,020
Untied Grants Reserve	1,108,231	1,087,391
Locke Estate Reserve	56,000	0
Busselton Community Centre Reserve	12,664	0
Less Accrued Interest on Restricted Assets	(209,339)	(253,807)
Cash set aside in Lieu of Parking	733,549	718,221
Cash set aside for Roadwork within specific areas, being funds given as a condition of subdivision/development	1,878,250	1,998,310
Cash set aside, being unspent specific purpose Government Grants	3,333,352	4,303,986
Cash set aside, being Unspent Loan Funds	282,156	0
Cash set aside for Commonage Precinct Infrastructure and roads	1,245,425	1,329,889
Cash set aside for Sundry Restricted	851,061	1,873,808
Cash set aside for Vasse Diversion Drain	384,464	384,464
Cash in Lieu for Public Arts	26,000	0
Cash set aside for Community & Recreation Facilities	4,086,856	3,986,846
Cash set aside for Deposits & Bonds	2,271,729	2,455,739
	<u>43,270,375</u>	<u>43,925,099</u>

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

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

	2013 Actual \$	2012 Actual \$
4. Investments		
Opening Balance at 1 July	0	112,193
Add: Deposit of funds	0	0
Less : Withdrawal of funds	0	(102,118)
	<hr/>	<hr/>
	0	10,075
Add: Distributions	0	0
Less: Management fees paid to Grove	0	0
Less: Realised losses incurred on redemption of units	0	(10,075)
Less: Unrealised losses incurred on revaluation to fair value	0	0
Add: Realised Profits incurred on redemption of units	0	0
Add: Unrealised Profit incurred on revaluation to fair value	0	0
	<hr/>	<hr/>
Closing balance at 30 June	0	0
	<hr/> <hr/>	<hr/> <hr/>
Investments represent both restricted and unrestricted funds as follows:		
Unrestricted	0	0
Restricted	0	0
	<hr/>	<hr/>
	0	0
	<hr/> <hr/>	<hr/> <hr/>

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

	2013 Actual \$	2012 Actual \$
5. Trade and Other Receivables		
Current		
Rates Outstanding	1,317,431	1,159,749
Rates Outstanding – Pensioners	39,331	29,910
Sundry Debtors	2,379,004	1,199,973
GST Receivable	273,222	604,684
Loans – Clubs / Institutions	87,924	156,817
	<u>4,096,912</u>	<u>3,151,133</u>
<p>Note: Rates outstanding as at 30 June 2013 total \$1,317,431. Of this amount, \$828,190 is attributable to debts owed by property owners that are under administration/ bankruptcy proceedings. Recovery of these outstanding rates is extraordinary to the City's normal debt collection procedures, albeit they remain recoverable pursuant to the provisions of Subdivisions 5 and 6 of Part 6 of the Local Government Act 1995.</p>		
Non-Current		
Rates Outstanding – Pensioners	130,890	132,278
Sundry Debtors	5,000	0
Loans – Clubs / Institutions)	359,056	621,633
	<u>494,946</u>	<u>753,911</u>
6. Inventories		
Current		
Fuel and Materials	<u>123,501</u>	<u>133,355</u>
	<u>123,501</u>	<u>133,355</u>

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

	2013 Actual \$	2012 Actual \$
7. Property, Plant and Equipment		
Land – Cost	4,293,246	4,293,246
	<hr/>	<hr/>
	4,293,246	4,293,246
Buildings – Cost	36,396,950	31,658,637
Less Accumulated Depreciation	(11,314,657)	(10,402,124)
	<hr/>	<hr/>
	25,082,293	21,256,513
Total Land and Buildings	<hr/>	<hr/>
	29,375,539	25,549,759
Furniture and Fittings – Management Valuation 2013	1,933,012	0
Furniture and Fittings – Independent Valuation 2013	246,751	0
Furniture and Fittings – Cost	0	5,754,747
Less Accumulated Depreciation	0	(4,071,872)
	<hr/>	<hr/>
	2,179,763	1,682,875
Plant and Equipment – Management Valuation 2013	9,481,526	0
Plant and Equipment – Cost	0	16,733,420
Less Accumulated Depreciation	0	(6,792,011)
	<hr/>	<hr/>
	9,481,526	9,941,409
Total Property, Plant and Equipment	<hr/>	<hr/>
	41,036,828	37,174,043

Land and Buildings

Effective from 1 July 2004, Council deemed the carrying amount of land and buildings previously carried at a re-valued 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". Whilst land and buildings are currently 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".

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

7. Property, Plant and Equipment (Continued)

Furniture and Fittings

Art Works

The City's Art collection was re-valued at 30 June 2013 by an independent valuer. All of the valuations were made on the basis of current market values adjusted for condition (Level 2 inputs in the fair value hierarchy).

The revaluation resulted in an overall increase of \$196,941 for the City's Artworks collection (within the Furniture and Fittings asset class). All of the increase was credited to the revaluation surplus in the City's equity and was recognised as "change on revaluation of non-current assets" in the Statement of Comprehensive Income.

Furniture and Fittings (Other)

The City's remaining Furniture and Fittings was re-valued at 30 June 2013 by a management valuation having regard for their current replacement cost, condition assessment (Level 2 inputs in the fair value hierarchy), residual values and remaining estimated useful life (Level 3 inputs).

Given the significance of the level 3 inputs into the overall fair value measurement, the assets are deemed to have been valued using level 3 inputs.

The valuation resulted in neither an increase nor a decrease in the net value for all other Furniture and Fittings. Consequently no adjustment was recognised in either the net result or other comprehensive income in the Statement of Comprehensive Income.

Plant & Equipment

The City's Plant and Equipment was re-valued at 30 June 2013 by a management valuation having regard for their current replacement cost, condition assessment (Level 2 inputs in the fair value hierarchy), residual values and remaining estimated useful life (Level 3 inputs).

Given the significance of the level 3 inputs into the overall fair value measurement, the assets are deemed to have been valued using level 3 inputs.

The revaluation resulted in an overall decrease of \$1,068,568 in the net value of the City's Plant and Equipment. All of this decrease was debited to the fair value loss account in the Statement of Comprehensive Income as no revaluation surplus existed for this class of asset as at 30 June 2013. This adjustment impacted on the City's overall net result as disclosed on the Statement of Comprehensive Income.

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

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 and Fittings	Plant and Equipment	Total
Balance as at 1 July 2012	4,293,246	21,256,513	1,682,875	9,941,409	37,174,043
Additions	0	4,738,314	875,965	2,397,097	8,011,376
(Disposals)	0	0	(7,644)	(663,134)	(670,778)
Revaluation - Increments	0	0	196,941	0	196,941
- (Decrements)	0	0	0	(1,068,568)	(1,068,568)
Impairment - (Losses)	0	0	0	0	0
- Reversals	0	0	0	0	0
Depreciation - (Expense)	0	(912,534)	(570,100)	(1,514,941)	(2,997,575)
Donated Assets	0	0	1,726	389,663	391,389
Other Movements	0	0	0	0	0
Balance as at 30 June 2013	4,293,246	25,082,293	2,179,763	9,481,526	41,036,828

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

	2013 Actual \$	2012 Actual \$
8. Infrastructure		
Roads – Cost	193,002,824	187,000,417
Less Accumulated Depreciation	<u>(50,647,344)</u>	<u>(47,516,906)</u>
	<u>142,355,480</u>	<u>139,483,511</u>
Bridges – Cost	9,908,025	8,885,085
Less Accumulated Depreciation	<u>(1,917,757)</u>	<u>(1,768,561)</u>
	<u>7,990,268</u>	<u>7,116,524</u>
Car Parks – Cost	2,505,233	1,890,967
Less Accumulated Depreciation	<u>(365,011)</u>	<u>(317,684)</u>
	<u>2,140,222</u>	<u>1,573,283</u>
Footpaths / Cycle ways – Cost	15,155,356	14,196,439
Less Accumulated Depreciation	<u>(5,204,908)</u>	<u>(4,729,542)</u>
	<u>9,950,448</u>	<u>9,466,897</u>
Parks, Gardens, Reserves and Community Facilities – Cost	68,252,240	60,180,681
Less Accumulated Depreciation	<u>(13,523,454)</u>	<u>(11,275,322)</u>
	<u>54,728,786</u>	<u>48,905,359</u>
Stormwater Drainage – Cost	39,489,537	38,856,024
Less Accumulated Depreciation	<u>(9,626,684)</u>	<u>(9,128,970)</u>
	<u>29,862,853</u>	<u>29,727,054</u>
Regional Airport and Industrial Park – Cost	4,312,840	4,089,792
Less Accumulated Depreciation	<u>(1,538,473)</u>	<u>(1,433,280)</u>
	<u>2,774,367</u>	<u>2,656,512</u>
	<u>249,802,424</u>	<u>238,929,140</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".

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

8. Infrastructure (Continued)

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.

	Roads \$	Bridges \$	Car Parks \$	Footpaths and Cycle Ways \$	Parks and Ovals \$	Drainage \$	Airport \$	Total \$
Balance as at 1 July 2012	139,483,511	7,116,524	1,573,283	9,466,897	48,905,359	29,727,054	2,656,512	238,929,140
Additions	4,978,375	1,022,940	614,265	853,617	8,072,117	107,899	223,049	15,872,262
(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)	(3,130,438)	(149,196)	(47,326)	(475,366)	(2,248,690)	(497,714)	(105,194)	(6,653,924)
Donated Assets	1,024,032	0	0	105,300	0	525,614	0	1,654,946
Other Movements	0	0	0	0	0	0	0	0
Balance as at 30 June 2013	142,355,480	7,990,268	2,140,222	9,950,448	54,728,786	29,862,853	2,774,367	249,802,424

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

	2013 Actual \$	2012 Actual \$
9. Intangibles		
Easements	0	0
Accumulated Impairment Costs	0	0
	0	0
10. Trade and Other Payables		
Current		
Sundry Creditors	3,220,734	3,070,344
Deposits and Bonds	2,271,729	2,455,739
GST Payable	0	0
Accrued Salaries and Wages	219,049	209,162
	5,711,512	5,735,245
11. Long-Term Borrowings		
Current		
Secured by Floating Charge		
Debentures	662,150	775,353
	662,150	775,353
Non-Current		
Secured by Floating Charge		
Debentures	3,217,438	3,521,035
	3,217,438	3,521,035
Additional detail on borrowings is provided in Note 23.		
12. Provisions		
Analysis of total provisions:		
Current	3,084,674	2,851,095
Non-Current	479,087	409,792
	3,563,761	3,260,887

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Provision for Sick Leave \$	Total \$
Opening Balance 1 July 2012	1,516,361	1,601,267	143,259	3,260,887
Additional Provisions	129,351	182,558	0	311,909
Amounts Used	0	0	(9,035)	(9,035)
Used amounts reversed	0	0	0	0
Increase in the discounted amount arising because of time and effect of any change in the discount rate	0	0	0	0
Balance 30 June 2013	1,645,712	1,783,825	134,224	3,563,761

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

	2013 Actual \$	2013 Budget \$	2012 Actual \$
13. Reserves – Cash Backed			
100 – Airport Infrastructure Renewal and Replacement Reserve			
Opening Balance	188,496	188,496	396,447
Amount Set Aside / Transfer to Reserve	58,645	59,384	23,791
Amount Used / Transfer from Reserve	0	0	(231,742)
	247,141	247,880	188,496
101 – Asset Depreciation Reserve			
Opening Balance	4,845,227	4,845,227	4,194,469
Amount Set Aside / Transfer to Reserve	225,083	241,116	850,758
Amount Used / Transfer from Reserve	(751,818)	(885,663)	(200,000)
	4,318,492	4,200,680	4,845,227
102 – Beach Protection Reserve			
Opening Balance	1,554,281	1,554,281	1,072,376
Amount Set Aside / Transfer to Reserve	501,705	493,234	481,905
Amount Used / Transfer from Reserve	(167,985)	(445,595)	0
	1,888,001	1,601,920	1,554,281
103 – Bio Diversity Reserve			
Opening Balance	9,186	9,186	13,876
Amount Set Aside / Transfer to Reserve	5,540	5,456	785
Amount Used / Transfer from Reserve	(6,116)	(9,000)	(5,475)
	8,610	5,642	9,186
104 – Busselton Library Extension Reserve			
Opening Balance	348,805	348,805	743,166
Amount Set Aside / Transfer to Reserve	10,158	17,364	148,520
Amount Used / Transfer from Reserve	(358,963)	(366,169)	(542,881)
	0	0	348,805
105 – Busselton Town Centre Improvements Reserve			
Opening Balance	11,169	11,169	7,357
Amount Set Aside / Transfer to Reserve	527	552	3,812
Amount Used / Transfer from Reserve	0	0	0
	11,696	11,721	11,169
106 – Building Reserve			
Opening Balance	1,224,299	1,224,299	862,592
Amount Set Aside / Transfer to Reserve	571,253	560,924	572,068
Amount Used / Transfer from Reserve	(454,544)	(179,238)	(210,361)
	1,341,008	1,605,985	1,224,299

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

	2013 Actual \$	2013 Budget \$	2012 Actual \$
13. Reserves – Cash Backed (Continued)			
107 – Corporate IT Systems Programme Reserve			
Opening Balance	114,037	114,037	37,682
Amount Set Aside / Transfer to Reserve	5,217	5,676	106,355
Amount Used / Transfer from Reserve	0	0	(30,000)
	119,254	119,713	114,037
108 – E.D.P. Equipment (Main) Reserve			
Opening Balance	148,671	148,671	91,171
Amount Set Aside / Transfer to Reserve	6,040	7,404	57,500
Amount Used / Transfer from Reserve	(145,000)	(145,000)	0
	9,711	11,075	148,671
110 – Jetty Maintenance Reserve			
Opening Balance	14,228	14,228	221,018
Amount Set Aside / Transfer to Reserve	1,401,604	1,400,687	13,210
Amount Used / Transfer from Reserve	(137,673)	(241,357)	(220,000)
	1,278,159	1,173,558	14,228
111 – Legal Expenses Reserve			
Opening Balance	278,240	278,240	111,329
Amount Set Aside / Transfer to Reserve	12,533	13,848	266,911
Amount Used / Transfer from Reserve	(99,544)	(250,000)	(100,000)
	191,229	42,088	278,240
112 – Long Service Leave Reserve			
Opening Balance	1,601,268	1,601,268	1,380,426
Amount Set Aside / Transfer to Reserve	488,081	79,692	220,842
Amount Used / Transfer from Reserve	(305,524)	(204,724)	0
	1,783,825	1,476,236	1,601,268
114 – City Car Parking and Access Reserve			
Opening Balance	1,481,843	1,481,843	1,103,045
Amount Set Aside / Transfer to Reserve	369,966	365,043	378,798
Amount Used / Transfer from Reserve	(57,365)	(28,176)	0
	1,794,444	1,818,710	1,481,843
115 – Plant Replacement Reserve			
Opening Balance	4,188,454	4,188,454	4,728,217
Amount Set Aside / Transfer to Reserve	553,614	558,440	590,267
Amount Used / Transfer from Reserve	(760,040)	(913,000)	(1,130,030)
	3,982,028	3,833,894	4,188,454

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

	2013 Actual \$	2013 Budget \$	2012 Actual \$
13. Reserves – Cash Backed (Continued)			
116 – Professional Development Reserve			
Opening Balance	182,712	182,712	180,298
Amount Set Aside / Transfer to Reserve	8,197	9,096	62,827
Amount Used / Transfer from Reserve	(59,160)	(80,000)	(60,413)
	131,749	111,808	182,712
117 – Road Initiative Reserve			
Opening Balance	387,345	387,345	388,922
Amount Set Aside / Transfer to Reserve	17,420	19,272	23,423
Amount Used / Transfer from Reserve	(337,000)	(337,000)	(25,000)
	67,765	69,617	387,345
118 – Salaries and Wages Contingency Reserve			
Opening Balance	56,027	56,027	560,845
Amount Set Aside / Transfer to Reserve	2,641	2,784	5,232
Amount Used / Transfer from Reserve	0	0	(510,050)
	58,668	58,811	56,027
119 – Sick Pay Incentive Reserve			
Opening Balance	143,258	143,258	150,010
Amount Set Aside / Transfer to Reserve	7,779	7,128	9,083
Amount Used / Transfer from Reserve	(16,813)	0	(15,835)
	134,224	150,386	143,258
120 – Strategic Projects Reserve			
Opening Balance	224,537	224,537	211,874
Amount Set Aside / Transfer to Reserve	10,586	11,172	12,663
Amount Used / Transfer from Reserve	0	0	0
	235,123	235,709	224,537
121 – Waste Management Facility and Plant Reserve			
Opening Balance	1,250,226	1,250,226	1,037,838
Amount Set Aside / Transfer to Reserve	2,470,648	1,995,980	593,500
Amount Used / Transfer from Reserve	(577,685)	(2,208,946)	(381,112)
	3,143,189	1,037,260	1,250,226
122 – Port Geopraphe Development Reserve (Council)			
Opening Balance	443,341	443,341	406,490
Amount Set Aside / Transfer to Reserve	70,257	69,402	71,851
Amount Used / Transfer from Reserve	(6,744)	(50,000)	(35,000)
	506,854	462,743	443,341

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

	2013 Actual \$	2013 Budget \$	2012 Actual \$
13. Reserves – Cash Backed (Continued)			
123 – Port Geographe Waterways Management Reserve			
Opening Balance	2,743,415	2,743,415	2,454,077
Amount Set Aside / Transfer to Reserve	278,187	278,525	289,338
Amount Used / Transfer from Reserve	0	0	0
	3,021,602	3,021,940	2,743,415
124 – Workers Compensation Reserve			
Opening Balance	354,694	354,694	334,691
Amount Set Aside / Transfer to Reserve	16,723	17,652	20,003
Amount Used / Transfer from Reserve	(124,000)	0	0
	247,417	372,346	354,694
125 – Youth Facilities Reserve			
Opening Balance	32,860	32,860	31,007
Amount Set Aside / Transfer to Reserve	1,549	1,632	1,853
Amount Used / Transfer from Reserve	0	0	0
	34,409	34,492	32,860
126 – Provence Landscape Maintenance Reserve			
Opening Balance	314,833	314,833	220,702
Amount Set Aside / Transfer to Reserve	102,422	95,718	94,131
Amount Used / Transfer from Reserve	0	0	0
	417,255	410,551	314,833
127 – Infrastructure Development Reserve			
Opening Balance	3,794,780	3,794,780	2,928,263
Amount Set Aside / Transfer to Reserve	763,116	923,827	1,576,385
Amount Used / Transfer from Reserve	(2,541,322)	(2,561,156)	(709,868)
	2,016,574	2,157,451	3,794,780
128 – Vasse Newtown Landscape Maintenance Reserve			
Opening Balance	104,020	104,020	0
Amount Set Aside / Transfer to Reserve	117,530	109,164	104,020
Amount Used / Transfer from Reserve	0	0	0
	221,550	213,184	104,020
129 – Untied Grants Reserve			
Opening Balance	1,087,391	1,087,391	0
Amount Set Aside / Transfer to Reserve	1,108,231	0	1,087,391
Amount Used / Transfer from Reserve	(1,087,391)	(1,087,391)	0
	1,108,231	0	1,087,391

City of Busselton

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For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

	2013 Actual \$	2013 Budget \$	2012 Actual \$
13. Reserves – Cash Backed (Continued)			
130 – Locke Estate Reserve			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	56,000	64,000	0
Amount Used / Transfer from Reserve	0	0	0
	<hr/> 56,000	<hr/> 64,000	<hr/> 0
131 – Busselton Community Resource Centre Reserve			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	12,664	12,300	0
Amount Used / Transfer from Reserve	0	0	0
	<hr/> 12,664	<hr/> 12,300	<hr/> 0
Total Reserves	<hr/> 28,386,872	<hr/> 24,561,700	<hr/> 27,127,643
Summary of Cash / Investment Backed Reserves			
Opening Balance	27,127,643	27,127,643	23,868,188
Amount Set Aside / Transfer to Reserve	9,253,916	7,426,472	7,667,222
Amount Used / Transfer from Reserve	(7,994,687)	(9,992,415)	(4,407,767)
	<hr/> 28,386,872	<hr/> 24,561,700	<hr/> 27,127,643

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

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.

City of Busselton

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For the Year Ended 30th June 2013

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13. Reserves – Cash Backed (Continued)

Bio-Diversity Reserve

To provide funding for rate rebates and sub-division incentives.

Busselton Library Extension Reserve

To provide funding for the expansion of the Busselton library including a local studies facility.

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

E.D.P. Equipment (Main) Reserve

Replacement of Council's main EDP system and peripherals only.

Jetty Maintenance Reserve

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

Legal Expenses Reserve

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

Long Service Leave Reserve

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

City of Busselton

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For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

13. Reserves – Cash Backed (Continued)

City Car Parking and Access Reserve

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

Plant Replacement Reserve

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

Professional Development Reserve

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

Road Initiative Reserve

To hold unspent funds allocated in Council's annual budgets for the purpose of its "Road Initiative Program".

Salaries & Wages Contingency Reserve

To provide funding for redundancy and restructure costs.

Sick Pay Incentive Reserve

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

Strategic Projects Reserve

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

Waste Management Facility and Plant Reserve

To fund the acquisition of additional waste plant, waste facility infrastructure, waste related consultancy services 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.

City of Busselton

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For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

13. Reserves – Cash Backed (Continued)

Port Geographe Waterways Management Reserve

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

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 and other capital projects.

Vasse Newtown Landscape Maintenance Reserve

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

Untied Grants Reserve

To hold untied grants monies received in advance.

Locke Estate Reserve

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

Busselton Community Resource Centre Reserve

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

City of Busselton

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For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

14. Revaluation Surplus

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

	2013 Actual \$	2012 Actual \$
Furniture & Fittings		
Opening Balance	0	0
Revaluation Increment	196,941	0
Revaluation Decrement	0	0
	196,941	0

15. 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:

	2013 Actual \$	2013 Budget \$	2012 Actual \$
Cash and Cash Equivalents	44,514,021	35,907,210	45,773,663

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

Net Result	14,094,105	23,728,299	11,777,326
Depreciation	9,651,499	9,141,860	8,261,752
Write down / (Inc) in Fair Value of Investments	0	0	0
(Profit) / Loss on Sale of Asset	112,562	104,183	(68,918)
(Increase) / Decrease in Receivables	(1,058,034)	120,509	(1,718,977)
(Increase) / Decrease in Inventories	9,854	10,996	60,697
Increase / (Decrease) in Payables	3,716	(650,348)	976,969
Increase / (Decrease) in Employee Provisions	302,874	96,090	331,541
Less : Non-Cash Contributions	(2,046,335)	(1,750,000)	(1,207,145)
Grants/Contributions for the Development of Assets	(11,066,130)	(20,337,408)	(6,952,865)
Non-Current Assets Fair Value Adjustment	1,068,568	0	0
Net Cash from Operating Activities	11,072,679	10,464,181	11,460,380

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

15. Notes to the Statement of Cash Flows (Continued)

(c) Undrawn Borrowing Facilities Credit Standby Arrangements	2013	2012
	Actual	Actual
	\$	\$
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	50,000	50,000
(d) Loan Facilities		
Loan Facilities – Current	662,150	775,353
Loan Facilities – Non-Current	3,217,438	3,521,035
Total Facilities in Use at Balance Date	3,879,588	4,296,388
(e) Non-Cash Contributions		
Acquired by Council at Valuation – Furniture and Fittings	1,726	516,643
Acquired by Council at Valuation – Plant and Equipment	389,663	0
Developers and Acquired by Council at Valuation - Roads	1,024,032	533,088
Developers and Acquired by Council at Valuation - Drains	525,614	116,464
Developers and Acquired by Council at Valuation - Footpaths	105,300	40,950
	2,046,335	1,207,145

16. Contingent Liabilities

16.1 Resident funded aged persons homes

Should any of the resident funded aged person's 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 four homes involved.

16.2 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.

16.3 Buy Back Conditions contained in City Lease Agreements

In 1997 the Council resolved (C974/0148) to enter into a lease agreement with the Geographe Bay Tourism Association for a portion of Lot 73 Peel Terrace, Busselton, with a future buy out provision which is to exclude any Council capital contributions (past or present). Therefore at the end of the lease 19 March 2019 if no further lease is entered into, the City could be liable for the sum equal to the Added Value of the building.

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

16. Contingent Liabilities (Continued)

16.3 Buy Back Conditions contained in City Lease Agreements (Continued)

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

On the 4 February 2009 the City entered into a lease agreement with the Geographe Hangar Owners Group Inc and this lease agreement expires on 31 March 2018. If a new lease is not entered into the City could be liable for the purchase of the hangar and/ or other buildings constructed on the hangar area at market value (Clause 9.14).

On the 9 June 1998 the City entered into a lease agreement with the Busselton Hangar Owners Pty Ltd and this lease agreement expires on 31 March 2018. If a new lease is not entered into the City could be liable for the purchase of the hangar and/ or other buildings constructed on the hangar area at market value (Clause 9.14).

16.4 Claim for Compensation under section 173(1) of Planning and Development Act 2005

Commercial Estates Pty Ltd is claiming compensation from the City of Busselton for injurious affection suffered by reason of the making of District Town Planning Scheme No 20 insofar as it imposed a reservation over Lot 480 (of which Commercial Estates Pty Ltd is the registered proprietor). The amount and manner of payment of compensation is to be determined by arbitration in accordance with the Commercial Arbitration Act 1985, with the hearing set down for 2 – 6 December 2013. Should the arbitrator make an award in favour of Commercial Estates Pty Ltd, then Council will be liable for payment of compensation. Council is defending the action and, due to complex legal, planning and coastal engineering issues (like climate change and coastal processes) impacting on the matter, it is not reasonably possible to determine Council's potential liability (if any) at this stage.

17. Capital and Leasing Commitments

	2013 Actual \$	2012 Actual \$
(a) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	320,325	176,448
- later than one year but not later than five years	538,250	874,596
- later than five years	0	0
	858,575	1,051,044

City of Busselton

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For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

17. Capital and Leasing Commitments (Continued)

(b) Capital Expenditure Commitments

	2013 Actual \$	2012 Actual \$
Contracted for:		
<u>Capital projects</u>		
- Jetty Construction	256,192	1,882,410
- Busselton Community Resource Centre	2,844,884	2,082,225
 <u>Payable:</u>		
- not later than one year, Jetty Construction	977,387	280,305
- not later than one year, Busselton Community Resource Centre	0	2,639,613
- later than one year but not later than five years	0	0

18. Joint Ventures

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

	2013 Actual \$	2012 Actual \$
19. Total Assets Classified by Function and Activity		
General Purpose Funding	3,308,686	3,198,092
Governance	3,082,358	1,748,573
Law, Order & Public Safety	2,543,328	2,035,258
Health	139,152	150,771
Education and Welfare	622,414	646,914
Housing	1,703,392	1,666,738
Community Amenities	13,191,539	12,965,031
Recreation and Culture	66,710,947	60,920,925
Transport	199,634,311	194,941,586
Economic Services	3,224,672	2,654,995
Other Property and Services	1,393,812	1,112,999
Unallocated	44,514,021	43,873,363
	340,068,632	325,915,245

City of Busselton

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For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

20. **Financial Ratios**

	2013 Actual	2012 Actual	2011 Actual
Current Ratio	0.951	0.921	1.356
Asset Sustainability Ratio	1.815	1.942	1.164
Debt Service Coverage Ratio	8.892	10.990	11.240
Operating Surplus Ratio	0.016	0.082	0.084
Own Source Revenue Coverage Ratio	0.924	0.993	1.015

The above ratios are calculated as follows:

Current Ratio <i>(Target Ratio > or = to 1)</i>	$\frac{\text{Current assets minus restricted current assets}}{\text{Current liabilities minus liabilities associated with restricted assets}}$
---	--

Asset Sustainability Ratio <i>(Target Ratio > 1)</i>	$\frac{\text{Capital renewal and replacement expenditure}}{\text{Depreciation expense}}$
--	--

Debt Service Coverage Ratio <i>(Target Ratio > 10)</i>	$\frac{\text{Annual operating surplus before interest and depreciation}}{\text{Principal and interest}}$
--	--

Operating Surplus Ratio <i>(Target Ratio > 0.15)</i>	$\frac{\text{Operating revenue minus operating expense}}{\text{Own source operating revenue}}$
--	--

Own Source Revenue Ratio <i>(Target Ratio > 0.9)</i>	$\frac{\text{Own source operating revenue}}{\text{Operating expense}}$
--	--

Notes: Information relating to the Asset Consumption Ratio and the Asset Renewal Funding Ratio can be found at the supplementary ratio information on page 69 of this document.

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

21. Trust Funds

	Balance 01-July-12 \$	Amounts Received \$	Amounts Paid \$	Balance 30-June-13 \$
Building Training Levy	28,354	485,371	(495,206)	18,519
Community Appeals	1,000	0	0	1,000
Nomination Deposits	0	0	0	0
Cash in Lieu of P.O.S.	1,662,619	125,166	(86,968)	1,700,817
Sundry Other Trusts	76,760	3,679	(750)	79,689
	1,768,733	614,216	(582,924)	1,800,025

22. Disposals of Assets – 2012/13 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	10	0	10	0
Governance	94,874	95,801	99,076	116,000	4,202	20,199
Law, Order, Public Safety	25,000	26,817	47,881	23,000	22,881	(3,817)
Health	0	0	13	0	13	0
Education and Welfare	0	0	0	0	0	0
Housing	1,258	0	0	0	(1,258)	0
Community Amenities	176,263	186,884	59,314	76,000	(116,949)	(110,884)
Recreation and Culture	7,955	0	6,680	0	(1,275)	0
Transport	219,407	206,287	215,258	203,000	(4,149)	(3,287)
Economic Services	41,152	42,628	36,797	44,000	(4,355)	1,372
Other Property & Services	104,869	106,766	93,187	99,000	(11,682)	(7,766)
	670,778	665,183	558,216	561,000	(112,562)	(104,183)

By Asset Class:-

	Net Book Value		Sale Price		Profit / (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Land and Buildings	0	0	0	0	0	0
Plant and Equipment	663,134	665,183	552,425	561,000	(110,709)	(104,183)
Furniture and Fittings	7,644	0	5,716	0	(1,928)	0
Infrastructure	0	0	75	0	75	0
	670,778	665,183	558,216	561,000	(112,562)	(104,183)

City of Busselton

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For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

23. Information on Borrowings

(a) Debenture Repayments

Particulars	Borrowing Institution	Interest Rate %	Maturity Date	Principal	New Loans	New Loans	Principal Repayment		Principal		Interest Repayment		
				1 July 2012	2012/13 Budget	2012/13 Actual	2012/13 Budget	2012/13 Actual	2012/13 Budget	2012/13 Actual	2012/13 Budget	2012/13 Actual	
Education and Welfare													
C	Loan #188 Busselton Senior Citizens	WATC	5.23	06/13	37,484	0	0	37,484	37,484	0	0	1,233	1,233
Community Amenities													
C	Loan #189 Townscape	WATC	6.13	03/14	443,679	0	0	247,704	247,704	195,975	195,975	20,315	20,315
Recreation & Culture													
S	Loan #179 Busselton Tennis Club	WATC	5.53	12/13	11,977	0	0	7,874	7,874	4,103	4,103	501	501
S	Loan #186 Busselton Jetty Committee	WATC	5.69	06/13	215,308	0	0	40,655	215,308	174,653	0	11,394	19,957
C	Loan #187 Naturaliste Community Centre	WATC	5.47	12/12	18,099	0	0	18,099	18,099	0	0	497	497
S	Loan #192 Busselton Tennis Club	WATC	5.74	12/19	45,506	0	0	5,004	5,004	40,502	40,502	2,506	2,506
S	Loan #193 Busselton Hockey Stadium Club	WATC	5.93	12/12	9,941	0	0	9,941	9,941	0	0	295	295
S	Loan #195 Dunsborough District Country Club	WATC	6.79	06/17	173,553	0	0	30,200	30,200	143,353	143,353	11,026	11,026
S	Loan #196 Dunsborough Bay Yacht Club	WATC	6.16	12/19	20,051	0	0	2,173	2,173	17,878	17,878	1,186	1,186
C	Loan #197 Dunsborough Oval	WATC	6.05	03/20	1,305,375	0	0	136,324	136,324	1,169,051	1,169,051	75,921	75,921
C	Loan #198 Jetty Construction	WATC	6.05	03/20	1,713,303	0	0	178,926	178,926	1,534,377	1,534,377	99,646	99,646
S	Loan #199 Busselton Bowling Club	WATC	5.98	12/20	136,960	0	0	12,764	12,764	124,196	124,196	7,908	7,908
S	Loan #200 Dunsborough Bay Yacht Club	WATC	6.00	12/19	12,938	0	0	1,410	1,410	11,528	11,528	745	745
C	Loan #202 Geothermal Heating GLC	WATC	3.98	06/23	0	533,206	533,206	18,795	0	514,411	533,206	18,499	0
C	Loan #xxx GLC Extensions	Unknown	4.50	Est. 06/23	0	572,500	0	21,257	0	551,243	0	17,017	0
C	Loan #xxx Busselton Foreshore	Unknown	5.00	Est. 06/33	0	4,000,000	0	0	0	4,000,000	0	0	0
Economic Services													
S	Loan #182 Cape Naturaliste Tourist Association	WATC	6.60	01/13	13,023	0	0	13,023	13,023	0	0	432	432
S	Loan #190 Cape Naturaliste Tourist Association	WATC	6.33	03/14	45,751	0	0	25,527	25,527	20,224	20,224	2,298	2,298
S	Loan #201 Geographe Bay Tourism Association	WATC	4.76	09/21	93,440	0	0	8,245	8,245	85,195	85,195	4,302	4,302
Total - Council and Self-supporting Loans					4,296,388	5,105,706	533,206	815,405	950,006	8,586,689	3,879,588	275,721	248,768
C	Council Loans are financed by general purpose income.				3,517,940	5,105,706	533,206	658,589	618,537	7,965,057	3,432,609	233,128	197,612
S	Self-Supporting Loans are financed by payments from third parties.				778,448	0	0	156,816	331,469	621,632	446,979	42,593	51,156
					4,296,388	5,105,706	533,206	815,405	950,006	8,586,689	3,879,588	275,721	248,768

City of Busselton

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Notes to and Forming Part of the Financial Report

23. Information on Borrowings (continued)

(b) New Debentures – 2012/13

Particulars / Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges	Interest Rate %	Amount Used		Balance Unspent
	Actual \$	Budget \$						Actual \$	Budget \$	
Loan #202 Geothermal Heating GLC	533,206	533,206	Treasury Corporation	Debenture	10	650,060	3.98%	251,050	533,206	282,156
Loan #xxx GLC Extensions	0	572,500	Not drawn		0	0	0.00%	0	572,500	0
Loan #xxx Busselton Foreshore	0	4,000,000	Not drawn		0	0	0.00%	0	4,000,000	0
	533,206	5,105,706				650,060		251,050	5,105,706	282,156

(c) Unspent Debentures

Particulars / Purpose	Date Borrowed	Balance 01-July-12 \$	Borrowed During Year \$	Expended During Year \$	Balance 30-June-13 \$
Loan #202 Geothermal Heating GLC	14 June 2013	0	533,206	251,050	282,156
		0	533,206	251,050	282,156

(d) Overdraft

Council has not utilised an overdraft facility during the financial year 2012/13. The balance of actual bank overdraft as at 1 July 2012 and 30 June 2013 was Nil.

City of Busselton

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Notes to and Forming Part of the Financial Report

24. Rating Information – 2012/13 Financial Year
(a) Rates

Rate Type	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Total Revenue \$
Differential General Rate									
GRV–Residential	0.080500	11,696	184,620,026	14,861,912	0	14,861,912	14,861,912	0	14,861,912
GRV–Industrial	0.088400	315	14,604,969	1,291,079	0	1,291,079	1,291,079	0	1,291,079
GRV–Commercial	0.088400	1,201	50,065,796	4,425,816	0	4,425,816	4,425,816	0	4,425,816
GRV–Residential Vacant Land	0.080500	483	12,054,050	970,351	0	970,351	970,351	0	970,351
GRV–Industrial Vacant Land	0.084000	43	1,077,046	90,472	0	90,472	90,472	0	90,472
GRV–Commercial Vacant Land	0.084000	47	2,625,940	220,579	0	220,579	220,579	0	220,579
UV-Primary Production	0.002926	863	718,185,000	2,101,409	0	2,101,409	2,101,409	0	2,101,409
UV-Rural	0.002767	1,572	812,428,000	2,248,338	0	2,248,338	2,248,338	0	2,248,338
UV-Commercial	0.005521	133	91,961,000	507,718	0	507,718	507,718	0	507,718
Interim Rates		0	0	0	279,254	279,254	0	250,000	250,000
Sub-Totals		16,353	1,887,621,827	26,717,674	279,254	26,996,928	26,717,674	250,000	26,967,674
Minimum \$									
Minimum Differential General Rate									
GRV–Residential	910	1,024	10,640,494	931,840	0	931,840	931,840	0	931,840
GRV–Industrial	910	0	0	0	0	0	0	0	0
GRV–Commercial	910	551	3,443,700	501,410	0	501,410	501,410	0	501,410
GRV–Residential Vacant Land	910	1,675	9,892,780	1,524,250	0	1,524,250	1,524,250	0	1,524,250
GRV–Industrial Vacant Land	910	1	7,600	910	0	910	910	0	910
GRV–Commercial Vacant Land	910	71	361,120	64,610	0	64,610	64,610	0	64,610
UV-Primary Production	910	208	48,235,000	189,280	0	189,280	189,280	0	189,280
UV-Rural	910	837	176,154,300	761,670	0	761,670	761,670	0	761,670
UV-Commercial	910	76	1,909,261	69,160	0	69,160	69,160	0	69,160
Sub-Totals		4,443	250,644,255	4,043,130	0	4,043,130	4,043,130	0	4,043,130
Back Rates / Prior Period Adj. (refer note 27)						70,375			58,000
General Rates						31,110,433			31,068,804
Specified Area Rate (refer note 25)						339,197			326,039
Totals						31,449,630			31,394,843

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

24. Rating Information – 2012/13 Financial Year (Continued)

(b) Information on Surplus / Deficit Brought Forward

	<u>2013</u>	<u>2013</u>	<u>2012</u>
	30 June	1 July	30 June
	2013	2012	2012
	C/FWD	B/FWD	C/FWD
	\$	\$	\$
Surplus / (Deficit)	1,727,014	1,442,923	1,442,923
<u>Comprises:</u>			
Cash - Unrestricted	1,243,646	1,848,564	1,848,564
Cash - Restricted	43,270,375	43,925,099	43,925,099
Sundry Debtors	2,442,888	1,550,850	1,550,850
Rates Debtors	1,356,762	1,189,658	1,189,658
Inventories	123,501	133,355	133,355
	48,437,172	48,647,526	48,647,526
<u>Less:</u>			
Sundry Creditors	(3,220,734)	(3,070,342)	(3,070,342)
Sundry Creditors – Deposits and Bonds	(2,271,729)	(2,455,739)	(2,455,739)
Accrued Salaries & Wages	(219,049)	(209,162)	(209,162)
	(5,711,512)	(5,735,243)	(5,735,243)
	42,725,660	42,912,283	42,912,283
Add Current Liabilities Cash Backed	2,271,729	2,455,739	2,455,739
Less Restricted Cash	(43,270,375)	(43,925,099)	(43,925,099)
Surplus / (Deficit)	1,727,014	1,442,923	1,442,923

Difference:

There was no difference between the Surplus 1 July 2012 Brought Forward position used in the 2013 audited financial report and the Surplus Carried Forward position as disclosed in the 2012 audited financial report.

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

25. Specified Area Rate - 2012/13 Financial Year

	Rate in \$	Basis of Rate	Rateable Value \$	Rate Revenue \$	Budget Rate Revenue \$	Applied to Costs \$	Budget Applied to Costs \$
Port Geographe							
• Rate	0.013780	GRV	10,304,850	142,001	142,001	142,001	142,001
• Interim Rate				2,556	0	2,556	0
• Back Rate				0	0	0	0
				144,557	142,001	144,557	142,001

	Rate in \$	Basis of Rate	Rateable Value \$	Rate Revenue \$	Budget Rate Revenue \$	Applied to Costs \$	Budget Applied to Costs \$
Provence							
• Rate	0.012673	GRV	6,233,890	79,000	79,000	79,000	79,000
• Rate	0.000115	UV	9,118,000	1,046	1,046	1,046	1,046
• Interim Rate				5,118	0	5,118	0
• Back Rate				0	0	0	0
				85,164	80,046	85,164	80,046

	Rate in \$	Basis of Rate	Rateable Value \$	Rate Revenue \$	Budget Rate Revenue \$	Applied to Costs \$	Budget Applied to Costs \$
Vasse							
• Rate	0.016580	GRV	6,272,090	103,992	103,992	103,992	103,992
• Rate		UV	0	0	0	0	0
• Interim Rate				5,484	0	5,484	0
• Back Rate				0	0	0	0
				109,476	103,992	109,476	103,992

The purpose of the Specified Area Rates is disclosed in note 13 "Purpose of Reserves".

26. Service Charges – 2012/13 Financial Year

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

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

27. Discounts, Incentives, Concessions & Write-offs – 2012/13 Financial Year

	Type	Discount %	Total Cost / Value \$	Budget Cost / Value \$
Back Rates Levied / Prior Period Adjustments	Adjustment	0	79,144	58,000
Write-offs	Write-off	0	(8,769)	0
		0	70,375	58,000

28. Interest Charges and Instalments – 2012/13 Financial Year

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates	11.00%	0.00	186,860	140,000
Interest on Instalments Plan	5.50%	0.00	166,101	150,000
Charges on Instalment Plan	0.00%	3.50	80,911	55,000
			433,872	345,000

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 14 September 2012 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 14 September 2012 or 35 days after the date of service appearing on the rate notice whichever is the later and including all arrears and service charges and one quarter of the current rates. The second, third and fourth instalments of the current rates are to be made on or before dates shown below:

- 1st Instalment 14 September 2012
- 2nd Instalment 14 November 2012
- 3rd Instalment 14 January 2013
- 4th Instalment 14 March 2013

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

	2013 Actual \$	2012 Actual \$
29. Fees & Charges		
General Purpose Funding	90,466	63,431
Governance	566	2,635
Law, Order & Public Safety	113,389	114,256
Health	176,727	192,064
Education and Welfare	147	145
Housing	383,733	362,092
Community Amenities	7,075,769	4,781,090
Recreation and Culture	1,758,038	1,692,198
Transport	645,887	245,432
Economic Services	1,682,394	1,554,890
Other Property and Services	60,445	60,030
	11,987,561	9,068,263

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

	2013 Actual \$	2012 Actual \$
30. Grant Revenue		
By Nature and Type:		
Operating Grants, Subsidies and Contributions	6,403,843	5,106,374
Non- Operating Grants, Subsidies and Contributions	13,335,147	8,200,267
	19,738,990	13,306,641
By Program:		
General Purpose Funding	2,636,292	2,929,491
Governance	150,123	168,119
Law, Order & Public Safety	982,051	706,859
Health	24,960	1,453
Education and Welfare	2,531	2,904
Housing	11,721	4,500
Community Amenities	460,664	176,064
Recreation and Culture	6,943,478	5,385,276
Transport	8,216,290	3,636,348
Economic Services	28,810	18,937
Other Property and Services	282,070	276,690
	19,738,990	13,306,641

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

	2013 Actual \$	2013 Budget \$	2012 Actual \$
31. Councillors Remuneration			
The following fees, expenses and allowances were paid to council members and / or the mayor.			
Mayor & Deputy Allowance	75,000	75,000	65,662
Councillors Sitting Fees	76,479	84,000	78,547
Travelling Allowance - Councillors Meetings	12,162	15,000	15,490
Communication Allowance	23,027	27,298	24,475
Other Allowance	4,866	11,000	7,238
	<u>191,534</u>	<u>212,298</u>	<u>191,412</u>

32. Post Balance Date Events

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

33. Employee Numbers

The number of full-time equivalent employees at balance date

2013	2012
266	266

34. Major Land Transactions

Council did not participate in any major land transactions during the 2012/13 financial year pursuant to S3.59 of the Local Government Act and Part 3 of the Local Government Functions and General Regulations.

35. Trading Undertakings and Major Trading Undertakings

Council did not participate in any trading undertakings or major trading undertakings during the 2012/13 financial year.

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

36. 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.

Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2013	2012	2013	2012
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	44,514,021	45,773,663	44,514,021	45,773,663
Receivables	4,591,858	3,905,044	4,591,858	3,905,044
Financial assets at fair value through profit or loss	0	0	0	0
	<u>49,105,879</u>	<u>49,678,707</u>	<u>49,105,879</u>	<u>49,678,707</u>
Financial Liabilities				
Payables	3,439,783	3,279,506	3,439,783	3,279,506
Borrowings	3,879,588	4,296,388	3,516,662	3,943,375
	<u>7,319,371</u>	<u>7,575,894</u>	<u>6,956,445</u>	<u>7,222,881</u>

Fair value is determined as follows:

- Cash and cash equivalents, receivables, payables – estimated to the carrying value which approximates net market value.
- Borrowings, held-to-maturity investments – estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.
- 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.

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

36. 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 June 2013	30 June 2012
	\$	\$
Impact of a 10% ⁽¹⁾ movement in price of investments:		
• Equity	0	3,781
• Statement of Comprehensive Income ⁽²⁾	0	3,781
Impact of a 1% ⁽¹⁾ movement in interest rates on cash and investments:		
• Equity	0	38
• Statement of Comprehensive Income	0	38

Notes:

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

(2) Maximum impact

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

36. 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.

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 June 2013	30 June 2012
	\$	\$
Percentage of Rates and Annual Charges		
• Current	9.65%	11.12%
• Overdue	90.35%	88.88%
Percentage of Other Receivables		
• Current	99.29%	96.29%
• Overdue	0.71%	3.71%

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

36. Financial Risk Management (Continued)

(c) Payables

(i) Payables

Payables and borrowings are both subject to liquidity risk – that is, the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. 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>2013</u>					
Payables	3,439,783	0	0	3,439,783	3,439,783
Borrowings	869,361	2,531,938	1,295,931	4,697,230	3,879,588
	<u>4,309,144</u>	<u>2,531,938</u>	<u>1,295,931</u>	<u>8,137,013</u>	<u>7,319,371</u>
<u>2012</u>					
Payables	3,279,506	0	0	3,279,506	3,279,506
Borrowings	1,015,557	2,734,392	1,507,959	5,257,908	4,296,388
	<u>4,295,063</u>	<u>2,734,392</u>	<u>1,507,959</u>	<u>8,537,414</u>	<u>7,575,894</u>

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Notes to and Forming Part of the Financial Report

36. Financial Risk Management (Continued)

(c) Payables (Continued)

(ii) Borrowings

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 2013</u>								
Borrowings								
Fixed Rate								
Debentures	220,302	0	0	143,352	0	3,515,934	3,879,588	5.77%
Weighted Average Effective Interest Rate	6.16%	0.00%	0.00%	6.79%	0.00%	5.70%		
<u>Year Ended 30 June 2012</u>								
Borrowings								
Fixed Rate								
Debentures	78,548	501,407	0	0	388,860	3,327,573	4,296,388	6.03%
Weighted Average Effective Interest Rate	5.60%	6.17%	0.00%	0.00%	6.18%	6.01%		

PARTNERS

Clifton M. Anderson FCA, JP	Stuart Fricker CPA, GAICD
Stephen FJ Down CA	Tim Partridge FCA
Shaun G. O'Callaghan CA	Maria Cavallo CA
Peter Manolas CPA, CTA (Master of Taxation Law)	Shane Kaurin CPA

INDEPENDENT AUDITOR'S REPORT TO THE ELECTORS OF THE CITY OF BUSSELTON

Report on the Financial Report

We have audited the accompanying financial report of the City of Busselton, which comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity, the rate setting statement, and the statement of cash flows for the year ended 30 June 2013, a summary of significant accounting policies and other explanatory notes, and the Statement by Chief Executive Officer.

Council's responsibility for the financial report

The Council of the City of Busselton is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended), and for such internal control as Council determines necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks and material misstatements of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial report.

We believe the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Opinion

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

- i. gives a true and fair view of the City of Busselton's financial position as at 30 June 2013 and of its performance for the financial year ended 30 June 2013;
- ii. complies with Australian Accounting Standards; and
- iii. is prepared in accordance with the requirements of the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

Statutory Compliance

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

- i. There are no matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the City.
- ii. There are no 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 noted during the course of our audit.
- iii. All necessary information and explanations were obtained by us.
- iv. All audit procedures were satisfactorily completed during our audit.

AMD Chartered Accountants



TIM PARTRIDGE
Partner

Bunbury, Western Australia

Dated this 4th day of October 2013

City of Busselton

Financial Report

For the Year Ended 30th June 2013

Supplementary Ratio Information

The following information relates to those ratios which only require an attestation. They have been checked and are supported by verifiable information. It does not form part of the audited annual financial report.

	2013 Actual	2012 Actual	2011 Actual
Asset Consumption Ratio	0.544	N/A	N/A
Asset Renewal Funding Ratio	1.000	N/A	N/A

The above ratios are calculated as follows:

Asset Consumption Ratio (Target Ratio > 0.6)	$\frac{\text{Depreciated replacement cost of assets}}{\text{Current replacement cost of depreciable assets}}$
Asset Renewal Funding Ratio (Target Ratio > 0.95)	$\frac{\text{NPV of planned capital renewals over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$

Note:

In keeping with amendments to Local Government (Financial Management) Regulation 50, comparatives for the two preceding years (being 2012 and 2011) have not been reported as financial information is not available.