



City of Busselton

Geographie Bay

Financial Report

For the year ended

30 June 2014

City of Busselton
Financial Report
For the Year Ended 30th June 2014

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City of Busselton

Financial Report

For the Year Ended 30th June 2014

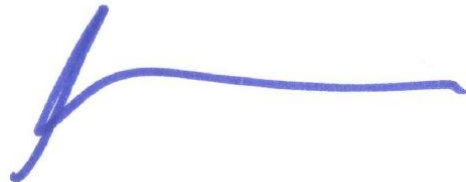
LOCAL GOVERNMENT ACT 1995

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 2014 are in my opinion properly drawn up to present fairly the financial position of the City of Busselton at 30th June 2014 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed on the 7th day of October 2014



Paul Needham
Acting Chief Executive Officer

City of Busselton

Financial Report

For the Year Ended 30th June 2014

Statement of Comprehensive Income by Nature or Type

	Note	2014 Actual \$	2014 Budget \$	2013 Actual \$
<u>REVENUE</u>				
Rates	24	33,727,074	33,529,950	31,449,630
Operating Grants, Subsidies and Contributions	30	4,741,717	3,637,225	6,403,843
Fees and Charges	29	13,590,101	12,349,756	11,987,561
Interest Earnings	2(a)	1,988,853	2,029,700	2,331,951
Other Revenue		711,267	521,842	945,853
		54,759,012	52,068,473	53,118,838
<u>EXPENSES</u>				
Employee Costs		(23,534,302)	(23,530,362)	(22,225,010)
Materials and Contracts		(14,342,701)	(13,669,576)	(13,687,183)
Utility Charges		(2,219,650)	(2,147,461)	(2,017,256)
Depreciation on Non-Current Assets	2(a)	(10,128,224)	(9,400,496)	(9,651,499)
Loss on Redemption of Financial Assets	4	0	0	0
Interest Expenses	2(a)	(238,817)	(485,722)	(248,768)
Insurance Expenses		(744,075)	(695,704)	(652,286)
Other Expenditure		(1,033,819)	(1,917,332)	(2,696,748)
		(52,241,588)	(51,846,653)	(51,178,750)
		2,517,424	221,820	1,940,088
Non-Operating Grants, Subsidies and Contributions	30	22,979,810	21,684,561	13,335,147
Fair value adjustments to assets through profit or loss	2(a)	0	0	(1,068,568)
Profit on Asset Disposals	22	45,363	54,819	67,413
Loss on Asset Disposals	22	(241,424)	(171,677)	(179,975)
		22,783,749	21,567,703	12,154,017
NET RESULT		25,301,173	21,789,523	14,094,105
Other Comprehensive Income				
Change on revaluation of non-current assets	14	44,100,475	0	196,941
Total Other Comprehensive Income		44,100,475	0	196,941
TOTAL COMPREHENSIVE INCOME		69,401,648	21,789,523	14,291,046

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

City of Busselton

Financial Report

For the Year Ended 30th June 2014

Statement of Comprehensive Income by Program

	Note	2014 Actual \$	2014 Budget \$	2013 Actual \$
Revenue				
General Purpose Funding		37,132,429	36,952,854	36,457,885
Governance		310,621	142,587	262,851
Law, Order & Public Safety		652,751	570,955	671,652
Health		350,040	270,695	199,306
Education and Welfare		5,818	5,972	2,678
Housing		393,986	383,050	387,453
Community Amenities		8,197,453	7,720,863	7,492,754
Recreation and Culture		3,058,646	2,888,224	3,022,663
Transport		2,368,844	1,039,294	2,526,813
Economic Services		1,961,583	1,829,370	1,752,064
Other Property and Services		326,841	264,609	342,719
		<u>54,759,012</u>	<u>52,068,473</u>	<u>53,118,838</u>
Expenses Excluding Finance Costs				
General Purpose Funding		(883,336)	(907,951)	(849,146)
Governance		(4,842,293)	(4,466,103)	(6,357,120)
Law, Order & Public Safety		(2,336,608)	(2,266,648)	(2,227,368)
Health		(1,107,293)	(1,088,143)	(975,642)
Education and Welfare		(135,169)	(141,512)	(214,204)
Housing		(308,628)	(331,213)	(257,906)
Community Amenities		(10,216,386)	(11,171,888)	(10,321,046)
Recreation and Culture		(13,946,231)	(13,631,174)	(12,478,290)
Transport		(13,716,022)	(13,119,928)	(13,992,287)
Economic Services		(3,377,459)	(3,356,755)	(3,086,533)
Other Property and Services		(1,133,346)	(879,616)	(1,239,008)
		<u>(52,002,771)</u>	<u>(51,360,931)</u>	<u>(51,998,550)</u>
Finance Costs				
	2(a)			
Education and Welfare		0	0	(1,233)
Community Amenities		(5,040)	(5,040)	(20,315)
Recreation and Culture		(197,625)	(373,249)	(220,188)
Transport		(31,606)	(102,887)	0
Economic Services		(4,546)	(4,546)	(7,032)
		<u>(238,817)</u>	<u>(485,722)</u>	<u>(248,768)</u>
Non-Operating Grants, Subsidies & Contributions				
	30			
Governance		0	0	1,726
Law, Order & Public Safety		1,367,508	3,000	684,762
Health		43,999	0	2,381
Housing		0	0	8,000
Community Amenities		312,500	1,108,798	140,000
Recreation and Culture		7,552,540	14,804,432	6,057,812
Transport		13,703,263	5,766,331	6,428,466
Economic Services		0	0	12,000
Other Property and Services		0	2,000	0
		<u>22,979,810</u>	<u>21,684,561</u>	<u>13,335,147</u>
Profit / (Loss) on Disposal of Assets				
	22			
General Purpose Funding		0	0	10
Governance		(3,340)	7,019	4,202
Law, Order & Public Safety		(53,336)	(19,831)	22,881
Health		0	0	13
Housing		0	0	(1,258)
Community Amenities		117	(55,416)	(116,949)
Recreation and Culture		(32,621)	7,819	(1,275)
Transport		(105,539)	(50,897)	(4,149)
Economic Services		299	(9,221)	(4,355)
Other Property and Services		(1,641)	3,669	(11,682)
		<u>(196,061)</u>	<u>(116,858)</u>	<u>(112,562)</u>
NET RESULT				
Change on revaluation of non-current assets	14	44,100,475	0	196,941
TOTAL COMPREHENSIVE INCOME		<u>69,401,648</u>	<u>21,789,523</u>	<u>14,291,046</u>

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

City of Busselton

Financial Report

For the Year Ended 30th June 2014

Statement of Financial Position

	Note	2014 Actual \$	2013 Actual \$
CURRENT ASSETS			
Cash and Cash Equivalents	3	45,748,580	44,514,021
Investments	4	0	0
Trade and Other Receivables	5	3,759,219	4,096,912
Inventories	6	25,702	123,501
TOTAL CURRENT ASSETS		49,533,501	48,734,434
NON-CURRENT ASSETS			
Other Receivables	5	454,472	494,946
Property, Plant and Equipment	7	92,858,218	41,036,828
Infrastructure	8	270,649,960	249,802,424
TOTAL NON-CURRENT ASSETS		363,962,650	291,334,198
TOTAL ASSETS		413,496,151	340,068,632
CURRENT LIABILITIES			
Trade and Other Payables	10	6,495,848	5,711,512
Current Portion of Long Term Borrowings	11	764,209	662,150
Provisions	12	3,257,535	3,084,674
TOTAL CURRENT LIABILITIES		10,517,592	9,458,336
NON-CURRENT LIABILITIES			
Long Term Borrowings	11	6,113,148	3,217,438
Provisions	12	549,992	479,087
TOTAL NON-CURRENT LIABILITIES		6,663,140	3,696,525
TOTAL LIABILITIES		17,180,732	13,154,861
NET ASSETS		396,315,419	326,913,771
EQUITY			
Retained Surplus		323,883,018	298,329,958
Reserves – Cash Backed	13	28,134,985	28,386,872
Revaluation Surplus	14	44,297,416	196,941
TOTAL EQUITY		396,315,419	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 2014

Statement of Changes in Equity

	Note	Retained Surplus \$	Reserves Cash Backed \$	Revaluation Surplus \$	Total Equity \$
Balance as at 1 July 2012		285,495,082	27,127,643	0	312,622,725
Changes in Accounting Policy		0	0	0	0
Correction of Errors		0	0	0	0
Restated Balance		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	14	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
<u>Comprehensive Income</u>					
Net Result		25,301,173	0	0	25,301,173
Changes on Revaluation of Non-Current Assets	14	0	0	44,100,475	44,100,475
Total Other Comprehensive Income		25,301,173	0	44,100,475	69,401,648
Transfer from / (to) Reserves		251,887	(251,887)	0	0
Balance as at 30 June 2014		323,883,018	28,134,985	44,297,416	396,315,419

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

City of Busselton

Financial Report

For the Year Ended 30th June 2014

Statement of Cash Flows

	Note	2014 Actual \$	2014 Budget \$	2013 Actual \$
Cash Flows from Operating Activities				
Receipts				
Rates		33,323,257	33,498,261	31,313,761
Operating Grants, Subsidies and Contributions		5,276,793	3,986,391	6,080,175
Fees & Charges		13,833,507	12,525,630	11,663,146
Interest Earnings		1,988,853	2,029,700	2,331,951
Goods and Services Tax		4,960,893	4,273,222	5,829,526
Other Revenue		2,489,470	1,136,192	873,583
		<u>61,872,773</u>	<u>57,449,396</u>	<u>58,092,142</u>
Payments				
Employee Costs		(23,292,650)	(23,538,633)	(21,921,052)
Materials and Contracts		(14,676,691)	(13,961,371)	(13,563,933)
Utility Charges		(2,219,650)	(2,147,461)	(2,017,256)
Insurance Expenses		(744,075)	(695,704)	(652,286)
Interest Expenses		(238,817)	(485,722)	(248,768)
Goods and Services Tax		(5,063,735)	(4,000,000)	(5,498,064)
Other Expenditure		(1,717,119)	(2,320,744)	(3,118,104)
		<u>(47,952,737)</u>	<u>(47,149,635)</u>	<u>(47,019,463)</u>
Net Cash Provided by Operating Activities	15(b)	<u>13,920,036</u>	<u>10,299,761</u>	<u>11,072,679</u>
Cash Flows from Investing Activities				
Payment for Purchase of Property, Plant & Equipment		(10,099,303)	(16,227,392)	(7,999,074)
Payment for Construction of Infrastructure		(14,138,248)	(33,484,232)	(15,872,263)
Advances to Community Groups		0	0	0
Non-Operating Grants, Subsidies and Contributions used for the Development of Assets		7,810,128	20,743,288	11,066,130
Proceeds from Sale of Assets		656,253	770,400	558,216
Proceeds from Sale of Investments		0	0	0
		<u>(15,771,170)</u>	<u>(28,197,936)</u>	<u>(12,246,991)</u>
Cash Flows from Financing Activities				
Repayment of Debentures		(752,231)	(1,047,457)	(950,006)
Proceeds from Self Supporting Loans		87,924	87,924	331,470
Proceeds from New Debentures		3,750,000	7,750,000	533,206
Net Cash Provided By (Used In) Financing Activities		<u>3,085,693</u>	<u>6,790,467</u>	<u>(85,330)</u>
Net Increase (Decrease) in Cash Held		1,234,559	(11,107,708)	(1,259,642)
Cash at Beginning of Year		44,514,021	44,514,021	45,773,663
Cash and Cash Equivalents at the End of the Year	15 (a)	<u><u>45,748,580</u></u>	<u><u>33,406,313</u></u>	<u><u>44,514,021</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 2014

Rate Setting Statement

	Note	2014 Actual \$	2014 Budget \$	2013 Actual \$
REVENUE				
General Purpose Funding		3,782,573	3,784,562	5,347,462
Governance		313,742	149,606	277,737
Law, Order & Public Safety		2,025,400	573,955	1,380,752
Health		394,039	270,695	201,699
Education and Welfare		5,818	5,972	2,678
Housing		393,986	383,050	395,453
Community Amenities		8,519,076	8,829,661	7,632,800
Recreation and Culture		10,614,305	17,723,456	9,084,400
Transport		16,086,377	6,816,525	8,977,333
Economic Services		1,965,921	1,829,870	1,764,624
Other Property and Services		333,092	272,209	346,026
		44,434,329	40,639,561	35,410,964
EXPENSES				
General Purpose Funding		(883,336)	(907,951)	(849,146)
Governance		(4,848,754)	(4,466,103)	(6,366,077)
Law, Order & Public Safety		(2,395,083)	(2,286,479)	(2,228,824)
Health		(1,107,293)	(1,088,143)	(975,642)
Education and Welfare		(135,169)	(141,512)	(215,437)
Housing		(308,628)	(331,213)	(259,163)
Community Amenities		(10,230,431)	(11,232,344)	(10,458,356)
Recreation and Culture		(14,179,597)	(14,027,404)	(12,703,678)
Transport		(13,867,437)	(13,284,612)	(14,018,491)
Economic Services		(3,386,044)	(3,371,022)	(3,098,481)
Other Property and Services		(1,141,240)	(881,547)	(1,253,997)
		(52,483,012)	(52,018,330)	(52,427,292)
Net Result Excluding Rates		(8,048,683)	(11,378,769)	(17,016,328)
Adjustments for Cash Budget Requirements				
Non-Cash Expenditure and Revenue				
(Profit) / Loss on Asset Disposal	22	196,061	116,858	112,562
Movement in Assets due to Changes in Regulations		0	0	1,068,568
Movement in Deferred Pensioner Rates		(27,169)	0	(3,612)
Movement in Deposits and Bonds		1,206,102	0	(184,010)
Movement in Employee Benefit Provisions		243,766	(16,124)	302,874
Movement in Non-Cash Contributions	15(e)	(15,358,278)	(1,060,000)	(2,046,335)
Depreciation on Assets	2(a)	10,128,224	9,400,496	9,651,499
Capital Expenditure and Revenue				
Purchase of Land and Buildings	7	(6,554,651)	(11,803,217)	(4,738,314)
Purchase of Plant and Equipment	7	(2,941,061)	(4,061,612)	(2,397,097)
Purchase of Furniture and Fittings	7	(556,750)	(500,268)	(875,965)
Purchase of Infrastructure Assets	8	(14,138,248)	(33,534,231)	(15,872,262)
Proceeds from Disposal of Assets	22	656,253	770,400	558,216
Repayment of Debentures	23(a)	(752,231)	(1,047,457)	(950,006)
Proceeds from New Debentures	23(a)	3,750,000	7,750,000	533,206
Advances to Community Groups	23(a)	0	0	0
Self Supporting Loan Principal Income		87,924	87,924	331,470
Transfers to Reserves / Restricted Assets		(15,791,044)	(7,432,263)	(14,017,304)
Transfers from Reserves / Restricted Assets		14,216,130	17,812,957	14,716,496
ADD : Estimated Surplus / (Deficit) July 1 B/Fwd	24(b)	1,727,014	1,727,014	1,442,923
LESS : Estimated Surplus / (Deficit) June 30 C/Fwd	24(b)	1,393,215	0	1,727,014
Amount Required to be Raised from General Rates	24(a)	(33,349,856)	(33,168,292)	(31,110,433)

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

City of Busselton

Financial Report

For the Year Ended 30th June 2014

Notes to and Forming Part of the Financial Report

1. Significant Accounting Policies

(a) Basis of Preparation

The financial report comprises general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1995 and accompanying regulations. Material accounting policies which have been adopted in the preparation of this financial report are presented below and have been consistently applied unless stated otherwise.

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.

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.

(b) 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.

(c) Cash and Cash Equivalents

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

City of Busselton

Financial Report

For the Year Ended 30th June 2014

Notes to and Forming Part of the Financial Report

1. Significant Accounting Policies (Continued)

(c) Cash and Cash Equivalents (Continued)

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

(d) 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.

(e) 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 held for development and sale 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 profit or loss 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 sale is classified as current except where it is held as non-current based on Council's intentions to release for sale.

(f) Fixed Assets

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

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 2014

Notes to and Forming Part of the Financial Report

1. Significant Accounting Policies (Continued)

(f) 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 was required to include as an asset (by 30 June 2013), Crown Land operated by the local government as a golf course, showground, racecourse or other sporting or recreational facility of State or regional significance.

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

Whilst they were initially recorded at cost, fair value at the date of acquisition was deemed cost as per AASB 116.

Consequently, these assets were initially recognised at cost but revalued along with other items of Land and Buildings at 30 June 2014.

City of Busselton

Financial Report

For the Year Ended 30th June 2014

Notes to and Forming Part of the Financial Report

1. Significant Accounting Policies (Continued)

(f) Fixed Assets (Continued)

Initial Recognition and Measurement between Mandatory Revaluation Dates

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

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

Individual assets acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework detailed above, are carried at cost less accumulated depreciation as management believes this approximates fair value. They will be subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework detailed above.

Revaluation

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.

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 only become applicable for the year ended 30 June 2014 (in relation to Council), given the legislative need to commence using Fair Value methodology in the previous reporting period (year ended 30 June 2013) 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 the previous reporting period (year ended 30 June 2013).

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.

City of Busselton

Financial Report

For the Year Ended 30th June 2014

Notes to and Forming Part of the Financial Report

1. Significant Accounting Policies (Continued)

(f) Fixed Assets (Continued)

Land under Roads (Continued)

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.

Depreciation of Non-Current Assets

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

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

- a) Restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount; or
- b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Major depreciation periods used for each class of depreciable asset 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.

City of Busselton

Financial Report

For the Year Ended 30th June 2014

Notes to and Forming Part of the Financial Report

1. Significant Accounting Policies (Continued)

(f) Fixed Assets (Continued)

Depreciation of Non-Current Assets (Continued)

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 revalued assets are disposed of, 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 an asset inventory listing.

(g) Fair Value of Assets and Liabilities

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

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

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

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

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

Fair Value Hierarchy

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

Level 1

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

City of Busselton

Financial Report

For the Year Ended 30th June 2014

Notes to and Forming Part of the Financial Report

1. Significant Accounting Policies (Continued)

(g) Fair Value of Assets and Liabilities (Continued)

Fair Value Hierarchy (Continued)

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

As detailed above, the mandatory measurement framework imposed by the Local Government (Financial Management) Regulations requires, as a minimum, all assets carried at a revalued amount to be revalued at least every 3 years.

City of Busselton

Financial Report

For the Year Ended 30th June 2014

Notes to and Forming Part of the Financial Report

1. Significant Accounting Policies (Continued)

(h) 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.

Amortised cost is calculated as:

- (a) the amount at which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments and any reduction for impairment; and
- (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.

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.

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

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

Assets in this category are classified as current assets

(ii) *Loans and receivables*

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

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

City of Busselton

Financial Report

For the Year Ended 30th June 2014

Notes to and Forming Part of the Financial Report

1. Significant Accounting Policies (Continued)

(h) Financial Instruments (Continued)

Classification and Subsequent Measurement (Continued)

(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 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.

Impairment

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 (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, 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.

City of Busselton

Financial Report

For the Year Ended 30th June 2014

Notes to and Forming Part of the Financial Report

1. Significant Accounting Policies (Continued)

(h) Financial Instruments (Continued)

Impairment (Continued)

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

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.

(i) Impairment of Assets

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 revalued amount in accordance with another standard (e.g. AASB 116) whereby any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other standard.

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

(j) Trade and Other Payables

Trade 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 2014

Notes to and Forming Part of the Financial Report

1. Significant Accounting Policies (Continued)

(k) Employee Benefits

Short-Term Employee Benefits

Provision is made for the Council's obligations for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Council's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The Council's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Other Long-Term Employee Benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations or service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any re-measurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

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

Sick Leave Scheme

The provision for employee's entitlements under the sick leave 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 2014.

Clause 34 of the City of Busselton's Enterprise Agreement 2014 states that; "Those employees who commenced employment with the City prior to 22 August 2003 will continue to be entitled to 15% of the monetary value of their accrued sick leave on resignation, retirement or redundancy, as negotiated in the City of Busselton Certified Enterprise Bargaining Agreement 1997 (sub-clause 17.18(2))".

(l) Borrowing Costs

Borrowing costs are recognised as an expense when incurred.

City of Busselton

Financial Report

For the Year Ended 30th June 2014

Notes to and Forming Part of the Financial Report

1. Significant Accounting Policies (Continued)

(m) 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.

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

(o) Investments in Associates

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

The carrying amount of the investment includes, where applicable, 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.

When the Council's share of losses in an associate equals or exceeds its interest in the associate, the Council discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Council will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

City of Busselton

Financial Report

For the Year Ended 30th June 2014

Notes to and Forming Part of the Financial Report

1. Significant Accounting Policies (Continued)

(p) Interests in Joint Arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a joint venture and accounted for using the equity method. Refer to note 1(o) for a description of the equity method of accounting.

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Council's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements. Information about the joint ventures is set out in Note 18.

(q) 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.

(r) 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.

(s) Current and Non-Current Classification

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle. In the case of liabilities where 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 sale where it is held as non-current based on the Council's intentions to release for sale.

(t) Rounding Off Figures

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

City of Busselton

Financial Report

For the Year Ended 30th June 2014

Notes to and Forming Part of the Financial Report

1. Significant Accounting Policies (Continued)

(u) 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, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

(v) 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.

(w) 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 2014

Notes to and Forming Part of the Financial Report

1. Significant Accounting Policies (Continued)

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

	Title	Issued/ Compiled	Applicable⁽¹⁾	Impact
(i)	AASB 9 – Financial Instruments	December 2013	1 January 2017	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 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 2013	1 January 2017	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 2011 – 7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards [Not-For-Profit entities] [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]	December 2012	1 January 2014	Consequential changes to various standards arising from the issuance of AASB 10, 11, 12, 127 and 128. It is not expected to have a significant impact on Council.

City of Busselton

Financial Report

For the Year Ended 30th June 2014

Notes to and Forming Part of the Financial Report

1. Significant Accounting Policies (Continued)

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

	Title	Issued/ Compiled	Applicable ⁽¹⁾	Impact
(iv)	AASB 2012-3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]	June 2012	1 January 2014	This Standard adds application guidance to AASB 132: Financial Instruments: Presentation 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. This Standard is not expected to significantly impact the Council’s financial statements.
(v)	AASB 2013-3: Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets	June 2013	1 January 2014	This standard makes amendments to AASB 136 and includes requirements to disclose additional information when present value techniques are used to measure the recoverable amount of impaired assets. It is not expected to have a significant impact on Council.
(vi)	AASB 2013-8: Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities [AASB 10, 12 & 1049]	October 2013	1 January 2014	This standard adds Appendix E to AASB 10 to provide implementation guidance for Not-for-Profit entities regarding control criteria from the perspective of not-for-profit entities. It is not expected to have a significant impact on Council.

City of Busselton

Financial Report

For the Year Ended 30th June 2014

Notes to and Forming Part of the Financial Report

1. Significant Accounting Policies (Continued)

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

	Title	Issued/ Compiled	Applicable ⁽¹⁾	Impact
(vii)	AASB 2013-9: Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments [Operative dates: Part A Conceptual Framework – 20 December 2013; Part B Materiality – 1 January 2014; Part C Financial Instruments – 1 January 2015]	December 2013	Refer Title column	Part A of this standard makes various editorial corrections to Australian Accounting Standards. Part B of this standard deletes references to AASB 1031 in various Australian Accounting Standards in advance of the withdrawal of AASB 1031. Part C of this standard makes consequential amendments to AASB 9 and numerous other standards and amends the permissions around certain applications relating to financial liabilities reissued at fair value. As the bulk of changes related either to editorial or reference changes it is not expected to have a significant impact on Council.

Notes:

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

(y) Adoption of New and Revised Accounting Standards

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

These new and revised standards were:

AASB 10	AASB 128	AASB 2012 – 2
AASB 11	AASB 2011 - 7	AASB 2012 – 3
AASB 12	AASB 2011 - 9	AASB 2012 – 5
AASB 119	AASB 2011 – 10	AASB 2012 - 10
AASB 127		

Most of the standards adopted had a minimal effect on the accounting and reporting practices of the Council as they did not have a significant impact on the accounting or reporting practices or 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.

City of Busselton

Financial Report

For the Year Ended 30th June 2014

Notes to and Forming Part of the Financial Report

	2014 Actual \$	2013 Actual \$
2. Revenue and Expenses		
(a) Net Result		
The Net Result includes:		
(i) Charging as an Expense:		
Significant Expense		
Community Amenities	0	713,974
Transport	0	354,594
	0	1,068,568
The significant expense relates to the reduction in fair value of the City's non-current assets		
Auditors Remuneration		
- Audit of Financial Report	20,300	20,000
- Other Services	5,777	6,820
	26,077	26,820
Depreciation		
Buildings	989,252	912,534
Furniture and Fittings	672,476	570,100
Plant and Equipment	1,366,799	1,514,941
Roads	3,230,564	3,130,438
Bridges	166,714	149,196
Car Parks	66,727	47,326
Footpaths & Cycle ways	514,016	475,366
Parks, Gardens, Reserves & Community Facilities	2,501,743	2,248,690
Stormwater Drainage	509,484	497,714
Regional Airport & Industrial Park	110,449	105,194
	10,128,224	9,651,499
Interest Expenses (Finance Costs)		
Overdraft Interest	0	0
Debentures (refer Note 23(a))	238,817	248,768
	238,817	248,768
Rental Charges		
Operating Leases	446,709	361,189

City of Busselton

Financial Report

For the Year Ended 30th June 2014

Notes to and Forming Part of the Financial Report

	2014 Actual \$	2014 Budget \$	2013 Actual \$
2. Revenue and Expenses (Continued)			
(a) Net Result (Continued)			
(ii) Crediting as Revenue:			
Interest Earnings			
Investments			
- Reserve Funds	1,082,023	1,000,000	1,242,233
- Restricted Funds	2,335	0	24,715
- Other Funds	551,169	750,000	712,042
- Other Interest Revenue (refer note 28)	353,326	279,700	352,961
	<u>1,988,853</u>	<u>2,029,700</u>	<u>2,331,951</u>

(b) Statement of Objective

In order to discharge its responsibilities to the community, the City has developed a set of operational and financial objectives. These objectives have been established both on an overall basis, reflected by the City's vision, and for each of its broad activities / programs.

Community Vision

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

Council operations as disclosed in this report encompass the following service orientated activities / programs:

General Purpose Funding

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

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

Governance

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

Activities: 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 lifesaving efforts.

City of Busselton

Financial Report

For the Year Ended 30th June 2014

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 environmental and community health.

Activities: Inspections of food outlets and their control, noise control, waste disposal compliance, mosquitoes and stingers control.

Education and Welfare

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

Activities: Annual donation relative to the operation of a Senior Citizen's Centre.

Housing

Objective: To provide and maintain elderly residents housing.

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

Community Amenities

Objective: To provide services required by the community

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

Recreation and Culture

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

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

Transport

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

Activities: Construction and maintenance of roads, bridges, drainage, footpaths, cycle ways, parking facilities, traffic signs and depot. Also includes cleaning of streets, maintenance of street trees, street lighting etc. Control and maintenance of a regional airport.

Economic Services

Objective: To help promote the City and its economic wellbeing.

Activities: The regulation and provision of tourism initiatives, the maintenance and operation of a Caravan park and the implementation of building controls. Provision of rural services including weed control, vermin control and standpipes.

Other Property and Services

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

Activities: Private works operation, plant repair and operation costs and engineering operation costs.

City of Busselton

Financial Report

For the Year Ended 30th June 2014

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-12	2012/13	2012/13	Balance (1) 30-Jun-13	2013/14	2013/14	Balance 30-Jun-14
		\$	\$	\$	\$	\$	\$	\$
Cash in lieu of parking	Transport	718,221	15,328	0	733,549	1,430	(686,344)	48,635
Contribution to works	Classified by activity	1,998,310	31,806	(151,866)	1,878,250	259,922	(56,664)	2,081,508
Government grants	Classified by activity	4,303,986	3,551,301	(4,521,935)	3,333,352	599,101	(2,757,206)	1,175,247
Vasse diversion drain	Community amenities	384,464	0	0	384,464	0	0	384,464
C.P.A. infrastructure	Transport	317,810	33,520	(113,281)	238,049	5,187	0	243,236
C.P.A. Community Facilities	Classified by activity	960,475	48,517	(55,880)	953,112	35,333	0	988,445
C.P.A. Bushfire Facilities	Law, order and public safety	51,604	2,660	0	54,264	408	0	54,672
Cash in Lieu – Public Art	Classified by activity	0	26,000	0	26,000	12,000	0	38,000
Community recreation Fac.	Classified by activity	3,986,846	374,497	(274,487)	4,086,856	1,475,500	(57,874)	5,504,482
		12,721,716	4,083,629	(5,117,449)	11,687,896	2,388,881	(3,558,088)	10,518,689

Notes:

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

City of Busselton

Financial Report

For the Year Ended 30th June 2014

Notes to and Forming Part of the Financial Report

	2014 Actual \$	2013 Actual \$
3. Cash and Cash Equivalents		
Unrestricted	896,960	1,243,646
Restricted	44,851,620	43,270,375
	45,748,580	44,514,021
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Airport Infrastructure Renewal & Replacement Reserve	597,302	247,141
Asset Depreciation Reserve	4,026,327	4,318,492
Beach Protection Reserve	1,324,758	1,888,001
Bio-Diversity Reserve	0	8,610
Busselton Library Extension Reserve	0	0
Busselton Town Centre Improvements Reserve	0	11,696
Building Reserve	1,500,203	1,341,008
Corporate IT System Programme Reserve	123,846	119,254
EDP Equipment (Main) Reserve	0	9,711
Jetty Maintenance Reserve	1,464,952	1,278,159
Legal Expenses Reserve	249,162	191,229
Long Service Leave Reserve	1,987,579	1,783,825
City Car Parking and Access Reserve	1,641	1,794,444
Plant Replacement Reserve	3,597,284	3,982,028
Professional Development (Contractual Obligation) Reserve	111,896	131,749
Road Initiative Reserve	2,435	67,765
Salaries & Wages Contingency Reserve	0	58,668
Sick Pay Incentive Reserve	137,020	134,224
Strategic Projects Reserve	245,558	235,123
Waste Management Facility and Plant Reserve	5,824,494	3,143,189
Port Geographe Development Reserve	567,296	506,854
Port Geographe Waterways Management Reserve	3,295,493	3,021,602
Workers Compensation Contingency Reserve	256,150	247,417
Youth Facilities Reserve	0	34,409
Provence Landscape Maintenance Reserve	533,687	417,255
Infrastructure Development Reserve	1,778,228	2,016,574
Vasse Newtown Landscape Maintenance Reserve	358,408	221,550
Untied Grants Reserve	0	1,108,231
Locke Estate Reserve	114,516	56,000
Busselton Community Centre Reserve	36,750	12,664
Less Accrued Interest on Restricted Assets	(203,009)	(209,339)
Cash set aside in Lieu of Parking	48,635	733,549
Cash set aside for Roadwork within specific areas, being funds given as a condition of subdivision/development	2,081,508	1,878,250
Cash set aside, being unspent specific purpose Government Grants	1,175,247	3,333,352
Cash set aside, being Unspent Loan Funds	1,912,266	282,156
Cash set aside for Commonage Precinct Infrastructure and roads	1,286,353	1,245,425
Cash set aside for Sundry Restricted	1,010,857	851,061
Cash set aside for Vasse Diversion Drain	384,464	384,464
Cash in Lieu for Public Arts	38,000	26,000
Cash set aside for Community & Recreation Facilities	5,504,482	4,086,856
Cash set aside for Deposits & Bonds	3,477,832	2,271,729
	44,851,620	43,270,375

City of Busselton

Financial Report

For the Year Ended 30th June 2014

Notes to and Forming Part of the Financial Report

	2014 Actual \$	2013 Actual \$
4. Investments		
Investments	0	0
5. Trade and Other Receivables		
Current		
Rates Outstanding	1,454,095	1,317,431
Rates Outstanding – Pensioners	33,702	39,331
Sundry Debtors	1,827,716	2,379,004
GST Receivable	376,064	273,222
Loans – Clubs / Institutions	67,642	87,924
	<u>3,759,219</u>	<u>4,096,912</u>
<p>Note: Rates outstanding as at 30 June 2014 total \$1,454,095. Of this amount, \$1,074,535 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	158,058	130,890
Sundry Debtors	5,000	5,000
Loans – Clubs / Institutions)	291,414	359,056
	<u>454,472</u>	<u>494,946</u>
6. Inventories		
Current		
Fuel and Materials	25,702	123,501
	<u>25,702</u>	<u>123,501</u>

City of Busselton

Financial Report

For the Year Ended 30th June 2014

Notes to and Forming Part of the Financial Report

	2014 Actual \$	2013 Actual \$
7. Property, Plant and Equipment		
<u>Land & Buildings</u>		
Freehold Land – Independent Valuation 2014	41,196,012	0
Freehold Land – Cost	0	4,293,246
	41,196,012	4,293,246
Buildings – Independent Valuation 2014	37,842,382	0
Buildings – Cost	0	36,396,950
Less Accumulated Depreciation	0	(11,314,657)
	37,842,382	25,082,293
Total Land and Buildings	79,038,394	29,375,539
Furniture and Fittings – Fair Value	2,725,689	2,179,763
Less Accumulated Depreciation	(672,476)	0
	2,053,213	2,179,763
Plant and Equipment – Fair Value	13,133,410	9,481,526
Less Accumulated Depreciation	(1,366,799)	0
	11,766,611	9,481,526
Total Property, Plant and Equipment	92,858,218	41,036,828

Land and Buildings

The City's land and buildings were revalued at 30 June 2014 by independent valuers.

In relation to land and non-specialised buildings, valuations were made on the basis of observable open market values of similar assets, adjusted for condition and comparability, at their highest and best use (Level 2 inputs in the fair value hierarchy).

With regard to specialised buildings, these were valued having regard for their current replacement cost utilising both observable and unobservable inputs being construction costs based on recent contract prices, current condition (Level 2 inputs), residual values and remaining useful life assessments (Level 3 inputs).

City of Busselton

Financial Report

For the Year Ended 30th June 2014

Notes to and Forming Part of the Financial Report

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

Land and Buildings (Continued)

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

These Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.

The revaluation of these assets resulted in an overall increase of \$44,100,475 in the net value of the City's land and buildings. All of this increase was credited to the revaluation surplus in the City's equity (refer Note 14 for further details) and was recognised as Changes on Revaluation of non-current Assets in the Statement of Comprehensive Income.

**Furniture and Equipment /
Plant and Equipment:**

Both furniture and equipment and plant and equipment were revalued in 2013 as part of the mandatory requirements embodied in Local Government (Financial Management) Regulation 17A.

Whilst the additions since that time are shown at cost, given they were acquired at arm's length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. Thus, the value is considered in accordance with Local Government (Financial Management (Regulation) 17A (2) which requires these assets to be shown at fair value.

They will be revalued during the year ended 30 June 2016 in accordance with the mandatory asset measurement framework detailed at Note 1(f).

City of Busselton

Financial Report

For the Year Ended 30th June 2014

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 (Level 2)	Buildings Non- Specialised (Level 2)	Buildings Specialised (Level 3)	Furniture and Fittings (Level 3)	Plant and Equipment (Level 3)	Total
Balance as at 1 July 2013	4,293,246	10,649,275	14,433,018	2,179,763	9,481,526	41,036,828
Additions	3,826,650	861,094	1,866,908	556,750	2,941,061	10,052,463
(Disposals)	0	(2,714)	(305)	(10,824)	(741,466)	(755,309)
Revaluation - Increments - (Decrements)	33,552,830 (476,714)	16,431,577 (4,922,315)	4,429,651 (4,914,555)	0 0	0 0	54,414,058 (10,313,584)
Impairment - (Losses) - Reversals	0 0	0 0	0 0	0 0	0 0	0 0
Depreciation - (Expense)	0	(379,366)	(609,886)	(672,476)	(1,366,799)	(3,028,527)
Donated Assets	0	0	0	0	1,452,289	1,452,289
Other Movements	0	0	0	0	0	0
Balance as at 30 June 2014	41,196,012	22,637,551	15,204,831	2,053,213	11,766,611	92,858,218

City of Busselton

Financial Report

For the Year Ended 30th June 2014

Notes to and Forming Part of the Financial Report

	2014 Actual \$	2013 Actual \$
8. Infrastructure		
Roads – Cost	201,893,847	193,002,824
Less Accumulated Depreciation	(53,877,908)	(50,647,344)
	148,015,939	142,355,480
Bridges – Cost	12,616,810	9,908,025
Less Accumulated Depreciation	(2,052,466)	(1,917,757)
	10,564,344	7,990,268
Car Parks – Cost	2,841,195	2,505,233
Less Accumulated Depreciation	(431,738)	(365,011)
	2,409,457	2,140,222
Footpaths / Cycle ways – Cost	18,568,966	15,155,356
Less Accumulated Depreciation	(5,718,924)	(5,204,908)
	12,850,042	9,950,448
Parks, Gardens, Reserves and Community Facilities – Cost	77,851,915	68,252,240
Less Accumulated Depreciation	(16,025,197)	(13,523,454)
	61,826,718	54,728,786
Stormwater Drainage – Cost	42,436,953	39,489,537
Less Accumulated Depreciation	(10,136,168)	(9,626,684)
	32,300,785	29,862,853
Regional Airport and Industrial Park – Cost	4,331,597	4,312,840
Less Accumulated Depreciation	(1,648,922)	(1,538,473)
	2,682,675	2,774,367
	270,649,960	249,802,424

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 2014

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 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
Additions	4,071,843	1,054,454	335,962	2,226,730	6,200,308	230,194	18,757	14,138,248
(Disposals)	(11,072)	(85,932)	0	0	0	0	0	(97,004)
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)	(3,230,564)	(166,714)	(66,727)	(514,016)	(2,501,743)	(509,484)	(110,449)	(7,099,697)
Donated Assets	4,830,252	1,772,268	0	1,186,880	3,399,367	2,717,222	0	13,905,989
Other Movements	0	0	0	0	0	0	0	0
Balance as at 30 June 2014	148,015,939	10,564,344	2,409,457	12,850,042	61,826,718	32,300,785	2,682,675	270,649,960

City of Busselton

Financial Report

For the Year Ended 30th June 2014

Notes to and Forming Part of the Financial Report

	2014 Actual \$	2013 Actual \$
9. Intangibles		
Easements	0	0
Accumulated Impairment Costs	0	0
	0	0
10. Trade and Other Payables		
Current		
Sundry Creditors	2,650,089	3,220,734
Deposits and Bonds	3,477,832	2,271,729
GST Payable	0	0
Accrued Expenses	367,927	219,049
	6,495,848	5,711,512
11. Long-Term Borrowings		
Current		
Secured by Floating Charge		
Debentures	764,209	662,150
	764,209	662,150
Non-Current		
Secured by Floating Charge		
Debentures	6,113,148	3,217,438
	6,113,148	3,217,438
Additional detail on borrowings is provided in Note 23.		
12. Provisions		
Analysis of total provisions:		
Current	3,257,535	3,084,674
Non-Current	549,992	479,087
	3,807,527	3,563,761

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Provision for Sick Leave \$	Total \$
Opening Balance 1 July 2013	1,645,712	1,783,825	134,224	3,563,761
Additional Provisions	1,423,475	446,021	13,013	1,882,509
Amounts Used	(1,386,259)	(242,267)	(10,217)	(1,638,743)
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 2014	1,682,928	1,987,579	137,020	3,807,527

City of Busselton

Financial Report

For the Year Ended 30th June 2014

Notes to and Forming Part of the Financial Report

	2014 Actual \$	2014 Budget \$	2013 Actual \$
13. Reserves – Cash Backed			
100 – Airport Infrastructure Renewal and Replacement Reserve			
Opening Balance	247,141	247,141	188,496
Amount Set Aside / Transfer to Reserve	350,161	58,712	58,645
Amount Used / Transfer from Reserve	0	(125,084)	0
	597,302	180,769	247,141
101 – Asset Depreciation Reserve			
Opening Balance	4,318,492	4,318,492	4,845,227
Amount Set Aside / Transfer to Reserve	157,743	152,124	225,083
Amount Used / Transfer from Reserve	(449,908)	(1,132,000)	(751,818)
	4,026,327	3,338,616	4,318,492
102 – Beach Protection Reserve			
Opening Balance	1,888,001	1,888,001	1,554,281
Amount Set Aside / Transfer to Reserve	507,175	491,558	501,705
Amount Used / Transfer from Reserve	(1,070,418)	(1,193,798)	(167,985)
	1,324,758	1,185,761	1,888,001
103 – Bio Diversity Reserve			
Opening Balance	8,610	8,610	9,186
Amount Set Aside / Transfer to Reserve	209	336	5,540
Amount Used / Transfer from Reserve	(8,819)	(8,946)	(6,116)
	0	0	8,610
104 – Busselton Library Extension Reserve			
Opening Balance	0	0	348,805
Amount Set Aside / Transfer to Reserve	0	0	10,158
Amount Used / Transfer from Reserve	0	0	(358,963)
	0	0	0
105 – Busselton Town Centre Improvements Reserve			
Opening Balance	11,696	11,696	11,169
Amount Set Aside / Transfer to Reserve	301	408	527
Amount Used / Transfer from Reserve	(11,997)	(12,104)	0
	0	0	11,696
106 – Building Reserve			
Opening Balance	1,341,008	1,341,008	1,224,299
Amount Set Aside / Transfer to Reserve	561,071	547,244	571,253
Amount Used / Transfer from Reserve	(401,876)	(475,000)	(454,544)
	1,500,203	1,413,252	1,341,008

City of Busselton

Financial Report

For the Year Ended 30th June 2014

Notes to and Forming Part of the Financial Report

	2014 Actual \$	2014 Budget \$	2013 Actual \$
13. Reserves – Cash Backed (Continued)			
107 – Corporate IT Systems Programme Reserve			
Opening Balance	119,254	119,254	114,037
Amount Set Aside / Transfer to Reserve	4,592	4,200	5,217
Amount Used / Transfer from Reserve	0	0	0
	123,846	123,454	119,254
108 – E.D.P. Equipment (Main) Reserve			
Opening Balance	9,711	9,711	148,671
Amount Set Aside / Transfer to Reserve	339	360	6,040
Amount Used / Transfer from Reserve	(10,050)	(10,071)	(145,000)
	0	0	9,711
110 – Jetty Maintenance Reserve			
Opening Balance	1,278,159	1,278,159	14,228
Amount Set Aside / Transfer to Reserve	1,208,829	1,193,024	1,401,604
Amount Used / Transfer from Reserve	(1,022,036)	(1,335,023)	(137,673)
	1,464,952	1,136,160	1,278,159
111 – Legal Expenses Reserve			
Opening Balance	191,229	191,229	278,240
Amount Set Aside / Transfer to Reserve	57,933	56,732	12,533
Amount Used / Transfer from Reserve	0	0	(99,544)
	249,162	247,961	191,229
112 – Long Service Leave Reserve			
Opening Balance	1,783,825	1,783,825	1,601,268
Amount Set Aside / Transfer to Reserve	446,021	398,494	488,081
Amount Used / Transfer from Reserve	(242,267)	(305,590)	(305,524)
	1,987,579	1,876,729	1,783,825
114 – City Car Parking and Access Reserve			
Opening Balance	1,794,444	1,794,444	1,481,843
Amount Set Aside / Transfer to Reserve	342,798	392,207	369,966
Amount Used / Transfer from Reserve	(2,135,601)	(2,183,991)	(57,365)
	1,641	2,660	1,794,444
115 – Plant Replacement Reserve			
Opening Balance	3,982,028	3,982,028	4,188,454
Amount Set Aside / Transfer to Reserve	655,483	640,280	553,614
Amount Used / Transfer from Reserve	(1,040,227)	(1,893,650)	(760,040)
	3,597,284	2,728,658	3,982,028

City of Busselton

Financial Report

For the Year Ended 30th June 2014

Notes to and Forming Part of the Financial Report

	2014 Actual \$	2014 Budget \$	2013 Actual \$
13. Reserves – Cash Backed (Continued)			
116 – Professional Development Reserve			
Opening Balance	131,749	131,749	182,712
Amount Set Aside / Transfer to Reserve	66,143	64,644	8,197
Amount Used / Transfer from Reserve	(85,996)	(60,000)	(59,160)
	111,896	136,393	131,749
117 – Road Asset Renewal Reserve			
Opening Balance	67,765	67,765	387,345
Amount Set Aside / Transfer to Reserve	333,022	330,588	17,420
Amount Used / Transfer from Reserve	(398,352)	(398,353)	(337,000)
	2,435	0	67,765
118 – Salaries and Wages Contingency Reserve			
Opening Balance	58,668	58,668	56,027
Amount Set Aside / Transfer to Reserve	1,508	2,064	2,641
Amount Used / Transfer from Reserve	(60,176)	(60,732)	0
	0	0	58,668
119 – Sick Pay Incentive Reserve			
Opening Balance	134,224	134,224	143,258
Amount Set Aside / Transfer to Reserve	13,013	4,728	7,779
Amount Used / Transfer from Reserve	(10,217)	0	(16,813)
	137,020	138,952	134,224
120 – Strategic Projects Reserve			
Opening Balance	235,123	235,123	224,537
Amount Set Aside / Transfer to Reserve	34,659	48,280	10,586
Amount Used / Transfer from Reserve	(24,224)	(64,850)	0
	245,558	218,553	235,123
121 – Waste Management Facility and Plant Reserve			
Opening Balance	3,143,189	3,143,189	1,250,226
Amount Set Aside / Transfer to Reserve	3,032,533	1,826,574	2,470,648
Amount Used / Transfer from Reserve	(351,228)	(1,314,989)	(577,685)
	5,824,494	3,654,774	3,143,189
122 – Port Geopraphe Development Reserve (Council)			
Opening Balance	506,854	506,854	443,341
Amount Set Aside / Transfer to Reserve	71,986	68,701	70,257
Amount Used / Transfer from Reserve	(11,544)	(20,000)	(6,744)
	567,296	555,555	506,854

City of Busselton

Financial Report

For the Year Ended 30th June 2014

Notes to and Forming Part of the Financial Report

	2014 Actual \$	2014 Budget \$	2013 Actual \$
13. Reserves – Cash Backed (Continued)			
123 – Port Geographe Waterways Management Reserve			
Opening Balance	3,021,602	3,021,602	2,743,415
Amount Set Aside / Transfer to Reserve	273,891	258,974	278,187
Amount Used / Transfer from Reserve	0	0	0
	3,295,493	3,280,576	3,021,602
124 – Workers Compensation Contingency Reserve			
Opening Balance	247,417	247,417	354,694
Amount Set Aside / Transfer to Reserve	8,733	8,712	16,723
Amount Used / Transfer from Reserve	0	0	(124,000)
	256,150	256,129	247,417
125 – Youth Facilities Reserve			
Opening Balance	34,409	34,409	32,860
Amount Set Aside / Transfer to Reserve	885	1,212	1,549
Amount Used / Transfer from Reserve	(35,294)	(35,621)	0
	0	0	34,409
126 – Provence Landscape Maintenance Reserve			
Opening Balance	417,255	417,255	314,833
Amount Set Aside / Transfer to Reserve	116,432	106,630	102,422
Amount Used / Transfer from Reserve	0	0	0
	533,687	523,885	417,255
127 – Infrastructure Development Reserve			
Opening Balance	2,016,574	2,016,574	3,794,780
Amount Set Aside / Transfer to Reserve	136,654	170,788	763,116
Amount Used / Transfer from Reserve	(375,000)	(1,700,119)	(2,541,322)
	1,778,228	487,243	2,016,574
128 – Vasse Newtown Landscape Maintenance Reserve			
Opening Balance	221,550	221,550	104,020
Amount Set Aside / Transfer to Reserve	136,858	124,994	117,530
Amount Used / Transfer from Reserve	0	0	0
	358,408	346,544	221,550
129 – Untied Grants Reserve			
Opening Balance	1,108,231	1,108,231	1,087,391
Amount Set Aside / Transfer to Reserve	0	0	1,108,231
Amount Used / Transfer from Reserve	(1,108,231)	(1,108,231)	(1,087,391)
	0	0	1,108,231

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Notes to and Forming Part of the Financial Report

	2014 Actual \$	2014 Budget \$	2013 Actual \$
13. Reserves – Cash Backed (Continued)			
130 – Locke Estate Reserve			
Opening Balance	56,000	56,000	0
Amount Set Aside / Transfer to Reserve	58,516	65,968	56,000
Amount Used / Transfer from Reserve	0	0	0
	114,516	121,968	56,000
131 – Busselton Community Resource Centre Reserve			
Opening Balance	12,664	12,664	0
Amount Set Aside / Transfer to Reserve	24,086	25,675	12,664
Amount Used / Transfer from Reserve	0	0	0
	36,750	38,339	12,664
 Total Reserves	28,134,985	21,992,931	28,386,872
 Summary of Cash / Investment Backed Reserves			
Opening Balance	28,386,872	28,386,872	27,127,643
Amount Set Aside / Transfer to Reserve	8,601,574	7,044,211	9,253,916
Amount Used / Transfer from Reserve	(8,853,461)	(13,438,152)	(7,994,687)
	28,134,985	21,992,931	28,386,872

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

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

Airport Infrastructure Renewal and Replacement Reserve

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

Assets Depreciation Reserve

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

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 2014

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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.

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For the Year Ended 30th June 2014

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 Asset Renewal Reserve

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

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 2014

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 2014

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:

	2014 Actual \$	2013 Actual \$
Land and Buildings		
Opening Balance	0	0
Revaluation Increment	54,414,058	0
Revaluation Decrement	(10,313,583)	0
	44,100,475	0
Furniture & Fittings		
Opening Balance	196,941	0
Revaluation Increment	0	196,941
Revaluation Decrement	0	0
	196,941	196,941
 Total Assets Revaluation Surplus	44,297,416	196,941

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:

	2014 Actual \$	2014 Budget \$	2013 Actual \$
Cash and Cash Equivalents	45,748,580	33,406,313	44,514,021
<hr/>			
(b) Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net Result	25,301,173	21,789,523	14,094,105
Depreciation	10,128,224	9,400,496	9,651,499
(Profit) / Loss on Sale of Asset	196,061	116,858	112,562
(Increase) / Decrease in Receivables	788,896	826,428	(1,058,034)
(Increase) / Decrease in Inventories	97,799	1,085	9,854
Increase / (Decrease) in Payables	332,523	(15,217)	3,716
Increase / (Decrease) in Employee Provisions	243,766	(16,124)	302,874
Less : Non-Cash Contributions	(15,358,278)	(1,060,000)	(2,046,335)
Grants/Contributions for the Development of Assets	(7,810,128)	(20,743,288)	(11,066,130)
Non-Current Assets Fair Value Adjustment	0	0	1,068,568
Net Cash from Operating Activities	13,920,036	10,299,761	11,072,679

City of Busselton

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For the Year Ended 30th June 2014

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

	2014 Actual \$	2013 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	764,209	662,150
Loan Facilities – Non-Current	6,113,148	3,217,438
Total Facilities in Use at Balance Date	6,877,357	3,879,588

(e) Non-Cash Contributions

Acquired by Council at Valuation – Furniture and Fittings	0	1,726
Acquired by Council at Valuation – Plant and Equipment	1,452,289	389,663
Developers and Acquired by Council at Valuation - Roads	4,830,252	1,024,032
Developers and Acquired by Council at Valuation - Bridges	1,772,268	0
Developers and Acquired by Council at Valuation - Footpaths	1,186,880	105,300
Developers and Acquired by Council at Valuation – Parks & Gardens	3,399,367	0
Developers and Acquired by Council at Valuation - Drains	2,717,222	525,614
	15,358,278	2,046,335

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 three homes involved.

16.2 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

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For the Year Ended 30th June 2014

Notes to and Forming Part of the Financial Report

16. Contingent Liabilities (Continued)

16.2 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).

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

PJ and LJ Grocock 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 49 Stanley Street, Busselton (of which they are the registered proprietors). Should the parties fail to achieve a negotiated outcome in relation to the claim for compensation, the amount and manner of payment of compensation is to be determined by arbitration in accordance with the Commercial Arbitration Act 2012. Due to complex legal and planning issues 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

	2014 Actual \$	2013 Actual \$
(a) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	407,279	320,325
- later than one year but not later than five years	615,192	538,250
- later than five years	0	0
	1,022,471	858,575

City of Busselton

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For the Year Ended 30th June 2014

Notes to and Forming Part of the Financial Report

17. Capital and Leasing Commitments (Continued)

(b) Capital Expenditure Commitments

	2014 Actual \$	2013 Actual \$
Contracted for:		
<u>Capital projects</u>		
- Jetty Construction	760,579	256,192
- Busselton Community Resource Centre	0	2,844,884
 <u>Payable:</u>		
- not later than one year, Jetty Construction	0	977,387
- 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.

19. Total Assets Classified by Function and Activity

	2014 Actual \$	2013 Actual \$
General Purpose Funding	3,448,629	3,308,686
Governance	1,499,546	3,082,358
Law, Order & Public Safety	3,625,611	2,543,328
Health	171,658	139,152
Education and Welfare	539,000	622,414
Housing	15,941,639	1,703,392
Community Amenities	16,938,670	13,191,539
Recreation and Culture	93,746,350	66,710,947
Transport	224,081,181	199,634,311
Economic Services	2,841,060	3,224,672
Other Property and Services	4,914,227	1,393,812
Unallocated	45,748,580	44,514,021
	413,496,151	340,068,632

City of Busselton

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For the Year Ended 30th June 2014

Notes to and Forming Part of the Financial Report

20. Financial Ratios

	2014 Actual	2013 Actual	2012 Actual
Current Ratio	0.857	0.951	0.921
Asset Sustainability Ratio	1.610	1.815	1.942
Debt Service Coverage Ratio	12.803	8.892	10.990
Operating Surplus Ratio	0.045	0.016	0.082
Own Source Revenue Coverage Ratio	0.973	0.924	0.993

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 Coverage 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 68 of this document.

City of Busselton

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For the Year Ended 30th June 2014

Notes to and Forming Part of the Financial Report

21. Trust Funds

	Balance 01-July-13 \$	Amounts Received \$	Amounts Paid \$	Balance 30-June-14 \$
Builders Registration Board Levies	18,519	289,454	(283,893)	24,080
Building Training Levy	0	342,395	(342,395)	0
Community Appeals	1,000	0	0	1,000
Nomination Deposits	0	0	0	0
Cash in Lieu of P.O.S.	1,700,817	64,748	(8,033)	1,757,532
Sundry Other Trusts	79,689	6,510	(84,249)	1,950
	1,800,025	703,107	(718,570)	1,784,562

22. Disposals of Assets – 2013/14 Financial Year

The following assets were disposed of during the year:

By Function/Activity:-

	Net Book Value		Sale Price		Profit / (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
General Purpose Funding	0	0	0	0	0	0
Governance	45,863	39,481	42,523	46,500	(3,340)	7,019
Law, Order, Public Safety	140,004	59,831	86,668	40,000	(53,336)	(19,831)
Health	0	0	0	0	0	0
Education and Welfare	0	0	0	0	0	0
Housing	0	0	0	0	0	0
Community Amenities	153,029	194,416	153,146	139,000	117	(55,416)
Recreation and Culture	170,686	191,281	138,065	199,100	(32,621)	7,819
Transport	247,390	319,197	141,851	268,300	(105,539)	(50,897)
Economic Services	25,901	31,221	26,200	22,000	299	(9,221)
Other Property & Services	69,441	51,831	67,800	55,500	(1,641)	3,669
	852,314	887,258	656,253	770,400	(196,061)	(116,858)

By Asset Class:-

	Net Book Value		Sale Price		Profit / (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Land and Buildings	3,020	0	0	0	(3,020)	0
Plant and Equipment	741,466	887,258	654,843	770,400	(86,623)	(116,858)
Furniture and Fittings	10,824	0	1,410	0	(9,414)	0
Infrastructure	97,004	0	0	0	(97,004)	0
	852,314	887,258	656,253	770,400	(196,061)	(116,858)

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For the Year Ended 30th June 2014

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 2013	2013/14 Budget	2013/14 Actual	2013/14 Budget	2013/14 Actual	2013/14 Budget	2013/14 Actual	2013/14 Budget	2013/14 Actual	
Education and Welfare													
C	Loan #188 Busselton Senior Citizens	WATC	5.23	06/13	0	0	0	0	0	0	0	0	
Community Amenities													
C	Loan #189 Townscape	WATC	6.13	03/14	195,975	0	0	195,975	195,975	0	0	5,040	
Recreation & Culture													
S	Loan #179 Busselton Tennis Club	WATC	5.53	12/13	4,103	0	0	4,103	4,103	0	0	85	
S	Loan #192 Busselton Tennis Club	WATC	5.74	12/19	40,502	0	0	5,298	5,298	35,204	35,204	2,212	
S	Loan #195 Dunsborough District Country Club	WATC	6.79	06/17	143,353	0	0	32,304	32,304	111,049	111,049	8,923	
S	Loan #196 Dunsborough Bay Yacht Club	WATC	6.16	12/19	17,878	0	0	2,310	2,310	15,568	15,568	1,049	
C	Loan #197 Dunsborough Oval	WATC	6.05	03/20	1,169,051	0	0	144,761	144,761	1,024,290	1,024,290	67,484	
C	Loan #198 Jetty Construction	WATC	6.05	03/20	1,534,377	0	0	189,999	189,999	1,344,378	1,344,378	88,573	
S	Loan #199 Busselton Bowling Club	WATC	5.98	12/20	124,196	0	0	13,544	13,544	110,652	110,652	7,127	
S	Loan #200 Dunsborough Bay Yacht Club	WATC	6.00	12/19	11,528	0	0	1,496	1,496	10,032	10,032	658	
C	Loan #202 Geothermal Heating GLC	WATC	3.98	06/23	533,206	0	0	43,492	43,492	489,714	489,714	21,514	
C	Loan #205 GLC Extensions	WATC	3.92	06/24	0	1,200,000	1,200,000	48,109	0	1,151,891	1,200,000	26,731	
C	Loan #204 Busselton Foreshore	WATC	4.36	06/29	0	4,000,000	1,100,000	89,265	0	3,910,735	1,100,000	148,893	
Transport													
C	Loan #206 Airport Jet A1 Installation	WATC	3.92	06/24	0	350,000	350,000	14,032	0	335,968	350,000	7,797	
C	Loan #203 Land Acquisition for Parking	WATC	4.19	09/21	0	2,200,000	1,100,000	233,901	90,081	1,966,099	1,009,919	95,090	
Economic Services													
S	Loan #182 Cape Naturaliste Tourist Association	WATC	6.60	01/13	0	0	0	0	0	0	0	0	
S	Loan #190 Cape Naturaliste Tourist Association	WATC	6.33	03/14	20,224	0	0	20,224	20,224	0	0	643	
S	Loan #201 Geographe Bay Tourism Association	WATC	4.76	09/21	85,195	0	0	8,644	8,644	76,551	76,551	3,903	
Total - Council and Self-supporting Loans					3,879,588	7,750,000	3,750,000	1,047,457	752,231	10,582,131	6,877,357	485,722	238,817
C	Council Loans are financed by general purpose income.				3,432,609	7,750,000	3,750,000	959,533	664,307	10,223,075	6,518,301	461,122	214,217
S	Self-Supporting Loans are financed by payments from third parties.				446,979	0	0	87,924	87,924	359,056	359,056	24,600	24,600
					3,879,588	7,750,000	3,750,000	1,047,457	752,231	10,582,131	6,877,357	485,722	238,817

City of Busselton

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Notes to and Forming Part of the Financial Report

23. Information on Borrowings (continued)

(b) New Debentures – 2013/14

Particulars / Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges	Interest Rate %	Amount Used		Balance Unspent
	Actual \$	Budget \$						Actual \$	Budget \$	
Loan #205 GLC Extensions	1,200,000	1,200,000	Treasury Corporation	Debenture	10	261,604	3.92%	737,734	1,200,000	462,266
Loan #204 Busselton Foreshore	1,100,000	4,000,000	Treasury Corporation	Debenture	15	410,468	4.36%	0	4,000,000	1,100,000
Loan #206 Airport Jet A1 Installation	350,000	350,000	Treasury Corporation	Debenture	10	76,301	3.92%	0	350,000	350,000
Loan #203 Land Acquisition for Parking	1,100,000	2,200,000	Treasury Corporation	Debenture	8	197,994	4.19%	1,100,000	2,200,000	0
	3,750,000	7,750,000				946,367		1,837,734	7,750,000	1,912,266

(c) Unspent Debentures

Particulars / Purpose	Date Borrowed	Balance 01-July-13 \$	Borrowed During Year \$	Expended During Year \$	Balance 30-June-14 \$
Loan #202 Geothermal Heating GLC	14 th June 2013	282,156	0	282,156	0
Loan #205 GLC Extensions	27 th May 2014	0	1,200,000	737,734	462,266
Loan #204 Busselton Foreshore	27 th May 2014	0	1,100,000	0	1,100,000
Loan #206 Airport Jet A1 Installation	27 th May 2014	0	350,000	0	350,000
		282,156	2,650,000	1,019,890	1,912,266

(d) Overdraft

Council has not utilised an overdraft facility during the financial year 2013/14. The balance of actual bank overdraft as at 1 July 2013 and 30 June 2014 was Nil.

City of Busselton

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For the Year Ended 30th June 2014

Notes to and Forming Part of the Financial Report

24. Rating Information – 2013/14 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	0.084726	12,008	190,154,750	16,110,994	0	16,110,994	16,110,994	0	16,110,994
GRV–Industrial	0.093925	305	14,408,663	1,353,332	0	1,353,332	1,353,332	0	1,353,332
GRV–Commercial	0.093925	1,213	54,654,156	5,133,392	0	5,133,392	4,851,612	0	4,851,612
GRV–Residential Vacant Land	0.084726	473	11,840,610	1,003,205	0	1,003,205	1,003,205	0	1,003,205
GRV–Industrial Vacant Land	0.089250	45	1,148,059	102,464	0	102,464	102,464	0	102,464
GRV–Commercial Vacant Land	0.089250	40	2,232,090	199,214	0	199,214	199,214	0	199,214
UV-Primary Production	0.003228	862	682,601,000	2,203,433	0	2,203,433	2,203,433	0	2,203,433
UV-Rural	0.003060	1,596	783,062,000	2,396,170	0	2,396,170	2,396,170	0	2,396,170
UV-Commercial	0.006119	132	86,125,000	526,998	0	526,998	526,998	0	526,998
Interim Rates		0	0	0	153,601	153,601	0	262,750	262,750
Sub-Totals		16,674	1,826,226,328	29,029,202	153,601	29,182,803	28,747,422	262,750	29,010,172
Minimum \$									
Minimum Differential General Rate									
GRV–Residential	960	996	10,382,886	956,160	0	956,160	956,160	0	956,160
GRV–Industrial	960	11	94,114	10,560	0	10,560	10,560	0	10,560
GRV–Commercial	960	550	3,432,312	528,000	0	528,000	528,000	0	528,000
GRV–Residential Vacant Land	960	1,495	8,895,860	1,435,200	0	1,435,200	1,435,200	0	1,435,200
GRV–Industrial Vacant Land	960	0	0	0	0	0	0	0	0
GRV–Commercial Vacant Land	960	70	379,780	67,200	0	67,200	67,200	0	67,200
UV-Primary Production	960	208	45,510,000	199,680	0	199,680	199,680	0	199,680
UV-Rural	960	825	171,182,500	792,000	0	792,000	792,000	0	792,000
UV-Commercial	960	87	3,092,152	83,520	0	83,520	83,520	0	83,520
Sub-Totals		4,242	242,969,604	4,072,320	0	4,072,320	4,072,320	0	4,072,320
Back Rates / Prior Period Adj. (refer note 27)						94,733			85,800
General Rates						33,349,856			33,168,292
Specified Area Rate (refer note 25)						377,218			361,658
Totals						33,727,074			33,529,950

City of Busselton

Financial Report

For the Year Ended 30th June 2014

Notes to and Forming Part of the Financial Report

24. Rating Information – 2013/14 Financial Year (Continued)

(b) Information on Surplus / Deficit Brought Forward

	<u>2014</u>	<u>2014</u>	<u>2013</u>
	30 June	1 July	30 June
	2014	2013	2013
	C/FWD	B/FWD	C/FWD
	\$	\$	\$
Surplus / (Deficit)	1,393,215	1,727,014	1,727,014
 <u>Comprises:</u>			
Cash - Unrestricted	896,960	1,243,646	1,243,646
Cash - Restricted	44,851,620	43,270,375	43,270,375
Sundry Debtors	2,000,773	2,442,888	2,442,888
Rates Debtors	1,487,797	1,356,762	1,356,762
Inventories	25,702	123,501	123,501
	49,262,852	48,437,172	48,437,172
 <u>Less:</u>			
Sundry Creditors	(2,650,090)	(3,220,734)	(3,220,734)
Sundry Creditors – Deposits and Bonds	(3,477,832)	(2,271,729)	(2,271,729)
Accrued Expenses	(367,927)	(219,049)	(219,049)
	(6,495,849)	(5,711,512)	(5,711,512)
	42,767,003	42,725,660	42,725,660
Add Current Liabilities Cash Backed	3,477,832	2,271,729	2,271,729
Less Restricted Cash	(44,851,620)	(43,270,375)	(43,270,375)
Surplus / (Deficit)	1,393,215	1,727,014	1,727,014

Difference:

There was no difference between the Surplus 1 July 2013 Brought Forward position used in the 2014 audited financial report and the Surplus Carried Forward position as disclosed in the 2013 audited financial report.

City of Busselton

Financial Report

For the Year Ended 30th June 2014

Notes to and Forming Part of the Financial Report

25. Specified Area Rate - 2013/14 Financial Year

	Rate in \$	Basis of Rate	Rateable Value \$	Rate Revenue \$	Budget Rate Revenue \$	Applied to Costs \$	Budget Applied to Costs \$
Port Geographe							
• Rate	0.014503	GRV	10,517,670	152,534	152,534	152,534	152,534
• Interim Rate				1,212	0	1,212	0
• Back Rate				0	0	0	0
				153,746	152,534	153,746	152,534

	Rate in \$	Basis of Rate	Rateable Value \$	Rate Revenue \$	Budget Rate Revenue \$	Applied to Costs \$	Budget Applied to Costs \$
Provence							
• Rate	0.013335	GRV	6,817,070	90,906	90,906	90,906	90,906
• Rate	0.000121	UV	8,462,000	1,024	1,024	1,024	1,024
• Interim Rate				6,138	0	6,138	0
• Back Rate				0	0	0	0
				98,068	91,930	98,068	91,930

	Rate in \$	Basis of Rate	Rateable Value \$	Rate Revenue \$	Budget Rate Revenue \$	Applied to Costs \$	Budget Applied to Costs \$
Vasse							
• Rate	0.017450	GRV	6,715,990	117,194	117,194	117,194	117,194
• Rate		UV	0	0	0	0	0
• Interim Rate				8,210	0	8,210	0
• Back Rate				0	0	0	0
				125,404	117,194	125,404	117,194

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

26. Service Charges – 2013/14 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 2014

Notes to and Forming Part of the Financial Report

27. Discounts, Incentives, Concessions & Write-offs – 2013/14 Financial Year

	Type	Discount %	Total Cost / Value \$	Budget Cost / Value \$
Back Rates Levied / Prior Period Adjustments	Adjustment	0	94,733	85,800
Write-offs	Write-off	0	0	0
		0	97,733	85,800

28. Interest Charges and Instalments – 2013/14 Financial Year

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates	11.00%	0.00	176,479	109,100
Interest on Instalments Plan	5.50%	0.00	176,847	170,600
Charges on Instalment Plan	0.00%	4.00	91,003	82,300
			444,329	362,000

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 12th September 2013 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 12th September 2013 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 12th September 2013
- 2nd Instalment 14th November 2013
- 3rd Instalment 14th January 2014
- 4th Instalment 14th March 2014

City of Busselton

Financial Report

For the Year Ended 30th June 2014

Notes to and Forming Part of the Financial Report

	2014 Actual \$	2013 Actual \$
29. Fees & Charges		
General Purpose Funding	107,123	90,466
Governance	1,307	566
Law, Order & Public Safety	187,799	113,389
Health	321,275	176,727
Education and Welfare	151	147
Housing	390,340	383,733
Community Amenities	7,337,539	7,075,769
Recreation and Culture	2,134,866	1,758,038
Transport	1,218,255	645,887
Economic Services	1,829,172	1,682,394
Other Property and Services	62,274	60,445
	<u>13,590,101</u>	<u>11,987,561</u>

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

	2014 Actual \$	2013 Actual \$
30. Grant Revenue		
By Nature and Type:		
Operating Grants, Subsidies and Contributions	4,741,717	6,403,843
Non- Operating Grants, Subsidies and Contributions	22,979,810	13,335,147
	<u>27,721,527</u>	<u>19,738,990</u>
By Program:		
General Purpose Funding	1,302,731	2,636,292
Governance	237,748	150,123
Law, Order & Public Safety	1,701,437	982,051
Health	72,764	24,960
Education and Welfare	5,667	2,531
Housing	3,646	11,721
Community Amenities	879,695	460,664
Recreation and Culture	8,451,474	6,943,478
Transport	14,749,463	8,216,290
Economic Services	52,699	28,810
Other Property and Services	264,203	282,070
	<u>27,721,527</u>	<u>19,738,990</u>

City of Busselton

Financial Report

For the Year Ended 30th June 2014

Notes to and Forming Part of the Financial Report

	2014 Actual \$	2014 Budget \$	2013 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	75,000
Councillors Sitting Fees	205,882	205,500	76,479
Travelling Allowance - Councillors Meetings	14,622	12,500	12,162
Communication Allowance	31,223	21,600	23,027
Other Allowance	3,952	9,000	4,866
	<u>330,679</u>	<u>323,600</u>	<u>191,534</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

2014	2013
278	266

34. Major Land Transactions

Council did not participate in any major land transactions during the 2013/14 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 2013/14 financial year.

City of Busselton

Financial Report

For the Year Ended 30th June 2014

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	
	2014	2013	2014	2013
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	45,748,581	44,514,021	45,748,581	44,514,021
Receivables	4,213,692	4,591,858	4,213,692	4,591,858
Financial assets at fair value through profit or loss	0	0	0	0
	<u>49,962,273</u>	<u>49,105,879</u>	<u>49,962,273</u>	<u>49,105,879</u>
Financial Liabilities				
Payables	3,018,016	3,439,783	3,018,016	3,439,783
Borrowings	6,877,358	3,879,588	5,953,685	3,516,662
	<u>9,895,374</u>	<u>7,319,371</u>	<u>8,971,701</u>	<u>6,956,445</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 2014

Notes to and Forming Part of the Financial Report

36. Financial Risk Management (Continued)

(a) Cash and cash equivalents

Financial Assets at Fair Value through Profit and Loss

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 2014	30 June 2013
	\$	\$
Impact of a 10% ⁽¹⁾ movement in price of investments:		
• Equity	0	0
• Statement of Comprehensive Income	(2) 0	0
Impact of a 1% ⁽¹⁾ movement in interest rates on cash and investments:		
• Equity	0	0
• Statement of Comprehensive Income	0	0

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 2014

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 2014	30 June 2013
	\$	\$
Percentage of Rates and Annual Charges		
• Current	1.40%	9.65%
• Overdue	98.60%	90.35%
Percentage of Other Receivables		
• Current	98.84%	99.29%
• Overdue	1.16%	0.71%

City of Busselton

Financial Report

For the Year Ended 30th June 2014

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 \$
2014					
Payables	3,018,016	0	0	3,018,016	3,018,016
Borrowings	1,095,029	4,297,662	3,009,858	8,402,549	6,877,357
	<u>4,113,045</u>	<u>4,297,662</u>	<u>3,009,858</u>	<u>11,420,565</u>	<u>9,895,373</u>
2013					
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>

City of Busselton

Financial Report

For the Year Ended 30th June 2014

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 2014</u>								
Borrowings								
Fixed Rate								
Debtentures	0	0	111,048	0	0	6,766,309	6,877,357	4.87%
Weighted Average Effective Interest Rate	0.00%	0.00%	6.79%	0.00%	0.00%	4.48%		
<u>Year Ended 30 June 2013</u>								
Borrowings								
Fixed Rate								
Debtentures	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%		

**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 2014, 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 2014, a summary of significant accounting policies and other explanatory notes, and the Chief Executive Officer's statement.

Management's responsibility for the financial report

Management 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 Management 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.

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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 2014 and of its performance for the financial year ended 30 June 2014;
- 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. The asset consumption ratio and the asset renewal funding ratio included in the annual financial report are supported by verifiable information and reasonable assumptions.
- iv. All necessary information and explanations were obtained by us.
- v. All audit procedures were satisfactorily completed during our audit.

AMD Chartered Accountants



TIM PARTRIDGE
Partner

Bunbury, Western Australia

Dated this 7th day of October 2014

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Independent Member of
B K R
INTERNATIONAL

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City of Busselton

Financial Report

For the Year Ended 30th June 2014

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.

	2014 Actual	2013 Actual	2012 Actual
Asset Consumption Ratio	0.676	0.544	N/A
Asset Renewal Funding Ratio	1.000	1.000	N/A

The above ratios are calculated as follows:

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

Note:

In keeping with amendments to Local Government (Financial Management) Regulation 50, a comparative for the preceding year (being 2012) has not been reported as financial information is not available.